



Policy for responsible investments

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1.1 Policy for responsible investments

The pension fund works to generate the highest possible return while being a responsible investor.

It is the pension fund's conviction that responsibility as well as corporate social responsibility can be integrated in the investment strategy as long as the strategy reflects what the pension fund has promised its members and the pension fund complies with the Prudent Person Principle.

1.1.1 Approach to our work with responsible investments

The pension fund's work with responsible investments must be based on the UN Global Compact, the 6 principles for responsible investments defined by PRI, the UN's 17 Sustainable Development Goals and the Paris Agreement signed during the COP21.

The pension fund must aim to establish structures for the work with responsible investments which are in accordance with the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

The pension fund's work with responsible investments must relate to 1) considerations for negative impact on sustainability factors meaning impact from the pension fund's investments on environmental, social and governance conditions 2) considerations for sustainability risks meaning financial risks related to environmental, social and governance conditions which may have substantial negative impact on the value of the pension fund's investments.

1.1.2 Scope

The policy for responsible investments must apply to investments in listed companies, government bonds, credit and loans to companies, investments in funds with unlisted companies, infrastructure projects as well as real estate investments.

The policy for responsible investments does not apply to derivative trading which are standardised products based on common indexes, often weighted according to market capitalisation.

The pension fund has a risk-based approach to responsibility which must be modified according to investment type, structure as well as potential risks for people, the environment and the pension fund's investments. The pension fund must assess and consider the investments' most important negative impacts on sustainability factors and assess and consider sustainability risks which may affect the pension fund's investments.

1.1.3 Themes

The work with responsible investments must focus on whether companies in the pension fund's portfolio have good corporate governance and thus take precautionary measures against and mitigate 1) negative impact on principles related to i.a. human rights, employees' rights, the environment, tax and anti-corruption and 2) potential financial risks for the pension fund.

In accordance with the UN Guiding Principles on Business and Human Rights, the pension fund must work with human rights and employees' rights and respect the rights of the International Bill of Human Rights, including the International Labor Organisations Declaration of Fundamental Principles and Rights at Work.

The pension fund's work with the climate must be based on the Paris Agreement, and whether companies' business model is compatible with the Paris Agreement's target to keep the average global temperature rise well below 2 degrees and work to limit the temperature rise to 1.5 degrees. The pension fund must structure its portfolio in a way to make the total carbon footprint neutral in 2050 and set goals every five year.

The pension fund's work with the environment must focus on whether companies constitute a risk to the environment or cause irreversible damage to the environment, including i.a. water and biodiversity.

The pension fund's work with responsible tax must be based on that no investment structure, which the pension fund is a part of, must be prepared for the purpose of aggressive tax planning. Furthermore, the pension fund must focus on governance and transparency related to companies' tax payment.

The pension fund's work with corruption must focus on whether companies have created processes to prevent and mitigate corruption.

1.1.4 Active ownership

The pension fund must, in cooperation with other shareholders, exercise active ownership towards portfolio companies to promote companies' long-term value creation and minimise risks related to environmental, social and governance conditions as well as financial risks for the pension fund. In case of portfolio companies do not comply with the pension fund's policy, the pension fund exercises active ownership for the purpose of making the portfolio companies in question comply with the framework for the work with responsible investments. Active ownership includes monitoring of companies, engaging in dialogue with selected companies, cooperation with other investors and as far as possible voting at companies' general meetings.

1.1.5 Exclusion list

The pension fund has an exclusion list with countries and companies which the pension fund must not invest in. The exclusion list must be used in all investment structures possible.

The pension fund must, as far as possible, exclude companies if it is considered that the companies systematically violate the pension fund's policy for responsible investments, and if active ownership proves to be pointless. This may also apply to entire sectors or industries.

Based on an evaluation of UN treaties and conventions on controversial weapons, the pension fund must not invest in companies producing controversial weapons.

The pension fund must, as far as possible, exclude government bonds from countries which do not comply with the pension fund's requirements to governance and environmental and social aspects.

If a business relation, e.g. a bank or an investment manager, does not comply with the pension fund's policy for responsible investments, and if the pension fund's possibility for making its influence count is considered pointless, the cooperation must, as far as possible, be discontinued.

1.1.6 Transparency

The pension fund is, subject to confidentiality, transparent about its work with responsible investments. The pension fund publishes the policy for responsible investments on its website.

In case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.