

Guidelines for the work with integrating the Paris Agreement into the investment processes

Responsible investments

PFA's policy for responsible investments sets the framework for the corporate responsibility that PFA wishes to take as an active investor. The policy sets goals for PFA's work with active ownership and it also describes the international guiding principles and conventions with which PFA is working to comply.

PFA wants to ensure the implementation of the responsibility principles throughout the entire investment process – also as a part of the risk assessment of an investment. After the investment, PFA regularly initiates screenings in order to uncover potential violations of the international conventions and guiding principles. Priority is given to dialogue with companies and external managers regarding the compliance of PFA's policy and the dialogue is assessed by PFA's Responsible Investment Board (RI Board).

Lack of dialogue or lack of progress in a dialogue may, in the last resort, result in divestment and exclusion.

Compliance with the objectives of the Paris Agreement

PFA is backing the Paris Agreement and aims to integrate the agreement into the investment process to ensure PFA's compliance with the objectives of the agreement. Furthermore, PFA does not want to invest in companies that directly work against the intentions of the Paris Agreement.

There are different ways to calculate a company's carbon emissions and different data to use. There are also different ways of measuring an investor's share of a company's carbon emissions. It is not yet clarified how much carbon an investor can emit while still complying with the objectives in the Paris Agreement.

PFA wants to map out the carbon emissions in its investment portfolio in order to create an overview and to compare its portfolio with its benchmark. PFA has developed its own method for investment climate screening in order to assess its compliance with the Paris Agreement. The method is described in a separate document.

Together with the method, these guidelines will be the tools that PFA is using to ensure compliance with the Paris Agreement. The guiding principles entail that PFA will:

- Map out carbon emissions in PFA's portfolios for company equities and bonds.
- Implement PFA's climate screening in the investment process for company equities and bonds.
- Based on the portfolio analysis, ensure active ownership dialogue and any divestment and exclusion in line with PFA's guidelines for exclusion and dialogue.
- Regularly assess whether new tools are developed to improve measurement methods and indicators in order to assess compliance with the contents of the Paris Agreement.
- Enter into dialogue with external managers about specific companies that are assessed to emit a relatively large amount of carbon.

Furthermore, PFA will also continue to work with integrating environmental considerations into the investment process by:

- Focusing on the energy consumption in the property portfolio
- Continuously evaluating the possibilities of investing in profitable projects within renewable energy or in companies that produce products which contribute to more environmentally friendly solutions.

Communication

The guidelines and climate screening method will be published at pfa.dk, where you will find an area that contains all information about PFA's work with compliance with the Paris Agreement.

The companies with which PFA is in active ownership dialogue about compliance with the Paris Agreement will regularly be included in PFA's log on active ownership at pfa.dk.

PFA's annual report on corporate responsibility will include a total statement of the results in the area as well as an overview of PFA's carbon emissions from the portfolios.



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