Standard information on the integration of sustainability risks and product categorisation

With the current climate changes and negative environmental impacts, the EU has put additional focus on more financing for sustainable investments. As a result, the EU has introduced regulations concerning sustainable investment products that set the requirements for what is classified as sustainable investment products. The purpose is, among other things, to create a common definition for sustainable investment products and corresponding disclosure obligations.

The disclosure and taxonomy regulation

The EU's Sustainable Finance Disclosure Regulation (SFDR) involves, among other things, that market participants from the financial sector, such as PFA, must provide sustainability-related information about the financial products they offer. In PFA Pension's case, its pension products. The information that needs to be submitted depends on whether the pension products are fully or partially sustainable and which objectives they have for sustainability.

There is a close correlation between the SFDR and the EU's so-called taxonomy regulation, which specifies and expands upon a number of disclosure obligations related to providing information in the disclosure regulation. The taxonomy regulation is intended to establish a classification system for which economic activities can be considered environmentally sustainable. You can read more about this at pfa.dk.

Below, we will review PFA's integration of sustainability risks and product categorisation pursuant to EU regulations, including the disclosure and taxonomy regulation.

Integration of sustainability risks

PFA integrates sustainability risks in its investment decisions in the same manner as other risks. All of PFA's investments have exposure to sustainability risks. A sustainability risk is an environmental, social or governance event or circumstance that, if it materialises, may have a significant negative impact on the value of the investment. As with other risks, sustainability risks are incorporated into the investment processes. PFA also works on identifying and prioritising potential negative sustainability risks in our investments. This happens through relevant adjustments based on asset classes opportunities and reliable data which PFA has available.

Responsible investments

At PFA, we believe that accountability and good returns are increasingly interlinked - not least from the point of view of a long-term investor. PFA's funds are invested according to PFA's principles for active ownership and responsible investments. PFA's policy for responsible investments and active ownership forms the framework for how we work with integrating responsibility into our investment processes, based on international standards and principles. Among other things, this includes global guidelines for how a responsible investor should work with human rights, the climate and environment.

PFA backs the Paris Agreement's goals for reducing CO2 emissions and promoting the green transition, both of which are necessary to create a more sustainable world. Via our participation in the international UN-founded investor network, Net-Zero Asset Owner Alliance (AOA), we are committed to being carbon neutral in our investment portfolio by 2050 at the latest. As part of this, PFA has an objective to reduce our CO2 emissions by 29 per cent for our investments in shares, corporate bonds and real estates by 2025 compared to the CO2 emissions of the investments in 2019.

You can read more about PFA's principles for responsible investments in the Policy for Responsible Invest-ments and also learn about how we ensure compliance with this policy and our active ownership at pfa.dk.

PFA Invests

PFA Invests is a market rate product in PFA Plus, where PFA invests on your behalf. PFA Invests includes both the PFA Plus and PFA Climate Plus products. With PFA Invests, PFA will manage your pension savings based on your selection of risk tolerance in relation to your expectations for return and to what extent you want to have an extra focus on climate-friendly investments. You can choose between four different in-vestment profiles in PFA Plus and four different investment profiles in PFA Climate Plus - we call these investment profile A, investment profile B, investment profile C and investment profile D in PFA Plus and Climate Plus investment profile A, Climate Plus investment profile B, Climate Plus investment profile C and Climate Plus investment profile D in PFA Climate Plus. When selecting PFA Invests you will, in practice, first select an investment profile and then the proportion of your savings you want to allocate to extra climate-friendly investments.

PFA Plus investment profile A, investment profile B, investment profile C and investment pro-file D

PFA Plus investment profile A, investment profile B, investment profile C and investment profile D are savings products that, among other characteristics, promote environmental and social characteristics.

This is in part achieved by continually monitoring whether the companies in the products comply with international norms or conventions for areas such as environmental protection, labour rights or human rights, exercising active ownership via voting and corporate dialogues and by excluding specific companies and countries.

The savings products also contribute to the EU's environmental goals by, among other things, investing in companies that deliver solutions for the stabilisation and reduction of greenhouse gases and/or reduce or prevent negative impacts from current or expected climate changes. In addition, investments are also made in green bonds and real estates that are built/renovated based on sustainable standards and direct investments are also made in renewable energy infrastructure.

Environmentally sustainable investments

The proportion of PFA Plus investment profile A, investment profile B, investment profile C and investment profile D that is considered environmentally sustainable is assessed based on whether the investments' economic activities contribute to meeting one or more of the EU's environmental goals, whether they do not significantly harm the EU's environmental goals and whether the companies operate in accordance with the OECD's guidelines for multinational companies and the UN's guiding principles for the private sector and human rights.

The calculation of the product's share of environmentally sustainable investments pursuant to the EU taxonomy regulation is presented in the table below. There is only very limited data available on the parameter of environmental sustainability, as companies are only obliged to report on this (pursuant to the EU's taxonomy regulation) from 1 January 2023. The proportion of environmental sustainability is therefore based on estimates. The estimates are based on assessments and data from external data suppliers and consultants and will gradually be phased out once reports from the companies are available. The below statement of the proportion of environmentally sustainable investments, cf. the EU's taxonomy regulation, are therefore not taking into account the EU's technical screening criteria as companies are not at present reporting how they are complying with this.

PFA Plus investment profiles' proportion of investments aligned with the EU's environmental taxonomy	
	Estimated for the EU's environmental targets 1-6
PFA Plus investment profile A	2,3%
PFA Plus investment profile B	2,9%
PFA Plus investment profile C	3,5%
PFA Plus investment profile D	4,2%

Note: The figures were calculated on 31/12/21.
Note: The proportion of environmentally sustainable investments is decreasing based on time left until retirement due to the gradual reduction of risk. The calculated proportions are before the gradual reduction is initiated.
Note: The taxonomy regulation defines six climate and environmental targets that economic activities can significantly contribute to in order to be classified as climate and environmentally sustainable. 1. Climate change mitigation 2. Climate change adaptation 3. Sustainable use and protection of water and marine resources 4. Transition to a circular economy 5. Pollution prevention and control 6. Protection and restoration of biodiversity and ecosystems.
Source: MSCI and analyses made by PFA and/or external consultants.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

For example, this means that investment profile D, which has a 4,2 % proportion of sustainable investments (pursuant to the EU's taxonomy regulation) may well have a larger proportion of sustainable investments, but the remaining investments do not meet all of the EU's criteria for being included in the statement of environmentally sustainable investments under the EU's taxonomy regulation.

Categorisation according to the EU's Sustainable Finance Disclosure Regulation (SFDR)
PFA Plus investment profile A, investment profile B, investment profile C and investment profile D are categorised pursuant to Article 8 as partially sustainable products in terms of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR).

PFA Climate Plus investment profile A, investment profile B, investment profile C and investment profile D

PFA Climate Plus is a savings option in PFA's market rate product in PFA Plus for individual customers who wants an increased share of climate-focused investments. At PFA, we believe that accountability and good returns are increasingly interlinked - not least from the point of view of a long-term investor. This also applies to PFA Climate Plus.

PFA Climate Plus investment profile A, investment profile B, investment profile C and investment profile D are savings products that, among other characteristics, promotes environmental and social characteristics.

The products have a special focus on climate investments. This is in part achieved by continually monitoring whether the companies in the products comply with international norms or conventions for areas such as environmental protection, labour rights or human rights, exercising active ownership via voting and corporate dialogues and by excluding specific companies and countries. Furthermore, the PFA Climate Plus products exclude companies from the energy sector, i.e. no investments in fossil fuel extraction.

The PFA Climate Plus products also contributes to the EU's Climate goals by investing in companies that supply solutions to stabilise or reduce greenhouse gases and/or reduce or prevent negative impacts from current or expected climate changes. Investments are also made in companies that are industry leaders in the green transition and companies that are focused on having a carbon footprint (incl. objectives) compatible with a maximum 2 degrees global temperature increase, green bonds, real estates that are built/renovated based on sustainable standards and direct investments in renewable energy infrastructure.

The risk profile of PFA Climate Plus is similar to the savings option in PFA Plus. However, the return will evolve differently as the products invest in different assets. Principles, social and business ethics matters are in line with PFA's policy for responsible investments and active ownership.

Climate objectives

PFA Climate Plus is based on three concrete climate objectives:

1. The equity portfolio in PFA Climate Plus will emit 60 % less CO2 than the global equity index (MSCI ACWI).
2. As we approach 2025, the ambition is for PFA Climate Plus to be carbon neutral as a whole.
3. As we approach 2030, the ambition is that PFA Climate Plus as a whole should be carbon negative; in effect, removing more CO2 from the atmosphere than the investments emit.

The objective of being carbon neutral is to be achieved via investments in forests and technology that extract CO2 from the atmosphere.

The global equity index (MSCI All Country World Index 'MSCI ACWI') is used as the benchmark for the PFA Climate Plus equity portfolio in relation to the target for CO2 reductions. MSCI ACWI covers approximately 3,000 securities ranging across large, medium-sized and small cap segments in many different sectors distributed across 45 developed and new markets. The global equity index thus serves as a broad benchmark in terms of global CO2 emissions.

Environmentally sustainable investments

The proportion of PFA Climate Plus investment profile A, investment profile B, investment profile C and investment profile D's environmental sustainability is assessed based on whether the investments' economic activities actively contribute to one or more of the EU's environmental goals, whether they do not significantly harm the EU's environmental goals and whether the companies operate in accordance with the

OECD's guidelines for multinational companies and the UN's guiding principles for the private sector and human rights.

The calculation of the product's share of environmentally sustainable investments pursuant to the EU taxonomy regulation is presented in the table below. There is only very limited data available on the parameter of environmental sustainability, as companies have only been obliged to report on this (pursuant to the EU's taxonomy regulation) from 1 January 2023. The proportion of environmental sustainability is therefore based on estimates. The estimates are based on assessments and data from external data suppliers and consultants and will gradually be phased out once reports from the companies are available. The below statement of the proportion of environmentally sustainable investments is therefore not taking into account the EU's technical screening criteria as companies are not at present reporting how they are complying with this.

PFA Climate Plus investment profiles' proportion of investments aligned with the EU's environmental taxonomy	
	Estimated for the EU's environmental targets 1-6
PFA Climate Plus investment profile A	5,2%
PFA Climate Plus investment profile B	6,3%
PFA Climate Plus investment profile C	7,4%
PFA Climate Plus investment profile D	8,6%

Note: The figures were calculated on 31/12/21.
Note: The proportion of environmentally sustainable investments is decreasing based on time left until retirement due to the gradual reduction of risk. The calculated proportions are before the gradual reduction is initiated.
Note: The taxonomy regulation defines six climate and environmental targets that economic activities can significantly contribute to in order to be classified as climate and environmentally sustainable. 1. Climate change mitigation 2. Climate change adaptation 3. Sustainable use and protection of water and marine resources 4. Transition to a circular economy 5. Pollution prevention and control 6. Protection and restoration of biodiversity and ecosystems.
Source: MSCI and analyses made by PFA and/or external consultants.

In PFA Climate Plus, investments are also made in green bonds, but these have not yet been included in the proportion of environmentally sustainable investments pursuant to the EU's environmental taxonomy. The work on achieving this continues. The proportion of green bonds is as at 29/10/21 respectively 28 %, 19 %, 10 % and 0 % in investment profiles A, B, C and D with 20 years until retirement.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

For example, this means that PFA Climate Plus investment profile D, which has an 8,6 % proportion of sustainable investments (pursuant to the EU's taxonomy regulation) may well have a larger proportion of sustainable investments, but the remaining investments do not meet all of the EU's criteria for being included in the statement of environmentally sustainable investments under the EU's taxonomy regulation.

How we measure whether we meet our objective for CO2 reduction in PFA Climate Plus
Like PFA's other investments, the PFA Climate Plus portfolio is assessed on the basis of the requirements we have set for our responsible investment policy and active ownership. There is also an additional focus on climate issues which means that investments in oil, coal and gas companies are excluded.

We measure the CO2 emission from our equity portfolio in PFA Climate Plus and compare them with the global equity index (MSCI ACWI) in order to ensure that the portfolio is within the specified range and on track to meet the objective of emitting 60 % less CO2 than the global equity index. Between now and 2025, we also aim to expand the CO2 mapping to other asset classes. We are also looking at potential investments that can realise the ambition of becoming carbon neutral in 2025 and carbon negative in 2030.

PFA's assessments are based on data from the MSCI ACWI (global equity index), which serves as PFA's benchmark. If MSCI cannot find enough valid data, MSCI makes their own assessment of the emission using comparable companies in the same industry and geographical region.

Categorisation according to the EU's Sustainable Finance Disclosure Regulation (SFDR)
PFA Climate Plus investment profile A, investment profile B, investment profile C and investment profile D are categorised pursuant to Article 8 as partially sustainable products in terms of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR).

You can read more about PFA Climate Plus and how we work with complying with our policy for responsible investments and active ownership at pfa.dk.

PFA Optional

PFA Optional is a savings option in PFA's market rate savings, PFA Plus, for the individual customers who have insights into and an interest in investing and who wants to take responsibility for the ongoing specification of risk on their pension savings and who do not want an automatic gradual risk reduction implemented as the retirement date approaches. With PFA Optional, the individual customers can freely select the distribution between PFA's four risk funds: the Low-risk fund, the High-risk fund, the Climate Plus Low-risk fund and the Climate Plus High-risk fund. Dependent on the individual customers' choice of distribution between the Low- and High-risk funds and the proportion allocated to Climate Plus, the sustainability risks of the individual customers can vary.

Low-risk fund and High-risk fund

The Low-risk fund and the High-risk fund are savings products that, among other characteristics, promote environmental and social characteristics.

This is in part achieved by continually monitoring whether the companies in the products comply with international norms or conventions for areas such as environmental protection, labour rights or human rights, exercising active ownership via voting and corporate dialogues and by excluding specific companies and countries.

The Low-risk fund contributes to the EU's climate goals by, among other things, investing in green bonds and real estates that are built/renovated based on sustainable standards and by making direct investments in renewable energy infrastructure.
The High-risk fund contributes to the EU's climate goals by, among other things, investing in companies that supply solutions that stabilise and reduce greenhouse gas emissions and/or reduce or prevent negative impacts from current or expected climate changes.

Environmentally sustainable investments
The proportion of the Low-risk fund's and High-risk fund's environmental sustainability is assessed based on whether the investments' economic activity contribute to one or more of the EU's climate goals, whether they do not significantly harm the EU's climate goals and whether they operate in accordance with the OECD's guidelines for multinational companies and the UN's guiding principles for the private sector and human rights.

The calculation of the product's share of environmentally sustainable investments pursuant to the EU taxonomy regulation is presented in the table below. There is only very limited data available on the parameter of environmental sustainability, as companies have only been obliged to report on this, pursuant to the EU's taxonomy regulation, from 1 January 2023. The proportion of environmental sustainability is therefore based on estimates. The estimates are based on assessments and data from external data suppliers and consultants and will gradually be phased out once reports from the companies are available. The below statement of the proportion of environmentally sustainable investments is therefore not taking into account the EU's technical screening criteria as companies are not at present reporting how they are complying with this.

The Low-risk fund and High-risk fund's share of investments aligned with the EU's environmental taxonomy	
	Estimated for the EU's environmental targets 1-6
Low-risk fund	1,7%
High-risk fund	4,2%

Note: The figures were calculated on 31/12/21.
Note: The taxonomy regulation defines six climate and environmental targets that economic activities can significantly contribute to in order to be classified as climate and environmentally sustainable. 1. Climate change mitigation 2. Climate change adaptation 3. Sustainable use and protection of water and marine resources 4. Transition to a circular economy 5. Pollution prevention and control 6. Protection and restoration of biodiversity and ecosystems.
Source: MSCI and analyses made by PFA and/or external consultants.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

For example, this means that the High-risk fund, which has a 4,2 % proportion of sustainable investments, pursuant to the EU's taxonomy regulation, may well have a larger proportion of sustainable investments, but the remaining investments do not meet all of the criteria for being included in the statement of environmentally sustainable investments under the EU's environmental taxonomy regulation.

Categorisation according to the EU's Sustainable Finance Disclosure Regulation (SFDR)

The Low-risk fund and High-risk fund are both categorised pursuant to Article 8 as partially sustainable products in terms of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR).

Climate Plus Low-risk fund and Climate Plus High-risk fund

The Climate Plus Low-risk fund and the Climate Plus High-risk fund are savings options in PFA Optional for individual customers who wants an increased share of climate-focused investments.

The Climate Plus Low-risk fund and the Climate Plus High-risk fund are savings products that, among other characteristics, promote environmental and social characteristics.

Both products have a special focus on climate investments. This is in part achieved by continually monitoring whether the companies in the products comply with international norms or conventions for areas such as environmental protection, labour rights or human rights and exercising active ownership via voting and corporate dialogues and by excluding specific companies and countries. Furthermore, the Climate Plus Low-risk fund and the Climate Plus High-risk fund exclude companies from the energy sector, i.e. no investments in fossil fuel extraction.

The Climate Plus Low-risk fund contributes to the EU's climate goals by, among other things, investing in green bonds and real estates that are built/renovated based on sustainable standards and by making direct investments in renewable energy infrastructure.

The Climate Plus High-risk fund contributes to the EU's climate goals by, among other things, investing in companies that supply solutions that stabilise and reduce greenhouse gas emissions and/or reduce or prevent negative impacts from current or expected climate changes. Furthermore, the Climate Plus High-risk fund invests in companies that are industry leaders in the green transition and companies that are focused on having a carbon footprint (incl. objectives) compatible with a maximum 2 degrees global temperature increase.

Environmentally sustainable investments

The proportion of the Climate Plus Low-risk fund's and Climate Plus High-risk fund's environmental sustainability is assessed based on whether the investments' economic activities contribute to one or more of the EU's climate goals, whether they do not significantly harm the EU's climate goals and whether they operate in accordance with the OECD's guidelines for multinational companies and the UN's guiding principles for the private sector and human rights.

The calculation of the product's share of environmentally sustainable investments pursuant to the EU taxonomy regulation is presented in the table below. There is only very limited data available on the parameter of environmental sustainability, as companies have only been obliged to report on this, pursuant to the EU's taxonomy regulation, from 1 January 2023. The proportion of environmental sustainability is therefore based on estimates. The estimates are based on assessments and data from external data suppliers and consultants and will gradually be phased out once reports from the companies are available. The below statement of the proportion of environmentally sustainable investments is therefore not taking into account the EU’s technical screening criteria as companies are not at present reporting how they are complying with this.

The Climate Plus Low-risk fund and Climate Plus High-risk fund’s proportion of investments aligned with the EU’s environmental taxonomy.	
	Estimated for the EU’s environmental targets 1-6
Climate Plus Low-risk fund	4,1%
Climate Plus High-risk fund	8,6%

Note: The figures were calculated on 31/12/21.
Note: The taxonomy regulation defines six climate and environmental targets that economic activities can significantly contribute to in order to be classified as climate and environmentally sustainable. 1. Climate change mitigation 2. Climate change adaptation 3. Sustainable use and protection of water and marine resources 4. Transition to a circular economy 5. Pollution prevention and control 6. Protection and restoration of biodiversity and ecosystems.
Source: MSCI and analyses made by PFA and/or external consultants.

In the Climate Plus Low-risk fund, investment is also made in green bonds, but these have not yet been included in the proportion of environmentally sustainable investments. The work on achieving this continues. The proportion of green bonds as at 29/10/21 amount to 38 % in the Climate Plus Low-risk fund.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

For example, this means that the Climate Plus High-risk fund, which has an 8,6 % proportion of sustainable investments, pursuant to the EU’s taxonomy regulation, may well have a larger proportion of sustainable investments, but the remaining investments do not meet all of the criteria for being included in the statement of environmentally sustainable investments under the EU’s environmental taxonomy regulation.

Categorisation according to the EU’s Sustainable Finance Disclosure Regulation (SFDR)
The Climate Plus Low-risk fund and the Climate Plus High-risk fund are both categorised pursuant to Article 8 as partially sustainable products in terms of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR).

Payout protection cover

Individual customers with PFA’s market rate product, PFA Plus, that have chosen the PFA Invests investment concept and selected investment profile A or investment profile B (includes the savings option in both PFA Plus and PFA Climate Plus) can also select the product called Payout protection cover for their plan. The Payout protection cover ensures that individual customers’ pension payouts will generally not drop below a certain level. Under normal market conditions, the product is expected to generate a lower return than our Low and High-risk funds. The product complies with PFA’s general policy for responsible investments and active ownership.

Environmentally sustainable investments
The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Categorisation according to the EU's Sustainable Finance Disclosure Regulation (SFDR)

Payout protection cover does not promote environmental or social characteristics and does not have sustainability as its goals pursuant to Article 6 of the EU regulation on sustainability-related disclosures in the financial services sector (SFDR).