
Policy and guidelines on Responsible Investments and Active Ownership

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Administrator: Sustainable Investments

1. Introduction and objectives

Velliv, Pension & Livsforsikring A/S ('Velliv') manages pension savings on behalf of more than 400.000 customers. The savings are invested in a broad variety of asset classes, while seeking a global market exposure. This investment strategy aims to give Velliv's customers the best possible long-term return of their pension savings.

The purpose of this policy and guidelines for responsible investments and active ownership is to define the framework for Velliv to integrate consideration on Sustainability Risks and Sustainability Factors into Velliv's investment decisions and into the monitoring of the investment portfolio as well as ensuring reporting on these matters. The term Sustainability Risk is defined in 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') as an environmental, social or governance event or condition that, if it occurs, could have a negative impact on the value of an investment. SFDR defines a Sustainability Factor as an environmental, social or governance factor that an investment could impact. This includes Sustainability Factors such as greenhouse gas emissions, discharge of dangerous waste and compliance with human rights. An investment can impact Sustainability Factors both positively and negatively.

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. The Executive Board is responsible for implementing the policy and guidelines for responsible investments and active ownership and must ensure that adequate business procedures, function descriptions, manuals and contingency plans as well as necessary monitoring, reporting and documentation are in place and relevant committees appointed.

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

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. This implies, that Velliv's objective is to generate the best possible long-term return to customers while also acting as a responsible investor that account for Sustainability Risks and Sustainability Factors in the investment management. This objective is aimed to be achieved across the investment portfolio covered by this policy.

Achievement of the policy's strategic objectives is underpinned by Velliv's aim of being an active investor. This means that Velliv holds views on what we invest in, and also identifies companies, sectors and government bonds that we do not wish to invest in. Furthermore, Velliv engages with investee companies with regard to how they are run. The purpose of this is to support that companies are being run in a long-term and responsible manner. Velliv therefore employs exclusions, investor collaborations and affiliations as well as active ownership to achieve the strategic objectives of this policy.

Velliv offers its customers a broad range of investment products, with the bulk of its customers' pension savings placed in Velliv's investment product, VækstPension, where Velliv automatically makes adjustments so the risk decreases as the customer approaches retirement. The three investment profiles in VækstPension (Aktiv, Aftryk and Index) have a common approach to integrating consideration of Sustainability Risks. In contrast, the respective investment profiles differ in terms of how they consider the impact of investments on Sustainability Factors. VækstPension Index primarily employs exclusion and active ownership to manage impacts on Sustainability Factors. VækstPension Aktiv also includes investments that Velliv classify as 'Sustainable Investments' in addition to practising active ownership and enforcing exclusions. VækstPension Aftryk is further differentiated by, among other things, its focus on selecting investments that contribute to sustainable development, including a higher proportion of 'Sustainable Investments'.

Velliv's strategic objectives are anchored in supporting the obligations of the Paris Agreement with respect to keeping global temperature increases well below 2 degrees Celsius and pursuing efforts to limit the increase to 1.5 degrees Celsius. Furthermore, Velliv's approach is based on international standards for responsibility and sustainability, including the UN Global Compact (UNGP), UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Velliv's unlisted investments, which are undertaken through external asset managers, also take into account the common tax principles for Danish pension providers, which aim to ensure responsible tax behaviour.

2.1.1. Strategic objectives for climate and environment

To support the objectives of the Paris Agreement, Velliv has joined the *Paris Aligned Investment Initiative (PAII)* and has therefore committed to having a CO₂e-neutral investment portfolio¹ measured on scope 1-3² 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 CO₂e reduction targets of enrolled companies.

¹ CO₂e stands for carbon dioxide equivalents and signifies that the various types of greenhouse gas emissions are converted to their CO₂ equivalent.

² Scope 1 = Direct emissions; Scope 2= Indirect emissions from consumption of purchased energy (e.g. electricity and heating); Scope 3 = Indirect emissions from the value chain.

As a result hereof, Velliv has set the following climate-related targets for our investment portfolio, which were decided on in 2022:

- 60% reduction in the investment portfolio's CO₂e 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.
- Near term target: 57.3% and 51.3% of Velliv's total investments in listed equity and bonds must be in companies with SBTi validated targets by 2028, at the latest.

2.1.2. Strategic objectives for biodiversity

Velliv acknowledges that biodiversity provides the foundation for well-functioning ecosystems and human well-being. Moreover, biodiversity plays an important role in solving the ongoing climate crisis, in part due to nature's ability to store carbon. Velliv has therefore pledged to protect and restore biodiversity, for example by exploring relevant opportunities for doing so through Velliv's investments in listed equities, corporate bonds and real estate as part of Velliv's affiliation to the Finance for Biodiversity Pledge (FfB Pledge) initiative.

Velliv's ambition is to convert intentions into actions, which is why Velliv has formulated an action plan in the biodiversity area targeting Velliv's investments in listed equities, corporate bonds and Velliv's investments in real estate. The action plan includes engaging in dialogue with companies that are highly dependent on and/or negatively impactful on biodiversity as well as enhancing in-house knowledge of the significance of biodiversity for long-term value creation in the investment portfolio.

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. Sustainability Risks can be classified into more specific risks depending on the type of asset, geography and the relevant characteristics of the value and supply chains of the particular investment. To mitigate these risks, Velliv has identified government bonds, sectors and companies that Velliv does not wish to invest in; see Velliv's exclusion lists, which are available on [Velliv's website](#). Such investments are assessed to be incompatible with Velliv's risk appetite. Risk assessments for other investment opportunities depend on the individual asset class as well as the level of risk tolerance set for the particular investment product containing the investment.

Below, we define and describe the Sustainability Risks that Velliv has defined as material across the investment portfolio.

2.2.1 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 CO₂-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.

2.2.2. 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, 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.

2.2.3. Social and governance risks

Social and governance risks constitute a share of the Sustainability Risks Velliv is exposed to. 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.

2.2.4. Other attendant risks in the sustainability area

Compliance risks

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 2.3.1) 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.

Operational risks

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.

Reputational risks

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.

2.3. Methods and overall processes

To achieve Velliv's strategic objectives in section 2.1, the following sections describe how Velliv integrates Sustainability Risks and Sustainability Factors in connection with both investment decisions and in the ongoing monitoring of the investment portfolio.

2.3.1. Definition of a Sustainable Investment

As mentioned in section 2.1, Velliv undertakes "Sustainable Investments" with the aim of promoting Sustainability Factors. The definition in SFDR forms the basis for Velliv's definition of 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.

For the calculation of "Sustainable Investments", data from reputable external data providers is used, which are processed in proven systems.

2.3.2 Sustainability Risks and Sustainability Factors in internal investment decisions

When making internal investment decisions, Velliv assesses Sustainability Risks and Sustainability Factors through two primary processes:

1. Exclusion of companies, sectors and government bonds that Velliv does not wish to invest in due to these investments being assessed to entail Sustainability Risks that exceed Velliv's risk appetite (cf. section 2.2) and/or to have significant adverse impacts on Sustainability Factors.
2. Identification and analysis of Sustainability Risks and impacts on Sustainability Factors when selecting investments to be included in Velliv's investment portfolio.

Excluding companies also means that we reduce exposure to the Sustainability Risks associated with these companies. One example of this is Velliv's approach to fossil investments. This approach reduce exposure to fossil fuel companies, which represent substantial transition risks as defined in section 2.2.1. 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. Country exclusions thus reduces exposure to Sustainability Risks associated with investments in government bonds.

Velliv also employs exclusion to minimise the adverse impact of our investments on Sustainability Factors. This is achieved by Velliv identifying areas which are assessed to have significant negative impacts on Sustainability Factors, that Velliv do not want to invest in.

To account for both Sustainability Risks and Sustainability Factors, Velliv has identified the following areas, that are covered by Velliv's exclusion list:

- **Controversial weapons:** At Velliv, we aim to support UN treaties and conventions regarding controversial weapons and do not invest in companies, that produce controversial weapons
- **Tobacco:** At Velliv, we believe that tobacco has too detrimental consequences for public health. Velliv does not wish to support these negative impacts and does not invest in companies that produce tobacco.
- **Fossil fuels:** At Velliv, we believe that fossil fuels have too detrimental consequences on climate, and that the world needs to transition from black energy to green energy if we are to achieve the goals of the Paris Agreement. At the same time, it is assessed that the world is transitioning from black to green energy, why this sector also involves significant transition risks. Therefore, we exclude investments within selected activities in the fossil value chain or in utility companies that generate electricity using fossil fuels, unless Velliv assesses the company is undergoing a transition that aligns with a low-carbon economy.
- **Government Bonds in countries where Velliv assesses the approach to governance and administration as unsatisfactory:** Velliv does not wish to invest in government bonds issued by countries where Velliv assesses their approach to governance and administration as unsatisfactory. This assessment takes it point of departure in the country's government stability, protection of human rights and human security, efficacy of the regulatory system, judicial effectiveness and corruption. In addition, Velliv does not invest in countries that appear on UN or EU sanction lists
- **Good governance:** Companies can be excluded if they breach international principles for corporate governance (e.g. UN Global Compact) and if the dialogue with the company by Vellivs data provider has not elicited a response or has failed to have the desired effect after two years.

In the event of investments in Velliv's investment portfolio breaching applicable exclusion criteria, Velliv will seek to divest these investments to the extent possible for the particular asset class. Thresholds for exclusion across Velliv's investment products are stated in section 3 of the policy guidelines. In addition to the defined exclusion criteria, exclusions can be undertaken if special circumstances applying to an asset, as determined by sustainability-related data etc., warrant this.

The level of exposure to Sustainability Risks is set for Velliv's investment portfolios on an annual basis. Spanning the investment portfolios' exposure to environmental, social and governance risks, the level is re-evaluated every year. The level is based on the characteristics specific to the asset class, including how and to what extent the market prices in sustainability risks, so it will vary across and within asset classes, depending on the construction of the portfolio. For example, tolerance for social and governance risks will be higher for government

bonds issued by growth markets than for government bonds issued by developed markets, as these risks are essentially known and priced by the market.

Velliv's ambition with VækstPension Aftryk is to have the best possible environmental and social footprint while ensuring a competitive return. Our internally managed portfolio of listed equities in VækstPension Aftryk is therefore subject to stricter assessments of Sustainability Risks, with the assessment conducted at the individual company level. The key Sustainability Risks for the individual company heavily depend on the company's type of activity, which is identified by sector classification, while risks are likewise affected by the company's geographical location, etc. An assessment is made of whether the company manages these key Sustainability Risks satisfactorily, for example by considering any historical ESG-related incidents, as this may provide an indication of whether the company's conduct is aligned with its policies and targets. One example of this could be Sustainability Risks associated with investments in solar panel producers, as the industry has experienced multiple cases of failure to comply with labour rights. Prior to potentially investing in this type of company, an assessment would therefore be undertaken of how the investee company is exposed to this type of Sustainability Risk as well as which measures it has in place, in the form of policies and value chain controls, to ensure compliance with labour rights.

Analysis of the investments' impacts on Sustainability Factors when making investment decisions is, with the exception of the internally managed equity portfolio in VækstPension Aftryk, undertaken at asset class level. The individual asset class determines which information on Sustainability Factors can be included in the analysis, while the investment profile determines the product-specific assessments of Sustainability Factor impacts that have to be included in the analysis. For example, stricter requirements are applied with respect to the impact on Sustainability Factors for investments in VækstPension Aftryk, as this investment profile, among other things, commits to having a higher proportion of Sustainable Investments compared to the other investment profiles. Equity investments in VækstPension Aftryk are subject to an assessment of the individual company's impact on Sustainability Factors and likewise with the assessment for Sustainability Risks, as described in the section above.

A further purpose of the assessment of Sustainability Factor impacts is to determine how the investment portfolio supports Velliv's strategic objectives described in section 2.1. Velliv therefore seeks to identify investment opportunities that can support its strategic objectives. 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.

2.3.3 External asset management

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, as well as how they approach active ownership
- 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 section 2.1) and also comply with the sustainability characteristics Velliv has pledged to customers

for their chosen savings product. When assessing external asset managers, we look at internal and external documentation from the asset manager regarding their work with responsible investments as well as how this is implemented in their investment processes. Additionally, Velliv gathers specific information from the individual asset managers (for example, in the form of interviews) to answer certain questions that are relevant for that particular asset manager.

The external asset managers selected by Velliv must at the time of management agreement confirm, that they are familiar with Velliv's Policy and guidelines on responsible investments and active ownership, and that they will comply with the exclusion criteria mentioned in section 3. 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. If breaches to Velliv's exclusion criteria are identified, Velliv will engage in dialogue with the external asset manager with the aim of divesting the relevant investment or restructuring the investments into an alternative investment vehicle.

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.

2.3.4 Monitoring of the investment portfolio

Velliv continually monitors the investment portfolios' exposure to Sustainability Risks as well as impacts on Sustainability Factors – both positive and negative. During this monitoring process, Velliv regularly considers whether there is a need for initiatives to alter exposure to Sustainability Risks as well as the investment portfolios' impact on Sustainability Factors.

Exposure to Sustainability Risks is continually tracked in the portfolio management process with a view to adjusting investments so that the risk exposure is aligned with Velliv's tolerance thresholds seen in relation to the market's pricing of the relevant 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 analysis undertaken of the sustainability profile of Velliv's current real estate investments with the aim of identifying where there is a need to reduce a Sustainability Risk, for example by the upgrading of an existing property's energy label. Another example is Velliv's internally managed portfolio of listed equities, 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/or controversies as well as the investee company's management of environmental, social and governance matters. If a company, in connection with this monitoring, is assessed to be not sufficiently addressing its Sustainability Risks, Velliv may consider whether divestment is necessary.

As well as monitoring Sustainability Risks in the individual asset classes, Velliv also prepares an annual Climate- and Biodiversity report to monitor the portfolio's overall exposure to climate and biodiversity-related risks, which, cf. section 2.2.1 and 2.2.2, are assessed to be two of the key Sustainability Risks that Velliv's investments are exposed to. The contents of Velliv's annual Climate- and Biodiversity report appear in section 3.3.

When monitoring Sustainability Factors, Velliv takes into account the investment's principal adverse impacts on sustainability factors, which in the Disclosure Regulation is also named as Principal Adverse Impacts (PAI-statement). The investment's adverse impacts on Sustainability Factors is monitored using the mandatory PAI's.

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. 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.

To monitor the positive impacts of the investment portfolio on Sustainability Factors, Velliv continually observes how Velliv's investment portfolio contributes to the achievement of Velliv's strategic objectives in the sustainability area (section 2.1). For this, Velliv uses data supplied by external providers covering the portfolio's carbon footprint, number of investee companies with approved SBTi targets, compliance with international principles for responsibility and sustainability, etc. If monitoring shows that Velliv's investments do not have a positive impact on Sustainability Factors to the extent that facilitates the achievement of Velliv's strategic objectives as stated in this policy, an assessment will be made as to whether corrective measures need to be applied to the portfolio in order to support achievement of the objectives.

2.3.5 Active Ownership

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 external asset managers who invest on behalf of Velliv. Active ownership is thereby used to provide incentives for investee companies and external asset managers to implement initiatives to manage Sustainability Risks and impacts on Sustainability Factors. Velliv's work with active ownership comprises voting at general meetings, proactive dialogues aimed at implementing new initiatives at the investee companies that contribute to Velliv's strategic objectives, and reactive dialogues with companies that breach with international principles for responsibility and sustainability as mentioned in section 2.1. Velliv reports annually on its active ownership efforts. Velliv reports annually on its work with active ownership. The latest report can be found on Velliv's [website \(in Danish\)](#) and contains a summary as well as examples over Velliv's activities the past financial year.

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 Velliv's holdings are assessed to be material. Velliv's voting policy includes voting criteria that broadly concern various sustainability-related issues, and which apply to all investment products.

Velliv's voting actions aim to mitigate Sustainability Risks by, for example, voting against board candidates who have failed to adequately manage Sustainability Risks and set requirements for pay and governance structures to reduce 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 or increase transparency by reporting on initiatives and risks related to human rights. Every year, Velliv monitors a sample of the votes at investee companies in VækstPension Aktiv and VækstPension Index based on selected categories that can be altered as required to ensure an insight into trends and that the implementation of the voting policy is as expected.

Categories can include largest holdings as well as the world's most heavily CO₂-emitting companies. In the case of VækstPension Aftryk, all votes are monitored. 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 as mentioned in section 2.1.

The voting policy is available on Velliv's [voting portal](#), where Velliv's voting activities are regularly made available as general assemblies are held. Velliv does not participate in securities lending and can therefore vote in all the funds where Velliv is entitled to vote.

2.3.5.2. Proactive dialogues with portfolio companies

Velliv engages in proactive dialogues with companies in the investment portfolio to support sustainable development and create positive change that benefits the climate and society. When engaging in dialogue with companies, common consideration is given to Velliv's strategic objectives, cf. section 2.1. Companies are identified via continual portfolio monitoring and/or analysis of the data supplied by external data providers or publicly available data that highlights improvement points which Velliv wishes to address through active ownership.

For dialogues related to Velliv's CO₂-reduction targets, companies are selected on the basis of an overall assessment of data on the share of Velliv's financed emissions, information on goals and initiatives in the climate area as well as whether they are subject to collective dialogues through investor initiatives that Velliv is a member of, and whether external asset managers are already engaged in dialogue with the company in question.

When selecting dialogues related to Velliv's targets under the Science-Based Targets initiative, Velliv considers, among other things, the scale of the holding and the availability of sector-specific guidelines for SBTi validation of climate goals.

With respect to Velliv's goals related to biodiversity, dialogues are pursued with selected companies where the data shows a high level of dependency and/or adverse impact on biodiversity. The selection process also considers the scale of Velliv's holdings in the companies as well as a desire for geographical proximity.

Velliv generally prioritises dialogues based on an overall assessment of available data and significance for Velliv's portfolio. An assessment is also made as to whether dialogue with a company is appropriate in terms of the likelihood of achieving the desired goals. In addition to having specific goals for each of the dialogues, the dialogues are also ascribed value from the increased knowledge Velliv obtains on both company-specific and general challenges with accommodating to Velliv's enquiries, which contributes to Velliv's ongoing management of Sustainability Risks. If relevant, Velliv can also choose to pursue its own dialogues or participate in joint dialogues through investor initiatives that are assessed to be aligned with Velliv's aim of being a responsible investor.

Certain improvement points may vary, depending on the individual investment products. Proactive dialogues, which particularly relate to Velliv's internally managed investments in listed equities for VækstPension Aftryk, are adjusted to the individual investment categories in the product and are selected, in part, based on a continual monitoring of companies' positive or negative contributions to the UN SDGs with the aim of increasing the positive contributions and minimising any negative contributions to these goals. Dialogues are also sought with companies where data indicates opportunities for improving the management of Sustainability Risks. This applies both to deficiencies identified through ESG ratings as well as the ongoing screening of controversial events. Likewise, CO₂ emission data is used to seek dialogues with companies where progress on the reduction of CO₂ is not satisfactory. Dialogues are prioritised according to Velliv's exposure to the individual company, the extent of any Sustainability Risk, and whether this constitutes a reputational risk for Velliv as a responsible investor.

Velliv initially makes written contact with companies and often holds meetings online and occasionally physically. Repeated failure to respond to attempts at contact may prompt Velliv to employ various tools to escalate the proactive dialogues Velliv seeks to pursue with a company. If the company, despite Velliv's persistent efforts to establish a dialogue and use of various contact options, fails to respond or refuses to answer questions, Velliv can

investigate the possibility of working with other investors to establish a dialogue, cf. section 2.3.4.5. Furthermore, Velliv can consider escalating the matter by voting against management at the company's general meeting. If this also fails to produce a positive outcome, Velliv can consider whether the company should be divested or potentially excluded from Velliv's entire investable universe.

2.3.5.3. Reactive dialogues

An external partner regularly monitors the investee companies in the investment portfolio based on the international principles concerning social and environmental matters as well as corporate governance mentioned in section 2.1. This for instance includes topics such as human rights, labor rights and corruption. As part of our active ownership, the external partner pursues dialogues with companies where monitoring results in the documentation of events in which companies systematically and significantly breach these international principles. Aspects considered here include extent, frequency and duration of the impacts. The purpose of reactive dialogues is to prompt these companies into implementing the necessary measures to ensure that similar events do not happen in the future. If the dialogue does not progress, it can be escalated through stronger communication on the importance of the dialogue as well by contacting the company's senior management. Furthermore, Velliv can choose to vote against management at the company's general meeting. After two years without progress, Velliv assesses whether the company should be excluded. The assessment considers whether the exclusion is appropriate in the given situation and context.

In addition, Velliv has engaged two external partners who each monitor Velliv's portfolio with a view to assessing pending or potential lawsuits against companies that Velliv has or has had investments in, thereby safeguarding Velliv's financial and reputational interests.

2.3.5.4. External asset managers work with active ownership

Finally, Velliv can engage in regular dialogue with external asset managers to spar on the approaches of specific companies to sustainability-related issues. Information concerning the approach of asset managers to active ownership is also included in Velliv's annual assessment of the asset managers' work with Sustainability Factors and Risks, cf. description in section 2.3.3. When collecting this information, Velliv can also seek insight into which companies the asset managers are in dialogue with, which issues and goals are being discussed, and the reason for selecting these particular companies. Velliv can use this information to avoid overlaps in prioritised companies, as Velliv's assessment is that major, recognised asset managers can more easily establish contact with companies, plus the probability of influencing them is greater. Given Velliv's climate-related strategic objectives, cf. section 2.1, particular attention is paid to companies with which the asset managers are pursuing a dialogue on climate-related issues.

2.3.5.5. Cooperation with other investors

Velliv also participates in investor initiatives and campaigns in which investors work together to promote the sustainable agenda among companies, and where this is assessed to help facilitate the achievement of Velliv's strategic objectives. Velliv can reinforce its influence over the companies in which it invests through collaboration. Examples could include companies jointly being urged to prepare transition plans, set defined CO2 reduction targets, or disclose their impact within various sustainability-related themes. In addition, collaborations and partnerships provide an opportunity to exert more influence on the political bodies that define the framework for how companies and the financial markets can contribute to a sustainable transition of the global economy, for example through investor declarations to governments. The initiatives Velliv participates in to promote its work with active ownership are listed on [Velliv's website](#). Velliv regularly reviews its memberships from the perspective of purpose, the relevance of the targeted companies for Velliv's investment portfolio and the contribution to achieving Velliv's strategic objectives, especially in relation to climate and biodiversity, as well as in connection with negative events.

2.3.5.6. Conflicts of interest

Velliv is aware, that conflict of interest can arise in connection with exercising active ownership. This could be in relation to employees at Velliv, competitors or customers

Velliv has no restrictions on activities or efforts directed at portfolio companies that are also customers of Velliv, as active ownership is exercised without insight into Velliv's customer relationships and there is adequate separation of functions in the management of Velliv's customer relationships. Conflicts of interest can also arise in relation to investee companies as a result of a relationship being established or through companies' attempts to influence approaches and decisions that would disregard Velliv's interests. All employees at Velliv must continually consider whether the specific processes and work tasks they perform or participate in give rise to actual or potential conflicts of interest. 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.

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 must secure necessary and adequate competences for the organisation as well as the continual development of these as required to live up to this policy and guidelines. Furthermore, Velliv achieving the strategic objectives described in section 2.1 also requires that the necessary investment decisions are made.

The management of the investment portfolios covered by this policy must fulfil the objectives of the policy and align with the sustainability disclosures for the respective investment products and related investment profiles that Velliv has communicated to customers. Compliance with minimum shares of Sustainable Investments in the respective investment profiles, as defined by the Board of Directors, must also be ensured.

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. The implementation must account for variations between investment profiles, asset classes, geographical location of the individual investment, accessible data etc. The methodology and process for calculating the minimum share of Sustainable Investments and investments aligned with the Taxonomy regulation in Velliv's products are implemented in accordance with the definition of a Sustainable Investments, cf. the point above. The minimum share of Sustainable investments and share of investments aligned with the Taxonomy regulation is determined by the Board of Directors annually. External data vendor with high data quality and high accessibility of data must be used for calculating the share of Sustainable Investments and share of investments aligned with the Taxonomy.

3.1.1. Sustainability Risks and Sustainability Factors in internal investment decisions

- The following exclusion criteria must be followed:
 1. Companies where more than 5% of revenue originates from the extraction of thermal coal,

2. 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,
 3. Companies where more than 5% of revenue originates from the extraction and production of oil and natural gas and which employ unconventional methods, which encompasses oil sands, Arctic drilling and fracking,
 4. Companies where more than 5% of revenue originates from selected activities in the fossil fuel value chain and/or for the use of thermal coal, oil or natural gas in energy production, unless Velliv assesses the company is undergoing a transition that aligns with a low-carbon economy. This implies, that the company has set ambitious climate targets, does not have fossil fuel expansion plans, does not engage in lobbying activities that are clearly opposed to the Paris Agreement, and must have good governance and management practices in the climate area.
 5. Companies that produce controversial weapons. Controversial weapons are defined in accordance with international treaties that Denmark has signed.
 6. Companies that by dealing in weapons breach applicable UN weapon sanctions, and
 7. Companies where more than 5% of revenue derives from the production of tobacco.
- The definitions of controversial weapons and activities in the fossil fuel value chain in, respectively, exclusion criteria 4 and 5 above must be regularly revisited. Which fossil fuel activities in the value chain and which types of controversial weapons Velliv excludes must be stated on Velliv's website.
 - Velliv does not invest in government bonds issued by countries that appear on UN or EU sanction lists.
 - Velliv does not invest in government bonds issued by countries where Velliv assesses their approach to governance and administration as unsatisfactory. It is decided regularly if indicators to use for exclusion of government bonds issues by countries, that do not comply with satisfactory standards for governance and administration, should be adjusted.
 - For companies where a breach of good governance has been observed and external data provider has engaged in ineffectual dialogue for two years, an assessment is made as to whether exclusion is appropriate in the given context and situation.
 - Velliv's exclusion criteria apply to Velliv's portfolios of investment assets that Velliv manages. Velliv's agreements and agreement documentation with external asset managers oblige the external asset manager to comply with the exclusion criteria. Velliv cannot insist on compliance with the exclusion list in external funds where Velliv does not have a controlling influence.
 - Product-specific exclusion criteria that comply with VækstPension Aftryk's environmental and social characteristics must be defined for the product. The product-specific exclusion criteria must be published on Velliv's website to ensure external transparency.
 - Companies and/or government bonds may be excluded irrespective of the above-mentioned exclusion criteria if monitoring and analysis of a broad range of sustainability-related data indicates that exclusion is necessary due to special circumstances. These exclusions are referred to as exclusions due to 'special circumstances' in Velliv's published exclusion lists.
 - A screening of the investment portfolio must be conducted at least quarterly to decide, if there are investments that breach with the policy. If breaches are identified, the necessary measures must be implemented, to divest from the particular investment as mentioned in this policy.

- The level of Sustainability Risk that can be accepted by the individual asset class must be reviewed annually.
- Recognised data providers must be used to comply with the aforementioned exclusion criteria and to assess Sustainability Factors and Sustainability Risks in investment decisions where there is high data quality and a large amount of available data.

3.1.2. Asset managers

- 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
- The external asset managers selected by Velliv must at the time of management agreement confirm, that they are familiar with Velliv's Policy and guidelines on responsible investments and active ownership
- A regular, though at least once a year, evaluation is made of the approach to responsibility and sustainability for the individual funds.

3.1.3. Monitoring the investment portfolio

- Which voluntary PAI indicators Velliv reports on in its annual PAI declaration are decided upon at least once a year. The choice is driven by the strategic objectives of this policy.
- Monitoring of the investment portfolio's Sustainability Risks and Sustainability Factors must be an integral element of the general management of Velliv's investments. Should monitoring demonstrate a need for corrective actions or initiatives in relation to Sustainability Risks and/or Sustainability Factors, they will be initiated in the relevant business areas.
- Recognised data providers must be used for the monitoring of the investment portfolios Sustainability Risks and Sustainability Factors, where there is high data quality and a large amount of available data.

3.1.4. Active Ownership

- Reactive and proactive dialogues are pursued with investee companies in accordance with Velliv's strategic objectives.
- 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.
- Regular assessments are made of whether Velliv is employing the right voting policy and/or the right provider of proxy voting to achieve the strategic objectives of this policy. The voting policy and/or provider can be changed if found to be no longer appropriate.
- The materiality of Velliv's holdings in passive mandates in VækstPension Index and Aktiv is assessed annually in connection with prioritising voting at general meetings.
- Existing and new opportunities for collaboration with other investors are continually assessed for their suitability in terms of contributing to the achievement of Velliv's strategic objectives.
- In escalating a dialogue or attempted dialogue, Velliv may decide to vote against management at a company's general assembly or consider whether a company should be excluded from Velliv's investment universe.

- Velliv may decide to refrain from investing in a company in the internally managed equity portfolio as a step in the escalation of a dialogue or attempted dialogue.
- Reporting on the area is in accordance with the annual reporting requirements on compliance with companies' policies for active ownership.
- Necessary separation of functions is ensured to counteract any conflicts of interest in connection with the exercise of active ownership

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.

Ongoing assessments must be carried out of Velliv's data providers and controls undertaken of the data received from the data providers. If one or more data providers are assessed to be inadequate, the Executive Board can, in consultation with relevant business areas, decide to terminate the collaboration and potentially switch to another data provider

3.3. Reporting

3.3.1 *Semi-annual report on responsible investments and active ownership*

- The Board of Directors receives a report on compliance with this policy and guidelines semi-annually. The report must, as a minimum, include:
 - A status update on the fulfilment of Velliv's strategic objectives, including the specific status with respect to achieving Velliv's climate targets and compliance with Velliv's action plan for the biodiversity area.
 - Status report on Velliv's work with active ownership, including reactive and proactive dialogues as well as voting record.
 - Update on Sustainability Risks
 - Overview of Velliv's investor collaborations and affiliations
 - Any regulatory matters that may affect the fulfilment of this policy and guidelines.
 - Status report on compliance with minimum share of Sustainable Investments in VækstPension Aktiv and VækstPension Aftryk.
 - Focus areas for the next six months.

3.3.2 *Report on active ownership*

- The Board of Directors receives an annual report describing the activities carried out in compliance of the items in this policy and guidelines concerning active ownership. The report is published on Velliv's website.
- The list of reactive dialogues is published once a year on Velliv's website.
- Velliv's voting record and voting policy are publicly available on Velliv's website.

3.3.3 Reporting on exclusions

- The exclusion list for companies based on Velliv's general exclusion criteria, cf. section 3.1.2, is updated and published on Velliv's website semi-annually
- The exclusion list for government bonds is implemented and published on Velliv's website annually
- Any breach of the exclusions is reported to the responsible business areas, who are responsible for handling breaches of the exclusion list
- The product-specific exclusion criteria for VækstPension Aftryk must be described on Velliv's website.

3.3.4 Report on external asset managers

- The Board of Directors is updated at least once a year on the approach of the asset managers to sustainability across asset classes and investment products.

3.3.5 Climate and biodiversity reporting

- Velliv presents a Climate- and Biodiversity report on Velliv's investments to the Board of Directors every year. The climate section of the report must be based on the recommendations on financial climate reporting from the IFRS Foundation and the International Sustainability Standards Board (ISSB) (formerly TCFD), and should address work in the following areas:
 - Governance
 - Strategy
 - Risk management
 - Key figures and targets.
- To identify climate-related Sustainability Risks in the report, an analysis is performed using climate scenarios that expect low and high temperature increases, respectively. The results are used to identify high risk sectors and prioritised focus areas.
- The biodiversity section must comply with the reporting obligations, cf. Finance for Biodiversity Pledge, that Velliv has signed up to. Consequently, the reporting recommendations from the Task Force on Nature Related Disclosures (TNFD) should be followed as far as possible.
- Velliv's Climate and Biodiversity report is made available on Velliv's website immediately after the report is submitted to the Board of Directors.

3.3.6 Reporting on Sustainability Risks and Sustainability Factors

- Reporting is done regularly to responsible business areas on the investments Sustainability Risks and Sustainability Factors.

3.3.7 Reporting pursuant to SFDR and the Taxonomy Regulation

- Pre-contractual documents, website disclosures, summaries, periodical reporting and PAI declarations are prepared in compliance with applicable reporting obligations in the EU's Sustainable Finance Disclosure Regulation (SFDR).
- A Taxonomy report is prepared annually in compliance with applicable reporting obligations in the EU's Taxonomy Regulation.

4. Effective date and updates

At its meeting on 11. December 2025, the Board of Directors adopted this policy and guidelines, which replace the policy and guidelines for responsible investments and active ownership of 30. October 2024.

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.