

## Sustainability-related disclosures

- *VækstOpsparing Index Low risk*

### Summary

*VækstOpsparing Index* is a lifecycle product with passive management. This means that investments follow selected indices and therefore have a wide spread of investments across countries and sectors.

The financial product promotes environmental or social characteristics, but its objective is not sustainable investment.

Investments are based on Velliv's Responsible Investment and Active Ownership Policy, which is based on international principles and guidelines, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Velliv can only ensure compliance with the exclusion criteria in investments where we have a controlling interest. The principal adverse impacts of investment decisions on sustainability factors are disclosed in annual reports.

The investment strategy in *VækstOpsparing Index* is a passive strategy that aims to create the best possible risk-adjusted return while taking into account our environmental and social footprint. In addition, the investment strategy allows for investment in assets that are expected to provide a high return and other assets with the aim of hedging against risk. *VækstOpsparing Index* thus has the characteristics necessary to balance return and investment risk in a life-cycle product.

The planned proportion of investments that promote environmental and social characteristics is 90%, of which a minimum of 2% will qualify as sustainable investments.

In *VækstOpsparing Index*, investments are primarily made through external asset managers. To ensure that the selection is in line with Velliv's positions and policies in the area, the qualities, methods and processes of the managers are assessed on an ongoing basis.

At Velliv, we continuously monitor whether investments are in line with our Responsible Investment and Active Ownership Policy. If data, analyses or screening show that there is a discrepancy, we will enter into dialogue or exclude the investments.

In order to assess the environmental and social characteristics of the product, ESG data is collected from external data providers. Data is handled internally in recognised and tested systems, and in accordance with the business processes and working procedures applicable to the area.

The extent and quality of available sustainability data vary. This is a natural consequence of the timeframe for the rules intended to ensure available data in this area. At Velliv, we currently have data primarily on listed companies, and to a lesser extent on unlisted investments.

The available data, Velliv's adopted methodologies and the implemented system support allow us to continuously monitor and assess the promotion of environmental and social characteristics as well as the development of the proportion of sustainable investments. Thus, the limitations do not affect the fulfilment of the sustainability characteristics we promise to the customer.

### **No sustainable investment objective**

*VækstOpsparing Index* promotes environmental or social characteristics, but its objective is not sustainable investment.

We regularly screen our investments to ensure they do not violate international principles of responsible business conduct or significantly harm other social or environmental objectives. The screening is performed in accordance with our Responsible Investment and Active Ownership Policy.

Velliv engages in dialogue with and excludes companies from the investment universe by measuring material adverse sustainability impacts – known as Principal Adverse Impacts (PAI):

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10)
- Exposure to controversial weapons (PAI 14)

### **Environmental or social characteristics of the financial product**

*VækstOpsparing Index* contributes to the UN Sustainable Development Goals through the investments included as a result of passive management.

Common to all Velliv savings products is that we follow our Responsible Investment and Active Ownership Policy. This means that we also exclude companies and countries from *VækstOpsparing Index* that exhibit critical behaviour, and work actively to influence companies in a more sustainable direction. Velliv can only ensure compliance with the exclusion criteria in investments where we have a controlling interest. Velliv does not have a controlling interest in three corporate bond funds in *VækstOpsparing Index* and, as a result, we cannot provide any guarantee as to the exclusion criteria being met.

### **Exclusion of companies and countries**

In general, Velliv does not wish to exclude companies as, in our assessment, this does not create real change in society. In cases where companies fail to comply with Velliv's policy and fail to meet Velliv's expectations for responsible business practices, a dialogue with the company will generally be initiated. However, exclusion may be a necessary tool in situations where companies exhibit no desire or willingness for change.

In addition, Velliv has chosen to completely exclude investments in a number of companies and products as, in Velliv's view, they conflict with the desire to contribute to a more sustainable world. The excluded companies and products are:

- companies where more than 5 per cent of the revenue comes from extraction of thermal coal
- companies with thermal coal expansion plans and a revenue where more than 0 per cent comes from extraction of thermal coal or coal in energy production
- companies where more than 5 per cent of the revenue comes from extraction and production of oil and gas, using unconventional methods which include oil sand, arctic drilling or fracking
- companies where more than 5 per cent of the revenue comes from exploration, extraction and production of oil and gas, and the use of thermal coal, oil and gas in energy production, unless Velliv has assessed the company to be on path to a transition that supports the goals of the Paris Agreement
- companies that produce nuclear weapons or sanctioned weapons such as cluster munition or antipersonnel landmines. furthermore, Velliv does not want to invest in companies that, through arms trade, violate UN's applicable arms sanctions.
- companies where more than 5 per cent of the revenue comes from tobacco production

In the interests of democracy, human rights and freedom of expression, we exclude investments in government bonds issued by countries that do not have a satisfactory approach to governance and administrative action.

### **Active ownership**

We work actively to influence the companies we invest in to improve their management of relevant sustainability aspects and risks. Our work consists in dialogue with companies and voting at their annual general meetings. Any such voting is based on Velliv's own or the external managers' voting policy. This could, for example, be with the goal of promoting gender diversity on boards, or companies reporting further on their human rights and climate impacts.

### **Investment strategy**

The investment strategy in *VækstOpsparing Index* is a passive strategy that aims to create the best possible risk-adjusted return while taking into account our environmental and social footprint. We select external managers who invest across a broad range of options, such as listed shares, corporate credit and bonds.

In addition, the investment strategy allows for investment in assets that are expected to provide a high return and other assets with the aim of hedging against risk. *VækstOpsparing Index* thus has the characteristics necessary to balance return and investment risk in a life-cycle product.

In addition, the investment strategy follows the principles and practices set out in Velliv's Responsible Investment and Active Ownership Policy, which describes, among other things, the excluded investment options where Velliv has a controlling interest.

The policy is based on internationally recognised principles of responsible corporate governance, including governance practices and our approach to tax planning. These include:

- The UN Global Compact
- The UN Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises

### **Proportion of investments**

The planned proportion of investments that promote environmental and social characteristics is 90%, of which a minimum of 2% will qualify as sustainable investments.

### **Monitoring of environmental or social characteristics**

At Velliv, we use data to continuously monitor the development of the products' sustainability indicators, metrics for adverse impacts on sustainability factors and compliance with our exclusion criteria. If data, analyses or screening show that there is a discrepancy between an investment where Velliv has a controlling interest and our Responsible Investment and Active Ownership Policy, we engage in dialogue or exclude the investments.

As a rule, Velliv does not wish to exclude companies as, in our assessment, this does not create real change in society. In cases where companies fail to comply with Velliv's Responsible Investment and Active Ownership Policy, including failing to meet Velliv's expectations for responsible business practices, a dialogue with the company will generally be initiated first. If the dialogue does not produce satisfactory results, exclusion may be necessary.

Read more about our active ownership initiatives and exclusion in our [Responsible Investment Policy \(velliv.dk\)](https://velliv.dk).

## **Methodologies**

At Velliv, we measure, analyse and assess how we are doing in promoting the environmental and social characteristics of our investments and products. We therefore use sustainability-related data on investments and methods to help assess these data.

### ***Methodology to measure sustainability characteristics***

To assess how the investments in our products promote environmental and social characteristics, we measure, among other things, the extent to which the investments contribute to one or more of the UN Sustainable Development Goals. We do so on the basis of the SDI AOP taxonomy for the contribution of listed investments to the UN SDGs.

### ***Methodology to measure the proportion of sustainable investments***

In determining the proportion of sustainable investments, we follow the EU definition of a sustainable investment.

This means we measure against three criteria to determine whether an investment can be defined as sustainable. The criteria are:

1. Sustainable contribution through the economic activity
2. Do no significant harm to other environmental or social objectives
3. Follow good governance practices

### ***The 'sustainable contribution' criterion:***

We use the UN Sustainable Development Goals and the EU Taxonomy to assess whether an economic activity contributes to environmental and/or social objectives.

To measure contributions to the UN SDGs, we use the SDI AOP methodology for listed investments.

Velliv has decided that only investments where more than 50% of the turnover contributes positively to the SDGs will be included in the calculation of the proportion of sustainable investments.

To measure the compliance of activities with the EU Taxonomy, we use reported data from ISS ESG when available.

### ***The 'do no significant harm' criterion:***

To measure whether investments have a material negative impact on other environmental or social objectives, we have chosen to use as a basis the principal adverse impacts (PAIs) on sustainability factors defined by the EU. Our primary focus is on CO<sub>2</sub> emission levels. In addition, our focus is on the investee company not being involved in coal, oil sands or controversial weapons, and on the investment not violating the UN Global Compact principles or the OECD Guidelines for Multinational Enterprises.

### ***The 'good governance practices' criterion:***

Finally, we assess the ability of investments to comply with good governance practices, which include both employee relations and human rights considerations, and how well environmental issues and corruption are managed. To measure good governance practices, we use data from a range of data providers, including ISS ESG and Sustainalytics.

## **Data sources and processing**

We use data from external suppliers and fund managers to measure the environmental and social characteristics, as well as the 'sustainable contribution', 'do no significant harm' and 'good governance practices' criteria. The external data providers include:

**Data providers:**

Sustainalytics

ISS ESG

SDI AOP

Bloomberg

**Data**

- PAI indicators
- Turnover data related to controversial activities
- PAI indicators (CO2)
- Taxonomy
- Sustainable Development Goals (SDG) data
- Sustainability labelled bonds

We continuously check the data we receive to ensure data quality. We obtain additional data if needed.

For listed assets, reported figures are used to determine the proportion of the investment aligned with the EU Taxonomy. To measure the proportion of sustainable investments, SDI AOP's methodology for the contribution to the UN SDGs is used. If there are investee companies where it is not possible to determine whether there is a contribution to the UN SDGs, the investment is not included in the calculation of the proportion of sustainable investments.

Data is continuously analysed and historical data is stored to allow us to identify any discrepancies.

We have recognised and tested systems that process the sustainability data provided in accordance with the business processes and working procedures applicable to the area, which are based on the same principles as apply to financial data.

**Limitations to methodologies and data**

The extent and quality of available sustainability data continues to vary. This is a natural consequence of the timeframe for the rules intended to ensure available data in this area. At Velliv, we currently have data primarily on listed companies, and to a lesser extent on unlisted investments.

We expect that both the volume and quality of available data will improve in years to come, when there will also be increased reporting requirements in this area. In addition, we expect that improved access to data as well as experience in the field in general in the industry will mean that methods and approaches need to be adapted. The available data, Velliv's adopted methodologies and the implemented system support allow us to continuously monitor and assess the promotion of environmental and social characteristics as well as the development of the proportion of sustainable investments. Thus, the limitations do not affect the fulfilment of the sustainability characteristics we promise to the customer.

**Due diligence**

Investment selection is done through external managers. To ensure that the selection is in line with Velliv's positions and policies in the area, the qualities, methods and processes of the managers are assessed on an ongoing basis.

At Velliv we prefer to work with asset managers that have also signed up to the UN-backed Principles for Responsible Investments (PRI) or operate on similar principles.

**Active ownership policy**

Investments are based on Velliv's Responsible Investment and Active Ownership Policy, which is based on international principles and guidelines, including the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises.

As a rule, Velliv does not wish to exclude companies as, in our assessment, this does not create real change in society. In cases where companies fail to comply with Velliv's Responsible Investment and Active Ownership Policy and fail to meet Velliv's expectations for responsible business practices, a dialogue with the company will generally be initiated. However, exclusion may be used in situations where companies exhibit no desire or willingness for change. Velliv can only ensure compliance with the exclusion criteria in investments where we have a controlling interest. Velliv does not have a controlling interest in three corporate bond funds in *VækstOpsparing Index* and, as a result, we cannot provide any guarantee as to the exclusion criteria being met.

**Designated reference benchmark**

No index has been designated as a reference benchmark to attain the environmental or social characteristics.