

Policy for responsible investments

The pension fund's objective is to generate the highest possible return while being a responsible investor.

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

This policy for responsible investments must apply to all P+'s savings products. Specific criteria which are applied on implementation of this policy must be described in the pension fund's sustainability-related disclosures which must be published on the pension fund's website. For the savings product P+ Sustainable stricter criteria for restriction and selection must be applied due to adverse impact on sustainability factors as well as how this savings product promotes environmental and social characteristics.

Framework governing the approach to responsible investment

The pension fund must aim to establish structures for the work with responsible investments which comply with the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises as well as the 6 principles for responsible investing defined by PRI.

The pension fund's work with responsible investments must relate to 1) how the pension fund promotes environmental and social characteristics by choosing investments and use of the pension fund's influence towards business partners and portfolio companies, 2) considerations for adverse impact on sustainability factors, meaning impact from the pension fund's investments on environmental, social and governance conditions, 3) considerations for sustainability risks, meaning financial risks related to environmental, social and governance conditions which may have substantial adverse impact on the value of the pension fund's investments.

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 adverse impacts on sustainability factors, how the pension fund promotes environmental and social characteristics and assess and consider sustainability risks which may affect the pension fund's investments.

Themes

The work with responsible investments must focus on whether companies in the pension fund's portfolio have good corporate governance and thus prevent and mitigate 1) adverse impact on principles related to i.a. human rights, employees' rights, the environment, biodiversity, tax and anti-corruption and 2) potential financial risks for the pension fund. Besides, the work must focus on how the pension fund promotes environmental and social characteristics.

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 biodiversity and the environment must focus on whether companies constitute a risk to biodiversity and/or the environment, causes adverse impact on biodiversity and/or the environment as well as whether companies protect and/or reestablish biodiversity and the environment.

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.

When investing in government bonds, the pension fund must assess countries based on the overall conditions in the country related to governance and social conditions.

Due diligence and active ownership

When the pension fund chooses investment managers, the investment manager's work with responsibility must be incorporated in the assessment of the manager. The pension fund must assess if the investment manager has the relevant management systems in place to act within the responsible investment framework. The pension fund must also assess the types of companies and/or sectors which are expected to be included in every single fund that the pension fund considers to invest in.

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 cases where the pension fund identifies that portfolio companies have challenges related to environmental, social and/or governance conditions, the pension fund exercises active ownership for the purpose of making the portfolio companies in question comply with the framework applying to the work with responsible investments. Active ownership includes monitoring of companies, engagement with selected companies, cooperation with other investors and as far as possible voting at companies' general meetings.

When voting, the pension fund must as a main rule vote in favour of shareholder proposals dealing with preventing adverse impact on sustainability factors or promoting environmental or social characteristics.

Restricted list

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

The pension fund must, as far as possible, put companies on the restricted list if it is considered that the companies systematically have substantial challenges related to environment, social and/or governance conditions, 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 which Denmark has acceded to on controversial weapons, the pension fund must put companies producing controversial weapons on the restricted list.

The pension fund must put government bonds from countries which do not comply with the pension fund's requirements to governance and environmental and social aspects on the restricted list.

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.

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.



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