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# Policy on Responsible Investment and Active Ownership

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## Strategic objective for Policy on Responsible Investment and Active Ownership

It is the objective of Velliv to create the best possible return for its customers taking due account to the "Prudent Person Principle".

The strategic objective of the Policy on Responsible Investment and Active Ownership is to support this objective by contributing to a continuing and long-term value creation in the portfolio companies that Velliv invests in and thereby to ensure that the value creation takes place with the utmost consideration to environment and society.

The precondition for this is established when the company practices shareholder engagement.

Portfolio companies must manage its ESG (environmental, social and corporate governance) risks, ensure responsible business practices in accordance with international principles for corporate social responsibility, and be beneficial to society as a whole and over time.

For the product VækstPension Aftryk, separate criteria for investment opt-out and options are based on stricter ESG requirements. These criteria are defined in Velliv's Investment Strategy.

## Method and process description

### Monitoring of investment portfolio and business partners

Velliv monitors its investments on a regular basis as well as its business partners who are investing on behalf of Velliv. Velliv monitors its investments in relevant areas including strategy, non-financial performance, risk capital structure and ESG related matters.

The monitoring including third party's research and screening must identify the portfolio companies' possible breaches of international principles and guidelines for responsible business practices. The monitoring must also contribute to the ESG risks of the individual portfolio company, the business partners' ESG preparedness, and eventually the risk of the total investment portfolio.

Most of Velliv's investments are outsourced to external managers (primarily via investment funds but also few individual mandates), however Velliv practices its active ownership itself in parallel with the external managers own practice. The monitoring and assessing of Velliv's equity investments is handled by the investment function.

When investing through investment funds, Velliv is one out of many investors and it will not always be practically possible to implement all aspects of our policies, principles and guidelines. We are careful when selecting external

managers and it is important for us that our partners have a similar view of the importance of exercising active ownership as we do in Velliv.

## Dialogue

Velliv enters dialogues with our portfolio companies when the monitoring of these shows inappropriate behavior. The purpose of the dialogue is to contribute to documentation, due diligence process, or direct effect on a portfolio company to prevent and/or mitigate an improper behavior. The dialogue can e.g. take place via shareholders' meetings, annual general meetings or directly with the company's management.

We also enter dialogues with business partners who are investing on behalf of Velliv. In relation to asset class and investment style, a selection criterium for business partners is adequate ESG preparedness. Velliv's requirements are incorporated into agreements with our business partners. We continuously record the progress in the ownership dialogue.

We recognize that the companies in which Velliv owns shares have a broader stakeholder group than just the owners. This especially includes employees and the surrounding community, including NGOs and the media. Velliv is open for a dialogue with relevant stakeholders in relation to concrete investments.

## Voting

Voting is a core element in practicing Velliv's active ownership. We cast our votes on those of our portfolio companies' annual general meetings that are actively managed and placed on Velliv's own repository.

In this case we will consider if the portfolio companies' structure and strategy support a continuing value creation, i.e. an appropriate remuneration policy, composition of management, business culture, and implementation of risk systems as well as capital structure and dividend distribution.

Votes will be cast in accordance with the interests of Velliv's customers. As a result, we may abstain from voting if it is of greater value for the customers to lend their shares during the voting period. We prefer to avoid that Velliv is put in a situation as an insider in the portfolio companies invested in.

Velliv has a proxy advisor who provides analyzes and the necessary infrastructure to vote electronically. In addition, we have close dialogue with our third-party investigators and managers on general meeting points. Based on these inputs, we provide our voting instructions for Velliv.

On our webpage we publish how our votes are cast on an aggregated level. Information on company-level is published on a case by case basis to safeguard the ongoing dialogue on responsible corporate behavior.

## Cooperation

Velliv cooperates with other investors, for instance via membership of the UN-supported PRI, in the practicing of shareholder engagement to gain greater influence, and to improve responsible investment practice and through this to contribute to a sound financial system. Velliv is not part of a permanent ownership cooperation, but internationally, Velliv cooperates with external advisors and investors, where we can achieve greater effect of the dialogue with the companies.

## Exclusion

If a portfolio company is in breach of international principles and guidelines for responsible business practices, Velliv will ultimately refrain from investing or exclude it from Velliv's investment portfolios.

The exclusion list is available at Velliv's website and will be updated twice a year. Regarding external funds, Velliv cannot demand adherence to the exclusion list. Instead, we will evaluate the external managers overall ESG preparedness to determine whether the fund/manager in question is qualified to enter the investment portfolio as a whole.

## Selected positions

### *International guidelines and principles*

Velliv is founding its practice on the principles and guidelines mentioned below and it prefers that the portfolio companies and the company's business partners adhere to:

- The UN's Global Compact
- The UN's Guiding Principles on Business and Human Rights
- The UN-supported Principles for Responsible Investments, PRI
- The OECD Guidelines for Multinational Enterprises
- The OECD Responsible Business Conduct for Institutional Investors
- The Paris Agreement
- Climate Action 100+
- Taskforce on Climate Related Financial Disclosure (TCFD)

### *Weapon*

Velliv takes no part in investing in portfolio companies that are producing nuclear weapons or illegal weapon types, such as anti-personnel mines or cluster bombs.

### *Climate Change*

In Velliv, we want to contribute to the green transition and the fulfillment of the objectives of the Paris Agreement. Climate change is an increasing societal problem, and in addition it also poses an investment risk across companies, industries and countries.

Climate change is a global challenge and we believe that the best way for Velliv to contribute as an investor to this matter, is in collaboration with other investors. We want to contribute at political level to long-term and stable regulation, we want to promote the use of data that enables a better understanding and insight, and finally, through our active ownership, we want to contribute to our portfolio companies' green transition. As a result, Velliv is not interested in investing in portfolio companies with business models or behavior that are incompatible with the

objectives of the Paris Agreement neither are we interested in portfolio companies with more than 25 pct. of their revenue originating from extraction or sale of coal or oil sand.

Velliv will be more progressive in its demands to portfolio companies and the company's business partners regarding their assessment of risks that derive from climate changes.

#### *Fragile and conflict-affected countries*

In addition to UN and EU sanctions Velliv apply a precautionary principle to investment in government bonds issued by fragile and conflict-affected countries. The precautionary principle is primarily based on the World Governance Indicator's ranking of countries – analyzes and reports from other sources e.g. OECD can also be included, describing countries' situation and development. Initially, Velliv will not invest in government bonds of the lowest-ranking countries or through these countries' markets.

Furthermore, Velliv expects that its external managers apply to a similar precautionary principle when they invest in fragile and conflict-affected countries. Finally, Velliv expects the portfolio companies to demonstrate specific prudence when performing business activities in these countries.

#### *Tax*

At Velliv, we believe that a well-functioning tax system is a prerequisite for business growth and the well-being of our customers. Velliv wants to pay its legitimate taxes within our investment practices and to encourage our business partners and portfolio companies to refrain from aggressive tax planning.

When investing in listed companies, we evaluate - through screening from an external advisor - whether companies exhibit unacceptably aggressive tax planning. In case of evaluated aggressive tax planning, we try to change this behavior - in cooperation with other investors – through our active ownership. When investing in unlisted companies and mutual funds, we have joined a tax code of conduct with other investors to ensure that our managers do not contribute to aggressive tax planning.

#### *Tobacco*

Velliv represents a wide range of customers, who has different wishes and needs all which Velliv must fulfill in a best effort. Velliv is aware of the fundamental issues investments in tobacco raises; E.g. smoking is still legal and widespread in the Danish population, however, this must be compared with the indisputable negative health consequences smoking has. Velliv is not interested in further investments in tobacco-producing companies and, to the extent that investments are placed on Velliv's own repository, investments in tobacco-producing companies will be phased out.