

Torben Möger Pedersen, Chief Executive Officer, PensionDanmark

Denmark



Where do you see opportunities for powerful, effective investing today?

Mr. Möger Pedersen: PensionDanmark's answer to the challenge of low bond yields has been a change in the asset allocation implemented in 2009/2010 away from government and mortgage bonds. Instead, we identify asset classes and assets such as infrastructure that have a stable cash flow with very little correlation to the overall business cycle.

Currently, we have approximately 10% of total assets (170 billion DKK) invested in renewables and infrastructure related assets. Our investments in energy-related infrastructure include wind farms, biomass power plants, and grid connections. Geographically, our focus is on Northwestern Europe and North America, where we feel the regulatory systems and the political culture are pro-investor.

What we like about renewable infrastructure is that the regulatory environment provides us with relatively stable top-line cash flows via long-term power purchase agreements (PPAs), feed-in tariffs, or similar elements of state guarantees for power production prices.

The opportunities for these types of investments have come about due to (energy) companies wanting to reduce balance sheets in combination with increasingly stringent

capital requirements for long dated loans. Pension funds need to seize these new opportunities in the best possible way.

What sector has had the most significant impact on the renewable energy landscape thus far? Why?

Mr. Möger Pedersen: I think there are two important trends that have had significant impact on the renewable energy landscape. First of all, the continued increase in the interest and number of (European) institutional investors wanting to invest directly in renewables, including wind. Second, the continued decrease in costs of wind and how it's able to compete with traditional power generation.

Debates about environmental issues and solutions are common among the public and governments. What role do you think investors could play in establishing active working relationships with all stakeholders to effectively address environmental challenges?

Mr. Möger Pedersen: I think investors' are already doing a lot of things to address these issues. Whether it's investments in renewables and more energy efficient real estate or being active owners and talking to portfolio companies on how they can become more energy/resource-efficient.

Furthermore, a lot of investors, including PensionDanmark, were very active in the preparation for the UN Secretary General's September Summit on climate, and in that process, liaised with governments, NGOs, and other parties. PensionDanmark's innovative investment strategy and our active role in developing climate finance instruments were the main reasons for IPE's Award in November 2014 as Best European Pension Fund at the IPE Awards in Vienna.

BIOGRAPHY

Torben Möger Pedersen is CEO of PensionDanmark, a labor market pension fund established in 1993. It offers defined contribution pension, insurance, and health care products based on collective agreements covering 660,000 individuals employed in 25,000 companies within the private and public sector. Total assets are 170 billion DKK and growing rapidly.

PensionDanmark has made a number of direct investments in offshore and onshore wind farms, biomass power plants, and gas and power transmission facilities as well as investments in solar parks, energy storage facilities, and other infrastructure assets through funds. Assets under management were at US\$30 billion as of mid-2014.

Mr. Möger Pedersen holds a number of board and investment committee memberships, including Paradigm Change Capital Partners, Copenhagen Infrastructure Fund I & II, and the newly established Danish Climate Investment Fund, which mobilizes private climate investments in emerging markets via an innovative private-public partnership structure.

Furthermore, in February 2014, Mr. Möger Pedersen was appointed to the Private Sector Advisory Group of the UN's Green Climate Fund, and is also a newly appointed member of the World Economic Forum network Global Agenda Council on Climate Change. Previously, he was a member of the Danish Government's Climate and Energy Growth Team and was named "Environmental Finance Personality of 2013" by *Environmental Finance*.

Torben Möger Pedersen holds an MSc in Economics from the University of Copenhagen (1984) and furthered his executive education at Insead Fontainebleau, Insead Singapore, Babson College, and Wharton Business School.