



Case stories
about the practical
due diligence process
of Danish pension companies

Responsible investment

Prepared for
The Danish National Contact Point to the OECD
by
Carve Consulting
Birgitte Kofod Olsen, partner, PhD.
21 December 2018

Case 1:

PFA's policy for responsible investment

PFA's policy for responsible investment acts as a framework for PFA's work with responsible investment. The policy covers all asset classes such as government bonds, listed shares, unlisted shares, alternative investments and property investments.

Facts about PFA

PFA is the largest commercial customer-owned pension company in Denmark with 1.2 million customers and around DKK 600 million in managed funds.

PFA screens its entire portfolio for compliance with PFA's policy for responsible investment. About 90% of the investment portfolio is managed by PFA itself.

PFA's head office is located at Østerbro in Copenhagen, and the company has an estimated 1300 employees.

The framework for responsible investment

PFA is a member of the UN Global Compact and PRI and has in its policy for responsible investment undertaken to comply with the Paris Agreement, the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD's Base Erosion and Profit Shifting Action Plan (BEPS).

PFA's policy for responsible investment includes the company's policy for active ownership which is supplemented by guidelines on a.o. the implementation of the Paris Agreement, the handling of responsible investment in government bonds and the implementation of responsible tax practices in the investment process.

Due diligence policy, guidelines and methods

PFA's policy for responsible investment has been adopted by the PFA's Board of Directors. PFA's Responsible Investment Board (RI Board) is, in principle, responsible for the implementation of the policy. In practice, the persons responsible are the manager for responsible investment at PFA Asset Management, Andreas Stang, and Corporate Responsibility Manager at PFA, Mette Vadstrup, who collaborate with relevant colleagues about implementation and reporting.

The framework consists of a policy, guidelines and descriptions of the methods used by PFA to implement the due diligence process outlined in the OECD Guidelines for Multinational Enterprises and the UNGPs.

The UNGPs are specifically mentioned in the general policy for responsible investment. The policy is supported by two documents describing how PFA implements the UNGPs and applies them in the company's investment portfolio. One document is a guideline for the implementation of the UNGPs in the investment process, the other describes an action plan and a method for the practical application of the principles.

The guideline describes how PFA applies its policy through mapping, prioritisation and drafting of internal processes and potential consequences for the investment portfolio. In addition, the execution comprises the development of indicators, evaluation and transparency in the implementation process.

The various parts of the process are described in more detail in the action plan, which also provides an overview of the areas that are being prioritised in this work in 2018 and 2019-2020, respectively.

The policies, guidelines and methods are available on pfa.dk in both Danish and English.

From policy to implementation

One example of PFA's work with a prioritised focus area is the drafting and implementation of PFA's objective to comply with the climate goals in the Paris Agreement. PFA has drafted guidelines and a method for climate screening and engages in an ongoing dialogue with stakeholders about the process.

In 2017, PFA developed its own guidelines, methodology and screening model to obtain a data-based, consistent evaluation of the investment portfolio and the total amount of CO₂ emitted by the companies. These guidelines and methods are described on PFA's website.

Compliance with the Paris Agreement was prioritised in the 2018 action plan. PFA has implemented climate screening of shares and bonds, and the company has moreover participated in a dialogue through "climate action 100+" on the work to comply with the Paris Agreement as part of the due diligence process described in PFA's guidelines. This active involvement in the entire process of implementing the policy by means of guidelines, methods, a climate screening model and climate reporting has resulted in a systematic approach and documentable results.

"Our process involves drafting a policy and developing guidelines and methods that can be applied in practice based on facts while being scalable. We then implement the process and revise it on the basis of the experience we acquire, whereupon we report once we have a satisfactory amount of data and are able to document progress," Andreas Stang explains.

The policy has been adopted by the PFA Board, which has given the green light for the RI Board to draft guidelines for the implementation of the policy. PFA is experiencing interest in the work among stakeholders and is therefore publishing the guidelines and engaging in a

dialogue about them. Mette Vadstrup says the following about the advantages of this approach *"By engaging in dialogue and working with dynamic methods, we obtain relevant feedback which we incorporate in our methods"*.

Embedding in the organisation

PFA's manager for responsible investment, Andreas Stang, draws the attention to the strong embedding in the organisation as essential for the successful progression from policy to implementation and climate reporting in the space of one year.

The purpose of PFA's RI Board is to ensure that the investment process is managed responsibly and that the guidelines, processes and international principles adopted by PFA are complied with. In addition, the Board ensures that the results are communicated in the annual report. The RI Board discusses ethical dilemmas in relation to the investments and, as an extreme measure, recommends companies and countries for exclusion to the PFA Board. The RI Board has a clearly formulated and publicised frame of reference and includes representatives of the Executive Board, the communication department, the investment organisation and ESG. In addition, PFA includes experts from different parts of the organisation in connection with specific aspects such as the implementation of the guidelines for responsible tax. The implementation is thus fully embedded from the level of the decision-makers through to execution.

The RI Board holds a minimum of 10 meetings a year in accordance with a pre-defined wheel of the year in which all components of the policy occur at least once. In addition, the Board handles a number of ad hoc cases as and when they arise. In connection with the implementation of a new area such as compliance with the Paris Agreement, the Board discusses examples of specific companies in the context of the conclusions the members arrive at through climate screening. The discussions serve to guarantee the quality of the policy, guidelines and methods and to decide whether they have been implemented as intended.

Once the guidelines and methods have been approved by the RI Board, the execution becomes the responsibility of the asset manager of the investment organisation concerned. It is a unique feature of PFA that around 90% of the investment portfolio is managed internally, and that the execution therefore may be handled from within the investment organisation.

Three recommendations from PFA:

- Work systematically to establish guidelines and methods for implementation of the policy.
- Delegate ESG to the investment organisation, think large scale and make data available to portfolio managers.
- Make sure the parties executing the policy take ownership from formulation to implementation.

Read more about PFA's work with responsible investment here: <https://pfa.dk/om-pfa/corporate-responsibility/ansvarlige-investeringer/>

Case 2: Identification of adverse impact at MP Pension

MP Pension works with responsible investment across all asset classes with an emphasis on listed shares, government bonds and company bonds. Existing portfolio companies are screened continuously for both potential and actual adverse impact either internally or by external business partners.

Facts about MP Pension

MP Pension is a Danish member-owned pension company for academics and psychologists.

MP Pension manages around DKK 115 billion on behalf of 130,000 members.

MP Pension screens and assesses its entire portfolio for responsible conduct.

The company's objective is for 5% of the total investment portfolio to consist of climate-friendly investments.

MP Pension's head office is located in the Copenhagen suburb of Gentofte and the company has approximately 100 employees.

Business reg. no.: 20766816

Framework for responsible investment

The company is a signatory to the UN Global Compact and PRI and uses the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the UNGPs to guide its work with responsible investment.

MP Pension has a policy specifically for responsible investment into which it has incorporated the company's policy for active ownership. The policy for responsible investment contains detailed descriptions of due diligence processes for evaluation of the different asset classes. It also describes how MP Pension plans and organises dialogues with portfolio companies and asset managers and the procedure followed for exclusions.

Risk identification

The responsibility for MP Pension's due diligence processes for responsible investment rests with the manager of responsible investment, who collaborates with senior managers in the various investment areas. In addition, parts of the initial screening work have been delegated to the external agencies Hermes EOS, Sustainalytics and MSCI.

The timeliness of the company's risk assessments regarding responsible investment is ensured by regular meetings, so-called ESG committee meetings, between section managers, ESG specialists and MP Pension's CEO. The manager of responsible investment, Troels Børrild, says that the company held 12 meetings in the past year, which all had a fixed agenda and a clear format. *"There's a lot to do in this area so we meet often. It is meant to ensure that we take timely action as appropriate for the risk situation"*, he concludes.

Today, MP focuses on the existing portfolio companies, which are screened on a regular basis to identify actual and potential adverse impact. Going forward, MP Pension plans to also strengthen the assessment processes prior to investment. This would help MP Pension minimise the risk of making investments with unacceptable social or environmental consequences. It would also enable the company to identify existing problematic investments that they must either bring back in line or terminate.

External business partners

The preliminary screening of portfolio companies and parts of the exercise of active ownership (such as voting at general meetings) are carried out by external suppliers in close collaboration with MP Pension. This work is performed in accordance with MP Pension's instructions and under their supervision. For Danish investments, however, MP Pension performs all roles in-house. Troels Børrild points out that a responsible investor needs to perform the important tasks of checking the quality of their screening suppliers and making sure they adopt the right approach and do a good job.

MP Pension therefore keeps a close eye on their external business partners, ask questions about the screening processes and pursue a dialogue with the partners regarding the best strategy for influencing portfolio companies with problematic practices.

Screening of asset managers

MP Pension's manager for responsible investment, Troels Børrild, draws attention to the selection of asset managers as an important point in the company's due diligence process. This area provides an excellent opportunity to create a solid foundation for a responsible portfolio. *"We are in the process of evaluating all our asset managers according to ESG parameters. Using asset managers who take ESG seriously is our first line of defence against problematic investments,"* says Troels Børrild. MP Pension assesses its asset managers according to:

- ESG integration in investment processes and decisions
- ESG policies and resources
- Dialogues with companies and voting practices
- Transparency and reporting

The asset managers are assessed according to a scale from 1 to 3 in a weighted system where certain parameters carry more weight than others. The ESG integration, for example, carries a weight of 35%, whereas the policy of the asset manager carries a weight of only 15%. In the future, MP Pension will not use asset managers with the lowest scores and will engage in a dialogue with existing managers about improvements. The score is allocated single-handedly by the ESG team.

In its screening, MP Pension looks at how the asset managers make sure they have allocated roles, processes and responsibilities for the work in a responsible manner. This includes the personal responsibility of the asset manager. The screening also includes voting patterns at general meetings in the portfolio companies, for example whether the asset manager has voted for or against questions relating to responsible conduct. MP Pension personally votes at meetings of companies in which they own shares but uses business partners as advisers.

A systematic approach is essential

Systematic is a keyword in the screening work. MP Pension thus places great emphasis on creating a fine-meshed screen that is better at capturing potential and current risks in the existing portfolio and, increasingly, in companies in which MP Pension is considering investing. Therefore, the company uses several parallel screening processes to improve the likelihood of detecting relevant risks. They screen for countries, Global Compact principles as well as controversial weapons and areas of conflict. The screening is performed with the help of various data suppliers.

"We make extensive use of ESG screening, but in the coming years we will have to improve our systems and investigations before making any investment decisions. However, we have made excellent progress with our monitoring and with following up on the existing portfolio," says Troels Børrild.

MP Pension's recommendations:

- Work systematically and establish meeting structures to ensure that decisions are made in a timely manner.
- Monitor screening agencies on an ongoing basis and have detailed discussions with them about a strategy for influence.
- Focus on screening where important but less visible investment decisions are made, for example in the choice of asset managers.
- Be transparent about all decisions and about the challenges and necessary improvements in the work with responsible investment.

Read more about MP Pension's work with responsible investment here:
<https://mppension.dk/afkast-og-ansvarlighed/ansvarlighed/>

Case 3: Skandia Denmark's handling of actual adverse impact

Skandia Denmark ensures timely action in their risk management through screening and dialogue with asset managers and the possibility of including discretionary management of portfolio companies. This makes it easier for the company to exercise active ownership in companies acting contrary to Skandia's guidelines.

Facts about Skandia

Skandia Denmark, part of the Skandia Group with 2 million customers in Denmark and Sweden, manages a total of around DKK 450 billion.

Around 50% of the total portfolio consists of actively managed funds. They are the main targets of the screening. Most of the funds are based on shares, but other asset classes such as Fixed Income are also screened for responsible conduct. Whereas the Skandia Group manages a large percentage of its investments in-house, most of Skandia Denmark's investment portfolio is managed by external asset managers.

Skandia Denmark's head office is located in Ørestaden in Copenhagen, and the company has approximately 210 employees.

Framework for responsible investment

The Skandia Group has adopted the UN Global Compact and applies the OECD's Guidelines for Multinational Enterprises as a guide to its own work with responsible investment.

The Skandia Group moreover publishes a number of papers reflecting the Group's view on specific topics that are highly important in an investment context. While the policies are decided at Group level, Skandia Denmark is responsible for implementing the policies in its own investment portfolio. In recent years, a number of policies and business procedures have nevertheless been drafted in Skandia Denmark to reflect the Danish business model. It differs from the model of the Swedish company, which manages a good deal of its own investments and has direct influence on the type of investments made.

The Skandia Group drafts and maintains exclusion lists and decides which companies to place on the watch list and when to exclude them. Skandia Denmark closely follows this exclusion list which, besides tobacco, coal and weapons, also include companies that are excluded because of violations of labour rights or territorial rights.

ESG competences among asset managers

A large proportion of the investments of Skandia Denmark are handled by external asset managers. As a result of this collaboration, Skandia Denmark often does not directly own the assets, which instead are owned by the asset manager in question. A total of around 25 to 30 asset managers operate across the different asset classes.

Skandia Denmark takes this into account when selecting its asset managers, and focuses on the manager's ESG processes and approach to responsible investment and active ownership. These aspects are considered in the assessment alongside other parameters in the so-called 4P process: Philosophy, Process, People, Performance.

Skandia Denmark gives its asset managers an ESG score based on questions about their company's philosophy, resources and competences. A low ESG score can motivate a decision to replace the asset manager. The performance of all funds is monitored closely and failure to live up to Skandia's expectations for an extended period of time will also result in termination of the collaboration.

Skandia Denmark's investment manager, Morten Halborg, draws attention to the qualitative analysis, which provides a clearer picture of the extent to which ESG is incorporated in investment decisions in practice. *"We have seen examples of asset managers who have worked with ESG for four years, but who cannot give examples of decisions where they chose not to invest on account of ESG. We see this as an obvious sign that ESG is not embedded in the decision-making process, although the asset managers say that they apply it,"* says Morten Halborg.

Meetings with asset managers where ESG aspects are discussed are held at least once every six months. The dialogue with asset managers is important. Some asset managers were appointed at a time when responsible conduct was less important than it is today. Skandia experiences a strong trend among asset managers to adopt ESG, and all are signatories to PRI; however, there is great variance in the extent to which it is implemented, how active ownership is practised and how ESG is organised and incorporated into investment decisions. In recent years, Skandia Denmark has emphasised that the investment decision makers themselves must be knowledgeable about ESG and willing to integrate it and create value.

Handling of actual adverse impact

Skandia Denmark collaborates with GES who screens the investment portfolio on a quarterly basis. The collaboration with the screening agency is important for detecting breaches in the investment portfolio and the potential for actual adverse impact. Skandia Denmark often becomes aware of new issues through Skandia Sweden or the quarterly screening performed by GES. It is rare that asset managers contact the company to inform them of problems in the investment portfolio.

When becoming aware of a breach, Skandia Denmark engages in a dialogue with the asset managers. The asset managers must explain the reasons for a specific investment, their

experience with dialogues with the company, and whether the company is making progress. In the absence of progress and willingness to change, further steps are considered which ultimately may lead to the exclusion of the company or termination of the collaboration with the asset manager.

Possibilities for timely action

External management of most of the investment portfolio presents some challenges in terms of the possibilities of taking timely action. Investment analyst Casper Kendra indicates two ways in which this challenge can be tackled, i.e. by allocating additional resources to screening and dialogue with the asset managers or by including more investments under discretionary management. The latter option would mean that Skandia Denmark concludes an agreement with an external asset manager to make investment decisions but with the requirement that the decisions must be based on Skandia's guidelines for responsible investment.

Investment analyst Casper Kendra continues: *"We are already engaging in this process and discussing with asset managers how they practise active ownership"*.

Skandia Denmark currently collaborates with a handful of asset managers where they have sufficient influence to negotiate a discretionary agreement. This makes it easier for the company to exercise active ownership and influence companies that are acting contrary to Skandia's policies, principles and guidelines. Skandia Denmark expects to substantially increase the proportion of investments under discretionary management in the near future.

Three recommendations from Skandia:

- Check that portfolio managers have the necessary ESG competences and that these are actively applied in connection with investment decisions.
- Engage in a close dialogue with asset managers to understand their practices and insist on transparency in their decisions and voting practices.
- Pension companies must improve their ESG competences, so that companies can assist asset managers with solutions instead of merely pointing out the problems.

Read more about Skandia's work with responsible investment here: <https://www.skandia.dk/skandia/om-skandia/CorporateResponsibility/skandias-investeringer/>

Case 4: Communication about responsible investment in P+(DIP/JØP)

P+(DIP/JØP) continuously informs about its work with responsible investment on DIP's and JØP's websites as well as on LinkedIn. The company communicates at least once a quarter about responsible investment and informs about the company's decisions and attitudes as a responsible investor in connection with specific and current issues relating to responsible investment.

Facts about P+(DIP/JØP)

P+ is a management company for DIP and JØP, which are pension funds for engineers, lawyers and economists, respectively. Combined, the two pension companies have more than 92,000 members and manage DKK 120 billion in assets.

Business reg. no.: 35437282

Framework for responsible investment

P+(DIP/JØP)'s policy for responsible investment is applied across all asset classes, which includes listed shares, bonds, loans, property, unlisted shares and infrastructure. The implementation of a policy for responsible investment plays a key role in the day-to-day investment work, and the company endeavours to comply with the OECD Guidelines for Multinational Enterprises.

A thorough assessment of potential new asset managers and investments is given priority in P+(DIP/JØP)'s work with responsible investment. By focusing on the issue, P+(DIP/JØP) avoids creating a new portfolio that has not already been assessed according to ESG parameters. The relevant work procedures have been described in the document "Responsible investment in practice", which is available on the websites of the two pension funds. This document also describes how P+(DIP/JØP) monitors and handles its existing portfolio.

P+(DIP/JØP) also focuses on informing about its work with responsible investment. They do so by publishing how they vote and the dialogues they engage in and by continuously informing about different topics and cases.

Voting and dialogues

P+(DIP/JØP) regularly uploads new information about their work with responsible investment to the websites and LinkedIn pages of DIP and JØP. The pension funds publish reports on how they vote at general meetings in portfolio companies; the names of a large number of portfolio companies with which the pension funds have ongoing dialogues; what topics they cover in their dialogues; lists of shares and excluded companies, as well as planned dialogues and examples of the content of the dialogues.

This type of reporting is a fixed component of their work with active ownership, and most pension companies do the same. However, P+(DIP/JØP) provides inspiration in this area by showing how easy it is to inform about the work as part of the communication on responsible investment.

Comprehensive information is especially available in the company's document "*Ansvarlige investeringer i praksis*" (responsible investment in practice), which is available on DIP's and JØP's websites. Here P+(DIP/JØP) describes exactly what they do before and after investing in the different asset classes.

The document also includes information about a dialogue which external consultants from the company Hermes EOS has had with listed portfolio companies along with the status of the dialogues.

Emnerne	Målsætning	Målsætning med dialog er defineret	Udfordring rejst over for selskab	Selskab anerkender udfordring	Plan for målsætning etableret	Målsætning opnået, dialog afsluttet	Dialog ophørt*
God selskabsledelse	325	25	56	108	77	39	20
Menneskerettigheder og arbejdstagerrettigheder	190	14	24	60	66	9	17
Miljø og klima	171	20	33	53	33	13	19
Strategi, risici og kommunikation	130	2	12	43	42	18	13
Total	816	61	125	264	218	79	69

*Dialog med selskaber kan ophøre af flere grunde, eksempelvis hvis selskabet på anden vis lever op til den aftalte målsætning, eller pensionselskabet eller det pågældende selskab ikke ønsker videre dialog om den

This type of information gives outsiders a good insight into the way the policies are implemented in practice and is an excellent supplement to the regular reports in the annual and interim reports. P+(DIP/JØP) is the only pension company out of the 15 investigated to also write about responsible investment in their interim reports. As an example, JØP writes as follows in its interim report from 2018:

"We began implementing the policy in the first six months of 2018, and as a result the administration has strengthened its work with asset managers on responsible investment. The pension fund has signed climate letters in collaboration with other institutional investors, committing to reducing CO₂ emissions in accordance with

the Paris Agreement, and lately the pension fund together with DIP and a number of other pension companies have invested in the Danish SDG Investment Fund, which supports the UN's Climate Goals.

Topics and cases

P+(DIP/JØP) has also decided to continuously inform about their role as a responsible investor and about their decisions and approach to specific questions about responsible investment. DIP's and JØP's websites currently have information about their views on topics such as climate, responsible tax, implementation of the UN Guiding Principles on Business and Human Rights, Danske Bank and dividend tax. In the future, the pension funds will regularly publish information about different topics and cases on their websites. On dividend tax DIP and JØP write as follows:

"Banks suspected of being involved in the case about dividend tax have been added to our watch list. We will endeavour to have critical discussions with them and ask them about their role in the case. In addition, we would like to know what policies and procedures they have put in place to identify, prevent and manage these types of cases."

By sharing this type of information, P+(DIP/JØP) demonstrates a high degree of transparency about the company's approach to the portfolio companies, which is relevant to the investments. This adds to P+(DIP/JØP)'s credibility as an institutional investor and makes their members more confident that their money has been responsibly invested.

Three recommendations from P+(DIP/ PFA):

- Carefully prioritise your work with responsible investment
- Be open about dilemmas and challenges
- Communicate to and with stakeholders about your work

Read more about DIP's and JØP's responsible investments here:

<https://www.dip.dk/Medlem/Investeringer/Ansvarlige-investeringer> ;

<https://www.joep.dk/forstaa-din-pension/investeringer/ansvarlige-investeringer/>

Case 5: Complaints procedures at Sampension

Sampension uses dialogues and complaints procedures to learn more about their customers' expectations to responsible investment and initiatives to improve current practice. The complaints procedures consist of an internal whistleblower scheme and informal ways in which external parties can contact the company.

Facts about Sampension

Sampension Livsforsikring A/S, Arkitekternes Pensionskasse and Pensionskassen for Jordbrugsakademikere & Dyrlæger are jointly administered by Sampension Administrationsselskab A/S, which handles all activities relating to the administration of pensions and insurances and the management of investments. In total, the joint administration company manages 300,000 customers and investments worth an estimated DKK 300 billion. As of 1 July 2019, the ISP pension fund for engineers will join the administration company.

The entire portfolio of Sampension across all asset classes and companies is assessed and screened for responsible conduct.

Sampension's head office is located in Hellerup north of Copenhagen and the company has 300 employees.

Framework for responsible investment

Sampension has worked with responsible investment since the mid-1990s and was the first to formulate an actual policy for responsible investment in 1998. Sampension's policy for responsible investment is available to the public and applies across all asset classes. Further detail is provided in both Sampension's ESG report and its report on Corporate Social Responsibility, and a number of special pages on the website are also dedicated to communication about responsible investment.

The company applies UN Global Compact and the OECD Guidelines for Multinational Companies as a guide in its work with responsible investment and is also a member of PRI.

Dialogue with the public

Sampension is committed to engaging in a dialogue with the public and focuses on transparency in its communication about policies and practices in relation to responsible investment. The company wants to be open to enquiries and complaints in the interest of the public and to learn from its mistakes and improve its practices. Discussions with NGOs or

individuals who contact the company about their investments are thus given high priority and enquiries never go unanswered.

Certain aspects about the investments cannot be made public, but enquiries to Sampension typically focus on whether an asset is causing adverse impact, which is a dialogue Sampension would like to have with its stakeholders. In around 95% of the cases, enquiries are closed after the initial response.

It is important for Sampension to invest in a manner that most customers perceive as being in accordance with their own values and beliefs. Sampension therefore regularly examines the views on responsible investment among Danes in general and among the customers of the pension companies administered by Sampension. This enables them to assess whether there is a match between Sampension's policies and the customers' attitudes in general and provides input to the Board's annual adjustments and adoption of guidelines for responsible investment.

Like the investment policy, the guidelines for responsible investment are embedded in the Boards of the pension companies jointly administered by Sampension, and the pension companies have moreover established a joint board committee for responsible investment to ensure the necessary focus on the quality of the Board's responsible investment decisions.

Complaints procedures in connection with responsible investment

Sampension has a whistleblower scheme, which primarily serves to give employees a channel for complaints. The whistleblower scheme is broad, and there is no limitation to the topics that can be addressed. Sampension communicates openly about the scheme, including on the company's website, and the scheme is well known by the employees. The scheme is designed to address financial matters in general and is not specifically aimed at responsible investment. So far, no complaints have been made in relation to investments.

Sampension's complaints procedures for external stakeholders are informal, and complaints are handled as and when they are received by being delegated to the relevant department. Customers can write directly to Sampension or use the complaints form mentioned on the front page of the special section on the website that deals with responsible investment. All enquiries are answered, but there is no formal procedure with response deadlines, nor a procedure for following up on the communication or providing status updates about how the subject of the complaint is being handled, e.g. specific investments.

Sampension experiences that most complaints relate to campaigns organised by NGOs, where the NGOs facilitate the submission of complaints by members of Sampension.

Sampension has chosen to prioritise the ESG work in accordance with the OECD Guidelines. In instances where a complaint relates to a matter that does not form part of the focus area, the complainant will generally be informed accordingly. In other cases, complaints relate to matters that are not in compliance with the policy for the focus areas, and in that situation Sampension contacts its business partners for ESG screening and requests further information.

In a few instances, complaints have caused Sampension to engage in dialogue with companies about issues outside the focus areas, where the matter addressed in the enquiry has been sufficiently important.

Sampension generally regards enquiries and complaints from members and NGOs as input for change in the performance of the companies and in Sampension's policies and guidelines.

Sampension and the Danish National Contact Point

In one instance, a case proceeded to the Danish National Contact Point to the OECD (the NCP), when a customer who had complained to Sampension was dissatisfied with the answer. This was a challenge to Sampension, which had to address very specific matters that had not been given priority, where the complainant felt that Sampension had failed to live up to its obligations as a responsible investor. Although the OECD Guidelines allow pension companies to prioritise the resources they allocate to ESG, situations may arise where a complainant fundamentally is right in alleging that the pension company is failing to address a certain issue, without the pension company necessarily failing in its ESG commitments.

"We thought that the mediation process in question was okay. We didn't think that we had failed to do what we should, but we agreed that our guidelines weren't quite clear. As a result, we amended our guidelines and committed to engaging in a dialogue with a number of companies", Jacob Ehlerth Jørgensen, Chief Legal Officer in the investment department explains.

Three recommendations from Sampension:

- Be transparent in all communication about policies and practices
- Be open to enquiries and complaints
- Use enquiries constructively and engage in dialogue

Read more about Sampension's work with responsible investment here: <https://www.sampension.dk/om-sampension/finansiel-information/ansvarlige-investeringer>