

OUR  
MEMBERS



OUR OUTSIDE  
WORLD



OUR  
EMPLOYEES



# CORPORATE SOCIAL RESPONSIBILITY REPORT 2019



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# PREFACE

The 17 Sustainable Development Goals at display in front of PensionDanmark's domicile at Langelinie Allé.

“Our mission is to enable our members to have a long and productive working life and to give them a financially secure retirement – in a sustainable way.”



Torben Möger Pedersen

## Climate change marked 2019

Climate change rose to the very top of the international and national agenda in 2019. The UN climate action summit held in New York in September underscored the scale of the global challenge: Meeting the objective of the Paris Agreement to limit global warming to 1.5°C by 2050 will require massive investments. At national level, a broad majority of the Danish parliament adopted the world's most ambitious Climate Act, committing to cut carbon emissions by 70% relative to 1990 emissions by 2030.

Pension funds across the world have embraced the challenge. To name just a few examples, the Danish pension industry made a joint commitment at the UN Climate Action Summit to boost investments in the green transition by DKK 350bn going forward to 2030. In November, the Danish government established 13 climate partnerships, including one for the financial sector chaired by PensionDanmark. In 2020, these partnerships will present proposals for how each industry can contribute to achieving the 2030 target of the Climate Act.

PensionDanmark has already come a long way. Our equity investments give rise to a total of 731,000 tonnes of CO<sub>2</sub> emissions annually. On the other hand, our investments in renewable energy reduce emissions by between 2.3m tonnes and just below 3.5m tonnes, depending on the calculation method applied. In other words, PensionDanmark is close to being – or maybe we already are – the world's first pension funds to generate larger reductions than emissions through our investment portfolio. But we can and must do more – both for the climate and for the 17 Sustainable Development Goals.

Our deep commitment to corporate social responsibility passed new milestones in 2019. Our record-breaking investment returns of close to DKK 30bn will give our members even better pensions. Our ambitious digitalisation programme is shortening processing times and keeping costs down, allowing us to retain our position as the most cost-efficient pension provider in Denmark.

Our healthcare programme is focused on identifying health issues early on so that minor ailments do not become serious. Having provided more than 350,000 preventive treatments in 2019, the programme has been instrumental in helping our members look after their health. Another way in which we help our members is through our supplementary training activities. Our new trail-blazing supplementary training site is a major step forward in helping our members maintain and improve their skills throughout their working lives.

2019 marked the end of a decade that brought significant change. From financial crisis to renewed growth, although at a reduced level. Breakthroughs for new digital technologies such as robotics, artificial intelligence and the internet of things. Political upheaval, with protests against the negative consequences of globalisation for the wealth and well-being of large ethnic groups. New geopolitical tensions and risks.

Hopefully, the '20s will be a decade of optimism and prosperity with the global community once again working together to achieve the UN's ambitious global goals by means of agreements and rules, smart use of technological innovations and a fairer distribution of our growing wealth.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Torben Möger Pedersen  
CEO, PensionDanmark  
tmp@pension.dk



# 2019 IN NUMBERS

**391,600**  
active members employed  
in **23,400**  
companies



PensionDanmark  
is owned by  
**11** trade unions and  
**29** employer organisations



PensionDanmark  
co-founded a global  
investor alliance with  
**USD 4,000**<sup>bn</sup>  
under management working  
towards carbon-neutral  
investment portfolios

Member savings  
have grown



**1.15**<sup>m</sup>  
member logins  
at pension.dk



PensionDanmark  
owns production of

**3,665**  
GWh of green  
energy per year



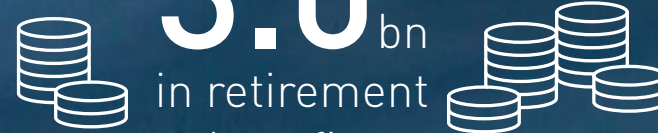
Denmark's island no.

**432**

is being constructed in  
Nordhavn, Copenhagen,  
by PensionDanmark  
and partners

**50,500** retired members  
received DKK

**3.0**<sup>bn</sup>  
in retirement  
benefits



More than **13,200**  
logins at our new  
supplementary training site

Our members received  
**370,000**  
interdisciplinary  
healthcare treatments



PensionDanmark

received **8** awards,  
including the IPE Award  
for best Danish  
pension provider





# BUSINESS MODEL

PensionDanmark pursues a 360-degree approach to engaging with our members. We want to give our members a financially secure retirement by generating solid returns on their savings and to enable them to have a long and productive working life by offering them active, preventive healthcare schemes. We want our members to maintain and upgrade their skills through lifelong learning, and we want to protect them by means of insurances that provide financial security in case of accident.

## PRODUCTS

## VALUES

## RESULTS



### PENSION

Pension savings consist of three savings products: Retirement accounts, lifelong pension and annuity pension.



Members are given a financially secure retirement. Investment risks are aligned with members' age. Savings are invested in a sustainable and responsible manner.



In terms of investment returns, 2019 was a good year. Younger members received a return of 16.1%, while older members received 9.5%. 50,500 retired members received DKK 3.0bn in retirement benefits.



### INSURANCE

Our members are covered by insurances in case of death, critical illness, early retirement and subsidised jobs.



The insurances provide security for our members during their working lives. Members can raise or reduce insurance amount to align them with their current needs. Through integration of public registers, we make sure our members always receive what they are entitled to.



1,000 members were awarded supplementary early retirement pension. 3,000 members received a lump sum of typically DKK 100,000 on critical illness. 3,000 beneficiaries received a lump sum on the death of a member. Our members received insurance benefits of DKK 1.2bn.



### HEALTHCARE PROGRAMME

The healthcare programme gives our members access to interdisciplinary preventive treatments, healthcare counselling and Prompt Diagnosis.



The healthcare programme helps prevent repetitive strain injuries and potential disability and assists members in combating health problems and returning to the labour market faster. This provides security for each individual member.



43,200 members received 370,000 treatments at our health clinics. 17,300 contacted our healthcare team. More than 60% of members with long-term illnesses returned to work on completion of treatment by the healthcare system. 2,880 received paid memberships of patient associations.



### LIFELONG LEARNING

PensionDanmark manages a number of educational funds which provide financial support for various types of supplementary training programmes.



Lifelong learning helps our members maintain and upgrade their skills and thus remain active members of the workforce.



20,000 employees in 2,000 companies were able to upgrade their skills through supplementary training funded by the educational funds managed by PensionDanmark.



### COUNSELLING

Members can access our member services by phone Mondays-Fridays from 8:00 a.m. to 9:00 p.m. – and at pension.dk 24/7.

250,000 members have signed up to receive messages with personalised information.



Members receive proactive, personalised service aligned with their current life situation.

Members can choose their preferred platform of communication. This ensures a high degree of accessibility and readiness to meet our members' needs.



Members receive personalised information by e-mail, text messages, e-Boks (secure digital mailbox), website or telephone.

Our members received 1.1m personalised messages.

Our members logged in to pension.dk 1.15m times – an increase of 29%.

The average call wait time was 8.2 seconds.

We interacted with 45% of our members across our various channels.

**391,600**  
active members employed  
in **23,400**  
companies





# OUR MEMBERS



# OUR EMPLOYEES



# OUR OUTSIDE WORLD



## We all own the Sustainable Development Goals

In 2015, world leaders defined the world's key challenges going forward to 2030 in the Sustainable Development Goals (SDGs). The 17 Sustainable Development Goals and 169 targets have been endorsed by all UN member states.

Responsibility and sustainability are part of PensionDanmark's DNA. The Sustainable Development Goals have provided us with a framework for our sustainability efforts, and with new opportunities. We contribute to the achievement of SDGs through the benefits we pay to our 752,500 members, our DKK 271bn in investments and through initiatives implemented for the benefit of our own 261 employees and our own business.



For more information on the SDGs, see: [www.un.org/sustainabledevelopment/sustainable-development-goals](http://www.un.org/sustainabledevelopment/sustainable-development-goals).





# OUR PARTNERSHIPS

Meeting of the industry board for Trade, Transport & Industry.

## Stronger together

Our Corporate Social Responsibility Report communicates our progress on meeting our corporate social responsibility and helping to build a sustainable society today and in the future – for our members, the Danish society, our outside world and our employees.

Corporate social responsibility is a key priority for PensionDanmark, and our CSR efforts are guided by high and specific ambitions. We believe that we should not let the perfect stand in the way of the possible. We are committed to transparency and openness about the dilemmas and challenges that come with sustainability and responsibility. All aspects – achievements as well as challenges – should be discussed as openly and clearly as possible. And we want to continue the dialogue where there is still room for development and improvement.

Partnerships are the backbone of our business because we can do more – at both national and international level – if we work together. PensionDanmark and occupational pensions were born out of the 1987 Joint Statement by the social partners and the Danish government. More than 30 years later, this agreement and social contract remains the cornerstone of our work and our structure shaped by our Board of Directors with strong social partner representation.



PensionDanmark  
is owned by  
**11** trade unions and **29**  
employer organisations

Our partnerships cover a wide field, exemplified by our collaboration with the National Agency for IT and Learning. Supplying data for our supplementary training site, the Agency helps us provide our members with an overview of the supplementary training programmes available to them – which benefits all parties. Members are provided with an overview that enables them to plan their next supplementary training programme – also if they need to retrain. As a result, more members complete supplementary training programmes. This ensures they have the skills demanded by the business community and that they remain a sought-after resource right up to retirement. This creates value for individual members, for companies and for society at large.

In 2019, PensionDanmark joined the Alliance against Inequality in Health founded by the Danish Cancer Society, the National Association of Local Authorities in Denmark and Danish Regions. We believe that health inequalities arising from differences in social status are unfair. Through our healthcare programme, we are already helping to reduce health inequalities. By joining forces with the Alliance against Inequality in Health, we hope we can accomplish even more. We also joined Smoke-Free Future, a partnership committed to keeping tobacco out of children's and young people's lives.

Other partnerships work to develop new standards for sustainable investment. Collaborating with the Green Building Council, we aim to have all of our new buildings sustainability certified. Our sustainability programme version 3.0, also launched in 2019, sets even stricter requirements and now also extends to urban areas.

Several partnerships are international, such as through the UN, the OECD or the EU. PensionDanmark is a signatory to the UN Global Compact and a member of the World Economic Forum and a number of strategic partnerships such as the Net-Zero Asset Owner Alliance, a group of pension funds from around the world committed to transitioning to carbon-neutral investment portfolios.

By default, all partnerships must add value for our members. Throughout the year, we visit local trade union branches and companies across the country. We host an annual event for union representatives (TR-Forum) and bi-annual events for our industry board members (Brancheforum). This gives us a chance to talk to members and trade organisations and enables us to continually improve our pension, healthcare and lifelong learning services based on the needs of our members.

17 PARTNERSHIPS FOR THE GOALS



Target 17.17

Promote and encourage partnerships across the public sector, the private sector and civil society, building on our experience with partnerships and their resource strategies.

PensionDanmark engages in partnerships, including public-private partnerships, in all its business areas to secure the best and most effective solutions. This includes partnerships with the National Agency for IT and Learning and with Smoke-Free Future, which contribute to promoting, respectively, the supplementary training and the health of our members.



# Cold facts give way to warm hands



Through our pension scheme, we give our members a financially secure retirement, while our insurances protect them if an accident or illness strikes. A combination of digital solutions and personal assistance allows us to service our members at low cost.

Very few people give much thought to their pension schemes. That is why we make sure our members get what they need. It is important to us that our members know their pensions are safe with us. And we want to be as efficient as possible, which is why digitalisation is so important.

Through the pooling of our data with public registers, we have for several years made sure our members are contacted in the event of a change to their life situation. As an example, through pooling of data with the Civil Register, we make sure beneficiaries receive insurance benefits on a member's death.



Utilising the opportunities offered by digital innovation, we have gone several steps further. We now use robots for case processing purposes – for example in connection with the payment of supplementary early retirement pensions, benefits for critical illness and benefits on death. This ensures a faster payout of benefits, which benefits our members and their families. At the same time, we are able to keep administrative expenses down, and we currently charge the lowest administration fees in the Danish pension industry.

## Better member services and improved member satisfaction

By means of individual messages, we make sure our members are kept informed of their options so they can make the most of their pension schemes. Based on the information we hold about our members, we keep them informed of their situation and their options.

Our goal is for our members to perceive our messages as relevant and valuable, for example when we encourage

them to use the healthcare programme or advise them to combine their pensions in order to save administrative expenses.

### Dilemma:

**Does the use of robots not lead to an inferior and more distanced interaction with PensionDanmark?**

By handling as much as possible of the manual case processing and data entry, PensionDanmark's robots free up time and allow more time to personal assistance and even better services, as the additional time is spent on contacting and counselling our members.

### What does the robot do?

- > The robot retrieves data from the Civil Register on newly deceased members on a daily basis.
- > The robot checks in the Civil Register whether the deceased member had a spouse and notifies the spouse via e-Boks of future payments into his or her NemKonto. The spouse does not have to do anything.
- > If no spouse is registered in the Civil Register, the robot checks instead whether the deceased has designated beneficiaries.
- > The robot contacts the beneficiaries via e-Boks or, if they are resident outside Denmark, by ordinary mail and, having obtained documentation of the relationship with the deceased, pays the benefits to the beneficiaries and informs the probate court.
- > In the event that the deceased has neither spouse nor beneficiaries, the robot makes inquiries from the probate court as to who is to inherit. The robot sends the probate court reminders as required. Upon receiving information about the inheritance entitlements from the probate court, the robot pays out the benefits.

### Results achieved in 2019

- > 1.1m individual messages.
- > 58% of all logins at pension.dk took place through PensionDanmark's app.
- > Average call waiting time was 8.2 seconds against 10.1 seconds in 2018.

**1.15<sub>m</sub>**  
member logins  
at pension.dk





OUR  
MEMBERS





50,500 retired members  
received DKK

 **3.0** <sup>bn</sup>  
in retirement  
benefits 

# OUR MEMBER KNUD ERIK



## Retiring with savings of DKK 1.5m

Knud Erik first joined the labour market as a factory boy in 1965 and later got a apprenticeship as a plumber. Last year, after having worked for 53 years, he retired at the age of 68.

"When I joined the labour market, there was no pension scheme for us plumbers. When we got occupational pensions in the early 1990s, I wasn't very keen. But today, I see that it was a darn good thing. It's a fantastic scheme, to put it mildly.

I've saved up a little more than DKK 1.5m, which gives me a nice monthly supplement to my state pension. This means I can keep a decent standard of living during my retirement.

We have an apartment in Turkey that we go to three or four times a year. Living expenses, including food prices, are low, so it's not overly expensive for us. So I'm very happy that we got a pension scheme."

Knud Erik is not the only pension millionaire among our members. At the end of 2019, 59,600 of our members had more than DKK 1m in their pension account with PensionDanmark. Taking into account that many of our members also have savings with other pension providers, the total number of pension millionaires in PensionDanmark is estimated at 240,600. By 2030, we expect to have 330,000 pension millionaires amongst our members.

PensionDanmark's assets under management are growing. This has to do with the fact that contributions have grown from 0.9% of members' wages in the early 1990s to a current minimum of 12%, combined with many years of strong returns and longer average savings periods as a result of later retirement. This means that our members are guaranteed a financially secure retirement with a decent standard of living.

In 2019, PensionDanmark paid DKK 3.0bn in benefits to retired members.

**1** NO POVERTY



**Target 1.3**  
Implement nationally appropriate social protection systems and measures for all, including social safety nets, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Through their savings with PensionDanmark, our members are guaranteed attractive and stable retirement benefits and an important supplement to state pension benefits. They also have effective insurances in the event of incapacity for work or critical illness. In 2019, we paid total benefits of DKK 4.4bn to our members.



# Prevention makes a difference



Many of PensionDanmark’s members perform hard physical work and therefore need to take good care of their body to avoid potential problems. PensionDanmark’s healthcare programme is focused on prevention and prompt intervention.

Musculoskeletal disorders are the most frequent cause of physical disabilities and the granting of early retirement pension. Preventive action can stop minor ailments from developing into serious injuries which could prevent members from returning to work. And the various options under the healthcare programme are put to good use by our members. In 2019, our physiotherapists, chiropractors and massage therapists performed 370,000 preventive treatments. We actively encourage our members via e.g. e-mails to make use of the many options available under the healthcare programme so that ailments may be nipped in the bud.

## We have listened to our members

PensionDanmark maintains an ongoing dialogue with our members about how we can improve our services, including our healthcare programme. Our members have expressed a keen desire for more therapists and more treatment slots so they can receive treatment even closer to work or their home and have more slots to choose from with individual therapists.

In light of this, PensionDanmark has launched a project to develop a digital booking application comprising all physiotherapists and chiropractors in Denmark that will give our members access to more therapists and more clinics. The solution, scheduled to be launched in mid-2020, will enable our members to book an appointment with their preferred therapist when it fits into their often busy daily lives.

## Prevention creates value for everyone

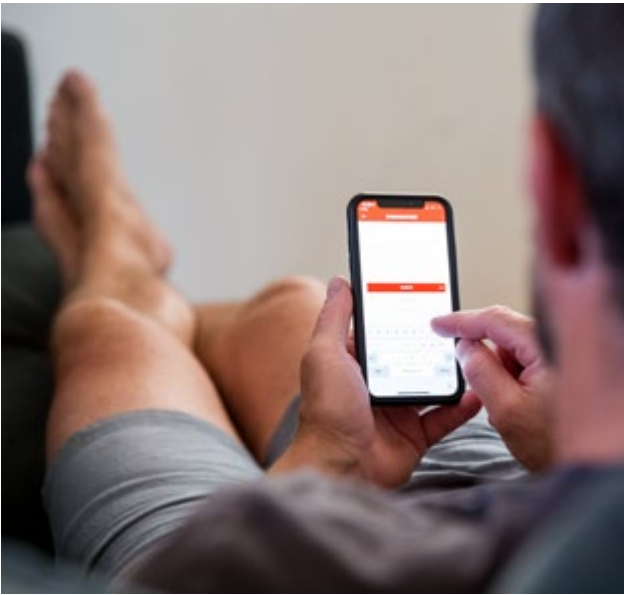
Our preventive measures make a difference to the daily lives of our members both financially and in relation to their wellbeing. At the same time it also helps ensuring

### Dilemma:

#### Why place responsibility for prevention on members?

Prevention in the form of timely treatment and physical therapy exercises is the most effective means of avoiding injuries and strains. Prevention is both in the clear interest of our members and their responsibility. Preventive measures can alleviate pain, prevent injuries from getting worse or becoming permanent and help our members remain in the labour market – thus benefiting their finances during their working lives and during retirement.

that companies have access to valuable manpower, that we as a society have a larger labour force and that large savings can be achieved in the healthcare system and in relation to sickness and early retirement pension. Prevention is also sound business for the PensionDanmark community. If a typical 50-year-old member is granted early retirement pension, this will cost the community almost DKK 1.3m in supplementary early retirement pension. In other words, prevention makes good business sense.



Thomas taking PensionDanmark’s health test via our app.

## Results achieved in 2019

- > 43,200 members received 370,000 preventive treatments, a year-on-year increase of 9%.
- > 6,500 Prompt Diagnosis cases, a year-on-year increase of 30%.
- > More than 17,300 health consultations conducted via e-mail or phone.



Our members received  
**370,000**  
interdisciplinary health treatments

OUR  
MEMBERS

Physiotherapist Julie instructing Kasper how to do exercises.





# OUR MEMBER SØREN



## Søren was helped through physiotherapy

Søren Marloth, a plumber with Andersen & Heegaard A/S, is one of the 137,500 members who have used PensionDanmark's healthcare programme during the past ten years. Søren received physiotherapy when he suffered back problems, but the treatment was not all passive. Søren was told to do exercises on his own as well – to make the pain go away and to prevent it from returning.

"My shoulder blade snapped while I was at work. I was in a lot of pain but continued to work for a couple of days until the pain was so bad that I had to stop. Luckily, I remembered the healthcare programme, so I called and booked an appointment with a physiotherapist.

He examined my back and found out what the problem was. Then he showed me three simple exercises that I do every night when I've tucked my son in. They are simple exercises that you can do at home or at work. They've improved movement in my back and reduced the pain. If I forget to do my exercises, I feel it at once.

Having to do something myself is fine with me. And having the opportunity to get assistance from the healthcare programme at any time without having to pay is a great help. If I hadn't had my healthcare scheme, I'd probably still be in pain and frequently absent from work. It's very important for me that I can get help so I can keep doing my job."

In addition to targeted exercises, the physiotherapist can also provide guidance about better workplace ergonomics. Prevention is key, and members are encouraged to start treatment and start doing exercises before their health issues escalate.

"Pain should be seen as an amber warning light. If you leave your pain untreated, it will take more treatments to get you fit for fight again. Worst case, you risk developing serious joint injury or a herniated disc." Christian Madsen, physiotherapist with PensionDanmark's healthcare programme.

3

GOOD HEALTH AND WELL-BEING

Target 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

All PensionDanmark members are covered by an insurance of typically DKK 100,000 in case of critical illness. In addition, most of our members have a healthcare scheme that includes a range of healthcare services, including measures to prevent permanent injury. In 2019, 43,200 members made use of PensionDanmark's preventive services.



# Easier access to skills upgrading

In the absence of a substantial skills upgrade, Denmark will be short of 70,000 skilled workers by 2025. Our new supplementary training site is intended to help solve that challenge – to the benefit of members, companies and the Danish economy.

Some 4,000 courses are currently available to members looking to undergo supplementary training. Until recently, however, getting an overview of relevant courses and the number of training days to which a member was entitled was difficult.

Our members now have that overview. In 2019, we launched our new supplementary training website. The site provides members with a personalised 360-degree overview of their supplementary training options – including specific proposals for courses matching their work experience and level of training. It also allows members to share the information with their employer so they can draw up a development plan.

By supporting members in upgrading their general and specialist skills, the supplementary training site helps to

reduce sickness absence, enhance job security and job mobility and lift wages.

When members log in, they are directed to the educational fund covering them and their employer and from which they are entitled to receive supplementary training support. This ensures funding is channelled towards the skills demanded by companies. This is in the interest of companies and society at large given that by 2025 Denmark will be short of 70,000 skilled workers and at the same time have an excess of unskilled workers in the absence of a substantial skills upgrade.

### Dilemma:

**Supplementary training is also about enabling members to change jobs. But why should a company provide funding for supplementary training that equips the employee to go looking for a new job?**

With companies' skills requirements constantly changing, continuous supplementary training is in everyone's interest. Ambitious corporate training policies are important for attracting and retaining competent employees.



### Results achieved in 2019

- > 13,200 logins to our new supplementary training website.
- > In 2019, the 99 educational funds managed by PensionDanmark paid out DKK 59m in supplementary training grants.
- > 2,000 companies received grants for 20,000 employees to undertake 45,100 training programmes.



More than **13,200** logins to our new supplementary training site

OUR MEMBERS

Thomas and his wife Sanne checking out the supplementary training site. Thomas is a carpenter and a member of PensionDanmark.





# OUR MEMBERS AT ARRIVA

John instructing future bus drivers Zehra og Zaferadult during supplementary training at UC+ in Skovlunde.



Lars and Hashmatullah at Arriva's Østerbro garage.

## Arriva avoided layoffs

In 2019, transport company Arriva Denmark held three special feature days centered on supplementary training and PensionDanmark's new supplementary training website. Camilla Brochstedt, PensionDanmark training consultant, helped more than 150 Arriva drivers log onto the site and select courses for their "development plan".

The event was prompted by the opening of the new M4 metro line and the resulting discontinuation of several Copenhagen bus lines and imminent dismissal of 101 drivers. To avoid layoffs, Arriva and trade union 3F Copenhagen Drivers (Københavns Chauffører) formed an supplementary training partnership.

The objective of the partnership is to encourage as many as possible of Arriva's 1,000 drivers in Copenhagen to complete a supplementary training course. Instead of losing their jobs, the 101 drivers will "fill the gaps" while their colleagues attend supplementary training. With a number of drivers scheduled to retire shortly after the opening of the new metro line, Arriva can avoid layoffs.

Lars Svendsen, employee representative with Arriva, has used the new site to help his colleagues get started on supplementary training.

"Getting to grips with the whole supplementary training concept can be overwhelming for many people, and the supplementary training site is an excellent tool

for overcoming this challenge. For example, the site allows people to see how many training days they have accumulated, which courses are eligible for subsidies and the duration of courses. In our experience, the supplementary training site makes all this easier, and everybody has responded favourably to the personalised overview provided by the site. Last but not least, the drivers starting on supplementary training to avoid layoffs have been met with great solidarity and support from their colleagues."

Hashmatullah Azizi, Arriva driver and PensionDanmark member, attended a course in 2019. "The training site gave me a clear overview of my options, and it was easy to find a 6-week security guard course, which Arriva paid for. Attending a course was really great, and I learned so much."



4 QUALITY EDUCATION

Target 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including the technical and craft skills required to set up a business and create decent jobs.

PensionDanmark manages 99 educational funds provided for by collective agreements which provide financial support for various types of supplementary training programmes. In 2019, the funds subsidised 45,100 training programmes.



Log in to pension.dk using your NemID



Find relevant courses



Draw up your own development plan



Employer approves and receives financial support



Attend course with pay



# THEME: OUR CLIMATE

DKK **350**bn from the  
Danish pension industry

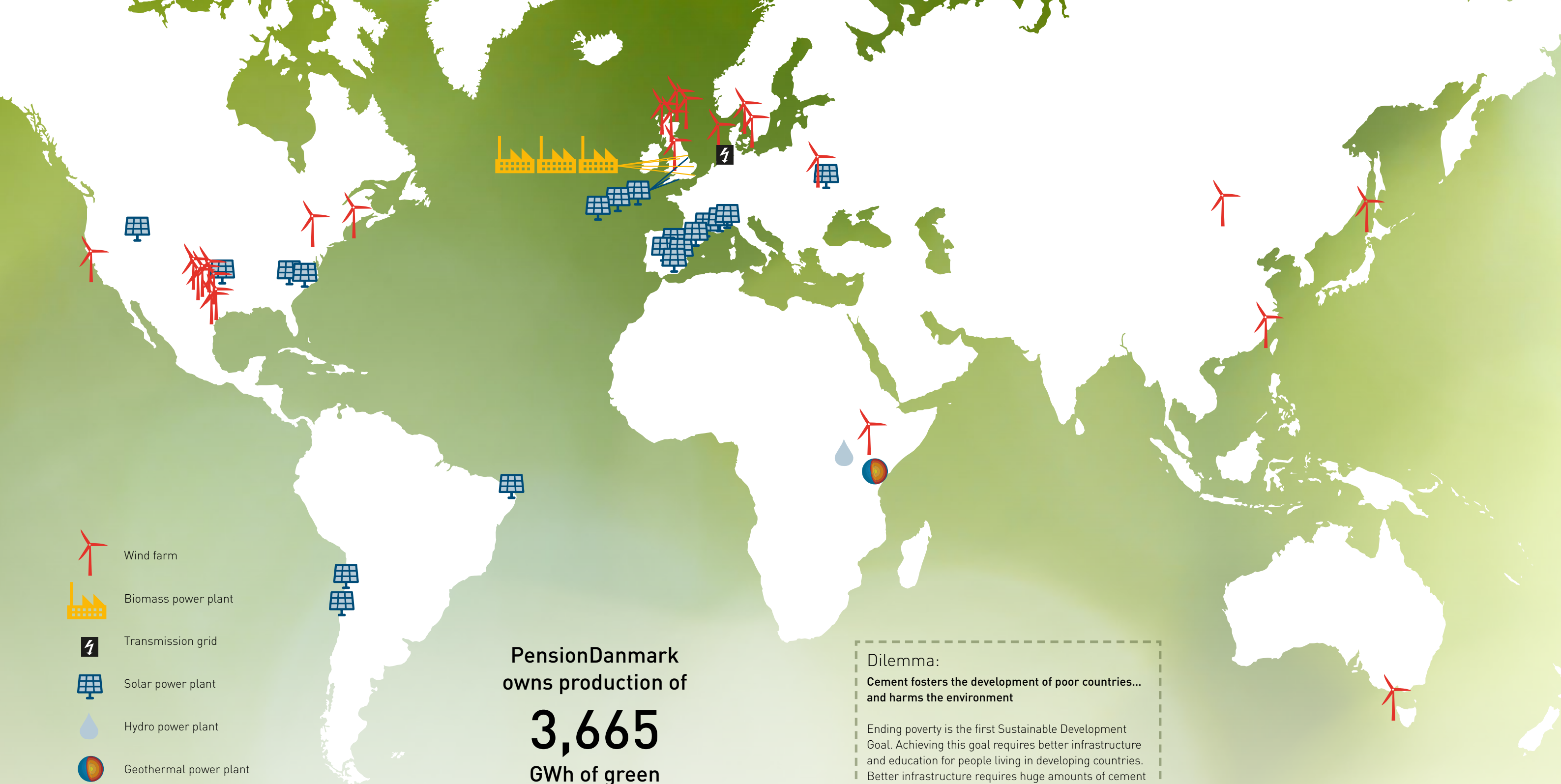



## A year with climate change on the agenda

Solving the challenges of climate change is the moon landing of this generation. Attaining this goal will require massive contributions from public and private players. The global green transition hinges on private investor capital.

In 2019, the Danish pension industry and PensionDanmark showed the way by announcing plans to invest an additional DKK 350bn in the green transition going forward to 2030. PensionDanmark has been investing in green infrastructure for the past ten years, and we plan to step up our investments in the coming years. At the same time, we continually seek to form new partnerships and alliances with a view to promoting the green transition in Denmark and internationally. We also work actively to reduce the carbon footprint of our investments. Read more in our special climate theme on the following pages.





-  Wind farm
-  Biomass power plant
-  Transmission grid
-  Solar power plant
-  Hydro power plant
-  Geothermal power plant

PensionDanmark  
owns production of  
**3,665**  
GWh of green  
energy per year


## Green investments produce solid returns

PensionDanmark's green investments in wind farms, solar power plants, transmission grids and biomass power plants across Denmark and the rest of the world amounted to DKK 22bn in 2019. To this should be added investments in sustainability certified Danish real estate.

Working towards the goal of the Danish government and parliament to reduce greenhouse gas emissions by 70% by 2030, the Danish pension industry announced plans to invest an additional DKK 350bn in the green transition going forward to 2030 at the UN Climate Action Summit held in New York in September 2019.

Dilemma:  
**Cement fosters the development of poor countries... and harms the environment**

Ending poverty is the first Sustainable Development Goal. Achieving this goal requires better infrastructure and education for people living in developing countries. Better infrastructure requires huge amounts of cement for the construction of roads etc., but high-temperature burning of limestone and clay, a key element of the cement production process, entails substantial CO<sub>2</sub> emissions. Cement production is responsible for about 8% of global CO<sub>2</sub> emissions. Ending poverty and building infrastructure by means of existing technologies is therefore bound to exacerbate climate threats. PensionDanmark has decided to continue investing in cement while putting a lot of effort into seeking out and motivating the most visionary manufacturers. At national level, Aalborg Portland has developed new types of cement with a reduced carbon footprint and is in the process of developing a new cement type that will ultimately be able to absorb CO<sub>2</sub> volumes close to the emissions produced during the manufacturing process.

7  
AFFORDABLE AND  
CLEAN ENERGY  


**Target 7.2**  
Substantially increase the share of sustainable energy in global energy consumption by 2030.

PensionDanmark's renewable energy investments, including wind farms, solar power plants, transmission grids and biomass power plants, amounted to DKK 22bn in 2019. PensionDanmark's wind turbines, solar power plants and biomass power plants produce 3,665 GWh of green energy on an annual basis.



# OUR CONTRIBUTION



# OUR APPROACH

The Intergovernmental Panel on Climate Change (IPCC) estimates that we must limit global warming to 1.5°C if we are to avoid the most severe natural disasters such as flooding, forest erosion and expanding deserts.

PensionDanmark has been invested in green infrastructure for the past ten years and currently has investments in wind, biomass and solar plants worth DKK 22bn. PensionDanmark's overriding priority is to ensure robust and stable long-term pension savings for our members, and our renewable energy investments are instrumental in enabling us to achieve this. They also contribute to tackling the climate challenge.

“If you can make money on Danish decency, it's fine by me.”

**Simon Kollerup, Danish Minister for Industry, Business and Financial Affairs**

Based on a cautious projection of assets under management, we expect to double our investments in green energy infrastructure and sustainable real estate over the next ten years. While we expect most of our green energy infrastructure projects to be located outside Denmark, including in developing countries, most of our sustainable building projects and energy upgrades of existing properties are expected to be located in Denmark.

We are committed to supporting and co-funding new renewable energy initiatives, Green Tech start-ups and energy optimisation of existing companies.

## PensionDanmark's carbon footprint

We began measuring our carbon footprint in 2017 and in 2019, we committed to carbon neutrality by 2050. We measure the carbon footprint of our equity portfolio in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Although

the value of our equity portfolio increased, emissions from the portfolio have declined since 2017, driven by declining carbon intensity among the companies in which PensionDanmark is invested.

## Equity portfolio carbon footprint

	2019	2018	2017
PD Equities USDm <sup>1</sup>	9,598	6,575	8,099
Total emissions, tonnes of CO <sub>2</sub> e	731,356	736,309	813,186
CO <sub>2</sub> footprint, tonnes/USDm	76	112	100
CO <sub>2</sub> intensity, tonnes/USDm sales	150	155	161
Weighted avg. CO <sub>2</sub> intensity, tonnes/USDm sales	123	148	140
Weighted avg. MSCI AC, tonnes/USDm sales	188	214	211

<sup>1</sup> Excluding ETFs, Futures, etc.  
Source: MSCI and own calculations

Throughout the 2017-19 period, the weighted average carbon intensity of our portfolio remained considerably below the MSCI AC world market index. In 2019, carbon intensity was about 35% below the world market index.

PensionDanmark's green infrastructure investments have resulted in power production based on coal and other fossil sources being replaced by power based on renewable energy. The resulting carbon reductions are estimated at between 2.3m tonnes and just below 3.5m tonnes, depending on the calculation method applied.



**Sustainable Development Goal 13**  
Take urgent action to combat climate change and its impacts.

PensionDanmark supports and works actively towards the goals of the Paris Agreement. In September 2019, PensionDanmark co-founded the Net-Zero Asset Owner Alliance, committing, along with 11 other pension companies from around the world, to making our investment portfolios carbon neutral by 2050.

“Without the active participation of Danish businesses and Danish pension funds, achieving our goals will be extremely difficult. To complete the transformation, we need powerful locomotives in addition to political decisions.”

**Mette Frederiksen, Prime Minister of Denmark**

Our initiatives to combat climate change have the greatest impact when carried out in partnerships. In 2019, PensionDanmark joined a number of climate partnerships working to promote ambitious climate goals and bring more investors on board to support the green transition.

## Global investor alliance for carbon neutrality

In September 2019, PensionDanmark and a group of leading international investors announced the formation of the Net-Zero Asset Owner Alliance (NZ AOA), an alliance of investors working towards climate neutrality by 2050. Consisting of pension and insurance companies, the Alliance had assets under management of USD 4,000bn at end-2019 and is expected to have USD 10,000bn under management by end-2020.

Alliance members commit to transitioning their investment portfolios to net-zero greenhouse gas emissions by 2050 and to establishing scenarios for how their investment portfolios should develop in order to achieve this goal. Focusing on impacting the real economy, the Alliance will work to strengthen mandatory reporting methods, exercise active ownership and inspire each other to invest in the green transition.

As a founding member, PensionDanmark is represented on the Alliance Steering Group. The Alliance was convened by UNEP's Finance Initiative and UN PRI.

In 2019, PensionDanmark also endorsed the UN Global Compact's Business Ambition for 1.5°C to limit the global rise in temperature to 1.5°C. In joining this initiative, we have committed to reporting on our progress and to working towards net-zero greenhouse gas emissions by 2050, in line with the ambitions of the NZ AOA.

PensionDanmark co-founded a global investor alliance with USD **4,000**bn under management working towards carbon-neutral investment portfolios

## Government climate partnerships

In November 2019, the Danish government teamed up with the Danish business community to establish 13 climate partnerships. These partnerships will work towards identifying ways for businesses and the government to solve the challenges of climate change in a manner that also supports Denmark's competitive strength, exports, jobs, welfare and prosperity without increasing inequality.

The partnership for the finance sector is chaired by Torben Möger Pedersen, PensionDanmark's CEO. While direct CO<sub>2</sub> emissions from the finance sector are limited, the sector will play a key role in procuring funding for the other partnerships' green transition proposals going forward to 2030. The climate partnerships will be focused on the business community's own reduction commitments and initiatives as well as the government's commitments in respect of the initiatives to be set down in the government's climate action plan during 2020. The partnerships are based on a mutual commitment to work towards a 70% reduction of greenhouse gas emissions by 2030, as targeted by the Danish Climate Act.



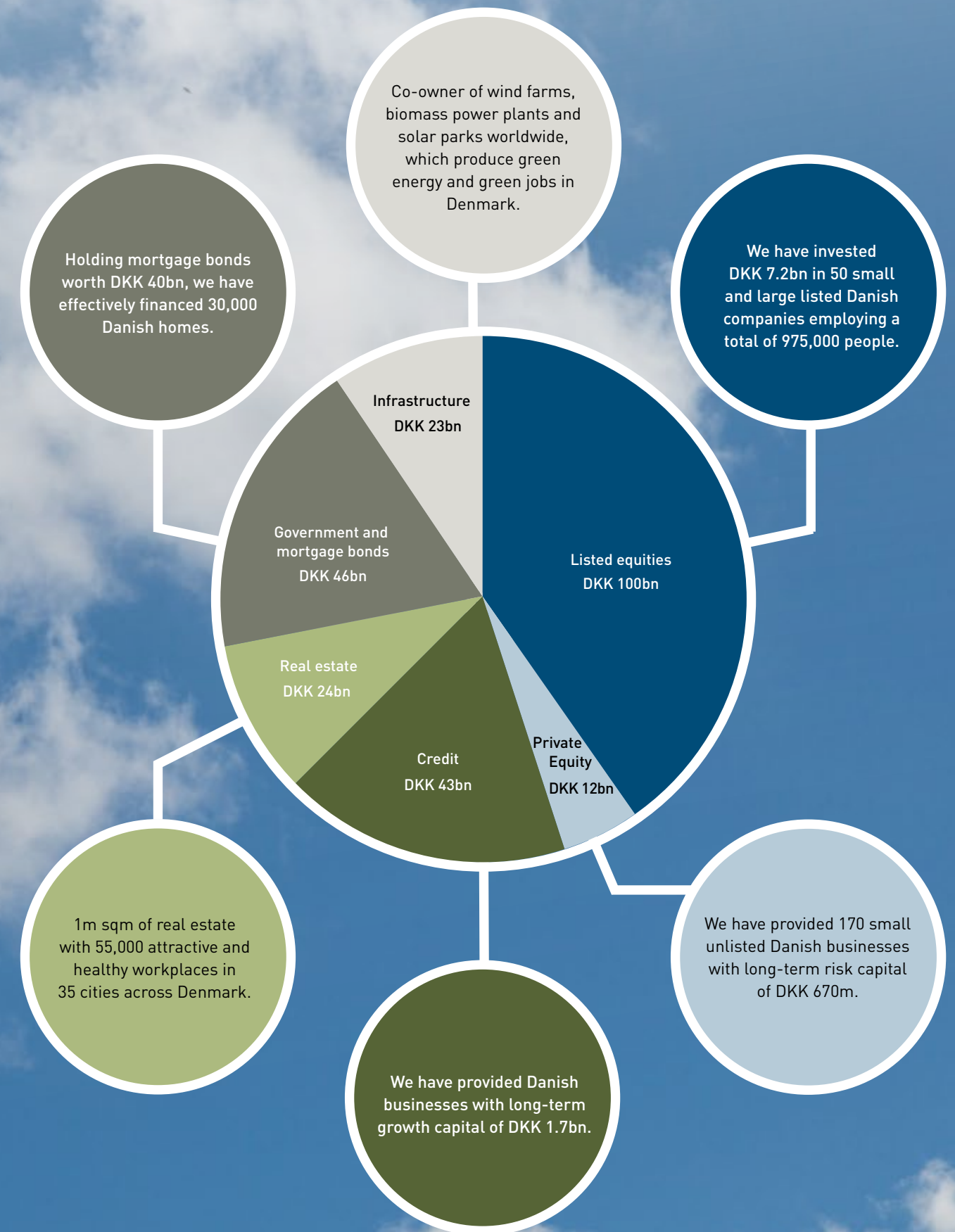
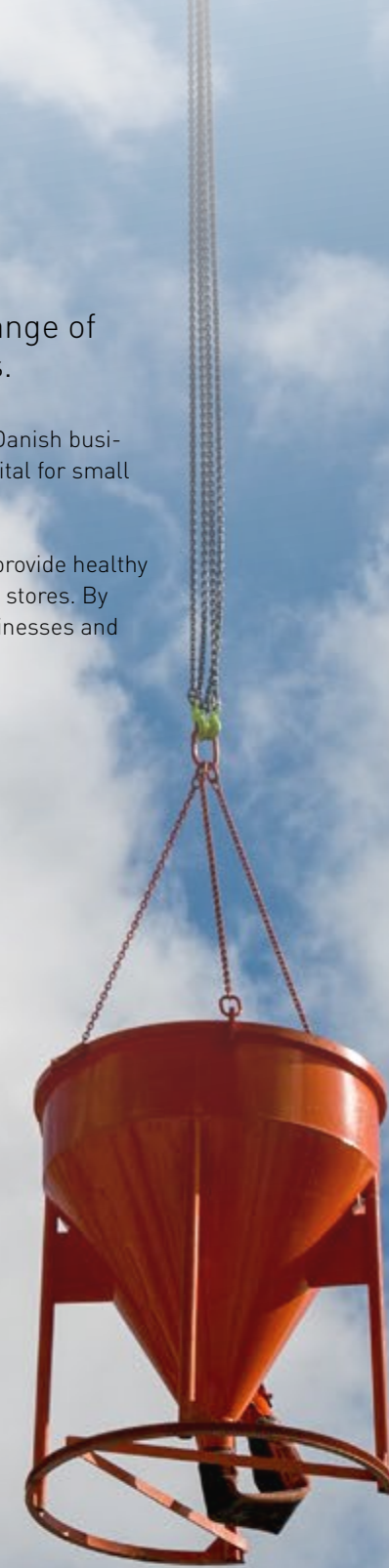
# Our national footprint

Investments create growth and jobs. PensionDanmark invests in a broad range of assets in order to diversify risk and secure robust returns for our members.

When buying mortgage bonds issued by Danish mortgage credit institutions, we effectively provide loans to Danish businesses, home owners and housing associations. By investing in equity and direct loans, we help procure capital for small and large businesses to enable them to evolve and create growth and jobs.

By investing in real estate, we help create jobs for construction workers during the construction period and provide healthy workplaces for the many employees who work in PensionDanmark's office buildings, hotels and department stores. By investing in wind farms and biomass power plants, we help produce green energy and create jobs in the businesses and their many sub-contractors.

Member savings have grown



8 DECENT WORK AND ECONOMIC GROWTH



Target 8.5

By 2030, achieve productive and decent jobs for all men and women, including for young people and persons with disabilities, and equal pay for work of equal value.

PensionDanmark's real estate projects create 1,000 construction jobs for each billion DKK invested.





# OUR OUTSIDE WORLD

PensionDanmark is invested in Africa's largest wind farm, Lake Turkana in Kenya.

## Responsibility every day



Investors must act responsibly and push companies in a direction benefiting people and the environment. Accordingly, data on companies' business conduct and impacts on the environment and society form an integral part of investment decisions.

PensionDanmark's responsible investment goals are related to Environmental, Social and Governance (ESG) issues. Our efforts are governed by the principles of the OECD's Responsible Business Conduct for Institutional Investors, international conventions and norms, the recommendations of the UN Global Compact, of which PensionDanmark is a member, and the Sustainable Development Goals. Our principles are consistent with the Stewardship Code of the Committee on Corporate Governance.

In our experience, responsible ownership and high returns go hand in hand, and we have therefore developed and sharpened our approach to social responsibility. We initially focused on assessing the behaviour of companies in advance of investments and then sorting out the companies who did not comply with ESG criteria. As pension assets grew, we were able, in collaboration with other investors, to induce companies to change their behaviour. The scope of these stewardship practices has grown significantly and today includes professional experts screening companies and bringing together investors to discuss significant issues with the management teams of the companies in which we are invested.

Most recently, our approach has evolved to targeting investments to achieve a specific impact on communities and their surroundings. This includes investments aimed at improving the climate, promoting growth in developing countries or achieving documented progress in relation to the Sustainable Development Goals.

### ESG-driven investment decisions

PensionDanmark's portfolio managers take ESG data into account when making investment decisions, placing a par-

ticular emphasis on data concerning preceding dialogues, industry conditions and company-specific circumstances. PensionDanmark rates all portfolio companies based on 30 ESG parameters. A company's score may reflect quantitative (numbers) and qualitative (assessments) information. Quantitative information includes the quotas of female board members, CO<sub>2</sub> emissions and remuneration of management, while assessments of management's approach to risks and disputes is qualitative information. While the total ESG score is a weighted composite, it also takes into account the company's production and industry. Environmental and climate performances are crucial factors in assessing oil and transport companies, while data protection weighs heavily in the assessment of IT companies.

### Responsible tax

PensionDanmark's primary goal is to generate the highest possible investment return for our members. This involves tax optimising our investments. At the same time, we aim to act as a responsible investor, also in relation to tax. In 2019, PensionDanmark and three other pension funds adopted a joint tax code of conduct that aims to promote responsible tax behaviour in Denmark and internationally. A number of other Danish pension providers have also joined the tax code of conduct.

Read more at [pensiondanmark.com/en/investment/tax](https://pensiondanmark.com/en/investment/tax).



### Active ownership then and now

#### VERSION 1.0

Blacklisting of companies with ESG issues



#### VERSION 2.0

Active ownership and dialogue



#### VERSION 3.0

Impact investing  
Do good and do well





# Our approach to active ownership

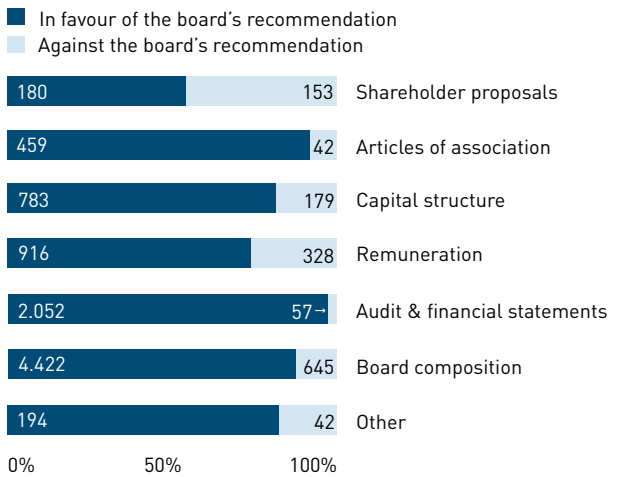


Active ownership generates the highest returns. By joining forces with other ac-  
tive owners you become more influential.

With investments come owner responsibilities. Pension-  
Danmark fulfils this responsibility by means of active  
ownership. We believe that attempting to *steer* a company  
in a sustainable direction rather than *divesting* if the com-  
pany makes a mistake or fails to live up to international  
standards is the responsible approach in the vast majority  
of cases.

We exercise active ownership by engaging in dialogue with  
management on specific issues that call for special atten-  
tion and by voting at general meetings. We vote based on  
our own voting policy, which stipulates that the companies  
must be run in the best interests of all shareholders.

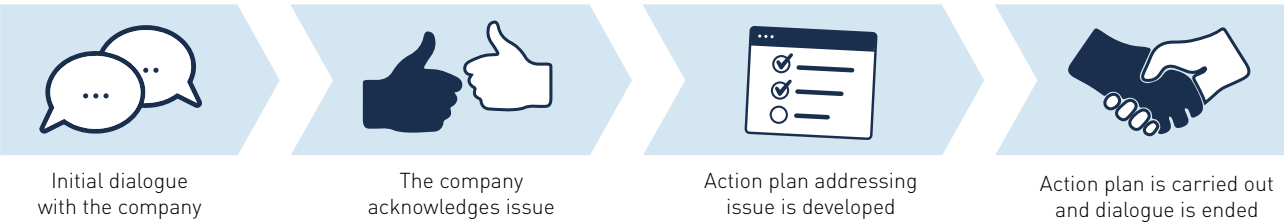
## General meetings in 2019



Our active ownership efforts are handled in collaboration  
with London-based Hermes EOS. Through Hermes EOS,  
we work with other investors pursuing the same goals.  
This gives us a greater say in the companies.

Through dialogue, we aim to obtain greater knowledge of  
the company's business model and insights as to how the  
business may make a positive impact on its surroundings.

## Our approach to engaging with companies



### Dilemma:

#### Active ownership against tobacco production without perspective

PensionDanmark divested all assets in tobacco pro-  
duction in 2019. Smoking is one of the main reasons  
why a substantial number of our members have  
shorter life expectancies, and in an effort to promote  
smoking cessation we have joined Smoke-Free Future  
and the Alliance against Inequality in Health. By ban-  
ning tobacco investments, we forfeit the opportunity  
to influence manufacturers through active ownership.  
On the other hand, we do not see the tobacco industry  
coming up with less harmful product alternatives, con-  
sidering that e-cigarettes, for example, are suspected  
of disrupting the lung function.

When dealing with world-leading companies, we have con-  
tinuous dialogue that may vary in intensity and theme.

In order to measure our work, we set specific milestones  
for the dialogue conducted with companies. In 2019, the  
companies in which we are invested reported progress  
on 253 milestones. The subjects to be addressed are  
often complex, and the process of prompting a company  
to take action and thus reaching a milestone is therefore  
time-consuming.

## Milestones in 2019



PensionDanmark was  
engaged in **488** dialogues  
with **279** companies in 2019

OUR OUTSIDE  
WORLD





# OUR OUTSIDE WORLD

PensionDanmark employees headed for a meeting.

## Active ownership brings change...

...but gets your hands dirty. Active ownership leads to improved company behaviour, but processes are often long and progress slow. That's why active ownership is a continuous effort.

The complexity of active ownership dialogues varies, and some companies are easier to influence than others. Nestlé, Shell and Ørsted are three global companies in which PensionDanmark has been an active shareholder for many years.

### Nestlé takes on responsibility

Nestlé, the world's largest food manufacturer, is an example of a global business acknowledging its responsibility for social developments in all regions across the globe. The company engages in ongoing dialogue with a large number of stakeholders. Nestlé is a large-scale buyer of crops from developing countries and works systematically to improve its footprint in several areas. The company aims to comply with the ILO conventions on labour rights and maintains a zero tolerance policy towards forced labour in all supply chains. Nestlé has defined a goal to abolish child labour in all plantations with which it does business by 2025. This requires extensive monitoring and efforts are being stepped up year by year. The company works with, among others, the Fair Labor Association and is counselled by the Danish Institute for Human Rights. Nestlé aims for all plastic packaging used for its products to be recyclable by 2025.

PensionDanmark's equity investments in Nestlé amount to DKK 171m.

### Shell – from oil to energy

Shell is one of the world's largest oil and gas companies. In 20 years, Shell aims to be one of the world's largest renewable energy producers. Following years of shareholder dialogue, the vast majority of shareholders decided at the 2019 annual meeting that Shell must work to meet the goals of the Paris Agreement. The company has resolved to cut CO<sub>2</sub> emissions by 20% by 2035 and 50% by 2050. Remuneration of management will reflect the achievement of these reduction targets. Shell has been awarded a concession to build one of the largest US offshore wind farms. Shell also develops biofuels for the transport sector as an alternative to heavy diesel. Measuring emissions according to TCFD standards, going forward, Shell will take into account the environmental impact of cars running on the company's petrol and diesel. Shell is making progress but can and needs to do even more, and active shareholders are needed to achieve that.

PensionDanmark's equity investments in Shell amount to DKK 342m.

### Ørsted leads the way

Ørsted is recognised as a world leader in the transition to a green economy. Ørsted has been instrumental in making wind power and sustainable biomass the key sources of Denmark's power and heat production, whereas coal will be fully phased out by 2023. Ørsted's substantial know-how coupled with increasing demand for green solutions have won the company access to markets in North America and Asia. These markets pose different challenges than Ørsted's traditional markets. PensionDanmark and a number of other investors have engaged in dialogue with Ørsted to ensure that allowance is made for these special circumstances so that local communities derive the greatest possible benefits from – and suffer the least possible adverse effects of – the development of green energy infrastructure. Ørsted has drawn up manuals for local management teams that equip them to engage in preliminary dialogue with local communities, NGOs and relevant trade unions. This is to ensure that they have a clear understanding of local expectations and challenges in order to promote local value generation in the form of good jobs, economic growth, consideration for the environment and prevention of negative incidents. Sub-contractors are assisted in obtaining ISO environmental and occupational health and safety certification. Against this background, Ørsted gets top ESG marks and was named the world's most sustainable business in January 2020.

PensionDanmark's equity investments in Ørsted amount to DKK 973m.

#### 8 DECENT WORK AND ECONOMIC GROWTH



#### Target 8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and employees with loose ties to the labour market.

As a labour market pension fund, PensionDanmark is committed to compliance with the basic ILO conventions on the freedom of association and the right to collective bargaining. We engaged in dialogue with 7 companies in Asia and Latin America on these issues in 2019.



# Sustainable real estate is a sound investment



PensionDanmark owns or co-owns 165 properties comprising 977,900 sqm in Denmark, of which 21 properties, or 292,600 sqm, have been sustainability certified according to BREEAM, LEED or DGNB standards. Buildings comprising an additional 270,000 sqm are in the process of being certified. PensionDanmark primarily uses the Danish DGNB certification system as this applies the most holistic sustainability model. We require all new real estate to obtain DGNB Gold certification as a minimum.

As a developer and a responsible investor, we emphasise environmental, social and financial sustainability. Sustainable real estate is attractive to owners and tenants by virtue of its low heat consumption and low maintenance costs, which makes it a sound investment that contributes to generating solid returns for our members. Our 292,600 sqm sustainable real estate investments are environmentally friendly as well as profitable by virtue of the materials used, low maintenance costs and low energy consumption.

## Dilemma:

Certifying real estate costs money – why does PensionDanmark not just choose the cheaper way?

PensionDanmark is committed to building certified sustainable quality real estate because they are in high demand and because they do not cost more than real estate merely meeting the requirements of the Building Regulation. By using local building materials with a long life and strong insulating effectiveness, transport costs, maintenance costs and energy consumption can be reduced.

## 11 SUSTAINABLE CITIES AND COMMUNITIES



### Target 11.3

By 2030, make city growth more inclusive and sustainable with better opportunities for all countries in the world to plan cities and settlements in a more integrated, sustainable and inclusive way.

PensionDanmark's sustainability programme sets requirements for the certification of entire urban areas in an effort to secure sustainable buildings and urban areas focused on quality and end-user value. The environmental footprint of urban areas is evaluated and reduced, and attractive urban areas are created for all age groups and different cultures. We work to optimise the overall economy of buildings by focusing on the life of materials and low operating and maintenance costs. PensionDanmark built 43,000 sqm of certified sustainable real estate in 2019.

## DGNB-certified in 2019



Frederiks Plads Company House, Aarhus C



Domicile for the Danish National Police, Glostrup



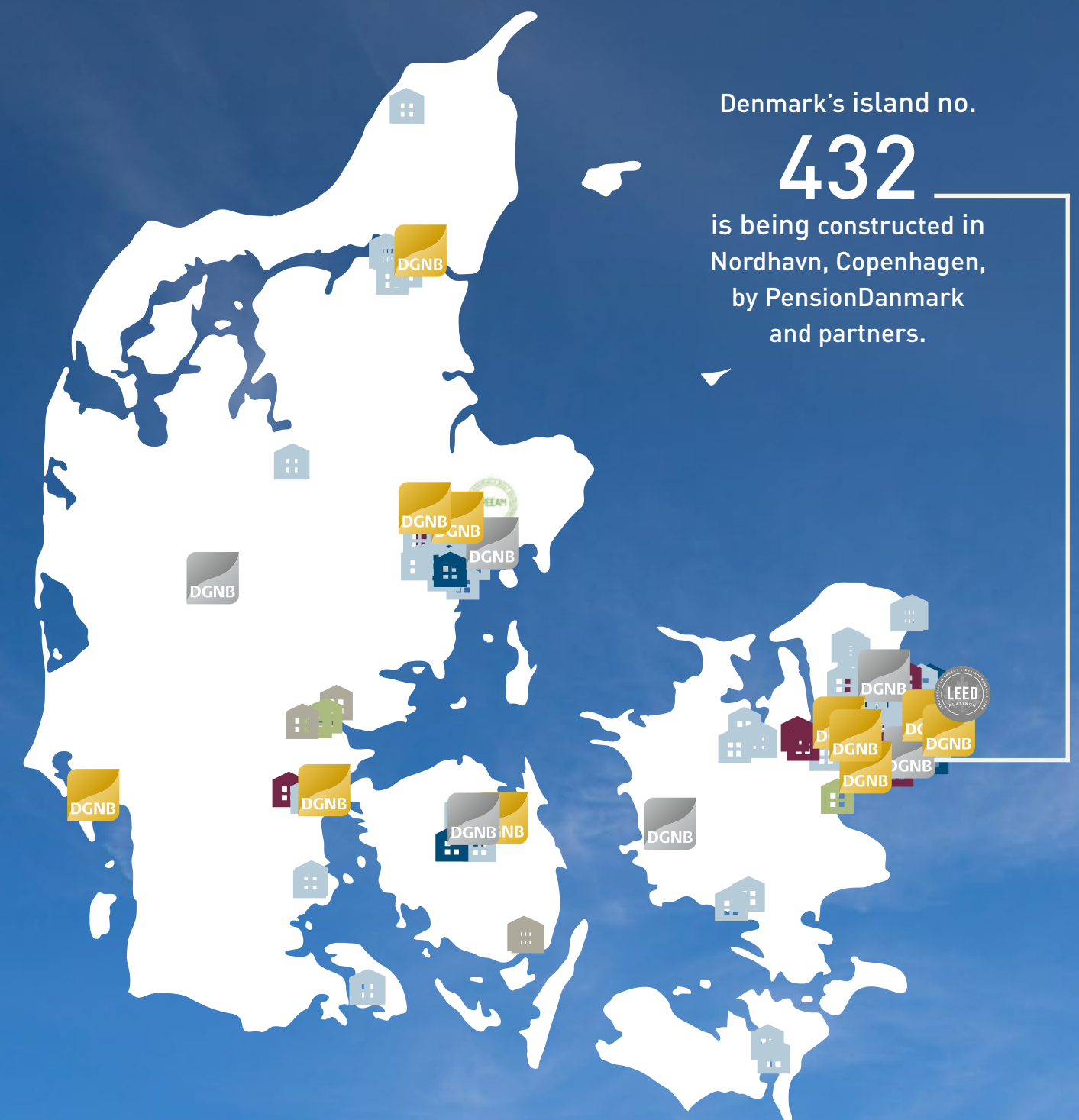
Hummeltofteparken, Sorgenfri, Virum



Pollux, Islands Brygge, Copenhagen S



Kunstnerkarréen, Ørestad, Copenhagen S



## Type of real estate

Retail Industrial Residential Urban areas Hotel PPP

## Certification

DGNB Platin DGNB Gold DGNB Silver LEED BREEAM





# OUR RESPONSIBILITY

"Skibet", PensionDanmark's residential project at Køge Kyst.



Osman carrying out safety and security renovation at Bispehaven, Aarhus, for Enemærke & Petersen under a social clause.

## More jobs for marginalised people

As a major Danish developer, we also have social responsibilities. In an effort to meet this responsibility, we have launched a new development project to lift marginalised people into the labour market.

In a partnership with contracting firm Enemærke & Petersen and a number of other partners, we are currently developing a manual to provide guidance for contractors and developers in creating more jobs for marginalised people. This will also contribute to overcoming the shortage of labour in the building industry, which is a major threat to the Danish economy.

"The purpose of the project is to encourage developers and contractors to create jobs for marginalised people. The building industry has great potential, both for securing more manpower and for helping marginalised people." Anders Sørensen, business developer and project manager at Enemærke & Petersen

### Tools for construction sites

Funded by Realdania and entitled "Social employment – the building industry's guide to lifting marginalised people into the labour market", the project intends to develop three specific tools:

- > A method of calculation to assist companies in quantifying the social responsibility assumed.
- > A new DGNB criterion acknowledging social employment in construction projects.

- > Framework conditions integrating social responsibility into tender documents and contracts in the building industry.

### Project partners

The partners behind the project are: PensionDanmark, Enemærke & Petersen, the Danish Construction Association, Cabi, Center for Boligsocial Udvikling, Green Building Council Denmark, the Danish Association for Responsible Construction, Boligselskabet Sjælland, KAB, Ringsted Municipality, BAT-kartellet, BL - The Danish Social Housing Sector and Local Government Denmark.



**Target 10.3**  
Ensure equal opportunities for all and reduce social inequalities by, among other measures, eliminating discriminatory laws, policies and practices and instead promote appropriate policies, legislation and action.

Focused both on developing a manual and on promoting sound practices, the project sets out to ease the way for marginalised people into the labour market.



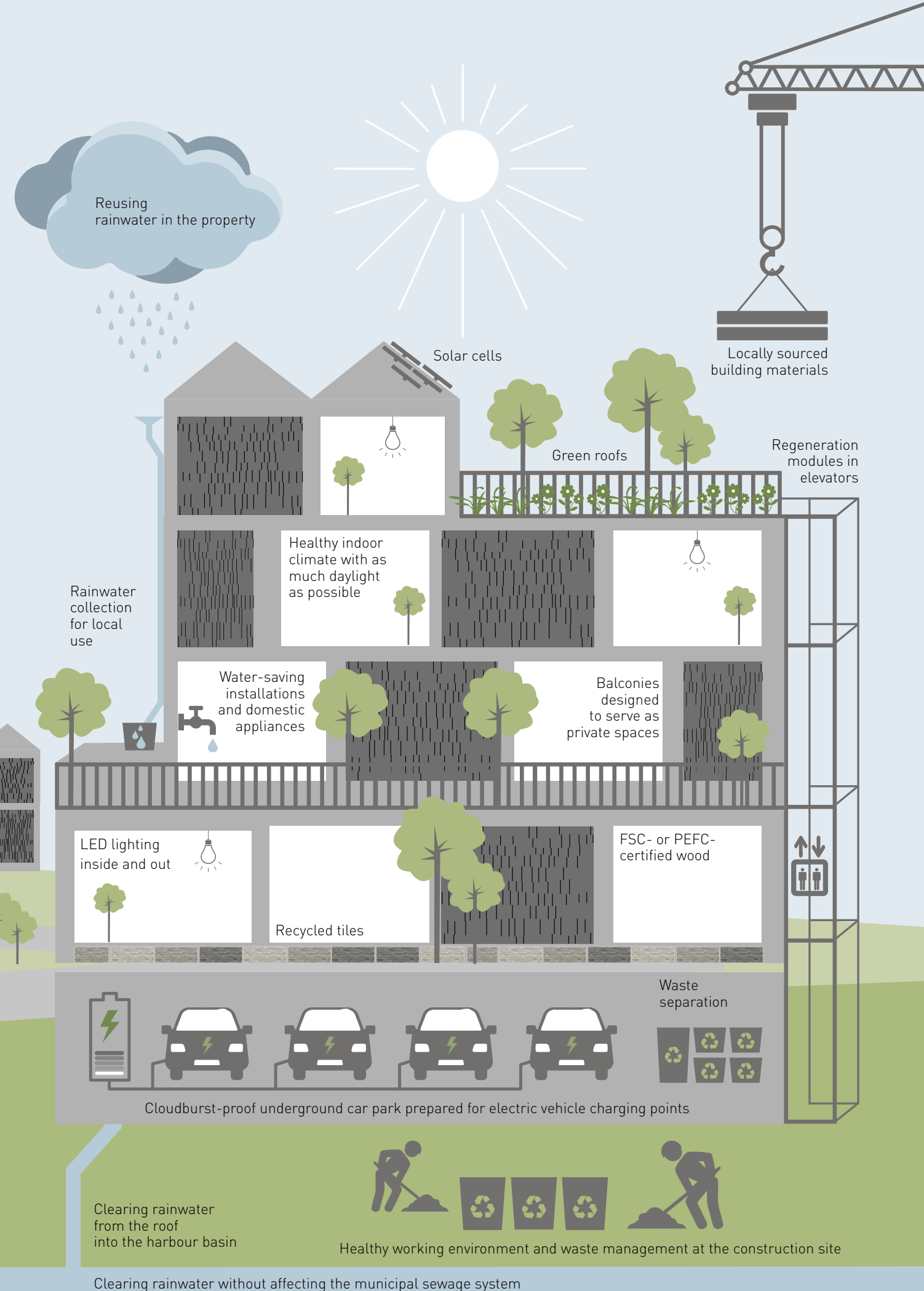
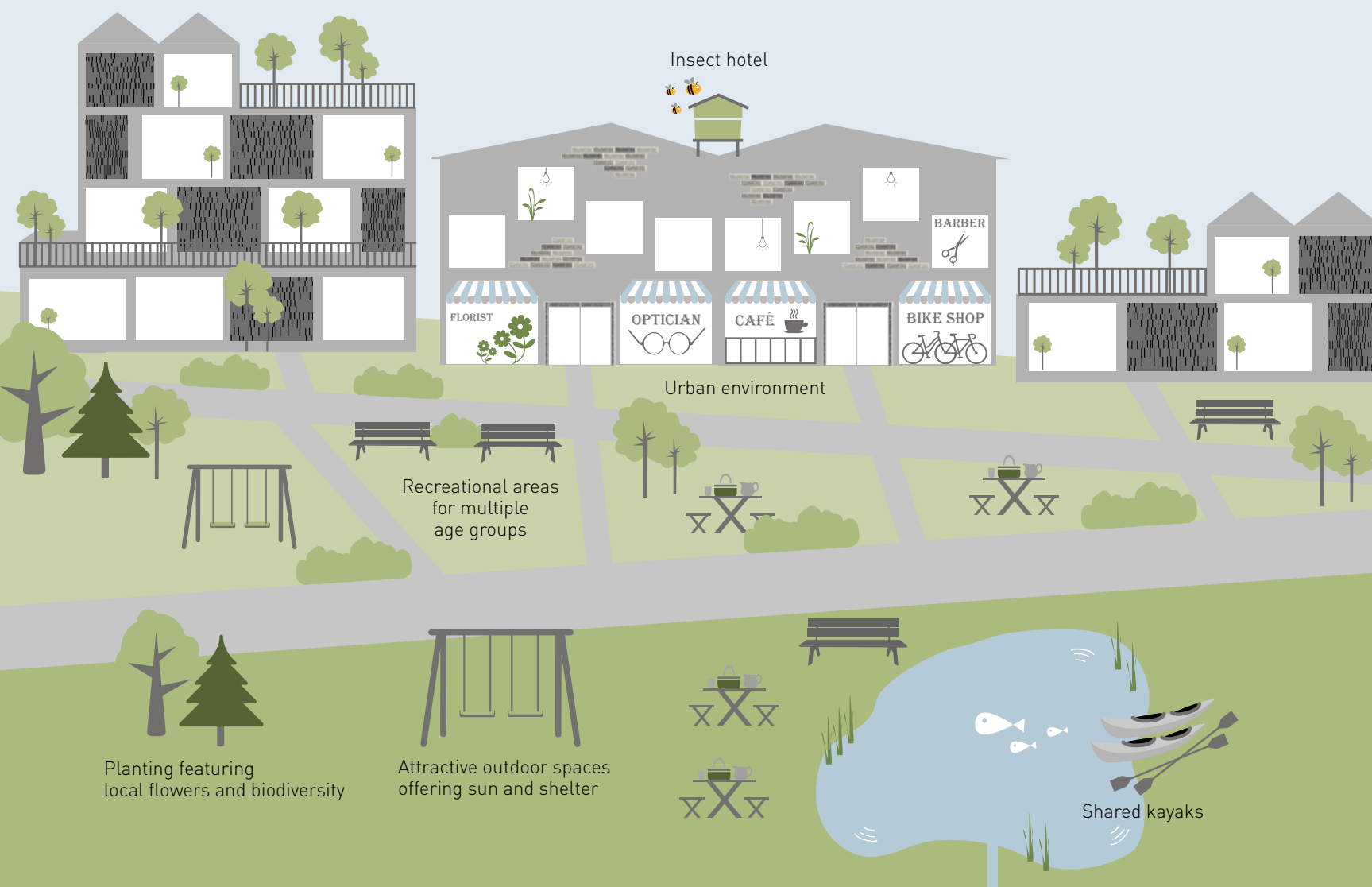
# Sustainability programme for new urban areas

Sustainability is the strategic cornerstone of PensionDanmark's real estate investments. We strive to combine strong profitability with responsible development, construction and management of our property projects. Through the past three years, PensionDanmark has worked to develop a sustainability programme that now covers the certification of residential buildings, offices, urban open spaces and recreational areas. The programme is intended to:

- > increase the general quality of the property
- > enhance user health, well-being and productivity
- > lower operating expenses and optimise maintenance
- > minimise energy consumption and environmental impacts

- > support the property's value and rent level
- > ensure long-term documented quality and greater robustness of the investment

The latest version of the sustainability programme includes stricter wood certification requirements. 90% of all wood or wood-based products used in a construction project must now be 100% FSC/PEFC-certified. Impregnated wood has been phased out. Due to transport impacts, tropical wood has also been phased out and replaced by larch or heat-treated European softwood. Lastly, building materials already found at construction sites must be extensively recycled in connection with new construction projects and the development of sustainable districts.





# It begins with us

PensionDanmark makes distinct demands on suppliers and the companies in which we invest member savings. These requirements are backed by in-house guidelines ensuring that we walk the talk internally as well.



Many of our suppliers' employees are members of PensionDanmark. This lends an added dimension to the meaning of our in-house policies and the demands we make on our suppliers. We take the lead in protecting labour and human rights and in requiring all suppliers to comply with the ten principles of the UN Global Compact.

Any suppliers failing to respect applicable collective agreements and related regulations regarding wages and salaries, the right to unionise and compliance with national legislation prohibiting discrimination on the grounds of gender, ethnicity, sexual preference and age are excluded. We also exclude any suppliers failing to comply with environmental and climate impact requirements.



## We take the lead

In order to promote the health of our employees, we have implemented a health policy under which employees are given access to healthy and often locally produced food.

By means of our senior employee policy, we strive to retain talented and experienced employees.

A strong IT security culture involving annual IT awareness and GDPR courses and programmes supports our employees in protecting sensitive member data.

We also work to promote sustainability and protect the climate and the environment. Starting in 2020, when renewing agreements on company-paid cars, employees will only have electric cars to choose from. The new policy is expected to have a significant impact on our direct CO<sub>2</sub> emissions. As from January 2020, we are compensating all CO<sub>2</sub> emissions caused by our employees travelling by plane.

Our policies and demands are causing a ripple effect. With a staff of 261, the ripples we cause may be small, but we are intent on setting an example.

PensionDanmark is committed to promoting equal opportunities for men and women and has adopted a policy on the gender composition of the company's upper management tiers, which lays down a target for the proportion of the under-represented gender on the Board of Directors. The target for 2019 was 20%. In 2019, 23.5% of our board members were women.

5

GENDER  
EQUALITY

**Target 5.5**  
Ensure women's equal opportunities and full and effective participation in leadership at all levels of decisionmaking in political, economic and public life.

At end-2019, 45.2% of PensionDanmark's managers were women. In 2015, the corresponding share was 30.3%. The proportion of female managers (45.2%) is higher than the proportion of women in the organisation as such (44.0%). When recruiting new managers, PensionDanmark makes a point of interviewing qualified candidates of both genders, and our staff policy and terms of employment offer equal career opportunities in the company regardless of gender.

**Dilemma:**  
PensionDanmarks ESG ratios show a gender pay gap of 30%.

PensionDanmark supports equal pay for work of equal value, regardless of gender, age and ethnicity. However, several of our top-bracket job areas are dominated by male employees. Should we accept that more men than women pursue jobs where demand is driving up salaries? While we cannot change the gender balance of job contenders, we do aim for both genders to be represented among the candidates invited for final interviews. Other than that, skills are the main criterion.

Results achieved in 2019

> 270 employees completed IT awareness courses on how to protect member data.

> Of 52 new hires, 56% were women.

> 8.04 MWh energy consumption per employee.



OUR  
EMPLOYEES

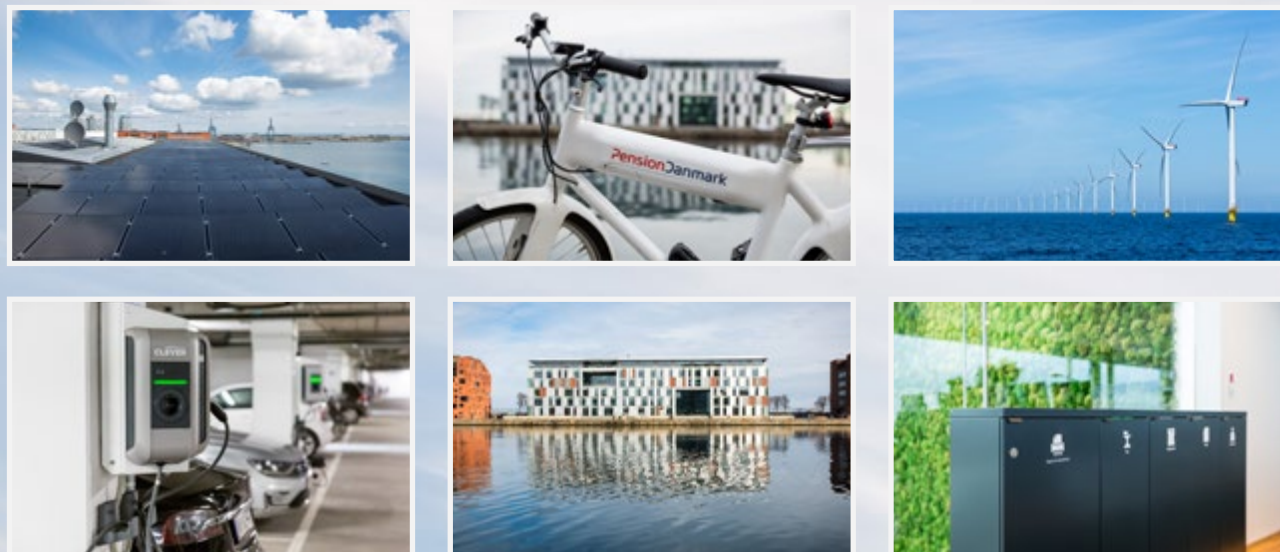


# Sustainability within our own company walls

Sustainability and the Sustainable Development Goals are important across the PensionDanmark organisation – also when it comes to our own employees and our own footprint.

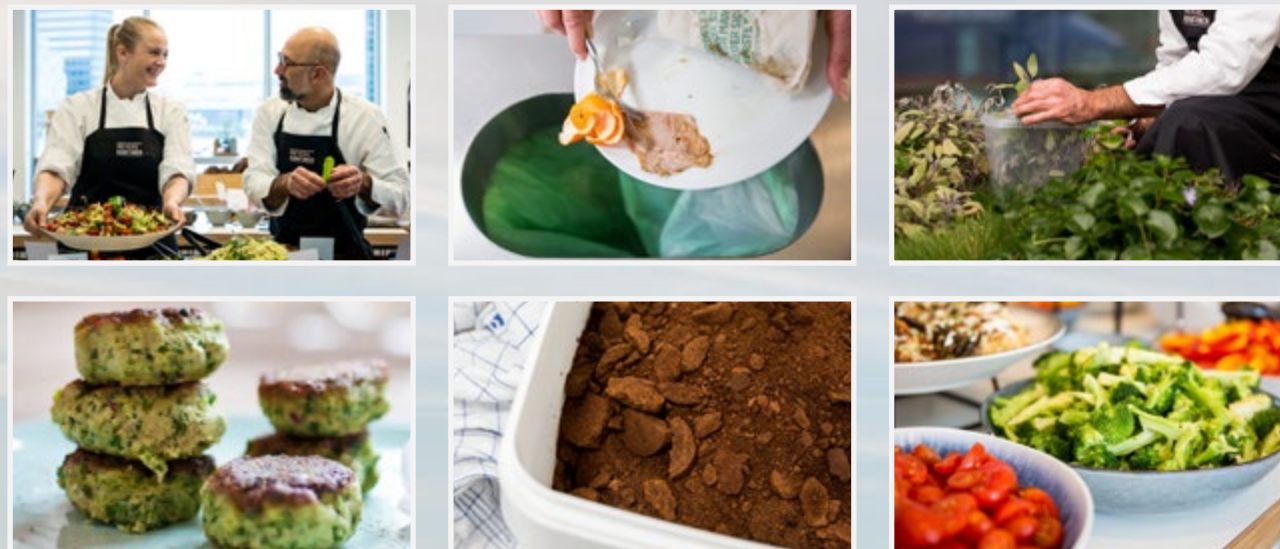
## Climate and environment at our own premises

PensionDanmark's domicile obtained sustainability certification in 2016. We reduce the building's climate footprint by using sea water in the cooling system and installing plant walls for improved acoustics and indoor climate. In 2019, we consumed 7,551 GJ of power, which was offset by the 98 MWh solar cells on our roof and by purchases of green power from our wind turbines. In addition, we provide chargers for electric cars, electric bicycles to use for meetings and waste separation bins on all floors to make it easier for our employees to be environmentally responsible.



## Organic food and lower food waste

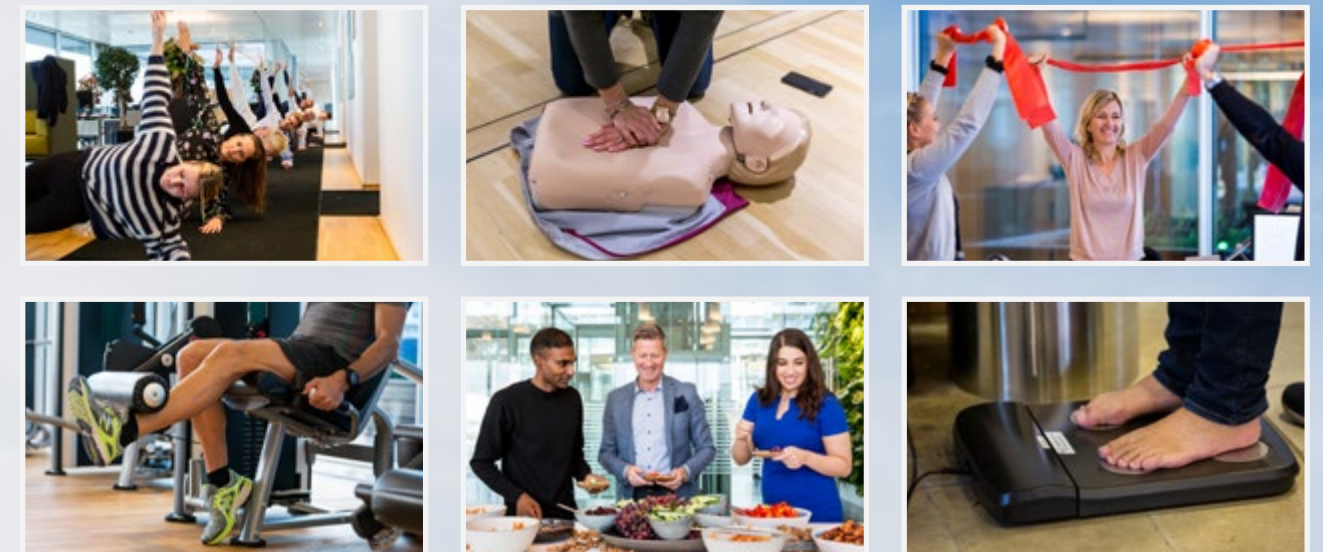
Our kitchen works actively to reduce food waste and CO<sub>2</sub> emissions. The food prepared is about 80% fruit and vegetables, 60-90% of all ingredients are organic, and all waste products, such as coffee grounds, are recycled elsewhere. We have discontinued the use of cardboard cups and paper plates and have introduced biowaste separation in our canteen to the effect that we now, instead of residual waste, ship an annual 15.9 tonnes of biowaste for incineration.



PensionDanmark received **8** awards,  
including the IPE Award for best Danish pension provider

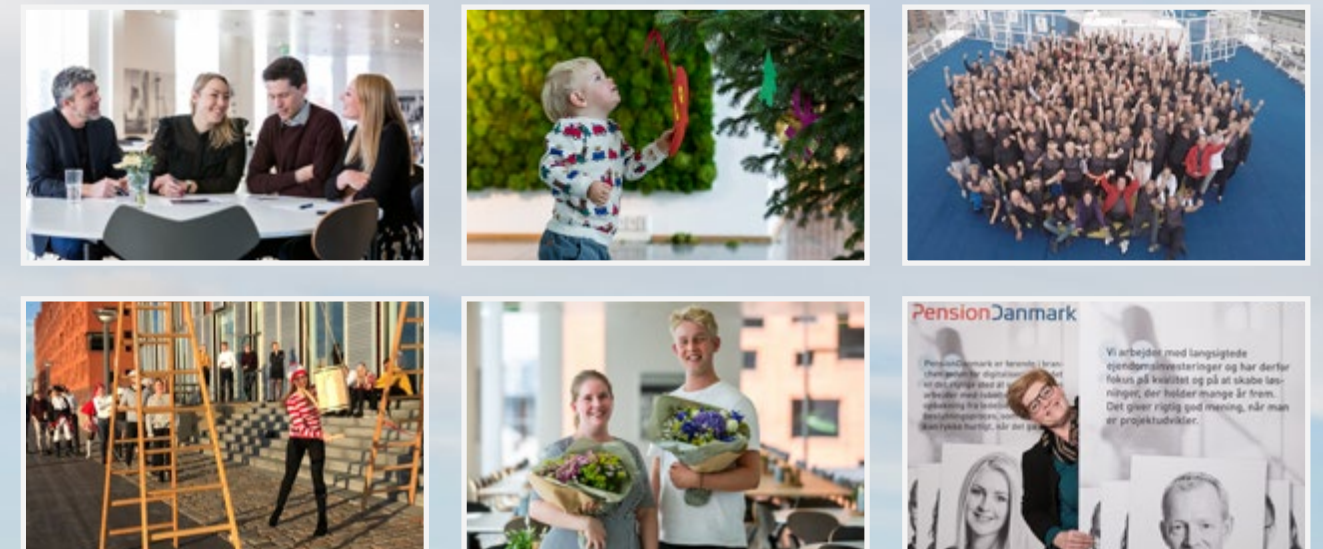
## Everyday health

PensionDanmark works to promote the health of our employees through a number of initiatives, including daily resistance band and plank exercises, fitness teams in our gym, annual health checks and health week. From 2019, healthy snacks are being served in the canteen every afternoon. Looking after the health of our employees also means looking after them when they become ill. To that end, we installed defibrillators on all floors in 2019 and offered first aid courses to equip our employees to deal with accidents.



## Social sustainability

Sustainability is also about attracting and retaining talented employees. We do this through a range of initiatives, including the staff association Friday bar, teambuilding events and the annual family Christmas party, which in 2019 was attended by 188 children. In addition to these social events, we provide access to continuing professional development for all employees. In 2019, PensionDanmark was joined by our first two finance trainees.







# OUR EMPLOYEES

Ditte, Loba and Brian of PensionDanmark's digital media team.

## More than a workplace

To both Line and Hans, PensionDanmark is more than just a workplace. Staff policies are an asset to a workplace only if they work in practice.

### "I was nowhere ready to say goodbye" Hans, adviser

PensionDanmark's advisory bus was upgraded to a new version in 2019. Driving around the country every week to meet our members, the bus is packed with expertise. Besides nurses offering health checks, Hans is frequently on the bus as well, ready to provide members with useful information about their pension savings and the options provided by them. This was not really on the cards. Having worked as an account manager at PensionDanmark for 12 years, Hans was about to retire in May 2018 and had already shown his successor the ropes.

"I was stunned that my work life was coming to an end. I realised that I was far from ready to say goodbye," Hans recalls.

With his wife still working, Hans suddenly found himself, as he puts it, "all alone with no one around me" after having worked since he was 15 and started his first after-school job. Hans therefore decided to make



use of PensionDanmark's senior employee scheme and accepted an offer of a new role on the touring advisory bus, where his skills and long-standing experience are still in great demand. The senior employee scheme has affected Hans' job satisfaction as well as his private life:

"I feel incredibly lucky. It shows that the work you've done is acknowledged and that the flexibility, knowledge and culture you've demonstrated over the years are still needed. It also gives my wife a happy spouse with stories to share around the dinner table."

### "My development benefits members" Line, Vice President

When new employees step inside our premises at Langelinie Allé for the first time, they already know they have joined a workplace where continuing education and development is not just an option but a requirement. Line, Vice President in PensionDanmark's actuary team, completed a 1-year executive development programme in 2019, which provided her with key tools to succeed in her transition from manager to leader. To Line, the benefits of PensionDanmark's strong focus on skills upgrading are indisputable.

"My colleagues are extremely competent, and this provides a strong incentive to keep developing. When our employment contracts state that both PensionDanmark and the new employee commit to continuing education, I see this as a clear signal that this is important. As a company, we want to stay innovative, creative and professional. And that takes continuing education and skills upgrading."



Line predicts that her own and her colleagues' motivation for developing will benefit PensionDanmark for years to come.

"It means I want to give back and develop for the benefit of PensionDanmark – and ultimately for the benefit of the solutions we offer to our members. Without the chance to develop I would stagnate – and my employer would do the same and ultimately become unable to accommodate our members' needs."



# Appendix



## Key figures and financial ratios

	2019	2018	2017	2016	2015
Contributions, DKKbn	13.5	13.0	13.6	12.8	12.1
Benefits paid, DKKbn	7.5	8.2	7.8	6.9	5.9
Return on investment assets before tax, DKKbn	28.8	-3.2	16.6	13.0	7.1
Total assets, DKKbn	271.1	235.9	233.2	221.5	199.8
Equity, DKKbn	4.6	4.3	4.2	3.7	3.8
Administration fee per member	297	297	297	297	336
Number of members, year-end	752,500	732,000	713,000	695,000	684,000

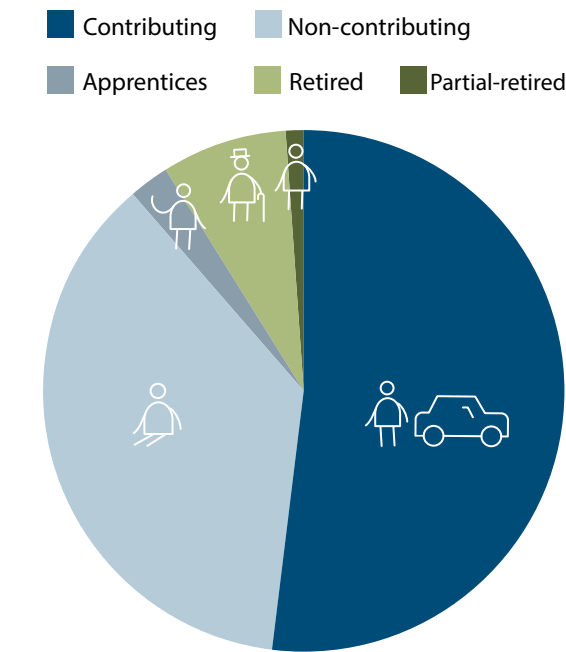


## ESG key figures and ratios

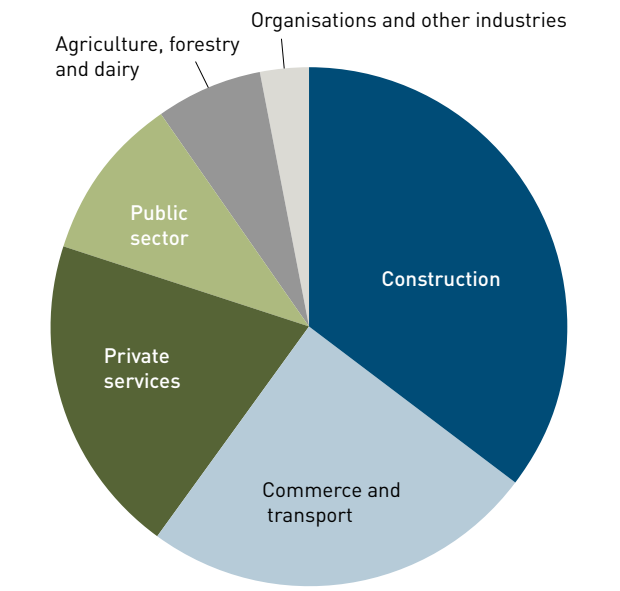
		2019	2018	2017	2016	2015
<b>Environmental data</b>						
<b>CO<sub>2</sub> emissions from the company:</b>						
CO <sub>2</sub> , scope 1	Tonnes	13	9	9	6	5
CO <sub>2</sub> , scope 2	Tonnes	82	448	489	563	452
<b>CO<sub>2</sub> emissions from the portfolio of equities in listed companies<sup>1</sup>:</b>						
Total emissions	Tonnes of CO <sub>2</sub> e	731,000	736,000	813,000	-	-
Carbon footprint	Tonnes/USDm	76	112	100	-	-
Carbon intensity	Tonnes/USDm	150	156	161	-	-
Weighted average carbon intensity	Tonnes/USDm	123	148	140	-	-
<b>Offsetting reductions through renewable energy investments<sup>2</sup></b>						
	Tonnes of CO <sub>2</sub>	2,297,000	-	-	-	-
<b>Other company-related environmental data:</b>						
Energy consumption	Gigajoules	7,551	7,634	7,659	7,762	6,097
Renewable energy share	%	81.1	42.7	40.1	35.8	30.4
Water consumption	m <sup>3</sup>	3,150	3,040	2,952	3,586	2,017
<b>Social data</b>						
Full-time staff	FTE	261	246	224	188	155
Gender diversity	%	44.0	43.3	46.5	47.8	53.1
Gender diversity, other management tiers	%	45.2	41.6	41.4	33.0	30.3
Gender pay gap	Times	1.3	1.4	1.4	1.4	1.4
Staff turnover	%	15.7	17.9	18.8	20.8	19.3
Sickness absence	Days/FTE	6.6	7.0	9.7	9.1	9.0
Taxes paid	DKKm	298	2,826	1,741	1,631	2,365
<b>Governance data</b>						
Gender diversity, Board of Directors	%	23.5	18.8	23.5	25.0	25.0
Board meeting attendance	%	82	88	85	91	91
Salary gap between CEO and employees	Times	8.6	8.5	8.5	8.6	8.6

<sup>1</sup> Data was not available for the computation for 2015-2016.  
<sup>2</sup> Data was not available for the computation for 2015-2018.  
Calculations based on displacement of fossil fuels in the year of installation of individual projects, resulted in CO<sub>2</sub> savings at 3,473,000 tonnes for 2019.

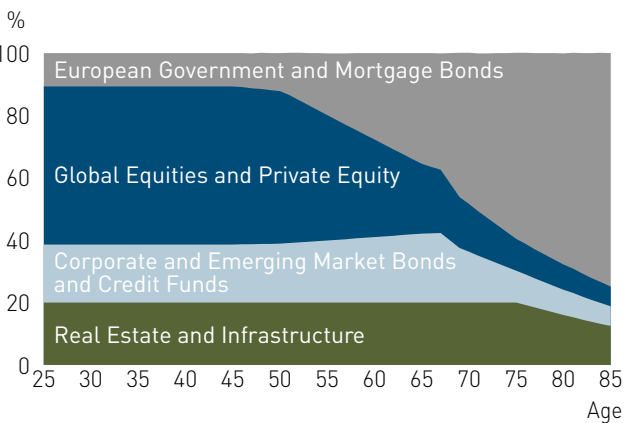
## Member distribution



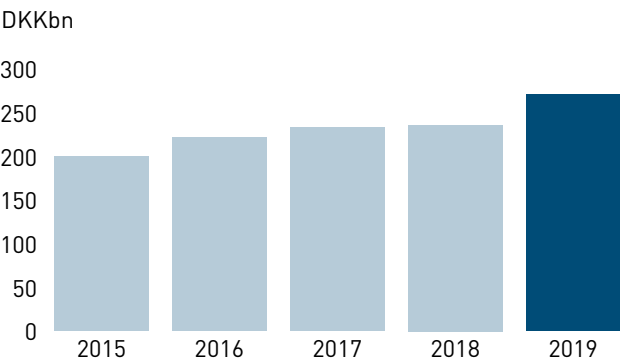
## Industry distribution



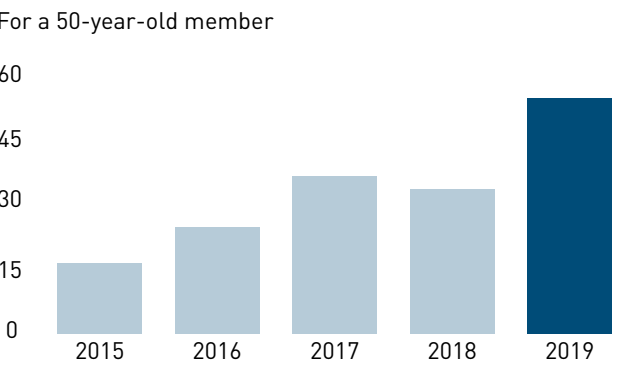
## Age pool scaling down profile



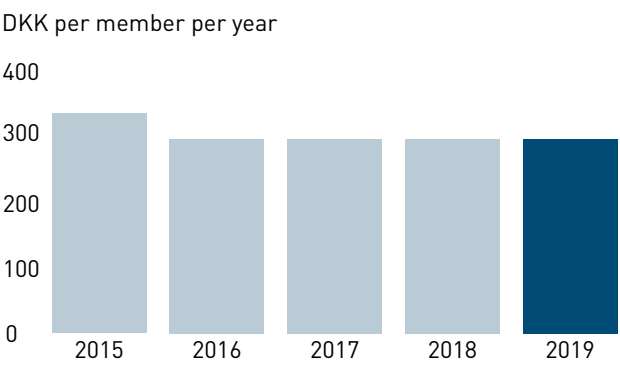
## Total assets



## Accumulated return in %, 2015-19



## Administration fee





# Accounting policies

## Accounting policies

PensionDanmark has decided to let all our activities be guided by the Sustainable Development Goals adopted by all UN member states in 2015. Using the Sustainable Development Goals as a point of departure, this report therefore covers the social, ethical and environmental issues that were most relevant and most significant for PensionDanmark during the year from 1 January to 31 December 2019 and outlines PensionDanmark's achievements in these areas.



The report includes ESG (Environment, Social and Governance) ratios, calculated in accordance with the guidelines published by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019. The calculation methods applied are described in more detail at the website of FSR – Danish Auditors, [www.fsr.dk](http://www.fsr.dk).

Unless otherwise stated, the ratios have been calculated at operational level and therefore do not reflect measurements at subsidiary level, such as property subsidiaries letting properties to external parties. A few ratios have not been computed in accordance with the guidelines. As the guideline ratios do not in all cases capture the special characteristics of life insurance companies, a few adjustments have been made relative to the guidelines.

These adjustments are explained below:

## CO<sub>2</sub> emissions

When measuring the climate footprint of a financial business, a distinction must be made between the footprint resulting from the company's internal activities and the footprint caused by its investment activities. Separate figures are therefore shown for the company's CO<sub>2</sub> emissions and emissions from the investment portfolio. In addition, CO<sub>2</sub> emissions may be divided into sub-groups (scopes) according to their source:

Scope 1 reflects direct emissions from own factory and office buildings and vehicles.

Scope 2 reflects emissions (at the energy producer) from purchased electricity, steam, district heating and cooling.

Scope 3 reflects all other indirect emissions from sub-contractors and purchasers of a company's products.

Due to the unavailability of complete company data, scope 3 data are not included.

## CO<sub>2</sub> emissions from the company

The conversion of power and district heating into CO<sub>2</sub> emissions for purposes of the calculation of scope 2 emissions from the company is based on the general declaration of Energi Danmark and HOFOR. For the conversion of emissions: The scope 2 market-based method has been applied.

The renewable energy share is the sum of renewable energy, as defined by the general declaration of EnergiDanmark and HOFOR, and energy produced by means of own solar cells. Power supplied by EnergiDanmark is 100% renewable as the company has purchased green energy.



## CO<sub>2</sub> emissions from the investment portfolio

In measuring CO<sub>2</sub> emissions from the investment portfolios of financial businesses, four metrics may be used, as per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD):

Common to the four metrics, CO<sub>2</sub> emissions are stated in so-called CO<sub>2</sub> equivalents – CO<sub>2</sub>e – and measured in tonnes. Market values are stated in USDm.

## Metric 1: Total CO<sub>2</sub> emissions

The metric shows total portfolio CO<sub>2</sub> emissions. Under this method, the carbon footprint is measured on the basis of the value of the amount invested in listed companies, the market capitalisation of the listed companies and the companies' CO<sub>2</sub> emissions. It is computed according to the following formula:

$$\text{Total CO}_2 \text{ emissions} = \sum_n^i \text{PensionDanmark's equity share}_i * \text{scopes 1 and 2 CO}_2\text{e issuers' emissions}_i$$

## Metric 2: Carbon footprint:

The measurement builds on metric 1, normalising the carbon footprint based on the size of PensionDanmark's portfolio of listed shares. The ratio is computed according to the following formula:

$$\text{Carbon footprint} = \frac{\text{Metric 1}}{\text{Market value of PensionDanmark's portfolio}}$$

## Metric 3: Carbon intensity:

The measurement builds on metric 1, normalising the carbon footprint based on each company's revenue.

The carbon intensity method illustrates the portfolio's efficiency in generating revenue relative to the emission of CO<sub>2</sub>.

The ratio is computed according to the following formula:

$$\text{Carbon intensity} = \sum_n^i \frac{\text{Metric 1}}{\text{PensionDanmark's investments}_i * \text{issuer's sales}_i}$$

## Metric 4: Weighted average carbon intensity:

The ratio shows the portfolio's exposure to carbon-intense companies, including to climate-related financial risks. The ratio is computed according to the following formula:

$$\text{Weighted avg. carbon intensity} = \sum_n^i \left( \frac{\text{Value of ownership share in investment}_i}{\text{Market value of PensionDanmark's portfolio}} \right) * \left( \frac{\text{Scopes 1 and 2 CO}_2\text{e emissions from the invested company}_i}{\text{Issuer's sales}_i} \right)$$

Please note that only listed public equity are included.

Calculations of CO<sub>2</sub> emissions from the investment portfolio are based on MSCI data.

## Offsetting through renewable energy investments

The guidelines for the computation do not include offsetting emissions through renewable energy investments. The volume of CO<sub>2</sub> offset through renewable energy investments is computed based on PensionDanmark's investments in renewable energy infrastructure assets. Power generated by means of energy infrastructure assets is converted into the volume of CO<sub>2</sub> that would have been emitted if the same volume of power had been produced by means of fossil sources.



CO<sub>2</sub> offsets are computed according to two methods. The first calculation of CO<sub>2</sub> offsets is based on statistics on the current mix of fossil fuels in the local power grid for purposes of calculating replaced fossil-based power generation, see the GHG Protocol. In the second calculation of carbon offsets, an assessment is made for each project of which fossil fuels have been displaced at the time of installment. The result of the first method is shown in the list of ESG key figures and ratios, while the result of the second methodology is set out in a footnote to the list.

## Other ratios

For purposes of measuring gender diversity for other management tiers, a manager is defined as a person with personnel responsibilities. The CEO is not included in the calculation of the ratio.

Customer retention ratios are not computed as they would not appropriately represent customer satisfaction due to the high rate of job mobility among PensionDanmark's members.

Taxes paid, which are not included in the guidelines, are stated as pension yield tax, payroll duty, withholding tax, and corporate tax.

## Accounting estimates

A number of assumptions are used in calculating CO<sub>2</sub> reductions for purposes of calculating the ratio for offsetting through renewable energy investments.



# Independent auditor's report

## To the stakeholders of PensionDanmark

As per agreement, we have examined PensionDanmark's Corporate Social Responsibility Report (the report) for the year ended 31 December 2019.

Our responsibility is to express an opinion as to whether the report has been prepared in accordance with the reporting methodology and the criteria set out on pages 54-55. The degree of assurance expressed in the conclusion is limited.

## Management's responsibility

PensionDanmark's management is responsible for the preparation of the report in accordance with the reporting methodology and the criteria set out on pages 54-55 and for such internal control as management determines is necessary to enable the preparation of a report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on PensionDanmark's report based on our procedures. We conducted our procedures in accordance with ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and additional requirements under Danish audit regulation with a view to obtaining limited assurance as to our conclusion.

Ernst & Young Godkendt Revisionspartnerselskab is subject to the international standard on quality control, ISQC 1, and, accordingly, applies a comprehensive quality control system, including documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We complied with the independence and other ethical requirements set out in FSR – Danish Auditors' Handbook of the Code of Ethics for Professional Accountants, which incorporates the basic principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## Our procedures included:

- > Conducting interviews with relevant key persons with responsibility for CSR strategy, management and reporting at PensionDanmark, Copenhagen;
- > Assessing whether data had been collected, evaluated and checked in accordance with PensionDanmark's manual for the collection of ESG data;
- > Performing analytical reviews, including trend analysis, of data supplied by PensionDanmark;
- > Assessing the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by management; and
- > Performing sample testing of underlying documentation to check that the information provided in the report is supported by sufficient evidence.

We believe that the procedures performed are sufficient to provide a basis for our conclusion.

The procedures performed in a limited assurance engagement are less in scope than for a reasonable assurance engagement, and the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that PensionDanmark's report for the year ended 31 December 2019 has not in all material respects been prepared in accordance with the accounting policies set out on pages 54-55.

Frederiksberg, 24 February 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab  
Company reg. (CVR) no. 30 70 02 28

Lars Rhod Søndergaard  
State Authorised Public Accountant  
mne28632

Carina Ohm  
Associate Partner

This report constitutes PensionDanmark's statutory report on corporate social responsibility in pursuance of sections 132 and 132a of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

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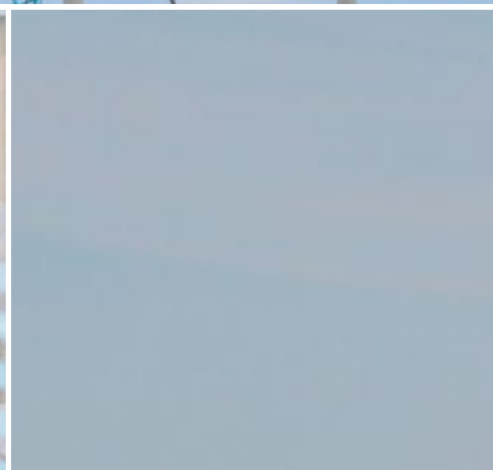
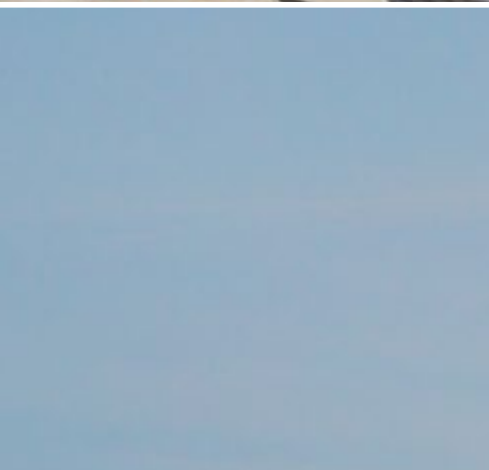
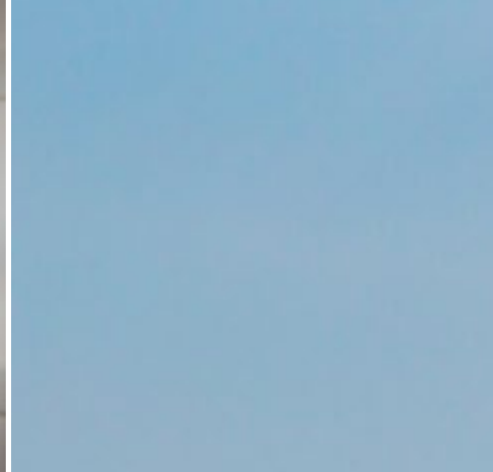
Photos: Ursula Bach, Claus Bonnerup (pp. 16-17), Jakob Carlsen (pp. 20-21), iStock (pp. 26-31), Jesper Heldgaard (p. 34), Thomas Illemann (p. 40, top), Kirsten Adler (p. 43), Ole Mortensen (p. 51, top).

Front page: Anders and Karsten of Byens Tag & Facade are members of PensionDanmark  
Africa's largest wind farm, Lake Turkana in Kenya  
Mia and Marius of PensionDanmark's real estate team

Back page: Per is one of PensionDanmark's 50,500 retired members  
Africa's largest wind farm, Lake Turkana in Kenya  
Ditte, Loba and Brian of PensionDanmark's digital media team







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PensionDanmark

