Velliv

Policy and guidelines for responsible investments and active ownership

Date of approval: 30 October 2024.

Administrator: Sustainable Investments, Data & Support

1. Introduction and objectives

The purpose of this policy and guidelines for responsible investments and active ownership is to specify Velliv, Pension & Livsforsikring A/S's ('**Velliv**') approach to responsible investments and active ownership.

Furthermore, the policy and guidelines define the framework for Velliv's work to integrate sustainability into its investment portfolio as well as the procedures for monitoring and reporting on the area. The policy and guidelines are applicable whenever Velliv manages pension funds and therefore apply to both internally and externally managed investments made by Velliv, just as the policy applies to both actively and passively managed investments. Conversely, the policy is not applicable when customers create their own portfolios.

The policy and guidelines are available to all employees of Velliv and can be found on Velliv's website and in VelRisk.

2. Policy

The policy contains the Board of Director's overall strategic objectives for the area, including the identification and scope of the risks Velliv is willing to assume as well as a description of how the strategic objectives are to be achieved.

2.1. Strategic objectives and principles for the integration of sustainability

As a responsible investor, Velliv's strategic objective is to work towards creating an investment portfolio that makes a greater contribution to sustainable change and has a lesser adverse impact on society and the climate while also generating the best possible return. The following sections describe Velliv's goals and ambitions for selected focus areas.

2.1.1. International principles for responsibility and sustainability

Sustainability is a key element in Velliv's understanding of responsible investment. Velliv's approach to responsible investment is therefore based on the internationally recognised principles for responsibility and sustainability that Velliv has signed up to, including the:

- UN Principles for Responsible Investment (UNPRI),
- UN Global Compact (UNGC),
- UN Guiding Principles on Business and Human Rights, and
- OECD Guidelines for Multinational Enterprises.

2.1.2. Climate

To support the objectives of the Paris Agreement, Velliv has joined the *Paris Aligned Investment Initiative (PAII)* and has therefore committed to having a CO_2e-neutral investment portfolio[1] by 2050, at the latest. Velliv has also had its near-term science-based targets approved by the *Science Based Targets initiative (SBTi)*. SBTi is a globally recognised standard that ensures scientific validation of the CO_2e reduction targets of enrolled companies.

Velliv focuses on contributing to the sustainable transition of the real economy through active ownership and the selection of investments that support the green transition. Velliv does not employ exclusion as its primary tool.

Velliv has set the following climate-related targets for our investment portfolio:

- 60% reduction in the investment portfolio's CO_2e emissions stemming from listed equities and corporate bonds as well as real estate by 2030 compared to 2019, and
- 20% of assets under management to be invested in assets that support the green transition by 2030.

2.1.3. Biodiversity

Velliv's goal is to minimise the adverse impact of our investments on biodiversity. By signing the *Finance for Biodiversity Pledge*, Velliv commits to taking action through our investment activities.

2.1.4. Impact Investments

As a responsible investor, Velliv will increase its focus on making Impact Investments, as Velliv views this type of investment as playing a particularly important role in supporting sustainable development. Impact Investments are investments that aim to have a measurable impact on our society while also generating a financial return ('**Impact Investments'**).

2.1.5. Responsible taxation

Aggressive tax planning can have significant negative consequences for society, such as greater financial inequality and unfair competition. Velliv repudiates aggressive tax planning and expects that the companies in which Velliv invests pursue responsible tax practices. Velliv has aligned with the common tax principles for Danish pension funds (Tax Code of Conduct), which aim to ensure responsible tax behaviour when making unlisted investments through external asset managers.

2.1.6. How Velliv is a responsible investor

2.1.6.1. Double Materiality

In our work as a responsible investor, Velliv considers both how a risk can negatively affect the value of Velliv's investments from a sustainability perspective (Sustainability Risk), and also how the investment can affect society (Sustainability Factor).

In accordance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ('**Sustainable Finance Disclosure Regulation – SFDR'**) Article 2(24), a Sustainability Factor means environmental, social or governance matters (a '**Sustainability Factor**'). An investment can impact Sustainability Factors in society both positively and negatively. An example of an investment that impacts Sustainability Factors positively is an investee company that aim to eradicate poverty or support gender equality. Conversely, an investment will impact Sustainability Factors

[1] CO_2e stands for carbon dioxide equivalents and signifies that the various types of greenhouse gas emissions are converted to their CO_2 equivalent.

negatively if the investee company does not sufficiently consider the climate and environment; for example, if its production processes are very polluting. This two-sided approach is also known as double materiality.

2.1.6.2. Active ownership

Velliv practices active ownership as part of its strategic objective of being a responsible investor. Active ownership is pursued through reactive and proactive dialogues with companies and asset managers as well as through voting at the general meetings of investee companies. Dialogue and voting are important tools for influencing companies to manage Sustainability Risks responsibly and to contribute to a sustainable transition of the global economy by addressing relevant Sustainability Factors. Sustainability Risks and Sustainability Factors are defined in sections 2.1.6.1.1 and 2.2.1. Velliv's work with active ownership is further elaborated on in section 2.3.6.

2.1.6.3. Collaborations and partnerships

Velliv is engaged in a number of partnerships with other investors to help increase focus on selected Sustainability Factors and Sustainability Risks in the market. Formal as well as informal partnerships with other investors can increase our influence on the companies in which we have invested.

In addition, collaborations and partnerships provide an opportunity to jointly influence the political bodies that define the framework for how companies and the financial markets can contribute to a sustainable transition of the global economy that takes into account all social groups. Collaborations with other investors are undertaken as an extension of Velliv's strategic objectives and ambitions, and our current partnerships are listed on Velliv's website.

2.1.6.4. Exclusions

Velliv employs exclusion to minimise the adverse impact of our investments on Sustainability Factors. Based on exclusion criteria, Velliv identifies companies and sectors whose activities do not, in our view, create positive changes in society that benefit sustainable development. Velliv has therefore formulated exclusion criteria for the oil and gas industry, for example.

Excluding companies also means that we reduce exposure to the Sustainability Risks associated with these companies. One example of this is Velliv's exclusion of fossil fuel investments in upstream activities and utility companies unless Velliv assesses that the company has implemented measures and initiatives that are aligned with a low-carbon economy. This specific exclusion criteria reduce exposure to fossil fuel companies, which represent substantial transition risks as defined in section 2.2.2. Similarly, Velliv's country exclusions mean no investments are made in government bonds in countries where Velliv assesses the approach to governance and administration as unsatisfactory. This includes countries that have an elevated risk of corruption as well as a low degree of political stability, which increases the risk of financial loss for investors. Country exclusions thus reduces exposure to Sustainability Risks associated with investments in government bonds.

With regard to investments already included in Velliv's investment portfolio, Velliv generally aims to engage these companies in dialogue rather than exclude them in the event of a failure to live up to this policy. Nevertheless, exclusion can be a necessary tool in situations where the company's desire or will to change is lacking.

Velliv's broad exclusion criteria apply to Velliv's portfolio of listed equities and corporate bonds that Velliv holds in its own custody account. Velliv cannot insist on compliance with the exclusion list in external funds where Velliv does not have a controlling influence. With other asset classes, the approach is implemented to the extent possible.

Velliv excludes:

- Companies where more than 5% of revenue originates from the extraction of thermal coal,
- Companies with revenue that originates from doing business that involves the extraction of thermal coal or coal in energy production, and who have plans for thermal coal expansion,
- Companies where more than 5% of revenue originates from the extraction and production of oil and gas and which employ unconventional methods, which encompasses oil sands, Arctic drilling and fracking,
- Companies where more than 5% of revenue originates from research into the potential for extracting and/or producing oil and gas and for the use of thermal coal, oil or gas in energy production, unless Velliv assesses the company is undergoing a transition that aligns with a low-carbon economy,
- Companies that produce nuclear weapons or sanctioned weapons, such as cluster bombs or anti-personnel mines.
- Companies that by dealing in weapons breach applicable UN weapon sanctions, and
- Companies where more than 5% of revenue derives from the production of tobacco.

In addition, Velliv does not invest in countries that appear on UN or EU sanction lists. Furthermore, Velliv does not invest in government bonds issued by countries where Velliv assesses their approach to governance and administration as unsatisfactory. The assessment is mainly based on criteria, analyses and reports as determined by the Executive Board cf. the guidelines below.

Velliv's criteria for the exclusion of companies and countries are also stated on Velliv's website.

2.1.6.5. Sustainability options through varied investment products

The definition in article 2(17) of the SFDR forms the basis for Velliv's definition of a sustainable investment (a '**Sustainable Investment**'). A Sustainable Investment at Velliv is an investment that encompasses economic activities that fulfil the following criteria:

1. The investment must pursue economic activities that make a material positive contribution to environmental and/or social objectives,
2. The investment must not pursue economic activities that significantly harm other environmental or social objectives, and
3. Companies that Velliv invests in must practice good governance.

The Board of Directors lays down the underlying principles for the calculation methodology and the minimum share of Sustainable Investments in the savings products managed by Velliv in the investment instruction (framework document). The Board of Directors also decides the minimum share of investments that are in compliance with the Taxonomy Regulation. Determination of more detailed methods of measurement and criteria for the individual savings products managed by Velliv and for the individual asset classes is delegated to the Executive Board and their relevant business units, which enables consideration of the variations between savings products, asset classes, geographical location of the particular investment, available data, etc.

Velliv wishes to offer customers a broad range of investment options and therefore offers both active and passive management of our customers' pension savings. These products aim to promote environmental and social characteristics in accordance with SFDR Article 8. Furthermore, the actively managed products also provide a commitment with regard to a minimum share of Sustainable Investments.

The degree of integration of Sustainability Factors varies for the savings products. In VækstPension Index, environmental and social characteristics are mainly promoted through exclusion and active ownership. In VækstPension Aktiv, Velliv actively selects investments that it classifies as Sustainable Investments in addition to practising active ownership and undertaking exclusions. VækstPension Aftryk is further differentiated by having a greater focus on selecting investments that contribute to sustainable development, including a higher share of Sustainable Investments.

Below, is a description of the overall methods and processes Velliv employs in its work with Sustainability Factors and -Risks. Further information on the implementation of the current policy and the integration of Sustainability Risks and Sustainability Factors into the individual products can be found in the pre-contractual documents on our website.

2.2. Risks within the area

As a universal investor, Velliv is broadly exposed to the global financial markets as well as various asset classes, sectors and companies, which means that Velliv is also broadly exposed to risks and opportunities within the sustainability area that can affect investment return and which Velliv must therefore take into consideration. Below, we define and describe the Sustainability Risks and Sustainability Factors associated with being a responsible investor as well as the attendant risks involved.

2.2.1. Definition of Sustainability Risks

According to SFDR article 2(22), a sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment ('**Sustainability Risks**'). Velliv's integration of Sustainability Risks into investment decision-making processes and into its ongoing monitoring is described in sections 2.3.3. and 2.3.4.

Sustainability Risks can be classified into more specific risks depending on the type of asset, geography and the relevant characteristics in the value and supply chains for the specific investment. In sections 2.2.2.-2.2.4 below, we elaborate on the Sustainability Risks that Velliv has assessed to be particularly relevant across our investments.

2.2.2 Climate risks

Climate risks constitute a share of the Sustainability Risks that can affect investment return in the form of (1) physical risks connected with climate change and/or (2) transition risks in connection with the transition to a low-carbon economy that is not based on fossil fuels to the same extent as at present.

Climate change can affect business operations across sectors, industries and geographies, and therefore represents a significant external risk for Velliv's investment portfolio. Likewise, the green transition places considerable demands on companies – both practical and legislative – and can entail significant risks in value and supply chains and hence the opportunities to produce and deliver products and services if the necessary measures are not taken.

Examples of climate risks in Velliv's investment portfolio

Physical climate risks could potentially be associated with Velliv's real estate investments. An increase in the extent and frequency of extreme weather conditions could affect the market value of a real estate investment if the property is located in an area that is exposed to extreme weather phenomena (for example, close to a coast). Likewise, transition risks may be associated with Velliv's investment exposure to companies in CO_2-intensive industries that do not have a business model compatible with a low-carbon economy. These industries may risk incurring charges that cannot necessarily be passed on to consumers, or may contribute to competing companies, industries or technologies becoming more attractive. An example here is companies in the fossil fuel sector, which are likely to be increasingly challenged by competing alternatives, such as renewable sources of energy.

2.2.3. Biodiversity risks

Biodiversity risks constitute a share of the Sustainability Risks Velliv is exposed to. Biodiversity risks are risks associated with the degradation or loss of biological diversity; in other words, animals, plants and micro-organisms that can have major financial impacts on Velliv's investments because they are to a lesser or greater extent dependent on the resources they derive from nature.

Examples of biodiversity risks in Velliv's investment portfolio

Multiple companies that Velliv invests in are dependent on nature to be able to produce their products. For example, some companies are dependent on water, arable land, raw materials – including wood – or the pollination of certain crops. Loss of species or habitats can mean supply chain disruptions or a lack of resources. This can affect the investee companies' revenue potential and so have a negative impact on the market value of the companies.

2.2.4. Social and governance risks

Social and governance risks constitute a share of the Sustainability Risks Velliv is exposed to. Social and governance risks are risks associated with a lack of due consideration of international principles for responsibility and sustainability, as mentioned in section 2.1.1. Among other things, social risks concern social matters such as respect for labour and human rights. Governance risks concern matters such as conflicts of interest, corruption and unethical business management, including tax positions.

Examples of social and governance risks in Velliv's investment portfolio

Social risks can arise when, for example, Velliv has directly or indirectly invested in production companies that have not implemented minimum wage requirements or that fail to comply with other labour rights. This could result in a risk of dissatisfaction and strike action by company employees, which might have consequences for the company's productivity. The company also risks legal action and fines. These situations can all lead to financial losses for the company, which in turn can negatively affect the company's market value and hence the value of Velliv's investment.

Governance risks can be of particular relevance for the government bond asset class. A change of government may mean a dramatic shift in a country's economic policy and so reduce (or increase) the probability of growth and thus tax projections being realised, which affects the ability of governments to repay their debts.

2.2.5. Other attendant risks in the sustainability area

2.2.5.1. Compliance risks in the sustainability area

Compliance risks encompass the risk that Velliv does not comply with the sustainability regulations in connection with its investments. For example, if Velliv fails to maintain the minimum share of Sustainable Investments (as defined in section 2.1.6.5) in its savings products that the customer has been promised. Failure to comply with the sustainability regulations can result in reprimands and orders from the supervisory authorities.

2.2.5.2. Operational risks in the sustainability area

Operational risks are risks that Velliv's operations in the investment area do not include the necessary processes and business procedures to comply with the company's obligations as a responsible investor. This could be in relation to meeting requirements in the area as set out in applicable regulations, but also includes insufficient processes, business procedures and resources to achieve the strategic objectives that Velliv has in the sustainability area, cf. section 2.1. The consequences may be a failure to comply with the sustainability regulations and also a failure to achieve Velliv's strategic objectives in the area.

2.2.5.3. Reputational risks in the sustainability area
Velliv is also exposed to reputational risks through its work with sustainability. Reputational risks can, for example, arise as the world's (including customers', partners', politicians', etc.) expectations of Velliv as a responsible investor increase. The realisation of negative sustainability events in Velliv's investee companies can adversely affect Velliv's reputation, as the realisation may be perceived as the result of Velliv not living up to its obligations in the area. The consequences of this might include declining customer satisfaction and potential customer loss.

2.2.6. Velliv's risk appetite

The risk assessment is tailored to and depends on the individual investment opportunity. With regard to investment decisions and the ongoing monitoring of Velliv's investments, Sustainability Risks (as defined in section 2.2.1.) and the attendant risks (as described in section 2.2.5.) are considered on equal terms with other risks in the investment area to the extent possible given currently available data, methods of measurement, etc.

2.3. Methods and overall processes

Velliv works with Sustainability Factors and Sustainability Risks in connection with both investment decisions and in the ongoing monitoring of the investment portfolio as described in the sections below.

2.3.1. Integration and management of Sustainability Factors in investment decisions
Velliv integrates Sustainability Factors into its investment decisions both by defining in the exclusion criteria what Velliv will refrain from investing in and through the selection process for determining which investments will be included in Velliv's investment portfolio. As described in section 2.1.6.4, Velliv uses exclusion as a tool to i.a. minimise the investment portfolio's adverse impacts on Sustainability Factors.

When selecting investments that Velliv holds in its own custody account and actively manages, an analysis is made of the investee company prior to the investment decision. This analysis highlights Sustainability Factors, i.e. how the investment can impact society positively and/or negatively. The analysis is tailored to the possibilities in the individual asset class and is also influenced by which of Velliv's actively managed products the investment will be made through. The asset class is crucial for determining which information on Sustainability Factors can be included in the analysis, while the savings product determines the product-specific assessments that have to be included in the analysis. For example, stricter demands are placed on investments in VækstPension Aftryk compared with VækstPension Aktiv, as VækstPension Aftryk, among other things, commits to a higher share of Sustainable Investments.

Common to all investments is an assessment of how the investment supports Velliv's strategic objectives as described in sections 2.1.2.-2.1.5. To support its strategic objectives, Velliv therefore selects investments that it assesses have a positive impact on society. Within the fixed-income asset class, this includes investments in labelled bonds, i.e. green, social or sustainability-related bonds. In the asset class real assets, this includes certified forests and infrastructure investments that support the transition to a low-carbon economy.

With regard to the integration of Sustainability Factors in connection with external management, please refer to section 2.3.5.

2.3.2. Monitoring and management of Sustainability Factors in the investment portfolio
As well as integrating consideration of Sustainability Factors into the investment decision-making process, Velliv also continually monitors and manages the impact of the investment portfolio on Sustainability Factors – both negative and positive – as described in the following sections.

Velliv

2.3.2.1. Monitoring and management of the investment portfolio's principal adverse impacts on Sustainability Factors

Velliv takes into account the Principal Adverse Impacts (PAI - in accordance with SFDR) that our investment decisions can have on Sustainability Factors.

The investments' principal adverse impacts on Sustainability Factors are monitored using the mandatory PAI indicators. Furthermore, Velliv also works with additional climate-related and other environment-related indicators as well as additional social indicators, as defined in the Disclosure Delegated Regulation (tables 2 and 3). Selection of relevant voluntary indicators for monitoring the investments' principal adverse impacts on Sustainability Factors is delegated to the Executive Board and their relevant business units, which once a year have to evaluate which voluntary indicators Velliv has to monitor alongside the mandatory indicators.

Velliv continually monitors the mandatory and selected voluntary PAI indicators for the purpose of identifying where there is assessed to be undesirable adverse impacts on Sustainability Factors from the investment portfolio. If an investment is identified as having a significant adverse impact on Sustainability Factors, Velliv can engage in dialogue with the company or the relevant asset manager. If no desire or willingness to improve is evident, divestment may be necessary.

In connection with the above, Velliv prepares and publishes the required disclosures in accordance with the SFDR. The annual statement on the principal adverse impacts (PAI) of investment decisions on Sustainability Factors is available on our website (in Danish). Periodic reports on the individual savings products that disclose the individual savings product's negative impacts on Sustainability Factors can also be found here.

2.3.2.2. Monitoring the investment portfolio's compliance with Velliv's strategic objectives

Velliv continually monitors how Velliv's investment portfolio contributes to achieving its strategic objectives in the sustainability area, as described in sections 2.1.2.-2.1.5. This is done using data from external providers to monitor the impact of the investment portfolio on selected Sustainability Factors. The Board of Directors receives an annual progress update on the strategic objectives.

2.3.3. Integration and management of Sustainability Risks in investment decisions

2.3.3.1. Integration of Sustainability Risks when selecting investments internally

For investments in actively managed products that Velliv manages internally, Sustainability Risks are identified via the use of Velliv's exclusion criteria, as described in section 2.1.6.5, as well as investment analyses that are tailored to the possibilities for each individual asset class.

When selecting new investments, identification and consideration of Sustainability Risks are included in the decision-making process. In the analysis of Sustainability Risks in the investment decision-making process, Velliv distinguishes between internal and external Sustainability Risks that the investee company can have more or less control of. This could be external Sustainability Risks imposed on the investment (e.g. climate change) or Sustainability Risks that arise internally in the organisation (e.g. due to a lack of precautions to avoid occupational injury).

The integration of Sustainability Risks into Velliv's internally managed investments is tailored to the individual asset class. An example of this is given for Velliv's internally managed investments in listed equities for VækstPension Aftryk. For every company in this asset class, key Sustainability Risks are identified across environmental, social and governance (ESG) factors. The key Sustainability Risks for the individual company heavily depend on the company's type of activity, which is identified by sector classification, just as the risks are affected by the company's geographical location, etc. An assessment is made of whether the company manages each of the key Sustainability Risks satisfactorily. For example, by looking at the company's historical ESG-related incidents (if any), as this may provide an indication of whether the company's behaviour reflects its own policies and targets.

2.3.4. Monitoring and management of Sustainability Risks in the investment portfolio

As well as identifying and managing Sustainability Risks prior to a new investment, Velliv also undertakes continual monitoring of Sustainability Risks in our existing investment portfolio. This monitoring is done both at an overall investment portfolio level while also being undertaken at asset class level, depending on the available data.

2.3.4.1. Monitoring of Sustainability Risks

Sustainability Risks in Velliv's investment portfolio are monitored using available data and information for the individual asset classes. One example is the regular analyses undertaken of the sustainability profile of Velliv's current real estate investments with the aim of identifying where there is a need to reduce the probability of Sustainability Risks by, for example, upgrading an existing property's energy label. Another example is Velliv's internally managed portfolio of listed equities for VækstPension Aftryk, where investments are continually monitored in relation to material Sustainability Risks. This is done by using data from external providers on, for example, current incidents and the investee company's management of environmental, social and governance matters. If a company does not sufficiently address its Sustainability Risks, a divestment may be necessary.

2.3.4.2. Climate reporting

Velliv produces an annual climate report on its investments based on the recommendations on financial climate reporting (**Task Force on Climate-Related Financial Disclosures**, TCFD). The report addresses our work within the following areas:

- Governance,
- Strategy,
- Risk management, and
- Key figures and targets.

To identify climate-related Sustainability Risks, an analysis is performed using climate scenarios that expect low and high temperature increases, respectively. A summary of the climate report is available on Velliv's website (in Danish).

2.3.5. Management of Sustainability Factors and Risks with external asset management

2.3.5.1. Integration of Sustainability Factors and Risks when selecting asset managers

When selecting external asset managers, Velliv undertakes an assessment of the external asset manager's integration of Sustainability Risks and Sustainability Factors. Among other things, Velliv considers the external asset manager's:

- Views on sustainability, including policies and approach to the sustainability area,
- The organisation of the work with sustainability, incl. employees, committees, etc, and
- The integration of Sustainability Factors and Sustainability Risks into the investment process.

The assessment ensures that the selected asset managers and their investment approaches meet Velliv's requirements for responsibility and sustainability (i.e. are aligned with Velliv's strategic objectives and principles as described in sections 2.1.1-2.1.4) and also comply with the sustainability characteristics Velliv has pledged to customers for their chosen savings product.

Velliv

2.3.5.2. Monitoring of external asset managers' work with Sustainability Factors and -Risks

Velliv monitors its external asset managers to ensure they continue to comply with Velliv's responsibility and sustainability requirements. This monitoring includes an annual review of the individual asset manager's work with Sustainability Factors and -Risks based on information gathered from the relevant asset managers.

Should our monitoring show that an external asset manager is non-compliant with Velliv's requirements for responsibility and sustainability, a dialogue is initiated with the asset manager. If the asset manager fails to improve their management of relevant Sustainability Factors and Risks, Velliv will undertake an overall assessment of the asset manager and based on this decide if the collaboration should end.

2.3.6. Use of active ownership to manage Sustainability Factors and Sustainability Risks

Active ownership is a key tool in Velliv's work to manage Sustainability Factors and Sustainability Risks in its investment portfolio – both in relation to the individual companies in which Velliv invests and the asset managers who invest on behalf of Velliv. Our work with active ownership comprises voting at general meetings, proactive dialogues aimed at promoting selected Sustainability Factors or initiatives, and reactive dialogues with companies in the event of non-compliance with international principles, including UN Principles for Responsible Investment (UNPRI), UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises.

2.3.6.1. Voting at general meetings

Velliv votes at the general meetings of listed companies through an external advisor granted power of attorney to vote on Velliv's behalf ('**Proxy voting**'). Votes are cast at the general meetings of all companies in actively managed mandates where Velliv is entitled to vote. In passively managed mandates, votes are cast where the Executive Board assesses our holding to be material. Velliv has chosen to use the Institution Shareholder Services' (ISS) *Sustainability Voting Guidelines* as the basis for voting, as these contain criteria aligned with Velliv's strategic objectives.

Velliv's voting actions aim to mitigate Sustainability Risks by, for example, voting against board candidates who have failed to adequately manage Sustainability Risks. Velliv also promotes Sustainability Factors by voting for new initiatives in the sustainability area, such as that a company should adopt climate goals aligned with the Paris Agreement, etc. Velliv monitors a sample of the voting activity according to selected categories to ensure the voting is compliant with our policy, but Velliv can at any time depart from the voting policy if that is considered appropriate – based on a concrete assessment – for Velliv to achieve its strategic objectives.

Velliv reports annually on its active ownership efforts. The latest report can be viewed on Velliv's website, and contains a summary as well as examples of activities over the past financial year. The voting policy and how Velliv has voted at the past year's general meetings is available on Velliv's voting portal. Velliv does not participate in securities lending and can therefore vote in all the funds where Velliv is entitled to vote.

2.3.6.2. Proactive dialogues

Velliv engages in proactive dialogues with companies in its investment portfolio to support sustainable development and create positive change that benefits the climate and society. Companies are prioritised in accordance with Velliv's strategic objectives, cf. section 2.1, as well in cases where data analysis has shown improvement potentials that Velliv wants to achieve at certain companies. Velliv also participates in investor groupings and campaigns in which investors work together to promote the sustainable agenda among companies – where this is assessed to help facilitate Velliv in achieving its strategic objectives described in section 2.1. Examples could include companies being jointly urged to prepare transition plans, meet defined CO_2 reduction targets, comply with international labour rights or disclose their impact within sustainability-related themes.

Finally, Velliv also engages in dialogue with external asset managers. The dialogue ensures regular sparring and adjustments to the asset managers' approaches to investments, so they are aligned with Velliv's approach, cf. description in section 2.3.5.2.

2.3.6.3. Reactive dialogues

Velliv continually monitors the companies in its investment portfolio based on the international principles listed in section 2.1.1, which concern social and environmental matters as well as corporate governance. As part of our active ownership efforts, our data provider engages in dialogue with companies where monitoring uncovers incidents that breach international principles for responsible governance. The purpose of the dialogue is to prompt these companies into implementing the necessary measures to ensure that similar incidents do not happen in the future. If the dialogue has not elicited a response or has failed to have the desired effect after two years, Velliv assesses whether the company in question should be excluded.

2.3.6.4. Conflicts of interest

Conflicts of interest can arise in connection with the exercising of active ownership. This could be in relation to employees at Velliv, competitors or customers. Procedures have been established to ensure that persons who participate in the execution of the company's strategies and policies understand where conflicts of interest can arise and how these conflicts should be handled. Established procedures should ensure a reassuring handling of such conflicts if conflicts of interest cannot be avoided.

2.3.7. *Transparency*

Velliv must demonstrate the greatest possible transparency around its work with responsible investments and active ownership. Velliv is open to dialogue with relevant stakeholders with respect to specific investments and processes, and Velliv will respond to enquiries about these. Lists of holdings, dialogues and voting actions are published and regularly updated on our website.

3. Guidelines

The guidelines lay down the framework for the decisions the Executive Board can make in the area for the policy and– where relevant – the limitations the Executive Board is subject to in the area, including in relation to risk taking. Furthermore, rules are set for controls and for reporting to the Board of Directors to ensure that the risk-taking and decisions taken by the Executive Board are within the risk appetite of the Board of Directors.

3.1. Frameworks

The Executive Board is responsible for implementing the policy and the guidelines and must ensure the establishment of adequate business procedures, draw up function descriptions, manuals and contingency plans and set up relevant committees.

3.1.1. Integration of Sustainability Factors and Sustainability Risks

The Executive Board ensures that:

- The individual pension products continually comply with the sustainability information that Velliv has presented to customers,
- The definition of a Sustainable Investment, cf. SFDR Article 2(17), is determined and implemented correctly in accordance with the Board of Directors' defined methodology as described in the investment policy's framework document,

- The methodology and process for calculating the minimum share of Sustainable Investments and investments in compliance with the Taxonomy regulation in Velliv's products are implemented correctly,
- Minimum shares of Sustainable Investments and investments aligned with the Taxonomy regulation in Velliv's products are stated in the investment policy's framework document, which is approved annually by the Board of Directors,
- A decision is made on which voluntary PAI indicators should be reported on and that these are based on the current policy's strategic objectives, and
- Sustainability Risks and Sustainability Factors are integrated into the investment decision-making processes.

3.1.2. Asset managers
The Executive Board ensures that:

- An assessment is made of the asset manager's approach to Sustainable Investments, Sustainability Factors and Sustainability Risks as part of the *due diligence* process prior to selecting an asset manager, and
- A regular, though at least once a year, evaluation is made of the approach to responsibility and sustainability for the individual funds. The asset class must be taken into account here.

3.1.3. Exclusion
The Executive Board ensures that:

- The exclusion list for companies is updated and published on Velliv's website semi-annually,
- The exclusion list for countries is implemented and published on Velliv's website annually, and
- Any breach of the exclusions is reported to the Executive Board on a monthly basis and to the Board of Directors once a quarter.

3.1.4. Climate
The Executive Board ensures that:

- Velliv can fulfil its obligations with respect to the *Paris Aligned Investment Initiative* and *SBTi*, as described in section 2.1.2,
- 20% of assets under management are invested in assets that support the green transition by 2030,
- The investment portfolio's CO_2e emissions stemming from listed equities and corporate bonds as well as real estate are reduced by 60% by 2030 compared to 2019, and
- Velliv's work with climate-related risks is based on the recommendations from the *Task Force on Climate-related Financial Disclosures* (TCFD).

3.1.5. Biodiversity
The Executive Board ensures that Velliv fulfils its obligations with respect to the *Finance for Biodiversity Pledge*, which means that Velliv:

- Collaborates and shares knowledge on methods, metrics, targets, etc. with other investors and actors,
- Engages in dialogue with selected companies on their business's adverse impacts on biodiversity, and

- Sets targets, assesses effects and publishes information on the impact of Velliv's investments on biodiversity to the extent that is possible.

3.1.6. Monitoring

The Executive Board ensures that:

- Recognised data providers are used to monitor investments and make large volumes of high-quality data available, and
- The investment portfolio is screened at least once a quarter with respect to listed equities, corporate bonds and countries that issue government bonds to determine whether any investments breach the policy. If a breach is noted, the necessary measures must be taken, as described in the policy.

3.1.7. Voting

The Executive Board ensures that:

- Velliv generally adheres to a voting policy that aims to mitigate Sustainability Risks and promote Sustainability Factors, though Velliv can at any time depart from the voting policy if that is considered appropriate for Velliv to achieve its strategic objectives, as described in section 2.1.

3.1.8. Transparency

The Executive Board ensures that:

- The list of holdings is published semi-annually and that the dialogue list is published annually on Velliv's website, and
- All Velliv's voting activity is publicly available on Velliv's website.

3.2. Monitoring and controls

The policy is realised and supported by internal business procedures and work processes. The Executive Board is responsible for established business procedures ensuring that monitoring and controls are carried out at appropriate intervals on all tasks in the area that carry a material risk.

3.3. Reporting

The Board of Directors receives a report on policy and guideline compliance semi-annually.

4. Effective date and updates

At its meeting on 30 October 2024, the Board of Directors adopted this policy and guidelines, which replace the policy and guidelines for responsible investments and active ownership of 25 October 2023.

The policy and guidelines are reviewed regularly and whenever any material changes occur, though at least once a year.

5. References

Legislation etc.

- The Danish Insurance Business Act no. 718 of 13 June 2023.
- Executive Order No. 1723 of 16 December 2015 on Management and Control of Insurance Companies etc.
- Regulation 2019/2988 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the '**SFDR'**).
- Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the '**Taxonomy Regulation'**).
- Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of do no significant harm, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports (the '**Delegated Disclosure Regulation'**).

References to other management documents

- Corporate social responsibility policy and guidelines
- Investment policy
- Framework document
- Investment strategy
- Product policy and guidelines
- Anti-bribery and anti-corruption policy and guidelines
- Rules of procedure of the Board of Directors.