

The Current State of Responsible Investment in Denmark

Dansif 2017 Study

September 2017



Executive Summary (1)

- The sixth Dansif Study shows the continuous commitment to responsible investment (RI) practices among the 50 largest institutional investors in Denmark. 96% of the largest Danish institutional investors have defined RI policies.
- Danish institutional investors stand out internationally with a wide use of screening processes and engagement on ESG issues. It is also noteworthy internally that 67% of the respondents in the survey have a process in place to manage RI in government bonds.
- One of the most significant changes since the latest survey in 2015 is that 69% of the investors now apply the integration strategy for listed equity compared with 44% in 2015.
- 94% of the investors responding to the survey have some kind of ESG incorporation for the internally managed listed equity.
- 81% of the respondents have dedicated RI/ESG staff. In the previous survey from 2015, only 54% of respondents had dedicated RI/ESG staff.
- More than nine out of ten investors responding to the survey involve c-level people in managing RI.
- Carbon footprinting has found a much broader use among Danish investors, from 13% in 2015 to 41% in 2017. Current level is above the PRI member base, where 37% use this practice for climate change risk mitigation. 44% of the Danish investors in the survey now also engage specifically on climate change issues compared with 25% two years ago.

Executive Summary (2)

- 93% of the respondents in the survey do engagement, up nine points since 2015. This is slightly better than the PRI member base, where 91% of asset owners and 88% of investment manager engage on ESG.
- 85% of those investors using engagement via service providers play an active role in the engagement process.
- The number of engagements per investor continue to increase, service providers lead the bulk of engagements taking place.
- The use of proxy voting continues to grow, three out of four survey respondents cast their votes on some or all of the listed equities. 85% of those investors who proxy vote use service providers to provide research and voting recommendations.
- Half of the respondents in the survey have not yet integrated the principles in the OECD Guidelines for Responsible Business Conduct for Institutional Investors (guidelines released in March 2017).
- Two out of three investors in the survey do not currently use the SDGs. 18% use SDGs for mapping of impact or for other purposes. A similar number of investors are working on a process to use the SDGs, particularly the large investors.
- The 2017 Dansif Study is based on desk research and a questionnaire to the 50 largest institutional investors in Denmark. 29 investors responded to the survey, which is a response rate of 58%. There is a bias towards the large investors, so the responses to the survey cover 88% of the total AUM.

Executive Summary (1) dansk

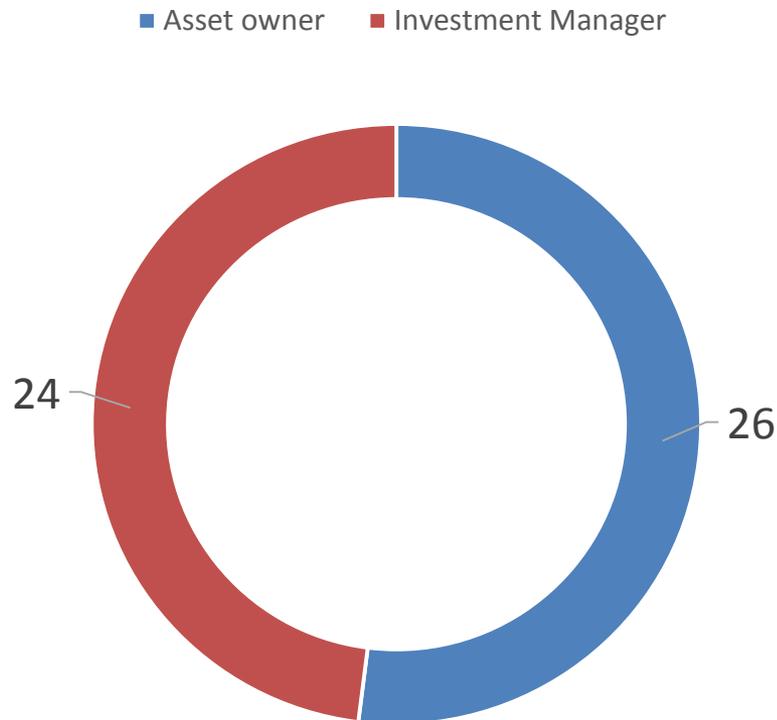
- Den sjette Dansif undersøgelse i rækken bekræfter det fortsatte commitment til ansvarlige investeringer blandt de 50 største institutionelle investorer i Danmark. 96% af disse investorer har defineret politikker for ansvarlige investeringer.
- De danske institutionelle investorer udmærker sig i et internationalt perspektiv ved en udbredt brug af screening og engagement med fokus på ESG-faktorer. Det er også bemærkelsesværdigt at 67% af respondenterne i spørgeskemaet har en proces til at håndtere ansvarlige investeringer i statsobligationer.
- En af de mest signifikante ændringer siden det forrige spørgeskema i 2015 er at der nu er 69% af investorerne anvender en integrationsstrategi for aktier sammenlignet med 44% i 2015.
- 94% af respondenterne i spørgeskemaet anvender en eller flere ESG-relateret strategier i de internt forvaltede aktieinvesteringer.
- 81% af respondenterne har medarbejdere der bruger mere end halvdelen af deres tid på ansvarlige investeringer og ESG. I 2015, var de kun 54% af respondenterne der havde disse ESG-medarbejdere.
- Mere end ni ud af ti investorer i spørgeskemaet har involveret det øverste ledelseslag i håndteringen af ansvarlige investeringer.
- Mange flere danske investorer end tidligere måler "carbon footprint" i investeringerne, 13% i 2015 til 41% i 2017. Det nuværende niveau ligger over gennemsnittet blandt PRI-medlemmerne hvor 37% anvender denne metode til at håndtere risici i forbindelse med klimaforandringer. 44% af de danske investorer i spørgeskemaet driver også engagement specifikt på klimaforandringer sammenlignet med 25% for to år tilbage.

Executive Summary (2) dansk

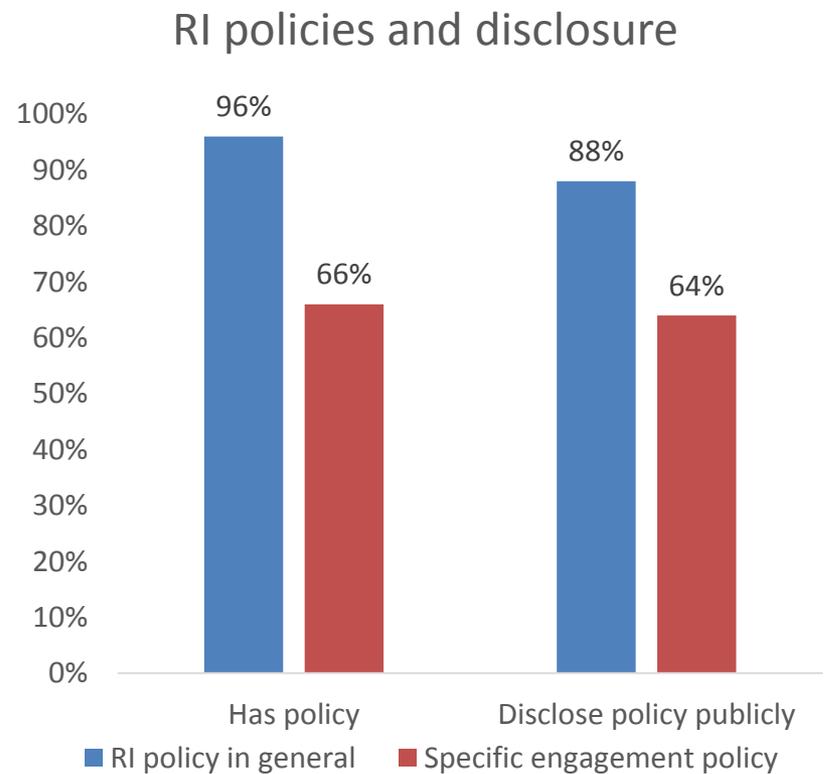
- 93% af respondenterne i spørgeskemaet anvender engagement med fokus på ESG, ni procent point flere end 2015. Dette er en mere udbredt anvendelse end PRI-medlemmerne samlet set, hvor 91% af kapitalejerne og 88% af forvalterne driver engagement.
- 85% af de investorer som bruger eksterne konsulenter til engagement, spiller en aktiv rolle i engagement-processen.
- Antallet af engagement-processer pr. investor fortsætter med at stige, eksterne konsulenter driver hovedparten af disse engagement-processer.
- Antallet af danske investorer som stemmer på generalforsamlingerne fortsætter med at stige, tre ud af fire respondenter stemmer på nogle eller alle aktier. 85% af disse investorer anvender eksterne konsulenter til at lave analyse og anbefalinger til at stemme.
- Halvdelen af respondenterne i spørgeskemaet har endnu ikke integreret principperne i “OECD Guidelines for Responsible Business Conduct for Institutional Investors” (disse retningslinjer er udkommet i marts 2017).
- To ud af tre investorer i spørgeskemaet anvender på nuværende tidspunkt ikke verdensmålene. 18% bruger verdensmålene til at måle effekten af investeringerne eller til andre formål. Et tilsvarende antal investorer arbejder på at komme til at anvende verdensmålene mere aktivt – det gælder særligt de store investorer.
- 2017-versionen af Dansif-undersøgelsen er baseret på desk research og et spørgeskema der er gået ud til de 50 største institutionelle investorer i Danmark. 29 af disse investorer har besvaret spørgeskemaet, hvilket giver en svarprocent på 58%. Der er en overvægt af store investorer blandt besvarelserne og besvarelserne dækker samlet over 88% af de samlede aktiver under forvaltning.

Overview of the 50 Largest Institutional Investors in Denmark

Close to even split between asset owners and investment managers



96% of investors have RI policy, 2/3 have specific policy on engagement

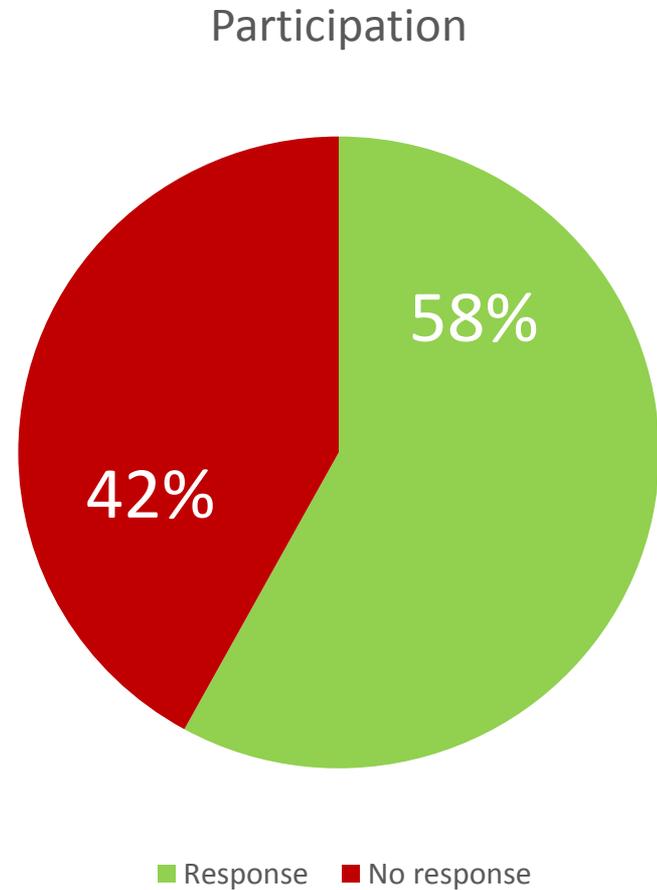


The following section is solely based on the responses from the 2017 Dansif survey.

THE 2017 DANSIF SURVEY

Participation rate

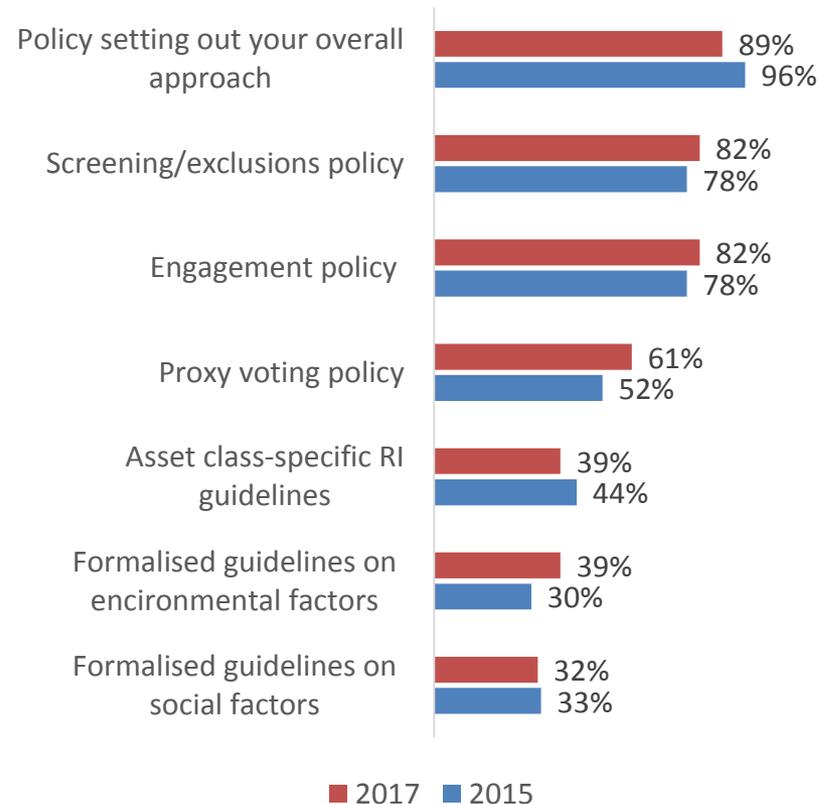
- 29 of the 50 largest institutional investors in Denmark - 15 asset owners and 14 investment managers - responded to the survey.
- The survey results are biased towards size, where the response rate among the largest investors is higher than among the smaller institutional investors.
- The survey results represent 88 per cent of the total AUM of the 50 largest institutional investors in Denmark.



Responsible Investment Policy

- All investors responding to the survey have a responsible investment policy
- 60% of the respondents say that the RI policy covers all AUM (52% in 2015)
- 39% say it covers majority of AUM (1% only minority of AUM)
- Responses to what components the RI policy includes, indicate Danish investors continue to develop more sophisticated and articulate policies
- 82% of the respondents make the RI policy publicly available

Components of RI policy



Governance of Responsible Investment

What roles at the investors have oversight and/or work with implementation of RI

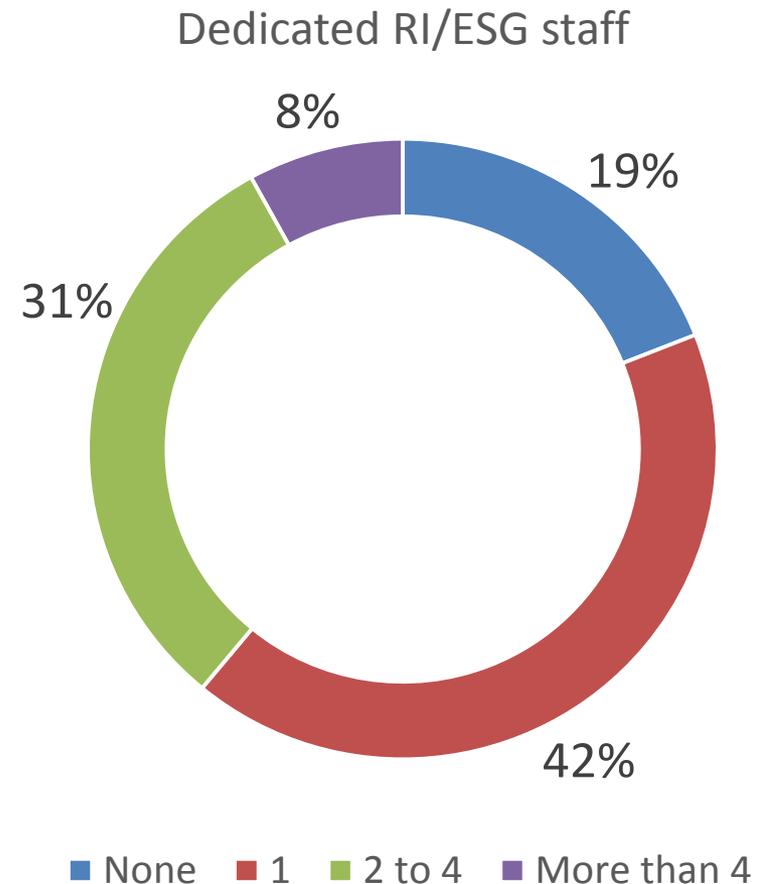
- More than nine out of ten investors responding to the survey involve c-level people in managing RI.
- All but one respondent having portfolio managers internally involve these in the implementation of RI.
- 30% of the respondents – but 80% of the AUM in the survey – say that objectives for the RI activities are set and reviewed on a quarterly basis or more often.
- 37% review objectives on an annual basis – the smaller investors. 22% review on an ad-hoc basis.

Roles	Oversight	Implementation
Board members/ trustees	75%	0%
CEO, CIO and/or invest. committee	93%	36%
Other Chief- level staff	39%	36%
Portfolio Man.	43%	86%
Investment Analysts	14%	43%
Dedicated RI/ ESG staff	39%	50%
External man. Or service providers	21%	57%

More staff dedicated to RI/ESG

Dedicated RI/ESG staff are those individuals with the majority of their time allocated to RI/ESG activities – oversight or implementation

- 81% of the respondents have dedicated RI/ESG staff. In the previous survey from 2015, only 54% of respondents had dedicated RI/ESG staff.
- These staff members are working directly with implementation or oversight of external managers or service providers.



Active in RI/ESG networks or initiatives

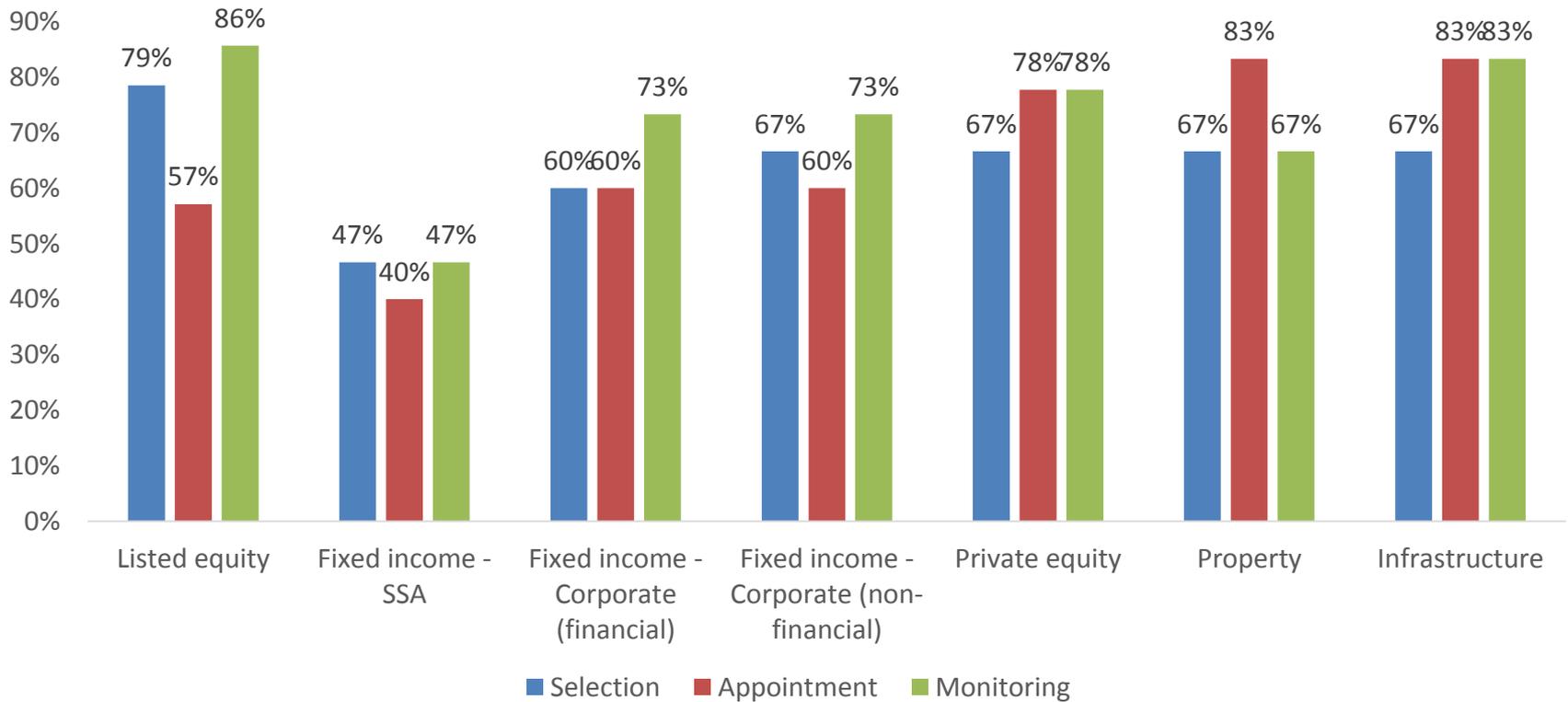
- Dansif remains the most popular RI/ESG network among Danish investors.
- Some of the Danish investors have signed up to PRI again.
- Among the more specialised networks, Danish investors are mostly active in initiatives related to climate change.



Based on 28 responses.

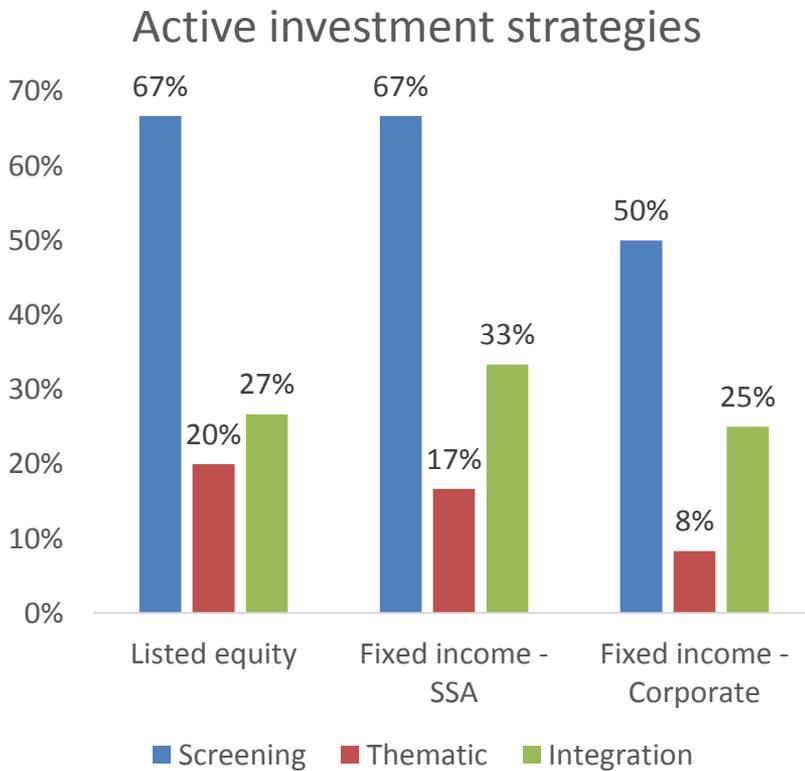
Responsible investment factors when using external managers

Taking into account RI factors in selection, appointment and monitoring of external managers

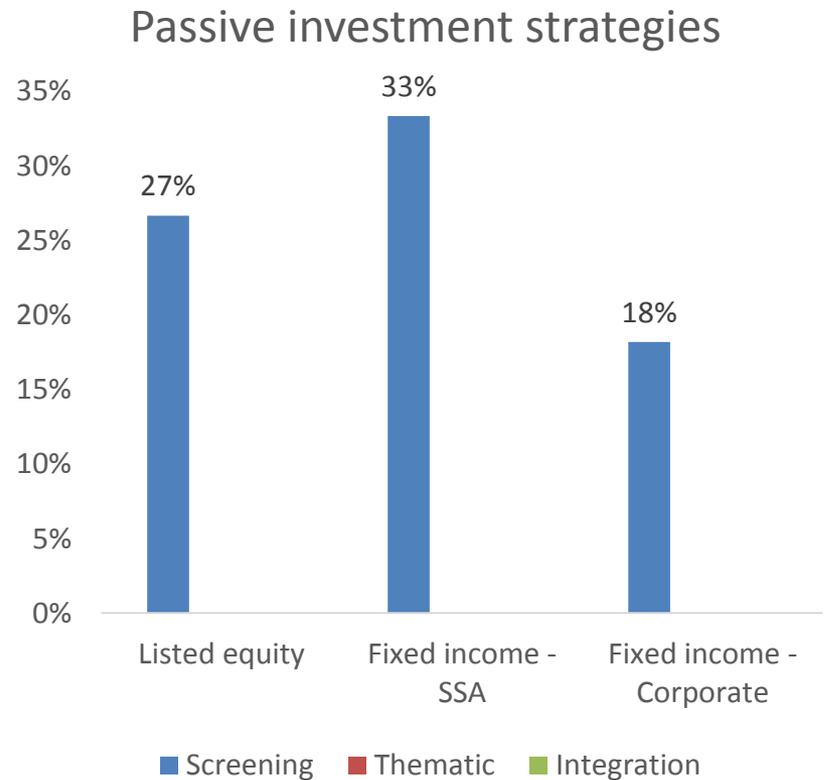


ESG incorporation strategies implemented by external managers

Mostly screening, but also thematic and integration

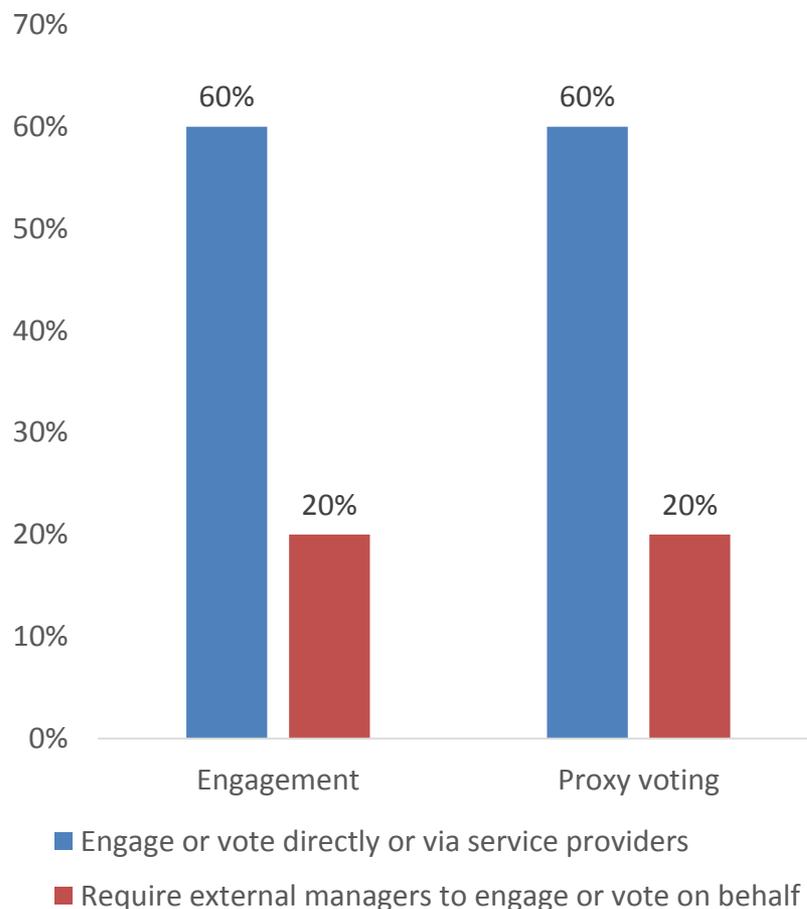


Only screening in passive investment strategies and to a less extent than with active strategies



Engagement and proxy voting on externally managed listed equity

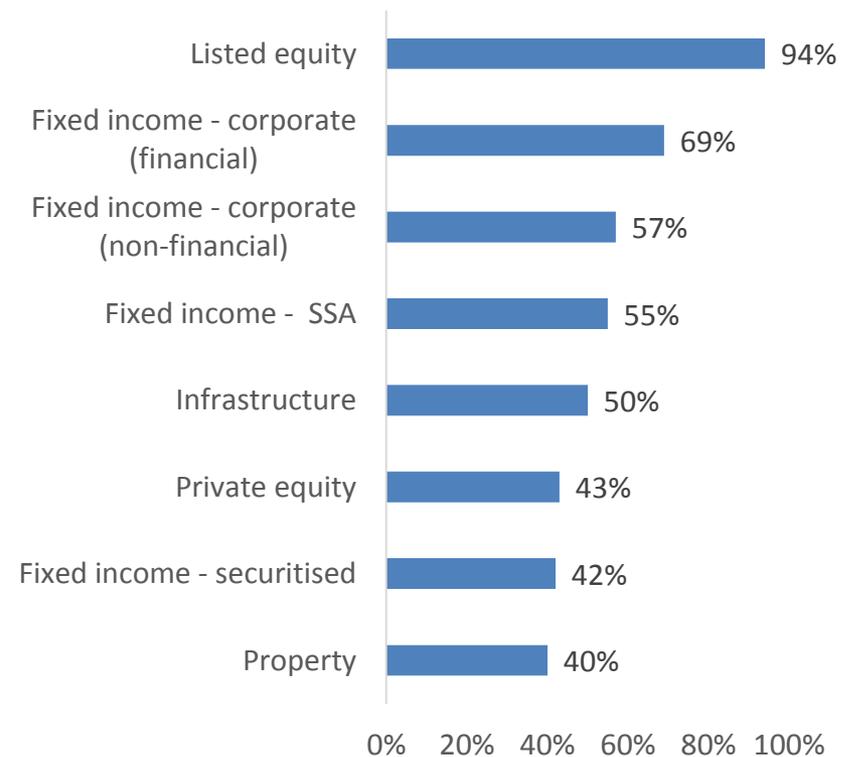
- Most of the institutional investors responding to the survey engage or vote directly with listed equity even if it is managed by an external manager.
- Engagement and proxy voting go hand in hand – the same approach is used for both.
- 21% of the respondents indicated that they in general apply their own overlay of RI on externally managed assets.



Implementation of RI in different asset classes

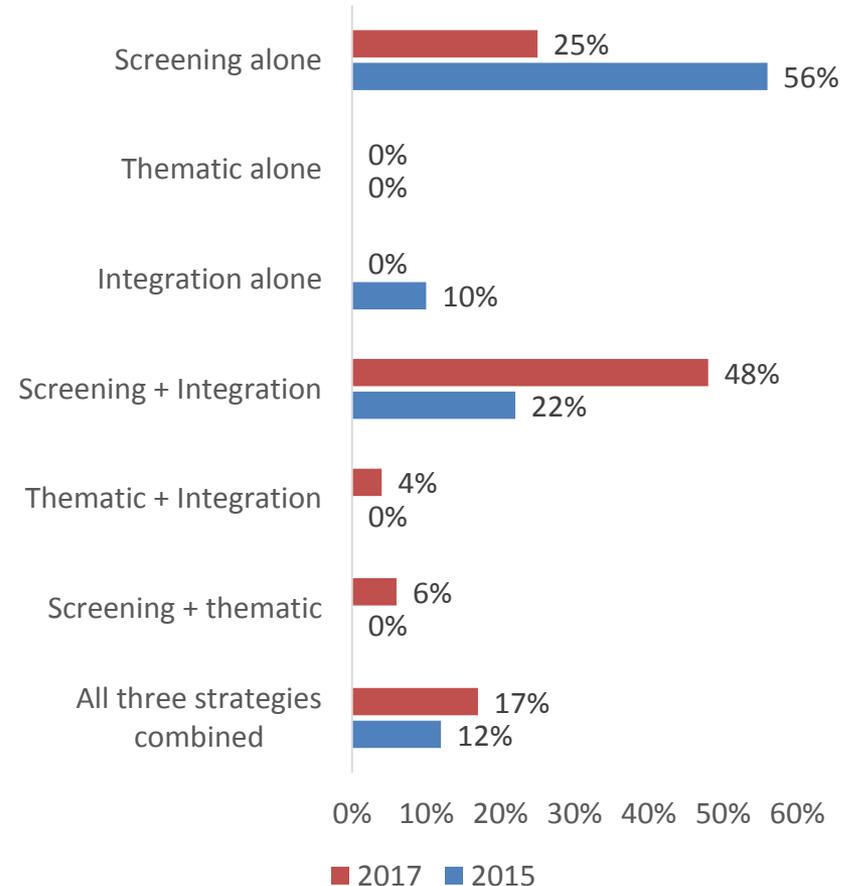
- It is close to a full ESG incorporation of internally managed listed equity among Danish institutional investors.
- There is less consistency for implementation of RI policies in the alternative assets.

ESG incorporation in internally managed assets



Main ESG incorporation strategy applied for actively managed listed equity

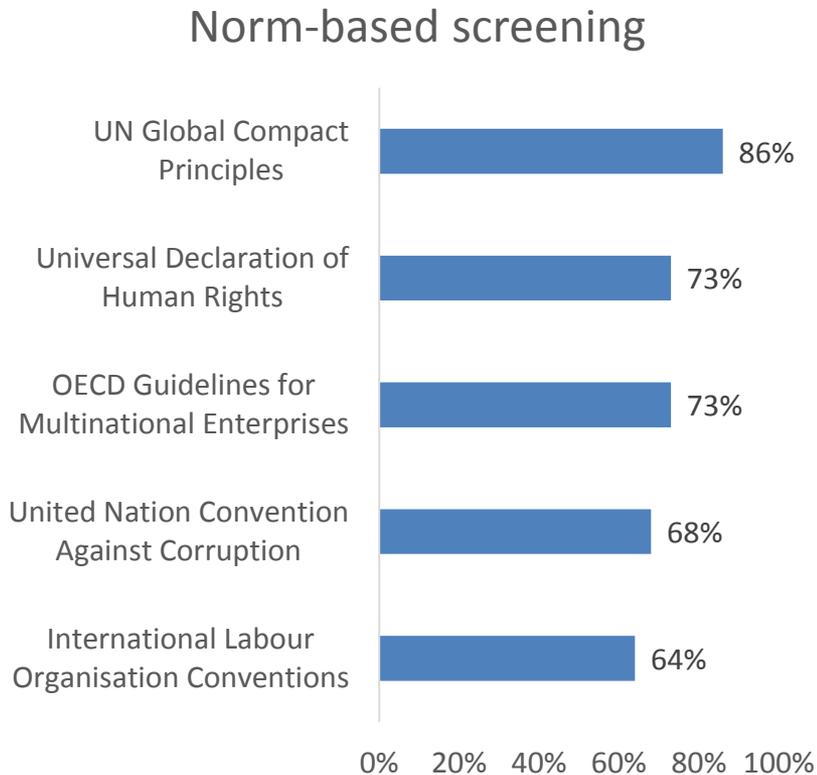
- The 2017 survey shows a significant move towards a combination of strategies for actively managed listed equity.
- 75% of the investors apply at least two strategies – particularly the combination of screening and integration. In 2015 it was only 44%.
- Compared internationally with the PRI member base, Danish investors more often apply screening, but less integration – although closing in on integration. In the 2017 Annual Report from PRI, 80% of members apply integration for listed equity compared with 69% of the investors in the Dansif survey.



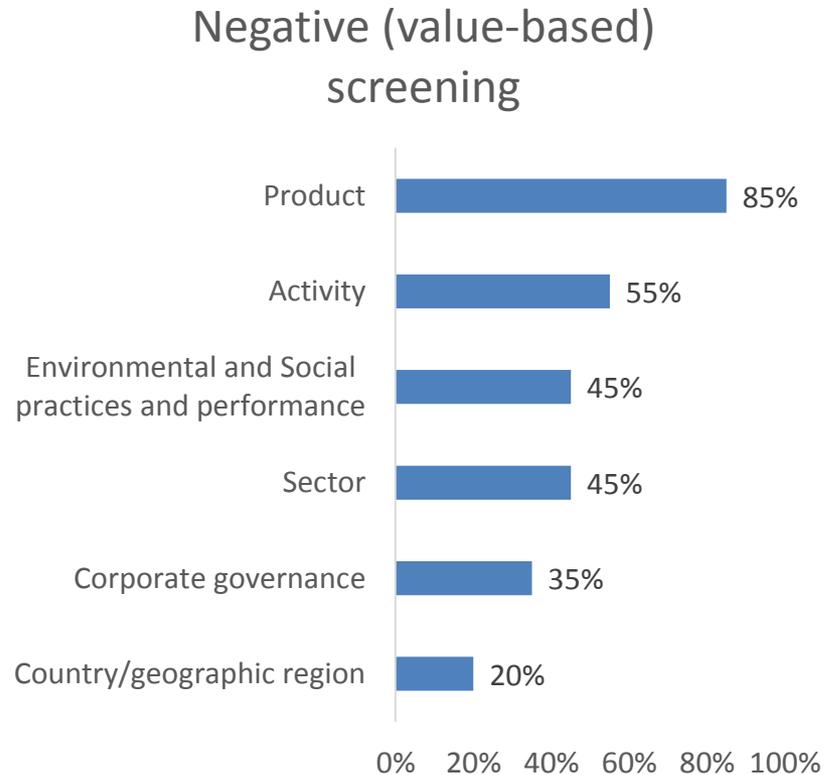
Criteria for screening processes

internally managed active listed equity

Mostly based on UN Global Compact, but often linked to other conventions and guidelines

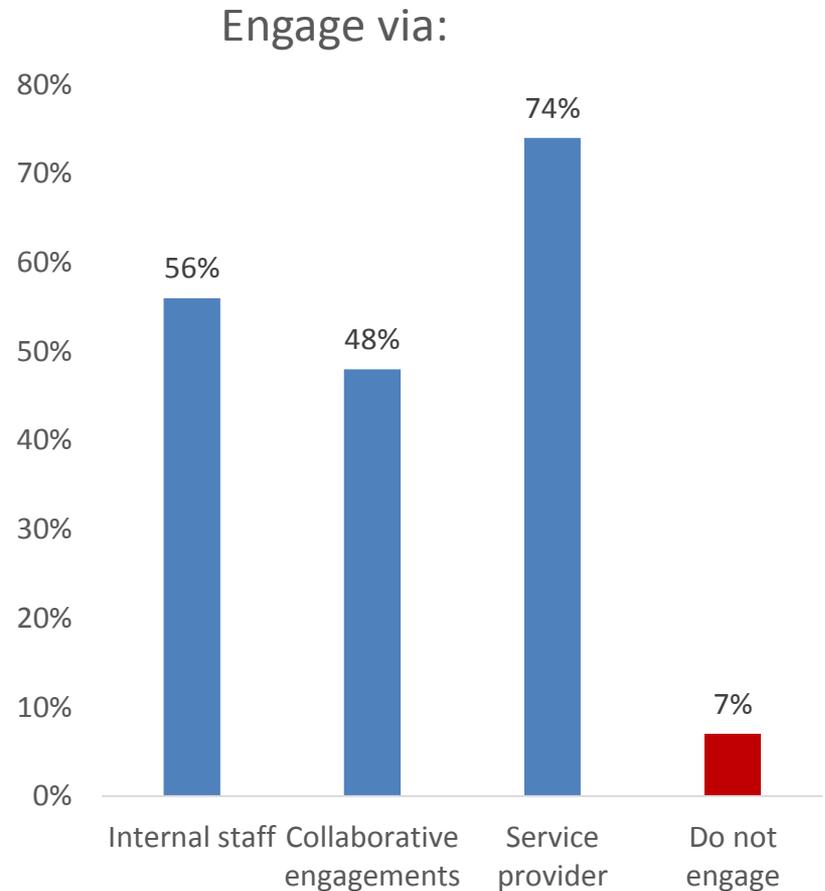


Primarily screening for controversial products, few exclude countries/regions when investing in equity



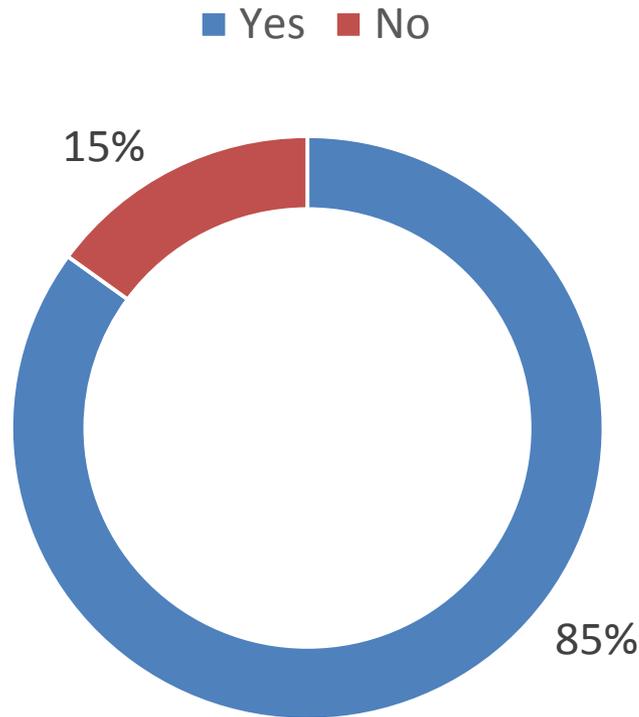
Active ownership/engagement

- 93% of the respondents in the survey do engagement, up nine points since 2015. This is slightly better than the PRI member base, where 91% of asset owners and 88% of investment manager engage on ESG.
- Most investors engage via service providers, but an increasing number also use internal staff and collaborative engagement fora.

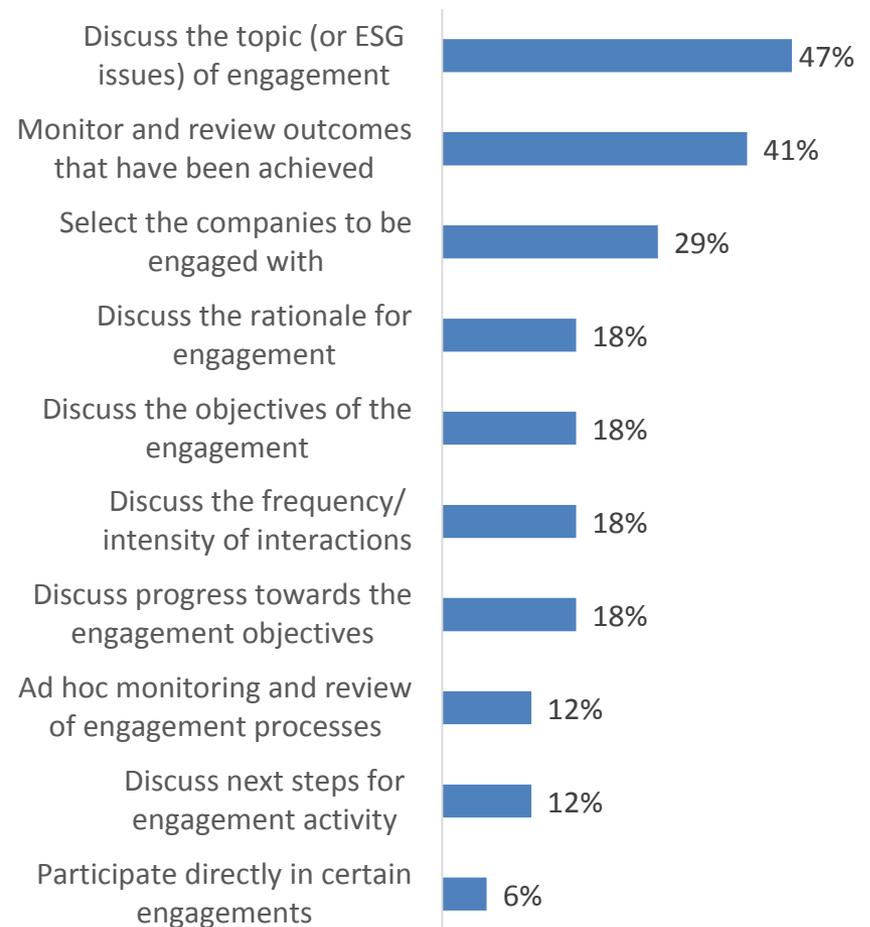


The active participation of investors in service provider engagement

Play an active role in service provider engagement

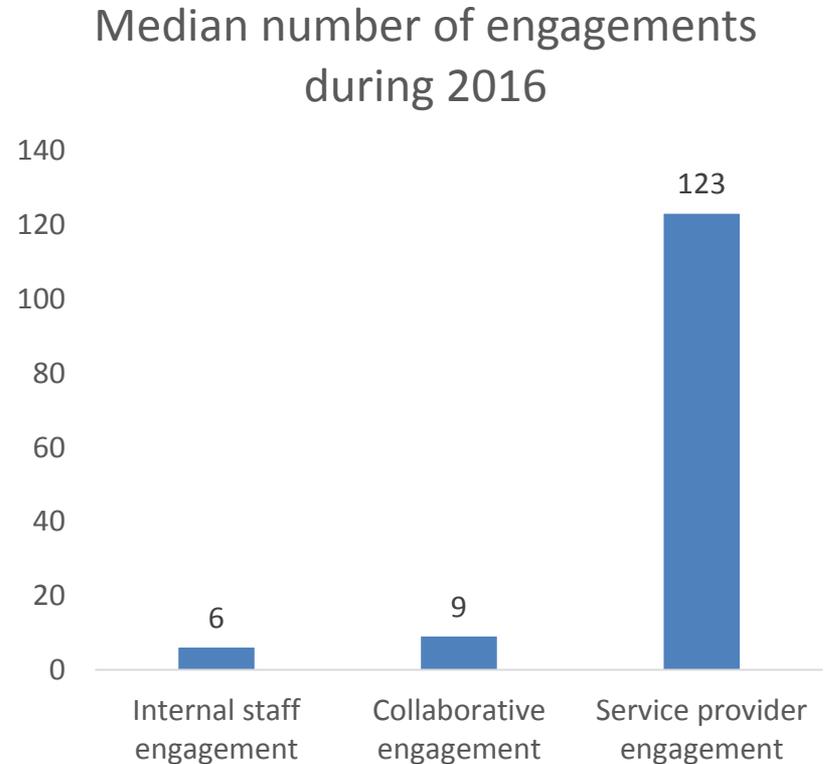


What role does the investor play



Number of engagements

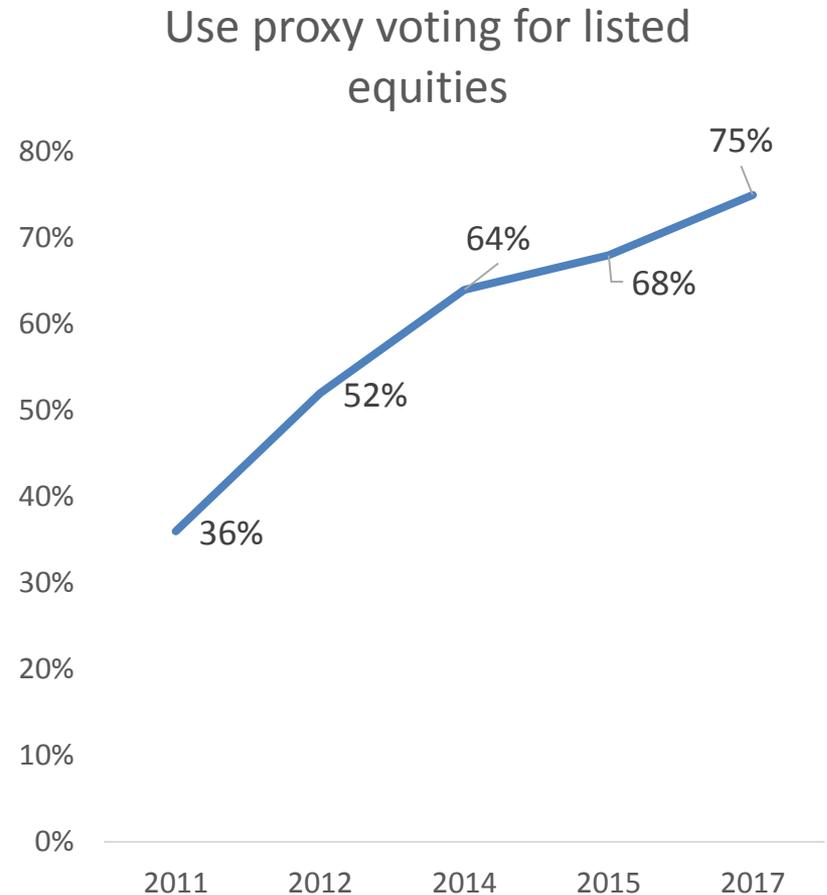
- While more investors engage with internal staff, the bulk of engagements continue to be led by service providers.
- Three out of the 25 investors with engagement activities do not track number of engagements.
- 35% disclose information on engagements publicly, 8% to clients. The rest do not disclose information on engagements.



Note: Median is used due to large spread and outliers in the data that distort the average.

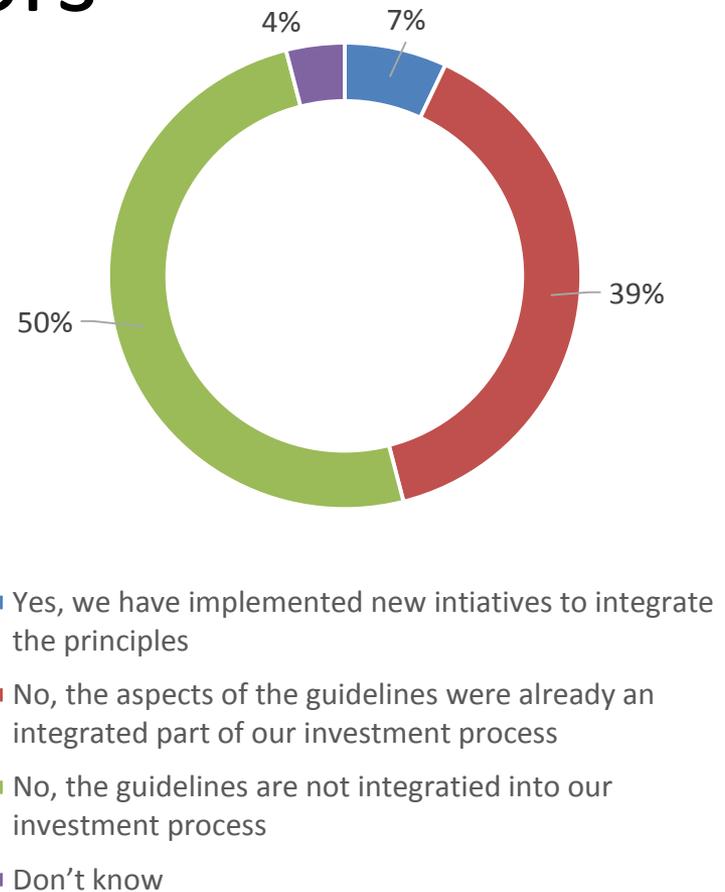
Proxy voting

- The use of proxy voting continues to grow among Danish investors.
- Half of the investors that vote, use service providers to inform their own decisions (research/recommendations). 35% hire service providers that make voting decisions on their behalf.
- Average cast of votes in 2016 were 67% of listed equities, more than half of the respondents voted on 90%+ of the listed equities.
- One third of investors disclose information on proxy voting publicly, 19% to clients/ beneficiaries only. Among the PRI members, a higher proportion (56%) disclose information on proxy voting publicly (2016 data point).



OECD Guidelines for Responsible Business Conduct for Institutional Investors

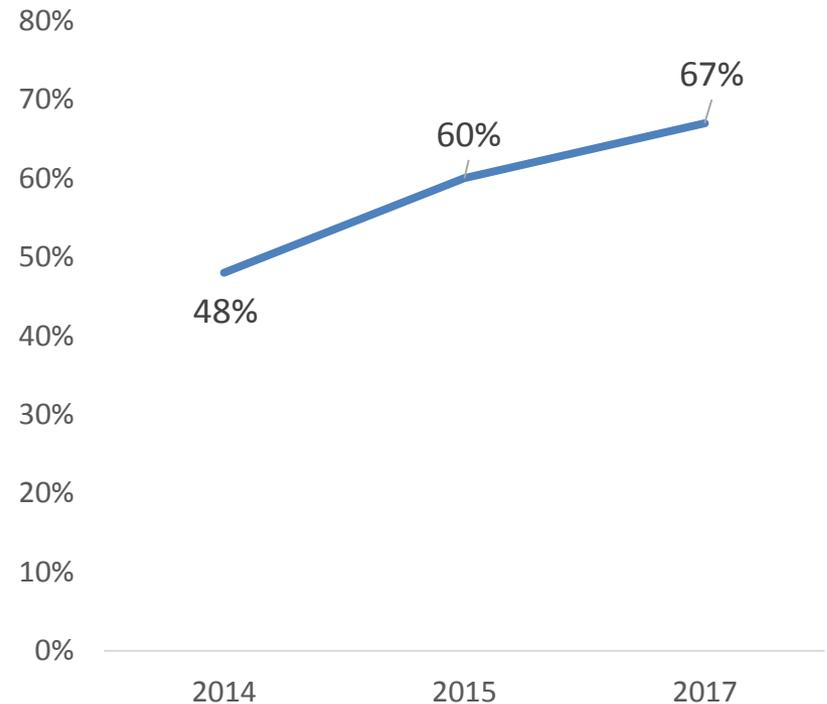
- 7% of the investors in the survey have implemented new initiatives to implement the principles released in March 2017.
- 39% has not taken further initiatives, because the principles were already integrated in the investment process.
- 50% have not integrated the principles.



Responsible Investment in Government Bonds

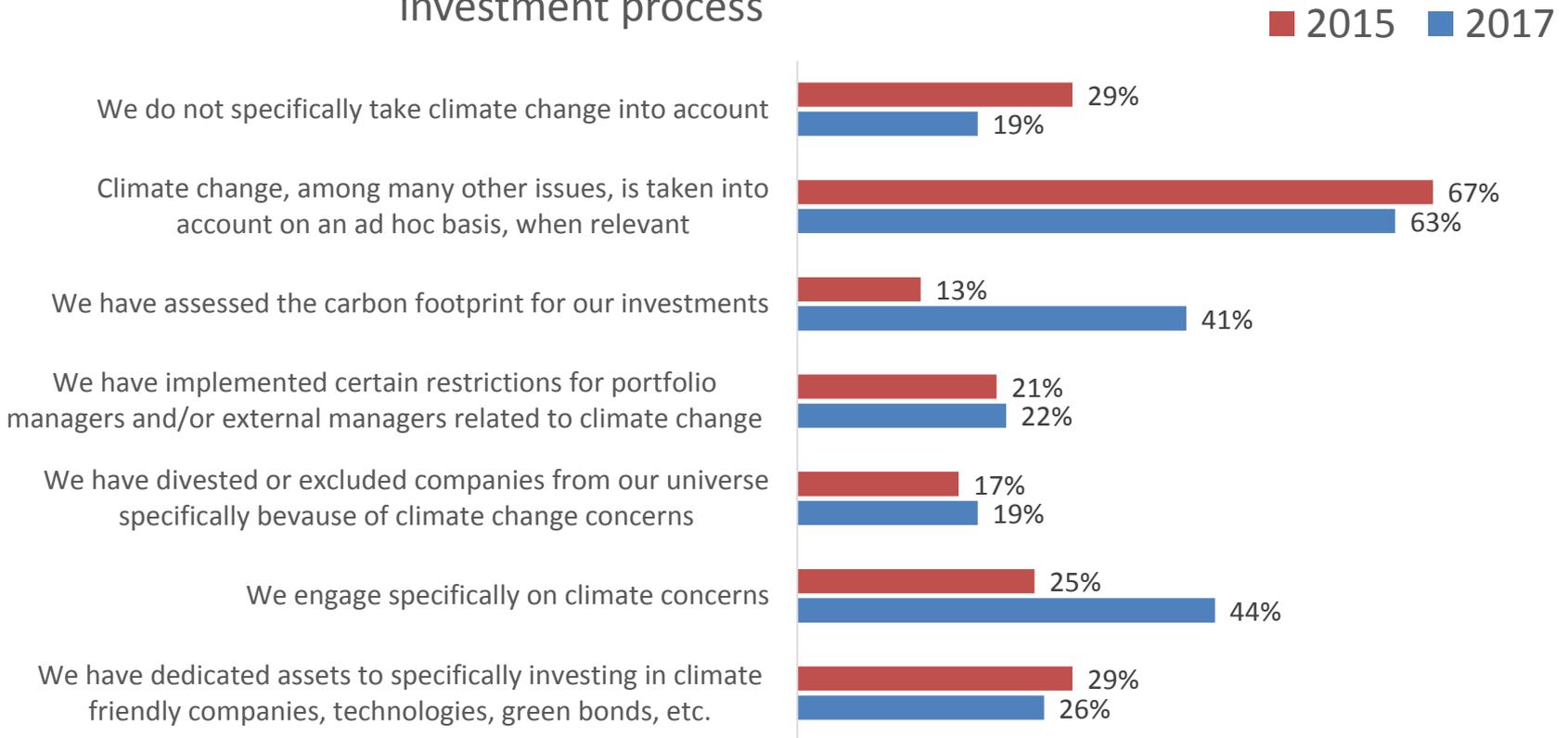
- The number of Danish investors with a process in place to manage RI in government bonds continue to grow.

Investors having a process in place to manage RI in government bonds



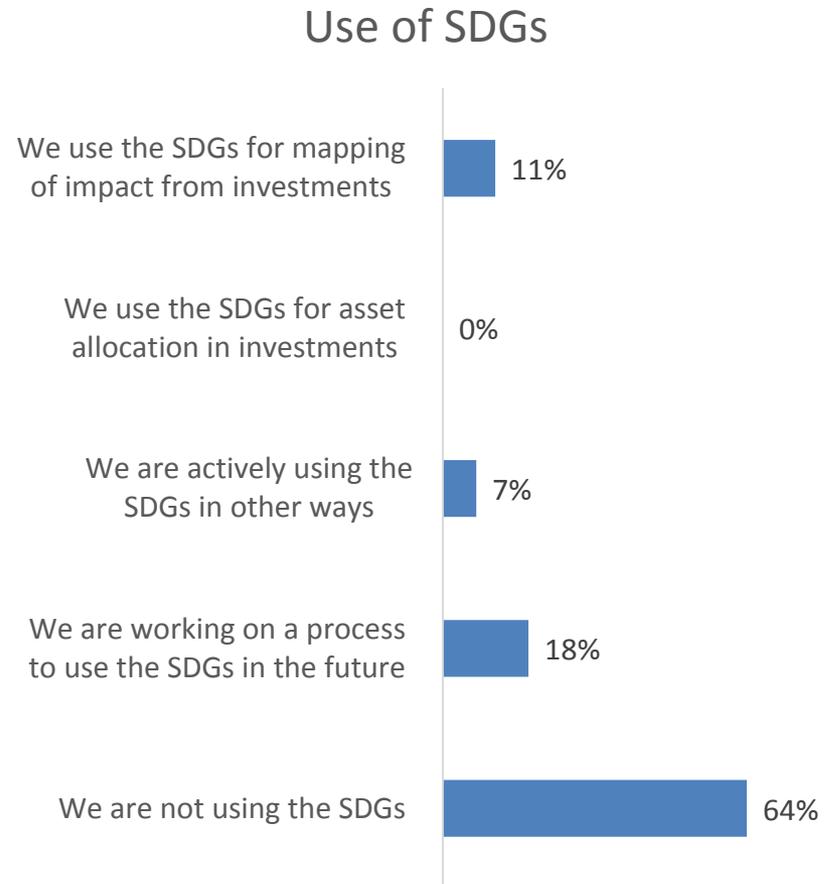
Investors and Climate Change

How do investors take into account climate change in the investment process



The Sustainable Development Goals (SDGs)

- Two out of three investors in the survey do not currently use the SDGs.
- 18% use SDGs for mapping of impact or for other purposes. A similar number of investors are working on a process to use the SDGs, particularly the large investors.
- No investors use SDGs for asset allocation.



Methodology (1)

The 2017 Dansif Study of Responsible Investment in Denmark is focused on the 50 largest institutional investors, who manage the vast majority of capital invested by institutional investors in Denmark. The analysis is based on two different data sources:

- A survey questionnaire has been distributed among the 50 institutional investors and data has been collected by the Dansif administration. The questions in the survey have – similar to the previous surveys - been selected from the PRI questionnaire in order to benchmark with this population and save the Danish PRI members the trouble of filling out two surveys. PRI has, however, over the past years made several changes in the questionnaire, which to some extent limits the possibility to benchmark the previous survey results. The Dansif administration has generated basic statistics on the survey data and ensured the anonymity before sending the survey results to GES, who has carried out the analysis and written the report.
- For those institutional investors not responding to the survey, the Dansif administration has carried out desk research to collect the following basic data points for all 50 investors: AUM, investor type, Dansif, PRI and UN Global Compact membership, Responsible Investment policy publicly available and active ownership/engagement policy publicly available.

Participation rate in the survey

- 29 out of the 50 largest institutional investors in Denmark have responded to the survey. This represents a higher participation rate than the previous years (24 in 2014 and 27 in 2015). The majority of the largest institutional investors have, however, responded, which means that the survey results cover 88 per cent of the collective assets under management of all 50 investors. It is important to mention that this represents a bias in the data towards the large institutional investors among the 50 largest institutional investors in Denmark.

Methodology (2)

Assets under management (AUM)

- The respondents of the survey have provided the AUM figure as of 31 December 2016 in DKK. For those investors not responding to the survey, the figure has been found in the annual report or by adding the value of shares, bonds, property and funds as of 31 December 2016.

Type of investors

- The institutional investors included in the study and the survey process have been categorized either as Asset Owner or Investment Manager in line with the PRI survey. Through the survey, the investors have been able to select the category which best represent their primary activity. Some of the Danish institutional investors have significant activities in both categories, in particular banks with pension funds, but in this study these investors are included in the Investment Manager category.

Questions or feedback

- Dansif can be contacted on dansif@dansif.dk or 33 32 42 66 for questions or feedback related to this report.