



Corporate social responsibility
at Industriens Pension
2020

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Introduction

At Industriens Pension, we believe in the value of acting responsibly and in a way that supports a sustainable and sound development of society. We believe that corporate social responsibility encompasses all parts of our business, as well as our investments across the entire world.

We fundamentally believe that, by investing responsibly and being an active investor, we can protect and increase returns for our members, while at the same time contributing to sustainable societal development.

In 2020, we implemented a new business model to set the direction for Industriens Pension in the years ahead. Corporate social responsibility and sustainability are key aspects in our business model and are visible in all four main tracks towards realising the strategy:

- Fair distribution between savings and insurance
- Good customer experience
- Sustainable pension scheme
- Competent and innovative employees

Each track includes a number of underlying activities aimed at realising our strategy to meet the expectations of members, businesses and

the outside world that Industriens Pension be a responsible pension company.

Along with the business model, a policy for corporate social responsibility at Industriens Pension has been drawn up. This policy sets the overall framework of our responsibilities as a business, an investor and an employer.

This report describes Industriens Pension's corporate social responsibility work in 2020, as well as initiatives planned for the coming years within the framework of the adopted policy.

The report includes the first reporting on Industriens Pension's own climate footprint as well as a report on the carbon footprint of our investment portfolio in accordance with the TCFD recommendations.

Furthermore, the report includes a number of selected ESG metrics and how these have developed in recent years.

The corporate social responsibility report also constitutes the statutory report on corporate social responsibility, see section 132 of the Executive Order from the Danish Financial Supervisory Authority on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.



Corporate social responsibility at Industriens Pension

When Industriens Pension was established more than 25 years ago, the social partners took on a major social responsibility by undertaking to secure a good and profitable supplement to state pensions for Danish employees.

The pension scheme is for hourly paid workers in industry, who automatically become members of Industriens Pension when they are employed. Compulsory membership implies a special duty to manage the pension scheme responsibly and appropriately.

Industriens Pension's work on corporate social responsibility (CSR) is governed by our overall CSR policy to facilitate regular initiatives to promote sustainability, integrity and accountability in our administration of the pension scheme.

Apart from the general CSR policy, initiatives at Industriens Pension are also based on a range of other policies, and the combination of these policies ensures a high degree of CSR.

Tax policy

Our tax policy describes Industriens Pension's position in the tax area and aims to ensure that we manage all areas involving tax responsibly: in our role as a company, as an employer and as a professional investor.

Policy on responsible investment and active ownership

This policy sets the framework for Industriens Pension's work on responsible investment, including active ownership. The policy applies to investments in all classes of assets, including shares, corporate bonds, government bonds and unlisted investments. The policy applies to direct as well as indirect investments, and to internal as well as external portfolio managers.

Pay policy

A pay policy has been drawn up covering all employees and members of the Board of Directors, and stipulating specific terms and conditions for members of the Board of Directors, the Board of Management and employees engaged in activities which significantly influence the risk profile of Industriens Pension.

Policy on measures to prevent money laundering and terrorist financing

This policy establishes Industriens Pension's overall strategic goal to prevent the company's activities in connection with life-assurance services from being used for money laundering or terrorist financing.

Diversity policy

The purpose of this policy is to promote diversity in the Board of Directors.

Internal policies and procedures

Apart from the policies adopted by the Board of Directors, internal policies have been developed for fitness and propriety and for good business conduct.

These policies help to ensure that employees at Industriens Pension always know what is expected of them in terms of competent, responsible and trustworthy behaviour.

In 2020, various initiatives were implemented, and a large number of CSR results were achieved.

This report describes the initiatives and results for the year.



2020 In figures

Active ownership

3,274

Voting activity at general meetings of companies in our portfolio in 2020

Dialogue

783

Number of times we engaged in ESG-related dialogue with companies in our portfolio in 2020

Investment assets

199.0

DKK bn. at the end of 2020

Members

413,888

End of 2020

Return

8.7 %

Average annual return 1993-2020

App

1.5 mill.

Number of sessions on the Industriens Pension app in 2020

Green transition

12

DKK bn. invested in the green transition at end of 2020

Insurance

1,500

DKK mill. paid as insurance benefits in 2020

Responsible investment

Industriens Pension believes in the value of being an active and responsible investor. Members and businesses who pay into the pension scheme, but also society at large, should be confident that pension funds are invested responsibly. The focus of our work on responsible investment is to promote sustainable societal development and to protect and increase members' long-term investment returns.

Industriens Pension's policy on responsible investment and active ownership ensures that we take account of human rights, workers' rights, the environment and climate, anti-corruption and responsible tax behaviour when we invest, and that our investments do not contribute to activities associated with weapons that contravene conventions, coal mining, extraction of tar sand, etc. These considerations are collectively referred to as ESG factors.

This section sums up the most important new activities at Industriens Pension in relation to implementing our policy in 2020.

Climate and the environment

Industriens Pension integrates environmental and climate aspects into the investment process, for example to comply with the goals of the 2015 Paris Agreement. This is partly by monitoring our existing portfolio, and partly by seeking out new investments in sustainable energy and the green transition in general; investments that also yield attractive risk-adjusted returns. For many years, Industriens Pension has been expanding its green investments, and an external analysis of our share portfolio showed that the environmental and climate footprint of the portfolio is more than 20% lower than a similar footprint from the global stock markets in general¹.

Industriens Pension has committed itself to helping meet the target of the Danish government and the entire Danish pension sector to invest DKK 350 bn. in the green transition up to 2030. To meet this target and to work towards achieving the 2050 goal of the Paris Agreement, it is crucial we continue to

make further green and climate-friendly investments.

Investments in solar farms with Better Energy
Solar energy is renewable energy that can help Denmark become independent of fossil fuels by 2050. Industriens Pension is contributing to this development through an agreement with the renewable energy company Better Energy. The collaboration will give a huge boost to the deployment of Danish solar farms operated without state aid.

This is a 50/50 partnership between Industriens Pension and Better Energy on ownership of completed farms, while Better Energy will continue to be responsible for operation of the solar farms. The agreement includes investments with total construction costs of up to DKK 4 bn., making this the largest Danish solar cell investment ever.

The first five solar farms covered by the agreement are already in operation, while the majority of the farms are expected to come into operation in 2021 and 2022.



¹ Source LGT. Industriens Pension's investments are 21% below the benchmark for CO₂, 63% below the benchmark for waste, 5% below for energy consumption and 60% below for water.

The plan is to build around three-quarters of the wind farms in Denmark, while the remaining farms are likely to be built in Poland. The total capacity of the farms is planned to amount to around 1 GW, corresponding to an annual reduction of more than 350,000 tonnes of CO₂.

With this new investment, Industriens Pension's share of investments contributing to the green transition has reached DKK 12 bn. This means that Industriens Pension is not only on track, but in fact ahead of the plan to achieve the common goal of the Danish pension sector for further investments of DKK 350 bn. in the green transition by 2030. Industriens Pension plans to further increase investments in the green transition significantly in the coming years.

In addition to supplying renewable energy, the investment will also help create new jobs. Ib

Andresen, a Danish business on Funen, manufactures all the steel components for the solar farms; transformer substations are assembled by Alfred Priess, another Danish company, from components supplied by ABB; and maintaining the solar farms and connecting them to the grid will mean work for local electricians and grid companies. Sunotec, a foreign subcontractor, has established a collective agreement with the United Federation of Danish Workers (3F) through the Danish Construction Association.

Sustainable properties

Industriens Pension wants to invest in buildings that are both financially and socially sustainable in the long term, as the two aspects go hand in hand. We have decided that, as a point of departure, newly built properties are to be certified under the DGNB standards, and we

have joined the Green Building Council Denmark, which manages the DGNB certification scheme.

The DGNB standard developed by the German Sustainable Building Council considers all aspects of buildings and assesses the economic, social, environmental, technical and process-related sustainability of buildings. The DGNB evaluation of the sustainability of buildings includes a total of 40 parameters. The aim is to achieve gold or platinum certificates, which are the best certification categories.

Based on an overall evaluation of the various parameters, buildings can be awarded a bronze, silver, gold or platinum certificate. Several existing properties owned by Industriens Pension, for example Axel Towers in Copenhagen and Slagelse Hospital, have already been certified

Our own office buildings on Nørre Farimagsgade will also be certified, and we are measuring our own CO₂ load in order to reduce it.

"It's fantastic that this **green investment** can feed into the pledge we've all made in the pension sector (to invest an additional DKK 350 bn. in the green transition up to 2020 (ed.)). So, not only do we expect **a good return**; the investment will also contribute to the other important parameter."

Laila Mortensen, CEO, about the solar farm investment in partnership with Better Energy, cited in the newspaper *Børsen*, 2 December 2020



Climate profile of investments

Climate change is being debated in all parts of society and also at Industriens Pension. It is one of the most important societal challenges of our time. Local temperature changes are already impacting a wide range of areas, from housing, food, fauna and biodiversity to the global economy.

As a responsible long-term investor, Industriens Pension has been working on integrating climate aspects into the investment process for

a number of years in order to comply with the goals of the 2015 Paris Agreement. We approach this in several ways.

For example, Industriens Pension does not invest in mining companies and/or oil companies in which more than 5% of oil production is based on tar sand, because this form of production has a considerable climate impact, and there is no prospect of improvement.

As an active owner, we engage in dialogue with the companies in which we invest on how they can reduce their carbon emissions.

Last, but not least, we are continuously seeking out new investment opportunities that support the green transition while yielding an attractive risk-adjusted return. Our investment in solar farms with Better Energy is a good example of this.

Climate change not only brings new investment opportunities related to the green transition and a shift towards a low-carbon economy; it also exposes and increases the risks of existing investments.

Climate change may have a direct negative impact on the value of our investments. For example, increased amounts of precipitation may reduce the value of a property, and more frequent natural disasters may affect the market value of companies in which we have invested.

Society's view on climate issues may also potentially involve financial risks for investors such as Industriens Pension. For example, coal companies are likely to provide lower returns because the demand for coal energy will fall in a market with alternative energy and a societal ambition to shift to a low-carbon economy.

Consequently, our work on integrating climate aspects into our investment processes focuses on climate-related financial risks as well as on new opportunities to provide good and green returns.

Climate partnership

The pension sector has entered into a climate partnership with the Danish government and committed to a common goal of investing an additional DKK 350 bn. in the green transition by 2030.

Industriens Pension's share of investments in the green transition has reached DKK 12 bn.². This means that Industriens Pension is on track with our plan to contribute to the common goal.

In addition to calculating our green investments in terms of DKK, we also measure whether our investments fulfil our ambition for lower carbon emissions. Each year, we measure the total carbon emissions and carbon footprint from our share portfolio.

In our future reporting, Industriens Pension will use the model agreed with the sector in connection with the climate partnership.

Climate impact of members

Members can keep up to date on how investments of their pension assets are helping to reduce global carbon emissions, water consumption and energy consumption, while at the same time making a positive contribution with green power from Industriens Pension's investments in renewable energy.

At present, Industriens Pension expects that, as a minimum, we will double our investments in the green transition to a level of more than DKK 30 bn. up to 2030. We are considering further goals for our investments in order to contribute

Table 1 Climate partnership reporting

	Unit	2020	2019
Carbon footprint from investments			
Carbon emissions from investment assets	Tonnes	492,855	617,964
Carbon footprint	Tonnes/USD mill. sales	54	84
Active involvement in investments			
Active ownership	Described in the "Active ownership" section		
Sustainability of property investments	Described in the "Sustainable properties" section		
Sustainability of business models			
Commitment to the Paris Agreement	Described in the "Climate and the environment" section		

²Source: Klimapartnerskabsrapportering 2020

to reducing carbon emissions and global resource consumption.

Social aspects and governance

Bonds with focus on sustainability

With a major new bond investment, Industriens Pension is further increasing climate-friendly and socially responsible investments promoting sustainable developments in society. Industriens Pension has placed a large external investment mandate in the hands of PIMCO, the capital management company, to focus on particularly sustainable corporate bonds.

PIMCO manages an investment mandate of DKK 8.9 bn., and this is Industriens Pension's largest external investment mandate. Funds are invested in corporate bonds from companies that have a relatively low environmental impact, take social responsibility and have sound corporate governance.

The new investment mandate is based on bonds from companies that make significant contributions to one or more of the 17 UN Sustainable Development Goals, ranging from global health and responsible production to sustainable cities and clean water.

Moreover, the companies' carbon emissions are less than 50% of the mandate benchmark. Part of the bonds fall under the definition of green bonds which are likely to account for just over DKK 1 bn. of the new investment.

PIMCO uses a large number of data sources to quantify and compare the environmental impact, social responsibility and corporate governance of companies. Only companies with a good

“We’re changing our biggest external investment mandate because we truly believe in the value of investments that promote sustainability at several levels. If investments are managed by a capable investment manager, **sustainability and solid, long-term investment returns often go hand in hand.**”

Anders Ellegaard, Head of Fixed Income, FinansWatch 23 June 2020

overall score in these areas are considered for investment.

Human rights, workers’ rights, anti-corruption and bribery

Social responsibility does not stop at the Danish borders. As a global investor, we strive for a responsible investment profile, also when we invest in government bonds. Consequently, in 2020 we decided not to invest in countries with major human rights and workers’ rights issues. This may seem obvious, but there is an inherent dilemma: if we do not contribute to financing activities in a country, we also miss the opportunity to contribute to positive development that may improve the situation in the country. The population in the country will then stay at the same low level of development.

However, in our assessment, a number of countries have no immediate prospect of positive development, and consequently, we do not invest in these countries. At the end of 2020, 21 countries were excluded from investment because of insufficient respect for basic



principles such as human rights and workers' rights. Furthermore, such countries often have issues with corruption, bribery and respect for the environment and climate. These countries include Saudi Arabia, Iraq and the Democratic Republic of Congo. We also do not invest in government bonds issued by countries that are subject to EU or UN sanctions, for example Myanmar and Syria.

The decision on which countries to exclude is based on a ranking of all countries in the world measured in terms of their degree of compliance with principles that are relevant for Industriens Pension's investment policy. The ranking is carried out by Sustainalytics, an external partner that uses data from reliable and accepted sources such as the World Bank, UN bodies and the ILO to rate all countries in the world by giving them a score broken down by a large number of indicators.

Excluding certain countries from our investment universe concerns only investments in government bonds, but we do not exclude all projects or companies in the country in question. Instead, we follow our usual procedure for specific assessments of the climate and environmental impact, social aspects and corporate governance aspects of an investment. This follows the principles of Denmark's foreign and development policy.

Corporate governance

Corporate governance is an important area in Industriens Pension's active ownership, even at a time when climate is highest on many agendas.

What matters is that there is confidence in the company from investors and the surrounding

community and that there is a long-term return. Consequently, corporate governance is an integral part of our ongoing dialogue with companies in which investors have significant influence.

An example of this is Danske Bank, which was involved in a large-scale money-laundering scheme through the bank's branch in Estonia from 2007 to 2015. The bank's management ignored warnings and did not put a stop to the illegal transactions. After the revelations, the case led to an internal investigation in which a number of flaws in the bank's governance structure were identified. Industriens Pension discussed the case at meetings with the chairman of the Board of Directors of Danske Bank, and this only happens in very serious situations. At subsequent meetings with Danske Bank, as a separate item on the agenda, Industriens Pension regularly followed up on how the bank has remedied the situation and established structures to prevent something similar from happening again. Furthermore, the bank has taken initiative to give Industriens Pension separate briefings about the situation.

What we focus on

For many years, Industriens Pension has focused on workers' rights and on reducing inequality. We will continue this focus, and set specific goals for these areas.

We also want to strengthen collaboration against terrorism and money laundering in the pension sector by facilitating access to information about new EU sanctions against countries and companies in which we do not invest because they contribute to terrorism or money laundering. Currently, such information can be held in non-transparent materials that are

resource-intensive to review. We cooperate with the sector on how to improve the information and increase transparency.

Organisations we work with

Industriens Pension works with other institutional investors and organisations to promote responsible investment and responsible behaviour in the companies in which we invest.

Collaboration may focus on anything from knowledge-sharing and inspiration to specific issues where we join forces with like-minded investors to put pressure on companies to induce a change in behaviour.



As a signatory to PRI, Industriens Pension is committed to implementing the six PRI principles for responsible investment and to promote their application. PRI is the world's largest network focusing on responsible investment.



We collaborate with the British consultancy firm Federated Hermes EOS (Equity Ownership Services) on active ownership and quarterly monitoring of the companies in which we invest. On behalf of Industriens Pension and other investors, Hermes engages in dialogue with several hundred listed companies every year in order to steer them in a more sustainable direction.



We cooperate with Sustainalytics, an independent research and analytics firm providing ESG data and analyses related to country screening and other thematic screening services, for example of coal mining companies.



Industriens Pension is a member of Dansif, a Danish network for knowledge-sharing between professional investors, consultancy firms and others involved in responsible investment.



Industriens Pension is a member of the Institutional Investors Group on Climate Change (IIGCC), a European network organisation collaborating to encourage policymakers to establish good framework conditions for investments in the climate area.



Industriens Pension is part of Climate Action 100+, a global investor initiative under the IIGCC. Over a period of four years, the initiative will promote dialogue with more than 100 companies across the world emitting significant volumes of CO₂, with the aim of reducing the companies' emissions of greenhouse gases.



Industriens Pension is a signatory to the global not-for-profit organisation CDP which encourages companies, cities, states and investors to measure and understand their climate footprint and use this to contribute to a sustainable society and economy.

Active ownership

Active ownership is an important tool to understand and influence the companies in which we invest. Furthermore, through active ownership, we are able to promote companies' long-term value creation and sustainable development. We take a risk-based approach, meaning that we prioritise our efforts on where we have the largest investments and where the consequences of potential or actual adverse impacts on society are greatest.

We collaborate with Federated Hermes EOS (Equity Ownership Services), a British consultancy firm, which screens our portfolio every quarter to ensure that the companies in the portfolio comply with our guidelines for responsible investment. Our collaboration with Federated Hermes EOS helps us to perform the very resource-intensive and important task of being an active investor by providing access to highly specialised country-specific and sector-specific expertise, while providing us with the opportunity to cooperate with like-minded investors.

In 2020, on behalf of Industriens Pension and other investors, Federated Hermes EOS had 783 ESG-related dialogues with 498 companies, focussing primarily on climate and corporate governance issues. As part of our active ownership, we exercised our voting rights at

general meetings in the companies through our international cooperation partner, Hermes EOS Federated and Institutional Shareholder Services. Thus, in 2020, we voted on 3,274 proposals at general meetings of the companies in the portfolio. On 356 occasions, we voted against the management of the relevant companies. We publish our voting activity on our website.

Case - dialogue with Diageo on water consumption

Diageo is a global producer and supplier of beer and spirits. Diageo uses large quantities of water in its production, and several of the company's production plants are located in places with actual or potential water shortages and a need to improve access to water for local communities, for example in Africa. On behalf of Industriens Pension, since 2012, Federated Hermes EOS has been in dialogue with Diageo on establishing long-term goals to reduce the company's consumption of water in these areas. In 2015, the company set a goal to halve its water consumption and counter its impact on the local community. In 2020, Diageo had reduced its water consumption by more than 40% using new technologies and processes, and it had found ways to deal with its impact on the local community.





Human rights and transparency in Alphabet Inc. – Google, YouTube etc.

Alphabet is the parent company of Google and YouTube, among others. It is one of the largest and most valuable companies in the world, with billions of searches every day. Via Federated Hermes EOS, Industriens Pension has had ongoing dialogue with the company since 2018 about human rights issues associated with artificial intelligence (AI). The challenge is the lack of transparency with regard to how content is prioritised on Google and YouTube, and whether, due to such prioritisation, freedom of expression is systematically restricted for certain groups. Another challenge is how to avoid the spread of unethical and controversial content, such as videos of attacks or the recent attempts to incite violence in connection with the transition of the US presidency. In 2019 and 2020, Alphabet Inc. has taken steps to increase transparency. The company has enhanced collaboration with stakeholders measuring and assessing the consequences of AI, and aspects such as sustainability, data privacy and human rights have been included as areas of responsibility for the company's internal audit committee. Industriens Pension will continue to promote the involvement of the company's board of directors in ensuring responsible use of AI.

With regard to Danish companies, we engage in dialogue directly with companies in our Danish portfolio. As a relatively large and long-term investor, we have in-depth knowledge about companies on the Danish market, and a long-standing, trust-based relationship with the managements of the companies. For the same reason, we also vote at the general meetings of all Danish portfolio companies.

Most often, our dialogue with companies involves that we investigate and point out aspects where, in our opinion, the company has a potential for improvement. We will not usually find it necessary to approach the management directly or to cooperate with other investors to put pressure on the company.

Case - Novo Nordisk production in Iran

In 2020, Novo Nordisk opened a factory in Iran with local production of insulin. Novo Nordisk has been criticised for its Iranian cooperation partners in the process, particularly the Setad organisation, a business empire under the Iranian ayatollah said to have been founded with assets seized from critics of the regime. The dilemma is that, on the one hand the Novo Nordisk activities help to bring improvements to the Iranian society and population, while, on the other hand, the activities may support a regime that violates international weapons and human rights conventions. Industriens Pension is in dialogue with Novo Nordisk about these issues, and we feel reassured that Novo Nordisk has focus on the issues and is making comprehensive investigations. However, we will continue to follow up on developments.

If, despite our repeated requests for a dialogue with a company, the company refuses such dialogue, and the company has a significant adverse impact on society, we may ultimately decide to exclude the company from our investment universe.

An example of this is the American oil company Exxon Mobil. However, this is a last resort, because by excluding a company from our investment universe, we also give up the opportunity to exert influence on the activities of the company. The list of the companies in which we do not invest is available on our website.

Industriens Pension reports quarterly and annually about activities related to active

ownership on our website and in the corporate social responsibility section in our annual report as well as in this report.

The Danish Financial Business Act includes specific requirements for companies like Industriens Pension on the frequency and nature of disclosures about active ownership of listed companies. The legislation implements the EU Shareholder Rights Directive, and the

requirements only differ slightly from Industriens Pension's previous reporting according to recommendations for active ownership published by the Committee on Corporate Governance. Table 2 provides an overview of the requirements. Industriens Pension complies with all active ownership requirements.

Industriens Pension's policy on responsible investment and active ownership includes the elements described under point 1. The policy is available on our website under responsible investments.

How the policy is implemented is described in this report and on the website, which describes Industriens Pension's work on active ownership. Every quarter, we publish data on our active

ownership, who we collaborate with and which companies and countries we do not invest in.

On the Industriens Pension website, we announce annually how we voted at general meetings of the companies in which we hold shares. For most efficient use of our resources, Industriens Pension only votes at general meetings of foreign companies in which we have investments exceeding DKK 50 mill. We always vote at the general meetings of companies in Denmark. In 2020, we cast our vote in 224 companies. We always cast our vote ourselves, i.e. without a proxy.

As a general rule, we invest in companies in which we have confidence in the management, but sometimes we vote against proposals from the management. In 2020, this applied for 11% of

Table 2 Disclosure requirements, section 159 of the Danish Financial Business Act

1. Active ownership policy

Industriens Pension is to publish a policy for active ownership in connection with investments in equities. The policy is to describe how we

1.1. Monitor companies

1.2 Engage in dialogue with companies

1.3 As institutional investors, monitor and engage in dialogue with the companies in which we invest, with due regard to the investment strategy and the principle of proportionality

1.4 Exercise our voting rights and other rights linked to shares

1.5 Cooperate with other shareholders

1.6 Communicate with relevant stakeholders in the companies in which we invest

1.7 Manage actual and potential conflicts of interest in connection with the company's active ownership

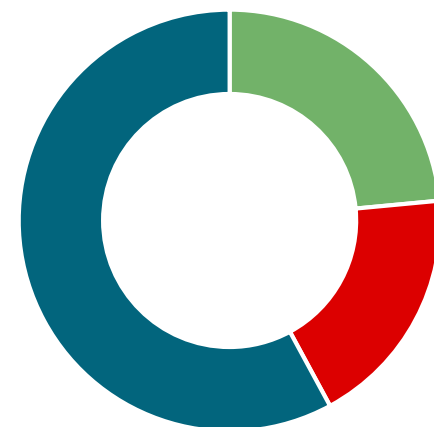
2. Publication on implementation of the policy

Once a year, Industriens Pension is to announce how our policy for active ownership has been carried out, including a general description of voting, a review of the most significant ballots and the company's use of services from advisory proxies.

3. Disclosure of voting activity at general meetings

Once a year, Industriens Pension is to announce how we voted at general meetings of companies in which we hold shares. The requirement also applies if capital managers voted on our behalf. In this case, reference can be made to voting information published by the capital manager. Ballots that are insignificant because of the topic of the ballot or the size of the equity investment in the relevant company may be omitted from disclosure.

Figure 1 Dialogue broken down by theme



■ Environmental ■ Social and Ethical ■ Governance

proposals in North American companies and 7% of votes cast in European companies. If we do vote against the management, it is often on matters related to the composition of the board of directors and remuneration for the management, but also sometimes in relation to workers' rights and ethical matters.

Tax

Industriens Pension works continuously to ensure the best possible return for members of the pension scheme.

However, it is crucial that the tax structures and methods used also ensure fair tax payments - for the companies in which we invest and for Industriens Pension.

Industriens Pension disapproves of aggressive tax planning and tax evasion, including any attempts at, and involvement in money laundering, and we expect the same of all our cooperation partners.

Investments

Increasing debate on tax payments and ambitions to ensure that companies contribute their fair share of tax have sharpened our focus on these issues in recent years. Together with three other Danish pension companies, in 2018 Industriens Pension took initiative to draw up a tax code of conduct for unlisted investments.

Since then, work has systematically been carried out to ensure that members' funds are not invested in aggressive tax structures that may be used to reduce tax payments to a level that is not in line with responsible tax behaviour.

Work on the tax code of conduct was also a key task in 2020. Internal resources have been allocated to the area, and additional work has been carried out to establish procedures and routines ensuring that our investments in unlisted assets are responsible from a tax perspective.

Today, we place greater demands on managers offering investments, including that the investments comply with the tax principles we have established. If this is not the case, we will not make the investment.

Our tax code of conduct was generally very positively received by the rest of the pension sector, and other pension companies have also adopted it. In December 2020, a number of large commercial foundations adopted the code of conduct as well.

The companies adopting the code of conduct have committed themselves to regularly checking compliance with the code of conduct by their investment managers.

We can see that there is a good effect if investment managers are met with the same stance on tax from an increasingly larger group of companies. In our dialogue with investment managers, it is clear that the tax issues

addressed in the code of conduct have also become a focus area for them.

We are ambitious with regard to ethical behaviour in the tax area, but we are also aware that this is a large and complex area, and that there is still some way to go. Therefore, in the years to come, we will continue our work to ensure acceptable tax behaviour in our investments.

A specific initiative in 2021 will be to check, by means of sampling, that individual investment managers comply with our agreements in the tax area.

Industriens Pension's own tax payments
As a pension company acting on behalf of members, Industriens Pension ensures correct payment of taxes and duties on members' pension schemes in accordance with legislation.

For the 2020 tax year, activities at Industriens Pension resulted in payments of taxes and duties to the Danish state amounting DKK 3,497 mill.

Table 3 Taxes and duties paid (DKK mill.)

	2020	2019
Tax on yields of certain pension-scheme assets	1,459	3,017
Corporation tax	1	2
Real property tax	3	3
Tax according to the Taxation of Pension Schemes Act	337	326
A-tax and labour market contributions on premiums and pension benefits	1,564	1,480
A-tax and labour market contributions on employee salaries	59	60
VAT and payroll tax	74	57
Total taxes and duties	3,497	4,945

Industriens Pension's own climate footprint

As a company, we support efforts in society to reduce the impact of climate change.

We acknowledge that, as a company, we also play a role in actively supporting these efforts ourselves. Consequently, we are working to reduce our own negative impact on the environment and on increasing the environmental awareness of our employees.

In order to establish a framework for these efforts, and to be able to measure improvements later on, throughout 2020, we have been working on calculating our climate footprint for 2018-2020.

As part of this work, a number of areas were identified for focus in 2020. This work will continue in the coming years.

In 2020, work was launched to develop sustainability certification for our owner-occupied property, and since June, we have only bought green power to operate the property.

A new policy for company cars has been drawn up to make sure that future replacements of cars take their environmental impact into account.

Furthermore, in recent years, a number of other initiatives have been implemented, such as changing to LED light bulbs in most parts of the owner-occupied property, a higher degree of waste separation, printing on both sides, using company bicycles instead of taxis, and using recyclable water bottles.

The canteen scheme includes organic products, and 30% of the "hot dish of the day" is available as a vegetarian option. There is focus on preventing food waste, disposable plastic is no longer used and fruit is delivered by bicycle.

Developments in our key environmental data are presented in the table below.

The reduction in emissions in scope 2 is partly due to the transition to green power, and partly a result of COVID-19 generally leading to a lower heating demand in the owner-occupied property. The reason for the major reduction of emissions in scope 3 is that there has been no air travel for business purposes during COVID-19.

In 2021, focus will be on further reducing our climate impacts, for example by assessing whether further energy optimisation can be

implemented in relation to the operation of the building, behavioural changes, reducing air travel by having more meetings online, etc.

Table 4 Environmental data

	2020	2019
CO2e, scope 1 (tonnes)	1	1
CO2e, scope 2 (tonnes)	111	234
CO2e, scope 3 (tonnes)	98	439
Energy consumption (GJ)	3,131	3,704
Renewable share (%)	29	0
Water consumption m ³	1,202	1,205

Social aspects and aspects related to employees

Industriens Pension is a knowledge-based company, with employees constituting our most important resource. Consequently, we have strong focus on respecting human rights based on the UN Guiding Principles on Business and Human Rights.

Our goal is to establish and maintain a healthy and inspirational working environment, with focus on promoting well-being, diversity and workers' rights and countering discrimination. We focus on equal possibilities and a gender-balanced staff composition.

As a company, we expect our employees to help us live up to our corporate social responsibility. Again in 2020, there have been no reports to our whistleblower scheme about illegal activities in the organisation or at management level.

Organisation

We give priority to employing trainees, and thereby we contribute to maintaining a strong recruitment base in the pension sector. During 2020, we had five trainees. All trainees completing their traineeship in 2020 have subsequently been employed at Industriens Pension.

We have a flexible employment framework, allowing employees to work part time, on a flexible job scheme (light jobs on special conditions) or under a senior-policy scheme. 14% of the company's employees worked on reduced hours in 2020.

We help company employees to maintain their qualifications, competencies and innovative skills through continuing education and training, upgrading of skills and development. In 2020, employees spent a total of 351 days on training and education activities, excluding short-term courses and on-the-job training of less than half a day.

Through regular work climate surveys, occasional SPOT surveys (surveys of health and safety at work) and statutory workplace assessments, we collect important data about the organisation. Managers, cooperation committees, the health and safety organisation and the departments/teams use this data in their efforts to promote individual employees' satisfaction, commitment and well-being in order to achieve our mission and vision in the best interests of the company and its members.

A 2020 SPOT survey investigating the attitude to working from home showed that 61% of the respondents had the same well-being,

regardless of whether they worked from home or from our offices in Copenhagen, while 24% disagreed or strongly disagreed with this.

Management

Like other organisations, we are aware that encouraging and efficient management is essential for successful operation and development, and we work constantly to strengthen management, partly through development activity, and partly through stricter requirements for professional performance of management activities.

Particularly in 2020, with many people working from home due to COVID-19, initiatives have been targeted at supporting distance management.

Employees

We believe that a workplace where employees feel they are given responsibility and a right to influence decisions, and where they can develop their competences, is the best foundation for long-term job satisfaction. Therefore, we place great emphasis on engaging in dialogue about the well-being and

ongoing development of the personal and professional competences of our employees.

In 2020, we listened to reports that some employees were 'a bit fed up' with traditional annual staff development interviews, and in the second half-year, we introduced new and more frequent 'check-in conversations', focussing on 'well-being', 'development' and 'behaviour'. In Q4, we held 148 of these conversations.

We want members, companies and the social partners not only to see Industriens Pension as a profitable and advantageous pension company, but also as a company where the internal work climate has a positive effect on good and effective services and on the provision of innovative and socially responsible products and solutions.

For the tenth consecutive year, internal employee surveys show high satisfaction with Industriens Pension as a workplace.

Industriens Pension has a goal to take active social responsibility, including complying with UN Sustainable Development Goal no. 8 to

Table 5 Social data

	2020	2019
Full-time equivalents (FTE)	201.8	196.3
Gender diversity (%)	49.2	47.8
Gender diversity for other management levels (%)	37.5	40.9
Pay gap between genders (factor)	1.3	1.3
Employee turnover rate (%)	12.2	19.9
Sickness absence (days/FTE)	4.5	4.7

promote decent work for all. To support this goal, at the end of 2018, we entered into a consultancy agreement with Specialisterne, a firm that aims to create 1 million jobs worldwide for people with autism by 2030. Focus is on neurodiverse people, a vulnerable group, often with an unfulfilled potential. This group of ‘specialists’ is characterised by being able to deliver extraordinary results if they are offered the right conditions and framework for their work.

At our companies and members service department (Virksomheds- og Medlemsservice), we have established such a framework and employed two skilled ‘specialists’ in an environment characterised by diversity and social cohesion.

Developments in our social ESG metrics are specified in table 5.

The metrics show a 30% pay gap between the genders. This difference is not an indication that we do not have equal pay, but rather that several specialist jobs attracting the highest wages, for example in the investment area, are dominated by male employees. This issue is considered in connection with new employees, as we are convinced that diversity leads to better results.

Gender diversity

The Board of Directors has adopted target figures and policies for the gender mix in the Board of Directors and at other managerial levels.

Target figures have been set so that a gender is considered to be underrepresented on the Board of Directors if it is represented by less

than 20%. For other management levels, the target figure has been set at 40%.

At the end of 2020, the Board of Directors of Industriens Pension comprised two women and 11 men. Consequently, the share of the underrepresented gender does not meet the target gender mix stipulated for the Board of Directors.

When recommending future members for election to the Board of Directors, the Board of Directors will therefore recommend a person of the under-represented gender, unless another candidate is considered to be more qualified for nomination for election to the Board of Directors.

The Board of Directors will strive to achieve the target figure by no later than 30 June 2022.

Developments in our governance and management key figures are specified in table 6.

With regard to other management levels - executive directors, heads of department and team leaders with management responsibility - the mix at the end of 2020 was eight women and 15 men, which means women are underrepresented. Future recruitments will take this into account as one of the aspects determining the final choice.

Industriens Pension supports equal pay between genders, if responsibilities, tasks and seniority are comparable.

Table 6 Governance - management data

	2020	2019
Gender diversity in the Board of Directors (%)	14.3	14.0
Attendance at board meetings (%)	92.9	94.0
Pay gap between the CEO and the employees (factor)	8.0	8.2

ESG metrics 2020



ESG metrics

ESG highlights and key figures

	Unit	2020	2019	2018
Environmental data				
CO2e, scope 1	tonnes	1	1	1
CO2e, scope 2	tonnes	111	234	242
CO2e, scope 3	tonnes	98	439	473
Energy consumption	GJ	3,131	3,704	4,014
Renewable share	%	29	0	0
Water consumption	m ³	1,002	1,205	1,369
Social - social data				
Full-time equivalents	FTE	201.8	196.3	191.1
Gender diversity	%	49.2	47.8	48.4
Gender diversity for other management levels	%	37.5	40.9	36.4
Pay gap between genders	Factor	1.3	1.3	1.0
Employee turnover rate	%	12.2	19.9	10.9
Governance - management data				
Gender diversity on the Board of Directors	%	14.3	14.0	14.0
Attendance at board meetings (%)	%	92.9	94.0	93.0
Pay gap between the CEO and the employees	Factor	8.0	8.2	8.3

Clarifications and definitions

Environmental data

CO2e, scope 1	Direct emissions from own combustion
CO2e, scope 2	Indirect emissions from energy purchased from third parties
CO2e, scope 3	Other significant emissions from subcontractors etc.
Energy consumption	Total energy consumption in gigajoules
Renewable share	Renewable energy / energy consumption
Water consumption	Total amount of water consumed

Social - social data

Full-time equivalents	The number of full-time employees
Gender diversity	Female FTEs / full-time equivalents
Gender diversity for other management levels	Female manager / all managers
Pay gap between genders	Median salary for male employees / median salary for female employees
Employee turnover rate	Number of resignations / total number of FTEs
Sickness absence	Number of sick days / total number of workdays

Governance - management data

Gender diversity on the Board of Directors	Female members of the Board of Directors / all members
Attendance at board meetings	Attendance / number of board meetings
Pay gap between the CEO and the employees	Salary for CEO / median salary for employees

Annex to ESG highlights and key figures

Accounting policies

ESG metrics have been prepared in accordance with the guidance on “ESG key figures in the annual report” from 2019, issued by FSR Danish Auditors, Nasdaq and CFA Society Denmark. A more detailed description of the method for calculating ESG metrics is available on the FSR Danish Auditors website www.fsr.dk. Unless otherwise indicated, ESG metrics have been calculated for Industriens Pensionsforsikring A/S and do not include subsidiaries. Metrics from before 2018 have not been calculated, because data has not always been available.

Environmental data

When calculating carbon emissions from Industriens Pensionsforsikring A/S’ own activities, a subdivision is made into underlying groups depending on the source of the emissions.

Scope 1

Direct emissions from our own vehicles, calculated on the basis of the estimated number of km driven and the emission factor of the vehicles.

Scope 2

Emissions of electricity and district heating purchased from energy producers. The emissions calculations are based on data

collected via meter readings and emission factors stated by the energy companies. From 1 July 2020, Industriens Pensionsforsikring A/S entered into an agreement to purchase green electricity, and consequently, from this date emissions from power consumption have been omitted.

Scope 3

Scope 3 includes carbon emissions from paper consumption, transport of letters, business travel in employees’ own cars and air travel.

Emissions from paper consumption are calculated on the basis of the consumption and the emission factors stated by the suppliers. Emissions from transport of letters are based on the estimated number of letters sent and the carbon emission factors from the Post Nord environmental calculator. Emissions from employees driving in their own cars are based on the number of km driven and the emissions from the cars. Emissions from air travel are based on calculations direct from our travel agent. The emissions are based on DEFRA’s emission factors, including Radiative Forcing, i.e. the calculation includes the total atmospheric climate impact, and not just the carbon impact.

Key figures for water consumption only include the company’s owner-occupied property, as no data is available from rented premises.

Other key figures

When assessing gender diversity for other management levels, a manager is defined as a person with management responsibilities

The key figure for maintaining customers has been excluded from the calculation. This is because of the high job mobility among members of Industriens Pensionsforsikring A/S, and this key figure would not be a useful indication of customer satisfaction.

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