

# DENMARK

The Danish SRI market has grown recently, after having been historically slow to embrace SRI. This can be attributed to the predominance of fixed income securities in Danish investment portfolios, where there were at the time no responsible investment alternatives. In addition, Danish SRI pioneers faced an uphill battle where they were met by adverse media attention and received little NGO, government and union support.

Recent growth in responsible investment has been stimulated by the introduction and subsequent development of fixed income investment products, as well as the increased importance of equity products in the Danish market. The emergence of the UN PRI has also promoted growth in the Danish institutional SRI market, and it is likely to continue to do so in the future. A new governmental CSR action plan is also anticipated to spur growth over the coming years.

While norms-based screening will continue to be the dominant approach in the Danish market, it is likely to be supplemented by engagement approaches.

## KEY FEATURES OF SRI

The total SRI market in Denmark amounts to €114.5 billion, with Core SRI reaching €45.7 billion and broad SRI €68.8 billion as illustrated in Figure 1.

FIGURE 1



Source: Eurosif European SRI Survey, 2008

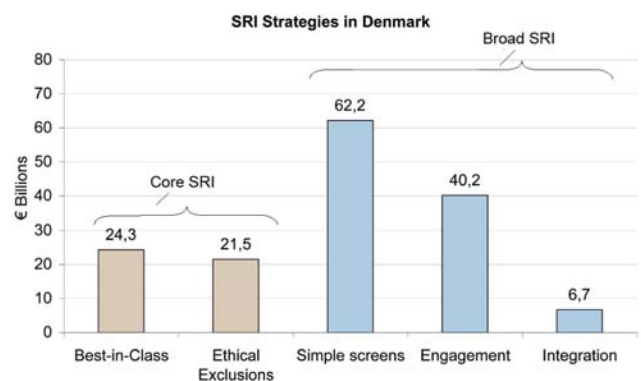
## Core and Broad SRI Market

Denmark's Core SRI market is almost evenly divided between ethical exclusions and Best-in-Class strategies as illustrated in Figure 2. Currently, thematic funds are completely absent from the Danish SRI market.

## Broad SRI Market

Norms-based screening represents the largest segment of the Broad SRI market in Denmark. Norms include ILO conventions, OECD Guidelines and domestic laws. Criteria embedded in the UN Global Compact are also included in norms-based screening approaches. Engagement represents the second largest component of the Broad SRI market. Generally, engagement practices include direct private engagement, proxy voting and collaborative engagement. Integration has yet to play a significant role in the Danish market.

FIGURE 2



Source: Eurosif European SRI Survey, 2008

## Who invests in SRI?

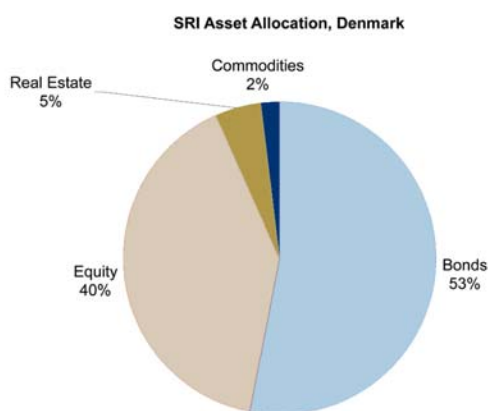
The SRI market is largely driven by institutional investors but available data cannot be broken down by market segment.<sup>1</sup>

## Products/Offering

Bonds constitute the single largest asset class of SRI assets under Danish management as shown in Figure 3. While equities represent a somewhat smaller proportion of SRI assets, this asset class also appears to be the most commonly used by market practitioners (95% of respondents invested in equities). Similarly, real estate and venture capital/private equity represent minor proportions of the total value of SRI assets, but were used by almost a third of market practitioners.

<sup>1</sup> As most Nordic Asset Managers have a cross Nordic scope of their organisation, it is very difficult for them to know how much is retail in Sweden, Norway, Denmark and Finland.

FIGURE 3



Source: Eurosif European SRI Survey, 2008

Geographically, 63% of SRI equity investment took place in Europe (including 39% in Denmark), while the remainder was almost evenly allocated between North America, Asia and emerging markets.

## MARKET EVOLUTION

As noted earlier, the Danish SRI market was smaller than may have been expected due to the predominance of fixed income holdings and a lack of interest from stakeholders such as governments, NGOs and trade unions.

The media also hampered the development of responsible investing in Denmark. For example, in the early 1990s, two Danish pension funds began to implement ethical investment policies. These funds faced such pervasive criticism in the media that it inhibited other asset managers from adapting similar policies. The responsible investment market was also set back by the lacklustre performance of Denmark's first retail SRI fund.

Times have changed. Today, the majority of the large pension funds have adopted systematic responsible investment approaches. Responsible investment products have been tailored for fixed income securities, and an increasing share of Danish assets has been placed in equity securities. Generally, strategies are based upon portfolio risk assessments. External responsible research and rating providers support most asset managers' responsible investment processes. Danish schemes have recently received pressure by the public to boycott investments linked to the manufacture of cluster bombs after criticism in the media from the Danish Church and NGOs, including Amnesty International. The UN PRI has played a key role in

stimulating awareness in responsible investment, which has in turn promoted growth.

On the retail side, there are currently eight retail SRI funds available in the Danish market. However, the assets under management in these retail funds are meagre.

## MARKET PREDICTIONS

Practitioners expect both the Danish institutional and retail responsible investment markets to grow. The UN PRI will continue to play a vital role in encouraging asset managers to adopt and further develop responsible investment practices. Engagement is likely to increase. The market also anticipates that a new governmental CSR action plan will also be an important driving force in the coming years.

*The data above is based on research conducted by TNS Prospera and analysis conducted by Eurosif, with input from Sarita Bartlett at KPMG and Erik Alhoej at GES Investment Services.*