Addressing climate change risk in investments

When Danica Pension invests on behalf of customers, we want to make sure that they get not only a competitive return but also a sustainable return. To ensure that this is the case, climate-related risks are addressed with careful consideration.

Climate change is fundamentally altering the risks facing businesses and the financial sector all over the world. While the physical impact of climate change is already affecting companies, many companies face even more acute non-physical risks, such as shifting market trends, technological developments and a changing regulatory environment (often referred to as the risk of stranded assets) that accelerate the global transition to a low-carbon economy. But new opportunities also arise from these changes. We see investments in renewable energy and energy-efficient solutions that combine sound financial returns with environmentally sound and climate-friendly behaviour.

Danica Pension acknowledges that we play a role in supporting the transition to a low-carbon economy – both directly through our own operations and through our investment activities.

To support this transition, we have implemented a number of measures as listed below.

We consider environmental risks

On the basis of international agreements and conventions, we assess the environmental and climate-change related risks such as stranded assets as part of our overall screening and ESG risk analysis.

We invest in energy efficiency and renewables

In the period until 2020, Danica Pension will invest a total of DKK 200 million in energy efficiency in order to reduce energy consumption in our property portfolio by 30%. Over the same period, we will invest DKK 100 million in 18 large solar cell parks at Danica Pension's properties.

We have defined specific targets for increasing alternative investments. Meanwhile, we expect to reduce our exposure to fossil fuel-intense companies. Furthermore, we are investing in climate change risk mitigation assets.

We address ESG risks related to the fossil fuel industry

Danica Pension's investments already see a fall in exposure to coal and the fossil fuel industry, and we expect this trend continue. But even with the development of low-carbon and more efficient energy systems, fossil fuels will remain part of power generation and transportation throughout the world and will support broad-based economic development. We therefore acknowledge the need for fossil fuels in the coming years to support economic development, which is why fossil fuels will still be part of our investment universe. We aim to minimise the adverse environmental and social impact, however, and to support good governance by promoting internationally recognised standards in fossil fuel industries.

We collaborate with the investment community

We collaborate with the rest of the investment community to express our concern over the increased risk in relation, for example, to arctic drilling. As a member of the Institutional Investors Group on Climate Change (IIGCC), we are committed to promoting low-carbon and climate-resilient investments. We support long-term international climate-related policies that cultivate the stable investment environment that is crucial for a low-carbon economy.

We are guided by international agreements

Our business conduct is guided by a number of international agreements related to environmental issues that we encourage our customers, business partners and portfolio companies to adhere to as well.

- UN Global Compact
- OECD Guidelines for Multinational Enterprise
- UN-supported Principles for Responsible Investments
- UN Environment Program Finance Initiative
- Institutional Investor Group on Climate Change
- CDP (formerly the Carbon Disclosure Project)
- UN Framework Convention on Climate Change
- The Montreal Protocol on Substances that Deplete the Ozone Layer