



PensionDanmark

**CORPORATE SOCIAL
RESPONSIBILITY
REPORT**

2022

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Social responsibility in a year of crisis

2023 marks the 30th anniversary of the first pension contributions paid in to PensionDanmark. In January 1993, we received total contributions of DKK 54 million. Today, we receive DKK 1,500 million every month, covering 416,000 active members, and our membership and pension assets have grown significantly. But most importantly: Pension benefits are now a solid supplement to the other incomes of our retired members. That is why the importance of the joint declaration and labour market pensions for Danish employees and Danish society is the recurrent theme of our 2022 Corporate Social Responsibility Report.

Our 30th anniversary follows on the heels of the watershed year of 2022. There is a before and an after Russia's invasion of Ukraine. At PensionDanmark, we have adapted to this new reality. We have divested all our Russian investments, offered psychological counselling to those of our members who have relations to Ukraine and stepped up our focus on green investments to make Denmark and Europe independent of Russian energy. We have also committed to taking an active part in funding the defence investments contemplated by a broad majority of the Danish parliament in their national agreement on Denmark's security policy.

The war has led to energy and food shortages, which combined with pandemic-induced supply chain disruptions have pushed inflation to historically high levels. This left its mark on the financial markets, which recorded negative returns in 2022 – a rare occurrence. Members under the age of 46 received a negative 6.5% return, while a 67-year-old member received a return of -4.3%.

30 år
OUR MEMBERSHIP AND PENSION ASSETS HAVE GROWN DRAMATICALLY SINCE 1993



“

For most age pools, these returns are still best-in-class among Danish pension funds and can be attributed to our successful investment strategy emphasising green infrastructure and active management of interest rate risk.

These returns are still best-in-class among Danish pension funds and can be attributed to our successful investment strategy emphasising green infrastructure and active management of interest rate risk.

Over the past five years, PensionDanmark's age pools have generated average annual returns of 4-6%. So even if there are ups and downs, the long-term trend is upward when you invest responsibly and spread your risk.

2022 was an election year in Denmark with healthcare and low employment rates taking centre stage. This fits with PensionDanmark's priorities. The services included in our healthcare programme – physiotherapy, chiropractic treatments and Prompt Diagnosis as well as the new and very popular services offering members ready access to online consultations with a doctor or a psychologist – were widely used again in 2022. In 2022, it was also documented that our efforts in relation to supplementary training – including automation and a digital overview – have increased course participation, ensuring that our members obtain the skills required for the future. Accessibility and innovation. That is the PensionDanmark way.

Corporate social responsibility is high on the agenda at PensionDanmark. By investing in renewable energy and sustainable real estate, we have long played a key role in developing investment solutions that address climate change.

In 2022, the journey into the next generation of sustainable energy projects continued with Copenhagen Infrastructure Partners' proposal to build a hydrogen island in the North Sea. The North Sea Summit in Esbjerg and the Baltic Sea Energy Security Summit in Copenhagen have highlighted the need to accelerate the implementation of more sustainable energy. By the end of 2022, PensionDanmark's green investments totalled almost DKK 35 billion, of which green infrastructure accounted for DKK 14.3 billion. We have already committed to invest an additional DKK 22 billion by 2030, corresponding to a 60% increase relative to the current level. Our members thus play a crucial role in driving the green transition.

Biodiversity was another focus area in 2022. We announced our first biodiversity strategy in 2022, setting out to achieve and document results benefiting biodiversity through a number of actions, including the development of urban areas. This year, we are publishing our first separate annual biodiversity report. We are signatories to the call from UNEP and UNEPFI for mandatory measurement and disclosure of biodiversity impacts and dependencies by transnational businesses and financial institutions by 2030. Ambitious targets, clear mandates, mandatory requirements and a common framework are needed if we are to halt and reverse biodiversity loss. High ambitions for diversity will not only benefit the world, they will also bolster the value of our investments. "Do good and do well". ¹²

Torben Møger Pedersen
 CEO, PensionDanmark
 tmp@pension.dk

Key figures for 2022



MEMBERS

815,000
members

56,000
retired members

PensionDanmark has 416,000 active members employed in 21,500 companies, which paid contributions of DKK 15.2 billion in 2022.

PensionDanmark's retired members make up 13% of our active membership. By 2040, this proportion will increase by some 120,000 to 25-30%.

FINANCES

284 billion
DKK in pension savings

-6.5%
return for a typical 45-year-old member

Member savings have grown from DKK 212 billion to DKK 284 billion over the past five years.

Compared with the rest of the pension industry in Denmark, PensionDanmark delivered the best returns. From 2023, retired members will receive 3.8% more in pension benefits on average.

HEALTHCARE

71,000
members used the healthcare programme

97%
satisfaction rating

Our members used the healthcare programme 526,900 times for 488,100 physiotherapy and chiropractic treatments, 17,000 Prompt Diagnosis procedures and 21,600 online consultations with a doctor or a psychologist.

Among those treated by a physiotherapist or a chiropractor, 97% were either satisfied or very satisfied.

DIGITALISATION

2.4 million
logins to pension.dk

297 DKK
per member per year

Our digital services are increasingly popular. More than 2.4 million logins to pension.dk in 2022. Five years ago, the number of logins was 0.5 million.

Our digital solutions help keep expenses in check. PensionDanmark is one of Denmark's most cost-effective pension funds with annual administrative expenses of DKK 297 per member.

REAL ESTATE

26.4%
sustainability-certified properties

7.7 kg
CO₂ per sqm

The number of sustainability-certified properties has increased by 8 percentage points since 2018.

The carbon footprint of the real estate portfolio was down from 8.9 kg to 7.7 kg per sqm in 2022. This means that we have already achieved our 2025 target.

ENVIRONMENT

9.8 tonnes
CO₂ per DKKm

14.3 billion
DKK in green infrastructure

The total carbon footprint of listed equities and corporate bonds is only 7% shy of achieving our short-term 2025 climate goal for these asset classes.

PensionDanmark has invested massively in renewable energy and green infrastructure since 2010. In 2022, our investments totalled DKK 14.3 billion, a year-on-year increase of 18%.

THE BUSINESS

PensionDanmark is Denmark's largest labour market pension fund. We have more than 815,000 members, [who are employed in 21,500 private-sector and public-sector companies.](#)

PensionDanmark is owned by our members, who are widely represented on the Board of Directors, thus [ensuring ownership, insight and influence.](#) Our members are therefore the main focus of our entire business.

We are celebrating our 30-year anniversary in 2023. Since we received our first contributions in 1993, we have added a healthcare programme and [supplementary training programmes to our member services,](#) and we are proud to have helped Denmark develop one of the world's best pension systems.



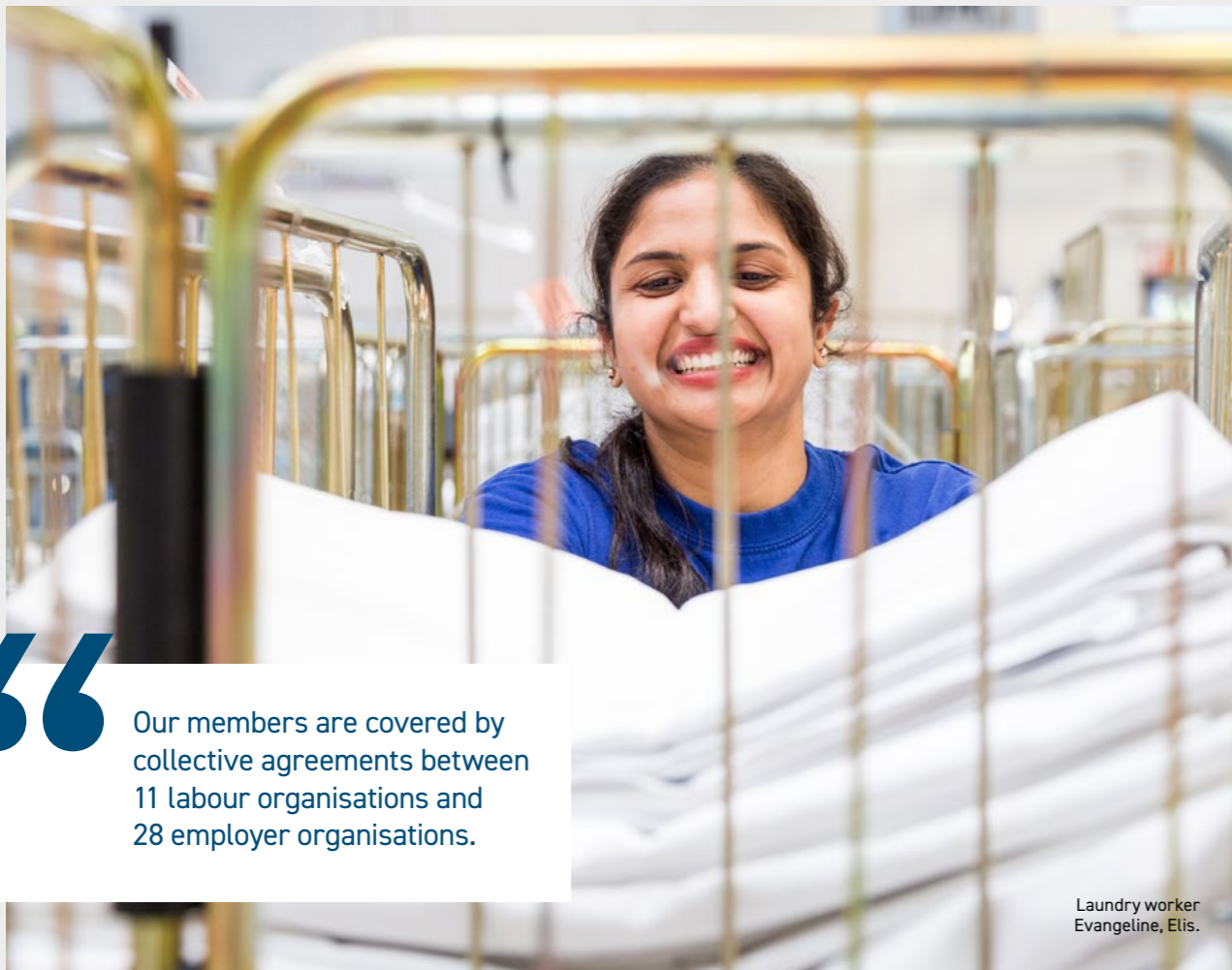
THEME 30 years of PensionDanmark

Labour market pensions were born out of the 1987 Joint Statement – a mutual agreement between the social partners and the Danish government that has contributed to ensuring the financial sustainability of Danish society. Since our establishment in 1993, we have grown our membership as well as our pension assets and are today among the 50 largest pension funds in Europe.

In 1993, when labour market pensions first saw the light of day, very few imagined the importance they would have for the welfare of Danish society. There were concerns that the setting up of labour market pension schemes for hourly-paid employees would lead to the abolition of the state pension, jeopardising the income foundation of this group of employees. Today's reality is that most people in Denmark are covered by a pension scheme and that the state pension remains the universal cornerstone. The Danish labour market

pension system has come to play a key role in driving wealth and cohesion in our society.

The labour market pensions provided by PensionDanmark and our fellow Danish pension funds have already ensured that skilled and unskilled retirees covered by a collective agreement receive decent income supplements to top up their state pension and ATP benefits. Before labour market pensions came into being, state pension and ATP benefits covered 40-55% of



Laundry worker Evangeline, Elis.

“Our members are covered by collective agreements between 11 labour organisations and 28 employer organisations.”

Refuse collector Morten, Urbaser.



pre-retirement incomes (before tax and set-off). Today, thanks to labour market pensions, skilled and unskilled workers receive 60-70% of their previous incomes, and this share will grow to 70-80% by 2050 as the generations who have saved up for retirement throughout their working lives retire. This means current and future generations of retirees are relatively better off in overall terms and that labour market pensions have contributed to narrowing retiree income gaps. At the same time, the public purse is more robust thanks to the growing level of savings.

PensionDanmark – a result of the Danish model

PensionDanmark was founded, and is still owned, by the parties to the collective agreements covering the sectors for which we have been chosen as the provider of collectively agreed labour market pension schemes. The way PensionDanmark is organised allows our members direct influence on strategy, and we develop our products so they serve our members in the best possible way, reflecting a strong set of values built on sustainability, solidarity, innovation and partnerships.

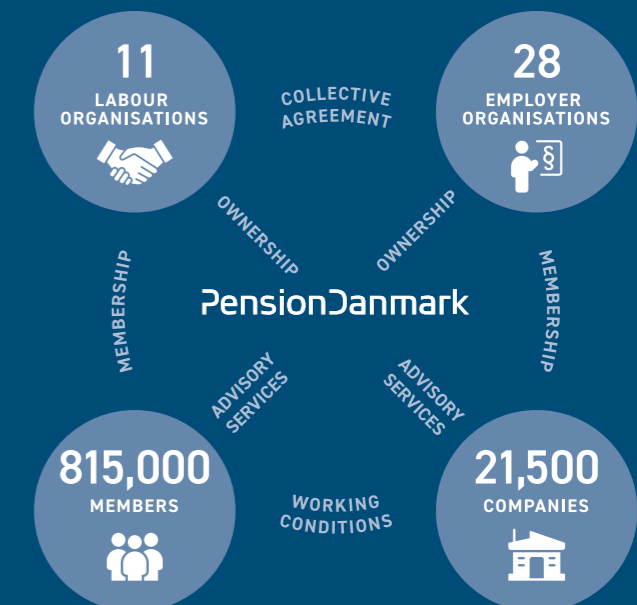
PensionDanmark is owned by ten trade unions and 15 employer organisations, which are represented on PensionDanmark's Board of Directors. The Board of Directors sets the direction for the business based on discussions of product changes, investment policies, insurance terms, etc. This allows both employers and employees direct influence on the framework for the savings schemes, insurances and healthcare services we offer our members.

In addition, PensionDanmark has five industry boards. They specify the various elements of the pension schemes for their respective sectors within the framework defined by the Board of Directors. The industry boards consist of representatives appointed by the parties to the agreements for the respective sectors and a number of union representatives elected by the members of PensionDanmark's staff representative forum.

These structures ensure that PensionDanmark is aligned with our members' needs at all times, thus remaining a sustainable business for our membership base. That is why sustainability is a natural part of PensionDanmark's DNA.

MISSION

PensionDanmark's key mission is to enable our members to have a long and productive working life and then to give them a financially secure retirement. In addition to pension savings, our pension schemes provide a social safety net that covers critical illness or death among our members and helps if they have to retire early. To this should be added comprehensive healthcare and lifelong learning programmes. [↗](#)





**OUR REAL ESTATE
PORTFOLIO HAS
GROWN TO**

28.4 BILLION DKK ¹²

Builder Simon, NCC.

Innovative and sustainable solutions

In close collaboration with employer and employee organisations, we have continually expanded our member services, adding both a healthcare programme and supplementary training programmes. The healthcare programme focuses mainly on early action to ensure members get proper treatment fast, preventing minor symptoms from developing into chronic disorders. As managers of a number of competence funds, PensionDanmark contributes to enhancing job security and labour market mobility.

These efforts are supported by our lifelong learning website, which provides employees and employers with a unique overview of supplementary training options and rights. All this helps our members remain in the labour market longer: We help our members look after their health and their skills.

Ever since 1996, when we were the first Danish pension fund to set up a website, we have had a pioneering approach to developing digital

2019

**WE STARTED REPORTING
ON OUR CLIMATE IMPACT
BACK IN 2019**

solutions for our members. Digitalisation enables us to optimise member services while at the same time keeping PensionDanmark's administrative expenses among the very lowest in the industry, thus ensuring the greatest possible share of our members' contributions can be allocated to their savings towards a financially secure retirement.

We also aim for the top when it comes to investing, seeking to be leaders in investing sustainably while generating robust returns for our members. We made our first real estate investment in 2002, to the amount of DKK 29 million. Twenty years later, our real estate portfolio stands at almost DKK 29 billion. PensionDanmark was also the first Danish pension fund to invest in renewable energy and green infrastructure, now more than 12 years ago. We do this mainly through Copenhagen Infrastructure Partners, ¹² the world-leading global investor in renewable energy infrastructure which PensionDanmark co-founded in 2012. We are CIP's biggest investor to this very date.

In order to ensure that PensionDanmark continues to move in a greener and more sustainable direction, we started reporting on our climate impact back in 2019. By reporting our impact on surroundings, we not only provide transparency for employees, members and society, we also provide a strong incentive to act. Our actions in the past year included establishing a dedicated biodiversity strategy for PensionDanmark's future building projects and urban areas and extending emission measurements for our investments to include almost 80% of the investment portfolio. Our ambition is to be a front-runner on reporting.



Landscape gardener
Malene, Malmo.



Casper og Martin, Kecon.

PensionDanmark and our members are facing several serious challenges that will define our work over the next few years.

Old people will make up a much greater share of the population than today because of our longer life expectancy. As a consequence, eldercare and healthcare expenses will grow sharply going forward to 2050, which calls for a new approach to welfare. We are transitioning from welfare society version 1.0, with welfare benefits being funded via taxes, to version 2.0, which is characterised by a mix of tax-funded and privately financed solutions.

Built over 30 years, our labour market pension model is embracing more and more of the healthcare and lifelong learning fields as well. The next step is to extend it to eldercare. We believe eldercare needs to be reformed to build on partnerships between private and public providers. We wish to contribute to addressing these challenges, applying the same principles as we have used for labour market pensions. By supplementing public benefits with collectively agreed schemes, we can future-proof our welfare society.

The current demographic challenges require an adequate and sufficiently skilled supply of labour, which is also a prerequisite for both fiscal sustainability and continued economic growth in Denmark. This requires that employees are able to remain active members of the labour market for as long as possible, and that is why we are committed to enabling our members to have a long and productive working life. Ninety percent of our members are skilled or unskilled workers and as such much more exposed to strenuous physical work and, by extension, a greater risk

of attrition than the rest of the population. At the same time, as the green transition and structural labour market changes make increasing demands on the qualifications and skills of our members, they will need options for upgrading their skills and changing tracks if they are to remain in the labour market for as long as possible. Accordingly, the innovative supplementary training work undertaken by PensionDanmark in the context of the competence funds will be given additional focus in the years ahead.

Going forward, PensionDanmark's green investments will be increasingly focused on the next generation of green technologies that will hopefully provide new solutions to the global climate crisis. Speed and action are of the essence if Denmark is to retain a leading position through the next phase of the green transition and if the new Danish government's ambitious goal of climate neutrality by 2045 is to be achieved. Massive investments are needed, and the finance sector is ready to provide the necessary funding and remains committed to investing an additional DKK 350 billion in the green transition by 2030.

Russia's attack on Ukraine has changed the threats Denmark will face in the future, placing new demands on the Danish Armed Forces and emergency services. We are committed to doing our part to ensure the security of Denmark. In a consortium with Terma and OMT, we are currently engaged in dialogue on developing new patrol vessels for the Danish Armed Forces suitable for both military and environmental tasks. Defence infrastructure will gain increasing attention over the coming years, which fits in with the long-term investments that PensionDanmark is prepared to make in Denmark's future.

We will continue our efforts to always deliver the best possible service to our members. Society is being challenged by demographic trends – and PensionDanmark is committed to delivering the solutions required by our welfare society, whether that be in relation to the ageing population, the climate crisis or national security.

350 BILLION DKK

**IN NEW GREEN
INVESTMENTS BY 2030**

Three decades of rapid development



Tripartite agreement: The Joint Statement

On 8 December 1987, the social partners and the government then in office entered into a tripartite agreement called the Joint Statement. The most far-reaching example of the social partners and the political system working together, the Joint Statement sparked the introduction of labour market pensions, which have since evolved into a key element of the Danish welfare system.



The industry's first website

In 1996, PensionSelskaberne launched the industry's first website: pension.dk. Since then, PensionDanmark has been focused on digital solutions that offer our members easy-to-use and easy-to-access products. Digitalisation enables us to optimise our member services.

First real estate investment

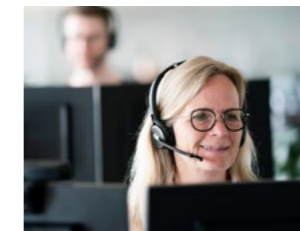
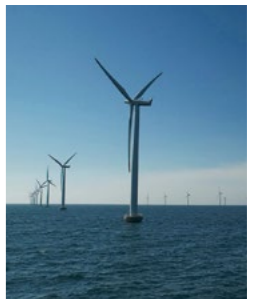
In 2002, we acquired the property Rosenkæret 37-39 in Gladsaxe near Copenhagen for DKK 29 million, our first real estate investment. This proved to be a lucrative business for our members and PensionDanmark is today among the largest building owners in Denmark with a real estate portfolio of almost DKK 29 billion. PensionDanmark



has a say in the industry's agenda and green ambitions. To ensure a high level of sustainability, all new office buildings have been DGNB Gold-certified since 2012 and all new residential buildings since 2016.

First investment in green infrastructure

In 2010, PensionDanmark made its first wind power investment, acquiring a 50% stake in Nysted Offshore Wind Park. As the first Danish pension fund to invest directly in offshore win power, we kickstarted a major renewable energy and green infrastructure investment adventure. Today, we are invested in green energy infrastructure all over the world. In recent years, our focus has mainly been on the next generation of green technologies that will hopefully provide new solutions to the global climate crisis. In 2022, we set aside DKK 3.3 billion for investments in the development of new green technologies.



Lifelong learning website launched

PensionDanmark's lifelong learning website was launched in 2019, helping to provide an overview of the options available to both members and companies. Lifelong learning is important to our members as it helps reduce sickness absence, enhance job security, support labour market mobility and – not least – prepare the labour market for the green transition.

1987

1993

1996

1999

2002

2005

2010

2012

2019

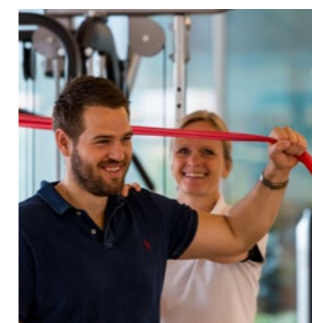
2022



The first pension contributions were made on 1 January 1993, which also marks the beginning of PensionDanmark, now Denmark's largest labour market pension fund. While we received contributions of about DKK 50 million during our first month of existence, we currently receive 30 times as much: DKK 1,500 million every month. Since 1993, the pension contribution has also been raised from 0.9% to 12%.

Access to pension information

In 1999, PensionDanmark was the first pension fund to give members access to their own pension information at pension.dk. In 2022, our members logged in to pension.dk more than 2.4 million times.



Healthcare programme for our members

PensionDanmark was one of the first pension funds to provide a healthcare programme to its members. The healthcare programme focuses mainly on early action to ensure our members get proper treatment fast, thus preventing minor symptoms from developing into serious disorders.

Copenhagen Infrastructure Partners founded

As part of our ambition to step up investments in renewable energy and energy infrastructure, PensionDanmark co-founded Copenhagen Infrastructure Partners in 2012. Being the sole investor back in 2012, we have since been joined by several new investors. At the end of 2022, PensionDanmark had green infrastructure investments worth a total of DKK 14.3 billion, 64% invested through CIP.



PensionDanmark today

Today, PensionDanmark has more than 815,000 members, who are employed in 21,500 private-sector and public-sector companies and are entitled to pension contributions of at least 12% of their wages. Our members are covered by collective agreements between 11 trade unions and 28 employer organisations.

[Read more](#)

Here to serve our members - for the benefit of society

PensionDanmark's actions as a company and an investor have a major impact on society and our members – today and in the future. This report focuses on the sustainability impact of our business rather than the scope of our activities – “you get what you measure”. This enables us to better target our efforts.

We have embraced the UN Sustainable Development Goals (SDGs) as the fundamental values on which we base our business, as they provide new business opportunities as well as a framework and an objective to work towards. Through the past few years, we have made dedicated efforts to expand our sustainability impact reporting to provide new insights and enable positive change. Based on our members and the society around us, we have selected the SDGs where we can contribute the most towards positive change.

As a labour market pension fund, we are committed to enabling our members to have a long and productive working life and a financially secure retirement. Labour market pensions not only provide financial security for our members, they also ensure the financial sustainability of Danish society, thus contributing to achieving SDG 1.

We use digitalisation as a lever to reach other SDGs, such as easier access to the healthcare programme (SDG 3) and lifelong learning (SDG 4).

As managers of our members' contributions, we are responsible for investing their savings. Our investments should not only produce a robust return for our members, they should also be made responsibly and contribute to the society we are part of. Our investments in green infrastructure, green climate solutions and sustainable real estate support SDGs 7, 11 and 13.

While we have selected SDGs based on where we can achieve the greatest impact, we believe it is equally important to disclose the negative effects our activities may have. PensionDanmark has committed to reporting on the ten principles of the UN Global Compact for ethical business conduct as regards human rights, labour rights, the environment and anti-corruption. Potential negative effects and challenges are described in the report through our dilemmas. We are committed to openness and transparency. That is why we also disclose the negative impact we have and the challenges we face.

8 dilemmas from all corners of our business are discussed in this year's report



Kitchen assistant Janet, Hotel Crown Plaza.

SDG 17 is our overriding goal, as partnerships are fundamental to most of what we do and because the impact is greater when we work with others.



More data, deeper insights, greater impact

	2022	2021	2020	2019
Financial security				
Target 1.3: Benefits paid to retired members (DKKbn)	4.4	3.8	3.7	3.4
Target 8.10: Number of member portal logins (thousands)	2,363	1,873	1,461	1,154
Target 8.10: Number of member portal logins via app (thousands)	1,685	1,187	963	680
Healthier work force				
Target 3.8: Physiotherapy and chiropractic treatments	488,126	427,535	265,657	369,763
Target 3.8: Prompt Diagnosis cases opened via the healthcare programme	17,117	12,459	10,192	6,471
Target 3.8: Online consultations with a doctor	4,051	2,839	515	-
Target 3.8: Online consultations with a psychologist	17,577	-	-	-
Qualified labour				
Danish indicator 4.4ii: Number of supplementary training programmes completed	39,744	35,765	47,906	45,102
Danish indicator 4.4ii: Supplementary training grants provided by funds (DKKkm)	55,685	52,945	71,724	58,909
Durable and sustainable investments				
Danish indicator 7.2ii: Investments in green infrastructure (DKKkm)	14,322	12,139	15,303	13,664
Danish indicator 7.2ii: Avoided emissions from ownership of green infrastructure, estimated (tonnes of CO ₂)	1,309,478	1,511,358	1,902,220	2,297,000
Danish indicator 7a.i: Investments in new green solutions (DKKkm)	3,269	1,793	0	0
Danish indicator 11.3.i: Properties aligned with the EU Taxonomy for sustainable finance (%)	43.7	38.6	-	-
Danish indicator 11.3.i: Number of square metres obtaining sustainability certification during the year	40,158	7,841	31,420	68,513
Danish indicator 11.3.i: Carbon footprint of real estate portfolio (kg/sqm)	7.7	8.9	11.6	11.8
Target 13.3: Total carbon footprint of investment portfolio (tonnes/DKKkm)	6.6	6.9	7.7	8.8

We can change more together

Collective solutions are part of PensionDanmark's DNA and define the way we do business. Working with private and public partners, each doing what we are best at, we achieve greater and better results.

We engage in partnerships across business areas, industries, sectors and borders – wherever we identify attractive investment opportunities and can offer the best and most effective solutions for our members while at the same time making a positive contribution to the world around us.

Over the past few years, we have extended our partnerships to new industries, creating scalable and standardised solutions and products in collaboration

with competent partners and thus helping solve some of the challenges Denmark will face in the future, such as growing demand for renewable energy and sustainable buildings and the need for an upgrade of the Danish Armed Forces. That makes sense to us, our members and society at large.

Sustainability and ESG are important elements in all PensionDanmark's partnerships.

Landscape gardeners Torben and Malene at Amager Bakke.



E PensionDanmark is working closely with Copenhagen Infrastructure Partners (CIP) on establishing a number of energy islands in Denmark and globally. We see an underlying need for massive offshore wind power expansion, preferably with Power-to-X plants producing hydrogen directly on the islands from the green power generated there. CIP, one of the world's leading green infrastructure investment companies with extensive expertise in large offshore projects across the world, is assisting PensionDanmark, Andel and PFA, the parties behind the Vindø consortium, on the development of a large energy island in the North Sea. Together, we make up a strong consortium characterised by long-term sustainable ownership and focus on members and customers.



“ We see a strong rationale for building energy islands in Denmark and around the world in order to enable the massive expansion planned for offshore wind.”

Mathias Stauning, Senior Investment Manager, Private Equity

S PensionDanmark seeks to play an active part in building up-to-date technical and vocational schools with the ability to train future generations of skilled workers in order to ensure that Denmark can maintain a skilled labour force. To that end, we invest in a broad range of schools offering training programmes relevant to the sectors in which our members work. We have established a partnership with the Jutland Craftsmen School (DjH) on the construction of new sustainable training facilities in Hadsten to enable DjH to train more carpenters, electricians, refrigeration service engineers and plastics specialists, and another partnership with Copenhagen Hospitality College on new training facilities and a gastronomic campus in Copenhagen. In addition, PensionDanmark, the Municipality of Esbjerg and the educational establishment Rybners have signed a letter of intent to establish a vocational climate college in Esbjerg.



“ Using our expertise in sustainable construction and public-private partnerships as a lever, we can help create the ideal setting for future green economy training programmes.”

Mia Manghezi, Project Development Director, Real Estate – Urban Areas

G PensionDanmark is a founding member of the UN-convened Net-Zero Asset Owner Alliance consisting of investors from across the world committed to providing concrete tools to fulfil the Paris Agreement.

The Alliance sets binding targets for reductions in the climate footprint of investments and provides guidance for companies and industries looking to transition to a green economy. The Alliance is also committed to help create a clear, consistent political environment aimed at accelerating the realisation of climate objectives. To that end, the Alliance has published a number of discussion papers and position papers over the past 12 months.



“ PensionDanmark plays a role in setting the direction for one of the world's most ambitious alliances of climate-supporting investors.”

Jan Kæraa Rasmussen, Head of ESG & Sustainability

D Defence infrastructure will gain increasing attention over the coming years, which fits in with the long-term investments that PensionDanmark is planning to make.

PensionDanmark has offered to partner the Danish Armed Forces on upgrading and operating military barracks, and in a partnership with Terma and OMT, we are currently developing five new patrol vessels for the Danish Armed Forces that are suitable for both military and environmental tasks. In addition, we are looking into the possibility of establishing an investment fund that will contribute capital to Danish and Nordic startups engaged in drones, tracking technology or other equipment that could be useful to the Armed Forces.



“ In my opinion, a D for defence and democracy should be added to ESG, as sustainability is also about those two factors.”

Torben Møger Pedersen, CEO

17 PARTNERSHIPS FOR HANDBLING PensionDanmark engages in partnerships, including public-private partnerships, in all its business areas to ensure the best and most effective solutions.



OUR MEMBERS

PensionDanmark was established to carry out an important social mission: To provide financial security for our retired members and thus contribute to ensuring the financial sustainability of Danish society.

To help ensure our members a long and healthy working life, we provide a social safety net that covers critical illness or death among our members and helps if they have to retire early or need supplementary training. Our products are based on what creates maximum value for our members and designed as a supplement to – not a replacement for – public benefits and services.

Peace of mind throughout your life

PensionDanmark pursues a 360-degree approach to engaging with members to provide them with financial security during their working lives and in retirement. Insurance and pension products are designed to provide members and their families with a decent supplement to public benefits. In addition, we offer healthcare and supplementary training programmes that contribute to a long and productive working life for our members.

PensionDanmark makes extensive use of digitalised operating systems with a view to ensuring high member satisfaction and low costs. Our innovative IT platform is focused on process automation through the use of robotics and artificial intelligence as well as systematic use of digital platforms when communicating with members, companies and organisations. Digital innovation allows for flexible and personalised member services and also serves to keep case processing times and administrative expenses down.

We aim for as much as possible of a member's contributions being allocated to their pension savings. In 2022, each member paid an administration fee of DKK 297, which makes PensionDanmark one of the most cost-effective Danish pension providers.

We put our members first. Accordingly, our member service focuses on availability, short processing and response times, clear communication and respect for the individual member.

PRODUCT



Pension

The maximum possible share of pension contributions is allocated to retirement savings. In 2022, each member paid an administration fee of DKK 297, making PensionDanmark one of the most cost-effective among Danish pensions funds. [↗](#)

ACTIVITY

Full digitalisation saves costs and frees up resources for advisory services – in connection with the transition to retirement living etc.

RESULTS

Our members received best-in-class returns in 2022. A typical 45-year-old member received a negative 6.5% return, while a typical 67-year-old member received -4.3%. Over the past five years, members under the age of 46 have received a 32.0% return, while a 67-year-old member has received 20.0%.



Insurance

Insurance cover is aligned with the needs of members within individual sectors. Members can adjust insurance sums if required. Insurance products cover death, critical illness, supplementary anticipatory disability pension, enrolment in a resource programme, senior pension or having to take a subsidised flexi-job. [↗](#)

Digital case processing ensures fast payout of claims. Processing times can be as short as five minutes. Through the integration of public registers, PensionDanmark ensures that members are automatically notified if an event occurs that is covered by their insurance.

920 members were awarded a supplementary anticipatory disability pension, 830 members were awarded a supplementary senior pension, 3,000 members received a lump sum of typically DKK 100,000 for critical illness, and 3,400 beneficiaries received a lump sum on the death of a member. Our members received insurance benefits of DKK 5.2 billion in all.



Healthcare programme

Free access to physiotherapy and chiropractic treatment without a doctor's referral or charges. Prompt Diagnosis provides a fast track to treatment. Fast access to online consultations with a doctor or a psychologist. [↗](#)

Members receive guidance and treatment matching their situation and needs. Our digital booking platform provides easy and fast access to more than 2,800 physiotherapists and chiropractors at over 870 clinics across Denmark.

59,700 members received 488,100 treatments by a physiotherapist or a chiropractor. 3,700 members had online consultations with a psychologist, while 2,800 members had online consultations with a doctor. Our members made 27,900 calls to our healthcare team and 76,900 calls to our treatment advisory team. 17,100 members received a Prompt Diagnosis.



Supplementary training

Management of 107 educational funds and collection agreements, including 20 competence development funds covering 12,200 companies with 232,000 employees. [↗](#)

Digital training programme overview for members and companies and automatic distribution of grants.

2,000 member companies received supplementary training grants through the funds managed by PensionDanmark for 39,700 training programmes. Grants totalling DKK 55.7 million were paid out in 2022.



Kristian and Mathias, Malerfirmaet René Herman

Pension benefits made easy

As pensions and insurance are traditionally an area of little interest to members, it should be easy to get an overview and adjust schemes. We optimise member services by combining digital solutions with personal advisory services.

Ever since PensionDanmark was established, digitalisation and new technologies have been instrumental in keeping costs down while at the same time providing premier services for our members. We use robots for case processing, for example. By taking over as much as possible of the manual data entry, our robots help ensure faster payout of anticipatory disability pension benefits and insurance benefits in case of critical illness or death. Our digital self-service universe provides members with a ready overview of their pension schemes and enables them to quickly and easily align schemes with their life situation or book an appointment with a physiotherapist or a chiropractor or an online consultation with a doctor or a psychologist.

As automated case processing is faster, more consistent and more flexible, it helps improve the level of service by freeing up time among our healthcare, treatment and advisory teams for personal service of members who need it. The time freed up through digitalisation is spent on direct contact with and counselling of our members. By combining digital solutions and personal advisory services, we make it easy for our members to get the help they need.

Reaching out to members

Not all members know the details of their pension schemes. We take responsibility for keeping our members optimally informed of their pension scheme options. We want them to know that a pension scheme is more than just savings and also includes a number of insurance policies.

To that end, we proactively reach out to our members, offering advice via e-mail, text message, mit.dk, pension.dk or phone. We do this on an ongoing and automated basis using member data – such as age, address, job, employment history, insurance schemes and use of services under the healthcare programme.

We also work with various public authorities to ensure our members are automatically notified if they become entitled to insurance benefits under their pension schemes.

RESULTS



A **45-year-old** member received a return of

-6.5%

These were very acceptable returns in an extremely difficult year.

A **67-year-old** member received a return of

-4.3%



11.2 billion DKK

paid in benefits to members, of which retired members accounted for **DKK 4.4 billion**.

Member adviser Betina, PensionDanmark



As I presently have no wife or children, I have no next of kin who'll need taking care of if I die before I reach retirement age, and I've therefore reduced my insurance cover for death from DKK 500,000 to DKK 0. It goes without saying, though, that I would increase my cover for death in the event that I get a family so that they would be financially secure."

Nicolai, a painter, currently lives alone and has no children and has therefore adjusted the insurance cover under his pension scheme.

Higher pension benefits despite uncertain times
After a fantastic investment year in 2021 with PensionDanmark delivering a record DKK 36.4 billion return, 2022 was much more difficult, marked by greater uncertainty and markets hit by rising inflation, the prospects of tighter monetary policy and, not least, the implications for energy and food markets of Russia's invasion of Ukraine.

This financial market uncertainty has had a short-term impact on Danish pension savings returns. Looking ahead, all pension savers should be prepared for lower average returns than those received in recent years. Nonetheless, we expect to continue to deliver solid, positive returns in both the medium and the long term. And indeed a long-term view of return developments paints a much more stable picture.

Benefits for retired members may fluctuate in line with developments in returns, member life expectancy and interest rates. In order to mitigate the consequences of such fluctuations, benefits are fixed to include a reserve that may be activated to raise individual benefit payments if prices go up. Accordingly, we are able to raise benefits for our retired members by an average 3.8% in 2023. Most of our pension-receiving members can expect to receive higher or unchanged benefits, which goes to show that PensionDanmark's equalisation mechanism works.



Our members' savings with PensionDanmark are an important supplement to state pension benefits, and their savings help build the foundation for a high quality of life in retirement.

CASE

Digital solutions keep costs down and provide better service

As PensionDanmark switched to mit.dk on 15 December 2022, members will receive all future letters in their digital mailbox at mit.dk. Therefore they do not need to check several digital mailboxes for messages from PensionDanmark. The change-over to mit.dk has reduced our communication costs by 80-90%. At the same time, we implemented a digital solution supporting options that make it easier to be a member and have pension savings with PensionDanmark. Through mit.dk, we can use digitalisation to provide a better service and new self-service options to our members while keeping costs down.

Digital healthcare – whenever it suits you

PensionDanmark's Healthcare Programme was established in 2005 based on the needs of our members and the challenges facing them. Over time, additional services have been added to the programme. While supplementing the public healthcare system, these services contribute to improving our members' quality of life and to enabling them to remain in the labour market for longer. [L2](#)

All collective agreement sectors having pension schemes with us have opted for PensionDanmark's Healthcare Programme. At the end of 2022, 464,100 members were covered by PensionDanmark's healthcare programme, a year-on-year increase of 38,200. The sharp increase is explained by the fact that, since 2017, our members can remain covered by the healthcare programme on retirement and, since 2021, on transition to dormant membership. The number of members covered by the healthcare programme will thus increase in the years ahead, continuing the trend from 2021 to 2022.

Early intervention makes a difference

The healthcare programme focuses mainly on early intervention to ensure

members get proper treatment fast, thus preventing minor symptoms from developing into chronic disorders or long-term illness. Early intervention can make a difference for the daily lives of our members, financially and in relation to their wellbeing. At the same time, it benefits Denmark's economy because companies have more access to valuable labour plus there are fewer expenses for sickness and anticipatory disability pension benefits.

Ongoing product development

PensionDanmark is focused on developing systems and products, and we always seek to make services easily accessible for members. The healthcare programme has undergone a significant upgrade over the past few years. One example is the launch of our digital application for the

booking of physiotherapy and chiropractic treatments in 2020. Via this platform, members can book treatments with more than 2,800 physiotherapists and chiropractors at over 870 clinics across Denmark. In 2020, we also set up an online doctor consultation service, followed by an online psychologist service in 2021, giving our members easy and direct access to video-based consultations on all weekdays, weekends and public holidays.

In 2022, we strengthened our health initiatives by developing services that address the challenges our members face through partnerships with other actors, including trade unions, organisations, companies and patient associations – ensuring that our efforts reflect specific knowledge about what works, thus creating maximum value for our members.



I've used the online doctor consultation service myself and for my kids when they've been sick. Most recently, I got a prescription for some asthma medication when my daughter had trouble breathing. It's a really good option when you're pressed for time. It worked just as well as if I'd gone to see my own doctor – only by video link. I wouldn't hesitate to do that again. There's often a long wait at my own doctor, so this is a really good supplement."

Mikkel, an electrician with technical construction company Wicotec Kirkebjerg, has used the online doctor consultation service included in PensionDanmark's healthcare programme several times.

Timeline for healthcare programme

Launch of healthcare programme

PensionDanmark is one of the first Danish pension funds to offer the social partners an optional healthcare supplement to pension schemes. To begin with, just under 50,000 members in the transport, trade and hairdresser sectors were covered by the programme.

2005

Guide to the public healthcare system

The healthcare programme provides access to treatment at 120 clinics across Denmark as well as a guide to rules and rights in the public healthcare system.

2008

Prompt Diagnosis added

This new product entitles members to fast diagnosis via the private healthcare system as well as rehabilitation assistance.

2009

Treatment of non-work-related injuries

Whereas the healthcare programme initially covered only work-related injuries and disorders, a decision is made to extend the programme to cover cross-disciplinary treatment of all injuries and disorders.

2013

More personal advisory services

The programme is expanded to include a team of nurses and social workers focusing on members with long-term illnesses. Members also get access to an online health test that can help identify health issues.

2015

The healthcare programme gets rolling

The advisory bus hits the road, visiting member companies to raise awareness of the programme. All retired members are automatically covered by the healthcare programme.

2017

Digitalisation-driven upgrade

The new booking platform is launched, giving access to a far greater number of physiotherapists and chiropractors across the country. Members also get access to online consultations with a doctor.

2020

Focus on members' mental health

The healthcare programme is expanded to include online consultations with a psychologist in addition to online consultations with a doctor.

2021

Putting members' needs first

The healthcare programme covers 464,100 members. New pilot projects are launched focusing on early detection of Chronic Obstructive Pulmonary Disease, prevention of obesity, support for members with cancer to remain in the labour market, etc.

2022



Christina getting exercise instructions from physiotherapist Line.

97%

MEMBER SATISFACTION RATING

Driven by a purpose to serve our members, we regularly measure member satisfaction. Among those treated by a physiotherapist or a chiropractor, 97% were either satisfied or very satisfied.

Dilemma Does health insurance foster healthcare inequality?

The healthcare programme gives PensionDanmark's members access to fast diagnosis and treatment. But do healthcare programmes create a gulf between those who can afford additional assistance and those who cannot?

PensionDanmark offers a healthcare programme that is aligned with our members' needs and is affordable for all. We have insured healthcare services from external suppliers to avoid adding to costs. As a consequence, we operate Denmark's undisputedly most cost-effective healthcare programme at a price of DKK 56 per month. Since 2017, it has been possible for our members to remain covered by the programme on retirement and since 2021 on transition to dormant membership.

In our opinion, access to fast diagnosis and treatment for our members is an advantage for both members and society because it helps our members return to work faster. We provide additional assistance to ordinary people on top of the help they get through the efficient public healthcare system.

RESULTS

 **488,100**

treatments by a physiotherapist or chiropractor for **59,700 members** – a year-on-year increase of 16% in the number of members receiving treatment.

 **40%**

The number of Prompt Diagnosis cases was up by almost 40% in 2022 compared with 2021. About 25% of the members getting Prompt Diagnosis assistance are on sick leave from work when they join the Prompt Diagnosis programme. Two thirds of those completing a programme are reported fit for work and typically return to their job.



PensionDanmark's healthcare programme provides members with access to quality healthcare services such as fast diagnosis, rehabilitation and online consultations with a doctor or a psychologist.

Easy access to new skills

Supplementary training is crucial in enabling our members to remain in the labour market and to ensure we have enough qualified labour to transition to a green economy. PensionDanmark's supplementary training website helps provide an overview of the options available to both members and companies.

By providing members with an overview of their supplementary training options, PensionDanmark's supplementary training site helps enable members to remain in the labour market and contributes to meeting the labour market's demand for qualified labour and more skilled workers in the future. [L2](#)

Managing 20 skills development funds established under collective agreements, PensionDanmark is committed to providing our members with attractive supplementary training opportunities. Several studies have documented that adult vocational and supplementary training helps reduce sickness absence, enhance job security, raise pay levels and support labour market mobility.

Supplementary training website provides an overview

PensionDanmark has taken the lead by developing a supplementary training site that provides members and employers with a clear overview of relevant courses. By integrating our data with those of our business partners, we have created a 360-degree overview of completed training programmes, work experience and the many supplementary training options. By means of intelligent solutions and algorithms, members are ultimately provided with an overview of courses that are relevant to them. The sharing of information on completed training programmes makes it easy for companies and local trade unions to plan supplementary training programmes for employees. At the same

time, automatically generated applications ensure the smooth and straightforward distribution of grants.

The challenges of tomorrow

By making our technology and expertise available for the development of a national supplementary training website, our supplementary training site may potentially benefit many more people beyond our own members.

In autumn 2020, the Danish government established the Reform Commission to address a range of complex challenges facing the Danish labour market, including the adult vocational and supplementary training system. According to the Commission, participation numbers in adult vocational training courses offered by the skills development funds managed by PensionDanmark are significantly higher than in the rest of the private labour market. In the period 2012-2021, participation in adult and supplementary training programmes among unskilled and skilled workers rose 20% compared to unskilled and skilled workers belonging to skills development funds managed by others than PensionDanmark. Much of this has to do with the automated and digitalised distribution of grants launched by PensionDanmark in October 2012 and the launch of the supplementary training site at pension.dk in May 2019.

According to the Reform Commission, a digital supplementary training overview based on PensionDanmark's

“

The course was about how we can make environmental considerations an integral part of our everyday lives and how we can become better at sorting waste and reducing power consumption at the production facilities. It's a question of leaving the smallest possible climate footprint on the planet, and we learned that even small efforts on the part of us "rank-and-file" employees matter, and that we can set a better and more sustainable direction if we work together.”

supplementary training site and covering the entire labour market could potentially boost participation in adult vocational and supplementary training programmes by up to 20% among unskilled and skilled workers who do not currently have access to a digital supplementary training overview, and permanently increase employment by some 400-900 full-time employees when fully phased in. The Reform Commission's recommendations will form part of the tripartite discussions on adult vocational and supplementary training scheduled to begin in May 2023.



Birgitte, a production worker at Idealcombi A/S, was one of more than 200 employees from the company who participated in the "Sustainable Production" course, which really got her thinking.

RESULTS

 **36,000**

members logged in to PensionDanmark's supplementary training site in 2022 – a year-on-year increase of 16%.

 **2,100**

companies received funding for 39,700 employees to participate in training programmes in 2022, an increase of almost 4,000 programme participants compared with 2021.



PensionDanmark's supplementary training site is a contributory factor in growing the number of youth and adults who have relevant skills, including the technical and craft skills required to transition to a green economy.

Dilemma Strong demand for labour

Despite the strong demand for skilled and unskilled labour, there is lack of focus on employees in need of upgrading their basic skills.

With studies showing that Denmark will be short of up to 100,000 employees for green jobs by 2030, we need to give more employees access to the supplementary training required for those jobs. But to many members and companies, the supplementary training system is a jungle. PensionDanmark's supplementary training website at pension.dk provides our members with a personalised overview of relevant supplementary training options and an estimate of how fast they can become skilled workers. There is untapped potential in one area in particular: About a quarter of a million members of the Danish labour force are dyslexic, and for many of those, supplementary training is nothing but a pipe dream since they lack the basic skills required for participation in adult vocational training courses etc. With dyslexia being taboo, the company may find having that conversation with its employees difficult. In collaboration with a number of partners, PensionDanmark is therefore developing a digital detection tool for the supplementary training website that will quickly determine whether an employee is in the target group for dyslexic education, and at the same time provide the company with information on where relevant courses are offered and available funding. The purpose of the new tool is to facilitate employees getting started on dyslexic education programmes so they can subsequently participate in adult vocational training courses of relevance to their company.

The tool is expected to be ready for use at the end of 2023 and become a natural part of our member companies' training plans.



OUR IMPACT

“Do good and do well” sums up PensionDanmark’s investment approach. We are confident that we can give our members a financially secure retirement by generating attractive returns on our investments in sustainable real estate and renewable energy while at the same time making a positive impact on a changing world.

2022 was one of the most difficult years for investments in a long time. For responsible investors, the war in Ukraine has brought a range of new dilemmas, but also opportunities. Energy policy has become security policy, but the new reality created by the war also calls on pension funds to take on a broader role in society that extends to offering solutions related to new green energy forms and defence.

Investments that benefit society

PensionDanmark's investments generate solid returns, thereby helping to future-proof our members' pension savings. At the same time, we contribute towards developing Danish society by creating growth, jobs, housing, socially critical infrastructure and renewable energy solutions.

We invest our members' savings in a variety of assets in order to diversify risk. Thanks to this strategy, our members' returns are less dependent on developments in the global economy, which in a year like 2022, marked by rising interest rates and plunging bond and equity prices, has been instrumental in protecting member savings against heavy losses.

Our real estate investments impact on employment and society in general, creating jobs in both companies employing construction workers and companies supplying construction materials.

By purchasing bonds, we help provide loans for Danish companies, home-owners and housing associations, and by investing in equities and direct loans, we help provide

capital for small and medium-sized Danish businesses, enabling them to grow their business and create jobs.

Moreover, our investments in infrastructure and the next generation of green energy solutions help create a framework for the renewable energy, energy technology and environmental improvements of the future. As of 31 December 2022, each of PensionDanmark's 815,000 members were invested in green assets to the tune of DKK 42,800 on average. PensionDanmark's total green investments amounted to almost DKK 35 billion, and we have committed to invest an additional DKK 22 billion by 2030, corresponding to a 60% increase relative to the current level.

28,400 JOBS

PensionDanmark's real estate investments create an estimated 1,000 construction jobs for each billion kroner invested.



Dock workers Tony and Villads, Norse Offshore Base.



Private equity
DKK 24.7 billion

We have provided 192 small unlisted Danish businesses with long-term risk capital of DKK 210 million.

CASE Reducing the agricultural sector's climate footprint

PensionDanmark is a major shareholder in Stiesdal, a Danish cleantech company working to mitigate climate change through new green technologies. Our investment in Stiesdal offers solid return potential while the company at the same time contributes towards mitigating climate change and creating new green jobs in Denmark. In 2022, Stiesdal inaugurated its first SkyClean plant in Skive. SkyClean's technology converts agricultural waste into biochar, gas and oil. Biochar has a soil-improving effect on farmland, while gas and oil can be further converted into green aviation fuel. The Skive plant will enable annual CO₂ reductions of about 5,000 tonnes, corresponding to the annual emissions from almost 700 people in Denmark. [↗](#)



Infrastructure
DKK 28.8 billion

PensionDanmark is a co-owner of infrastructure such as wind farms, biomass power plants and solar parks worldwide, which produce green energy and green jobs in Denmark.

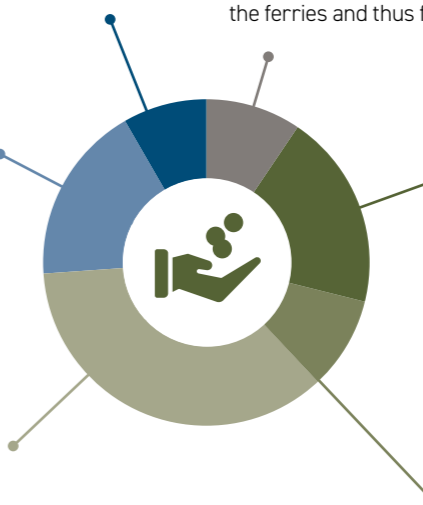
CASE Sustainable ferry solution for Danish island municipalities

PensionDanmark is focused on making infrastructure investments that supply solutions and products that address social challenges. Last year, a partnership consisting of PensionDanmark and OMT was engaged to work with the Danish Ferry Secretariat on developing a new standardised ferry for Denmark's small islands and short crossings. The Danish Ferry Secretariat represents 18 ferry-operating municipalities eligible to use the new ferry. While built according to a standard design, ferries can be adjusted to meet the specific wishes and needs of individual crossings and offered on a long-term lease basis to the municipalities, who for a fixed fee have full right of disposal over the ferries and thus full responsibility for day-to-day operations.

Credit
DKK 53.4 billion DKK
We have provided Danish businesses with DKK 1.6 billion in long-term growth capital.



Investment grade bonds
DKK 58.1 billion
Holding mortgage bonds worth almost DKK 40 billion, we have effectively financed 28,000 Danish homes.



Listed equities*
DKK 108.3 billion

We have invested DKK 14.6 billion in 54 small and large listed Danish companies employing a total of 855,000 people.

CASE Investing in green solutions

PensionDanmark seeks to promote and invest in companies that are frontrunners in the green transition, thus contributing towards solving social challenges and generating solid returns for our members. This is one reason why as of 31 December 2022 we owned shares worth some DKK 500 million in A.P. Møller Mærsk, which in 2018 was the first company in the shipping industry to set a target of becoming carbon neutral by 2050. In January 2022, the company moved this goal a decade closer to 2040. A.P. Møller Mærsk is also a partner in developing one of Europe's largest green hydrogen projects, in Esbjerg, which is partly funded by PensionDanmark and Copenhagen Infrastructure Partners. Green hydrogen can be used to make liquid ammonia, a green fuel for ships in the future.



Real estate
DKK 28.4 billion

PensionDanmark owns or co-owns 1.4 million sqm of real estate with 54,700 attractive and healthy workplaces in 34 towns and cities across Denmark.

CASE Sommarivabyen

In 2022, PensionDanmark was engaged by the Municipality of Helsingør to develop a new area combining sustainable and community-oriented housing with nature restoration. Sommarivabyen, as the project is called, will include community houses focusing on handicrafts, exercise, food and senior citizen activities, while a key aspect of the project will be to restore the original natural surroundings, including forest edges and the coastal landscape. The plan is for the neighbourhood to include townhouses, owner-occupied flats and senior citizen rental homes for around 520 residents in all. Housing will be built to the DGNB Gold and Swan label sustainability certifications. Upcycled materials will be used when possible.



PensionDanmark's investments help ensure decent jobs and economic growth.

* The value of equities plus exposure from equity derivatives etc.

We demand progress

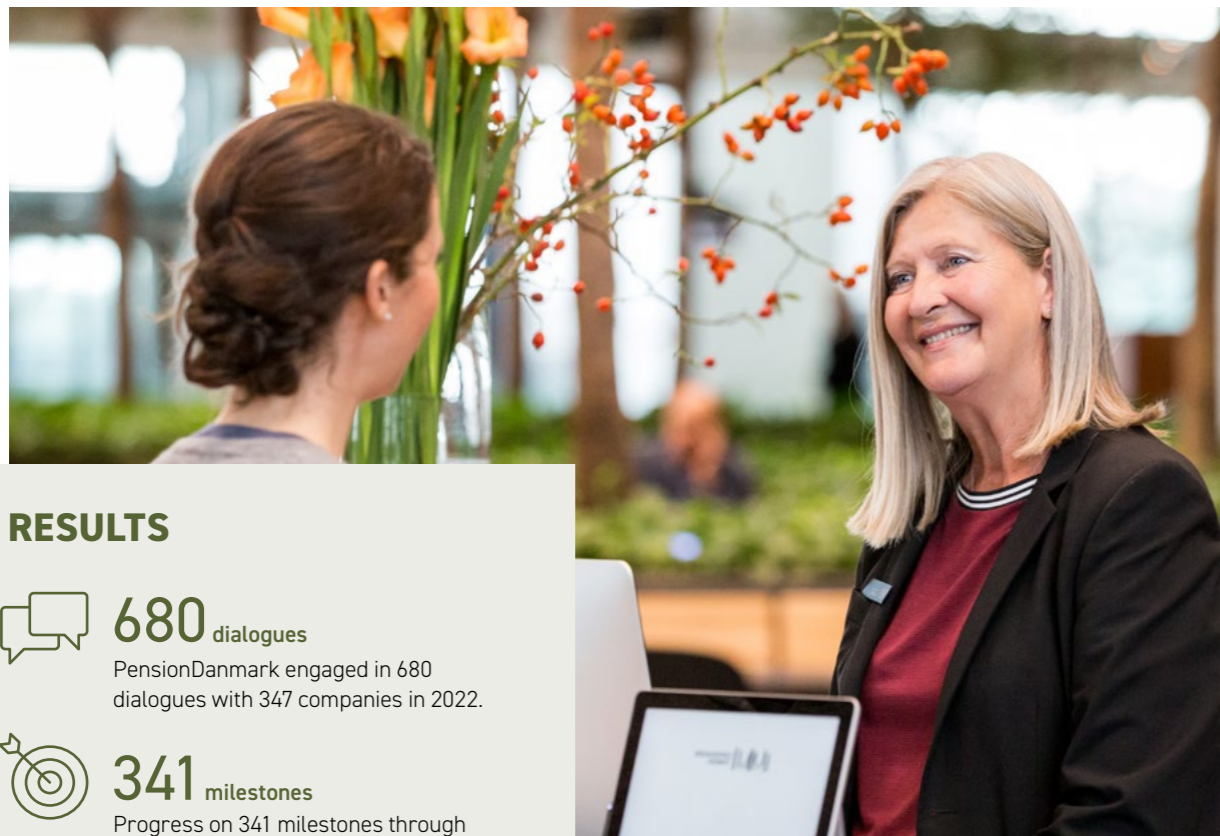
War, inflation, supply constraints and an ESG agenda under pressure in large parts of the world have added additional dilemmas to our responsible investment activities. The new reality imposes higher demands on responsible investors to ensure the best possible returns for members in a sustainable way.

In times of change, awareness of the increasing responsibilities that come with investing is more important than ever. PensionDanmark lives up to this responsibility through active ownership. Sometimes alone, but together along with other like-minded investors, PensionDanmark exercises active ownership by influencing companies to improve their efforts on a wide range of sustainability-related topics.

Like our investment policy, PensionDanmark's approach to responsible investment is guided by international conventions and agreements, such as the UN Universal Declaration of Human Rights, the ILO conventions, the 17 UN Sustainable Development Goals, the principles of the OECD's Responsible Business Conduct for Institutional Investors and the Paris Agreement. [↗](#)

Companies are screened individually for violation of PensionDanmark's investment policy. If we discover a company is breaching our investment policy and fails to respond to dialogue, we may divest our investment. But the opposite can happen too. If an excluded company starts complying with our requirements, it may be allowed back into our investment universe. For example, we included UK-based Anglo American into our investment universe in 2022 after they divested their ownership share in the scandal-ridden Cerrejón mine in Colombia and no longer gets any significant revenue from thermal coal.

In 2022, our focus areas were climate, labour rights and gender diversity, and we will continue our efforts in these areas in 2023, adding biodiversity as an additional priority area.



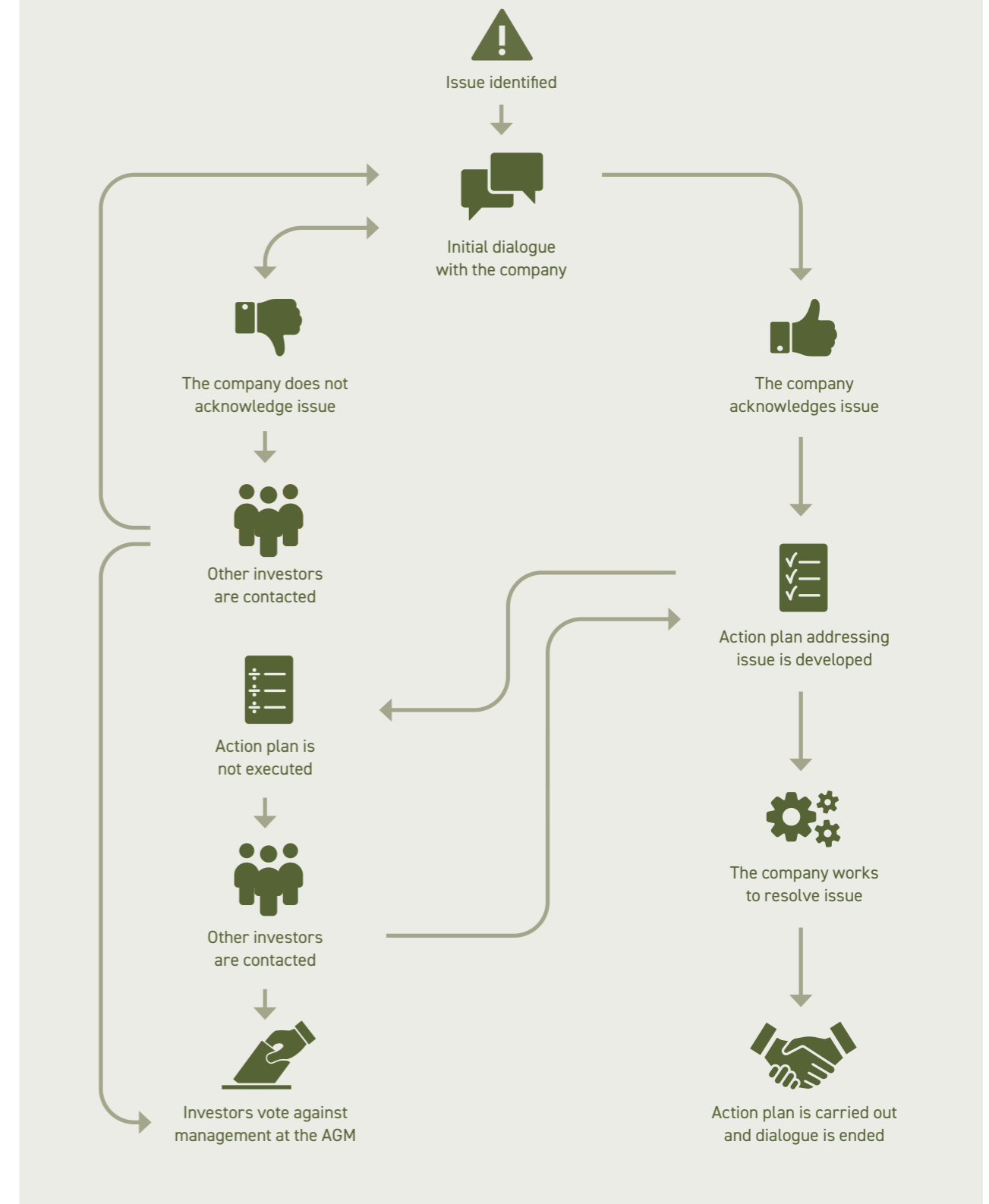
Receptionist Johanna, Hotel Crown Plaza.

RESULTS

680 dialogues
PensionDanmark engaged in 680 dialogues with 347 companies in 2022.

341 milestones
Progress on 341 milestones through PensionDanmark's active ownership in 2022, corresponding to more than 50% of all dialogues.

Active ownership



Using our influence



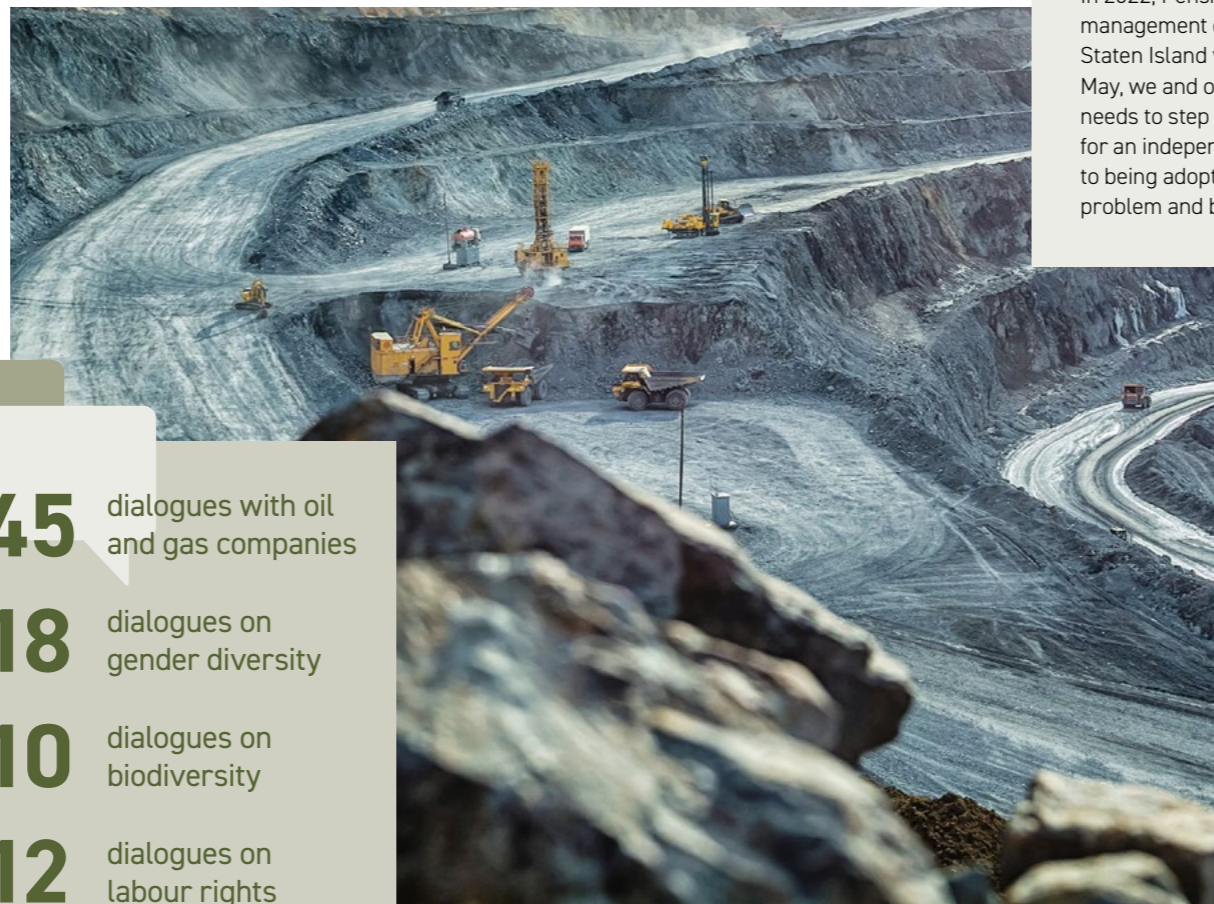
Evaluating utility companies

Limiting global warming to 1.5°C on average requires massive investments in green energy and the closure of coal-fired power plants. In light of the energy crisis, it is important that we as investors do not lower our ambitions but instead support the utility sector in transitioning towards renewable energy. In that regard, we have developed a model to identify utility companies that demonstrate capability and willingness to transition to a low-carbon economy. The results produced by the model also help us qualify our active ownership in relation to these companies.

According to the International Energy Agency (IEA), phasing out coal as a source of electricity is a prerequisite for transitioning to a low-carbon economy. Together with like-minded investors in the Net-Zero Asset Ownership Alliance, we encourage countries in the developed world to phase out thermal coal use in electricity generation by 2030 and 2040 in developing countries where possible. Therefore, the use of thermal coal is a key element when we evaluate utility companies.

Phasing out oil and gas

The world remains highly dependent on oil and gas, and phasing out these fuels from the world's energy mix is a necessity. However, the green transition is a long and gradual process, and oil and gas will continue to play a role in parts of the economy in the coming years. We have developed an oil and gas model that measures companies' willingness and ability to transition to a low-carbon economy. In our view, companies that contribute actively to the energy sector's transition and have a business plan that transitions away from oil and gas, will do better. As a responsible investor, we would like to support these companies, which is why we voted for UK-based BP's transition plan at the 2022 annual general meeting, acknowledging that they are the only major oil company committed to reducing their overall exposure to fossil fuels by 40% by 2030. Conversely, we exclude the most unambitious oil and gas companies. Most recently, we excluded Indian Oil & Natural Gas Corporation in 2022 because the company does not recognise climate change as relevant for their business model. [↗](#)



45 dialogues with oil and gas companies

18 dialogues on gender diversity

10 dialogues on biodiversity

12 dialogues on labour rights



Kristine, haulier Jesper Poulsen.

Freedom of association and the right to collective bargaining

As a labour market pension fund, PensionDanmark is committed to compliance with core ILO conventions on freedom of association and the right to collective bargaining. After several years with little focus on labour rights, the labour movement seems to have momentum, particularly in the US. This year, workers at Amazon's JFK8 warehouse on Staten Island, New York, voted to form the company's first US trade union, inspiring workers at other Amazon warehouses to unionise as well. While Amazon warehouses in several European countries are covered by collective agreements, Amazon in the US is unfortunately still fighting trade unions and attempting to have the JFK8 outcome overruled.

In 2022, PensionDanmark and 70 like-minded investors sent a letter to the management of Amazon, urging Amazon to respect human rights and the Staten Island vote. Moreover, at the company's annual general meeting in May, we and other responsible investors sent a clear signal that Amazon needs to step up in terms of labour rights. With 44% support, our proposal for an independent assessment of Amazon's working conditions came close to being adopted. This will make it difficult for management to ignore the problem and bodes well for similar proposals in the future.

Enhancing gender diversity

At PensionDanmark, we are in our active ownership focused on promoting gender equality. We believe that well-functioning boards are composed mainly of independent people that reflects the diversity of the stakeholders the company serves. Not only does this create a better society, but diversity and equal opportunities for all also foster a culture that is more in line with the times.

In exercising active ownership, we therefore encourage companies in developed markets to work towards at least 30% women on their boards and companies in less developed markets to have at least 30% women on their boards and at least one woman in less developed markets across all sectors.

Focus on biodiversity

In 2022, it became abundantly clear to the world that we need to act to address and resolve the ongoing biodiversity crisis. In December 2021, PensionDanmark signed the Finance for Biodiversity Pledge, committing to protect and restore biodiversity through our financing activities and investments. [↗](#)

While active ownership in this area is still in its infancy, we are confident that upcoming international frameworks (Taskforce on Nature-related Financial Disclosure and Nature Action 100) will strengthen the financial sector's active ownership in terms of nature and biodiversity. While the final recommendations will not be available until end-2023, PensionDanmark has opted to initiate the dialogue with our companies to help ensure the tool is put to work when ready. [↗](#)



Line and Nabil, DSV Transport.

Green opportunities after a tough 2022

2022 was one of the most difficult years for investments in a long time. For responsible investors, the war in Ukraine has brought a range of new dilemmas, but also opportunities. Energy policy has become security policy, but the new reality created by the war also calls for the further expansion of green power generation.

No screening tool or policy could have prepared financial investors how to respond to Russia's potential invasion of Ukraine back in early 2022. Prior to the invasion on 24 February 2022, we decided after careful discussion to sell all our Russian government bonds and all investments in companies where the Russian government had a controlling stake. We considered this the responsible course of action, and the decision proved wise. We managed to divest most of our Russian investments before they lost most of their

value, thus avoiding substantial losses for our members' pension savings.

Increased uncertainty about the global economy also proved a challenge for all investors in 2022. The combination of declining earnings on the back of rising commodity prices and increasing interest rates squeezed most company valuations, while oil and gas equity prices, for example, traded higher. This all made 2022 a difficult investment year.



Anders and Erik, Hauge Gruppen.

Dilemma How does a responsible investor handle the uncertainties of war, inflation and security of supply?

The global economy posed several dilemmas for PensionDanmark in 2022. First, increasing investments in oil and gas companies to protect our members' savings during a difficult time could seem attractive. Second, Russia's invasion of Ukraine made it necessary to purchase fossil energy from other countries than Russia in the short term, including from companies in which PensionDanmark is invested.

Both situations represent dilemmas in relation to our commitment to the Paris Agreement in the short, medium and long term. PensionDanmark has opted to address these dilemmas by combining exclusion, active ownership and new investments. We have excluded those companies that score

lowest in our climate evaluation model for oil and gas while at the same time stepping up our active ownership in relation to the industry and introducing stricter requirements in 2022 with respect to voting for transition plans at general meetings.

Last, but not least, we have upped our investments in initiatives to transition away from fossil activities. One example is our 40% stake (through NGT) in a gas pipeline in the Dutch part of the North Sea. In October 2022, the NGT pipeline was the first to obtain green hydrogen certification, thus providing infrastructure to support the commitment given in the May 2022 Esbjerg Declaration to make the North Sea Europe's green power plant. [↗](#)



The NGT pipeline was the first pipeline to obtain green hydrogen certification.



VindØ will accommodate up to 10 GW offshore wind, corresponding to the power consumption of about ten million households.

Efforts to reduce dependence on Russian gas

Russia's invasion of Ukraine has stressed the importance of becoming independent of gas supplies from Russia. Green power generations need to grow at unprecedented rates to secure the supply of energy in Europe and fight climate change. In 2022, with Denmark in the forefront, commitments were made at summits in Esbjerg and Copenhagen to boost offshore wind capacity in the North and Baltic Seas. This means that Denmark will invest even more in the green transition, which could foster export potential and underpin Danish strongholds.

As the public sector cannot fund the transition alone, it is imperative that private investors play a larger role. Based on the Esbjerg Declaration's commitment by the EU to invest heavily in offshore wind in the North Sea, PensionDanmark has announced its willingness to help fund the expansion. [↗](#)

PensionDanmark is part of a consortium consisting of PFA, Nykredit and Andel which – supported by Copenhagen Infrastructure Partners – has declared itself prepared to fund and operate a future energy island (VindØ) in the North Sea. The island will be built of concrete caissons approximately 100 km from land, where the turbine power can be bundled and transported to shore. VindØ will eventually accommodate up to 10 GW of offshore wind, corresponding to about 20 conventional offshore wind farms. VindØ will add significantly to Denmark's power generation capacity, while at the same

time making us independent of Russian oil and gas and, not least, creating jobs in Denmark. In 2022, Shell announced its wish to join the consortium, emphasizing that this is an oil company in transition. [↗](#)

However, renewable energy expansion often requires extensive processing by the authorities, as projects must be approved by various authorities and undergo a series of environmental and planning assessments. Truly accelerating the green transition requires that the authorities' case processing must be speeded up and made more efficient.

PensionDanmark wants to help expand renewable energy generation nationally and internationally. We already own green infrastructure that in 2022 generated 2.2 million GWh of power, corresponding to more than 1.3 million tonnes of avoided CO₂ emissions.

RESULTS

 **14.3 billion DKK** invested in green energy infrastructure, and we have committed to invest an additional DKK 13 billion.

 **3.3 billion DKK** set aside for investments in the next generation of green technologies.



Through our investments, PensionDanmark contributes to growing the proportion of sustainable energy in the global energy supply.



PensionDanmark supports and works actively towards the goals of the Paris Agreement, and we have committed to making our investment portfolios carbon neutral by 2050.

Construction is key to sustainability

Over the years, our members have received solid returns from our growing investments in sustainability-certified real estate. The stable returns are accompanied by new green standards for contributions to society and the development of concepts focused on social communities.

The construction industry is one of the world's worst emitters of CO₂. In Denmark, the combined annual emissions from the production of building materials and the building and construction process total 5 million tonnes of CO₂. Added to this is the climate impact of imported building materials, amounting to some 2 million tonnes of CO₂. The combined 7 million tonnes of CO₂ roughly correspond to the annual emissions from 930,000 people in Denmark. This makes the construction industry a key factor in the green transition. In order to achieve the UN Sustainable Development Goals and the goals of the Paris Agreement, much more needs to be done to reduce emissions from the construction industry.

When we erect new buildings, we aim to leave the smallest possible climate

footprint. Hence, all new office buildings have been certified according to sustainability standards since 2012, and all new residential buildings have been certified since 2016. This ensures a high and uniform level of sustainability in our real estate investments. We use the DGNB certification system, according to which all elements of the construction process are measured before, during and after construction. We require all new buildings to obtain DGNB Gold certification as a minimum. This requires us to employ new solutions in terms of materials for construction and fittings and for minimising the energy consumption of our buildings. As a property developer, PensionDanmark has a say at all the stages of construction and is therefore in a position to integrate sustainability from start to finish – from

reusing materials and building elements, which reduces the impact on the environment, to using near-finished modules, which reduces construction time and thus also inconvenience for neighbours.

Gender diversity code

According to DI Byggeri, only 9% of construction workers are women. That proportion has remained the same for the past 20 years.

PensionDanmark is committed to fostering transparency and gender diversity in the construction and property sectors, and we strive to create equal opportunities for men and women. As a builder and an adviser, the responsibility for hiring more women and creating a better culture in the construction and property sector is not ours alone. We share this responsibility with our suppliers. Accordingly, PensionDanmark prepared a code for gender diversity in the construction industry in 2022. The purpose of this code is to induce our business partners to prioritise increasing the share of female employees in the industry, which is why we require our business partners to report on gender diversity. The first reports from 2022 show that 46% of PensionDanmark's business partners have a gender diversity strategy, indicating that a number of our business partners have potential for improvement. This potential could be realised by integrating gender diversity as a strategic element in their business.

Gender diversity may be just one aspect of a diverse work force, but it is an important indicator for other forms of diversity. It is time to tear down the fence and invite those women in who have a passion for operating cranes and machines, managing construction projects and planning the construction process.

A new strategy for biodiversity

It became increasingly clear in 2022 that the climate crisis and the nature crisis are closely intertwined. If we take better care of the nature, we can limit global warming. Accordingly, as one of the real estate developers in Denmark, PensionDanmark took steps to develop a biodiversity strategy, 'Investment for life', which was launched in May 2022. This strategy commits us to ensure that all our investments in urban areas and new

construction projects contribute positively to biodiversity by 2030. We intend to achieve this goal through a range of specific initiatives across our value chain, from land purchases to project development, construction and operation.

As there are no recognised standards for how to document this contribution, one particular aspect of the strategy is that PensionDanmark should be able to

measure and report on our progress in protecting nature and ecosystems.

We are already working actively to mitigate the net loss of biodiversity by meeting the requirements of the DGNB Gold sustainability certification standard. With a view to ensuring high sustainability standards, we require all new builds to obtain Gold certification as a minimum.

CO₂
The construction industry is one of the world's largest climate sinners, and the Danish industry emits just over 7 million tonnes of CO₂ a year, roughly corresponding to the annual emissions from 930,000 people in Denmark.

2030
PensionDanmark is striving to become nature positive by 2030 and has committed to carbon-neutral construction building by 2050.



Crane driver Trine, BMS.

RESULTS



1,4 million sqm

PensionDanmark owns or co-owns 149 properties totalling 1.4 million sqm in Denmark.



35%

of PensionDanmark's real estate portfolio was certified or pre-certified according to sustainability standards in 2022 – a year-on-year increase of 5 percentage points.

Case Measuring biodiversity progress

We gladly take the lead in pushing the industry to assess its biodiversity impact more thoroughly. Accordingly, we have decided that six of our urban areas and all new buildings must make a positive contribution to biodiversity by 2030 – and we must be able to measure our progress along the way. The measuring method builds on the DGNB manual and has been developed in a partnership with SLA, Anel and Aaen Engineering.

Aerial photographs, field registration and mapping allow us to measure the share of the total area comprising lakes, trees, bushes, green facades, etc. Aerial photographs are publicly available, and by comparing from one year to the next, we are able to document and measure an area's development in terms of green and blue areas. This is particularly important because the lack of space and habitats for animals and insects is the primary reason for the global loss of biodiversity.

We also report on an area's biofactor. Developed by the Danish Building Research Institute, the biofactor expresses the biological activity allowed by a building site, building plot, housing area or urban district. The method for calculating the biofactor is updated regularly by researchers from the BUILD department of Aalborg University. A high biofactor allows for a high level of biodiversity, as reflected in the diversity of animal and plant species in a given area. This is particularly important because diversity of animal and plant species reduces the risk of inbreeding and makes a species less vulnerable to disease. By measuring the impact of our six real estate projects, we wish to render developments visible and create a better framework for assessing whether the projects are on track to become Nature Positive by 2030. For more information on these measurements, please refer to page 66.

5 **BEETLE AND HELIX**
We strive to create equal opportunities for men and women because diversity and equality in the companies in which we are invested provides the best possible returns and creates a better society.

Framework for social communities

Climate and biodiversity are not the only areas we focus on when we develop sustainability-certified urban areas and properties. We want our real estate projects to create value for members, society and residents – not just today, but also in 5, 15 and 25 years' time. Sustainability-certified properties have low heating and maintenance costs and a healthier indoor climate, a benefit for the residents. Also featuring environmentally friendly and reused materials and limited CO₂ emissions, our properties are in high demand. This makes PensionDanmark's sustainability-certified properties a lucrative and less cyclical investment, ensuring robust returns for our members.

Launching the 'Virke' housing concept, a modern version of multi-occupied homes for senior citizens, PensionDanmark took pioneering steps in expanding the framework for social communities in 2022. In simple terms, residents

aged over 50 live in smaller housing units and share common facilities, and are part of the design process. We believe this creates value for the residents and makes the housing units more attractive. The Virke concept has already been rolled out in projects in Køge and the Trælåsten district in Aarhus.

PensionDanmark also aims to develop the care centres of tomorrow under a concept called "Livsstilsbolig Pleje" (lifestyle care homes), which lays down the framework for modern housing units with community and flexibility in focus. The intention is to roll out the concept to municipalities across Denmark, combining the municipalities' eldercare expertise with PensionDanmark's expertise in developing sustainable housing and communities – with the aim of creating value for residents, the surroundings and PensionDanmark's members.

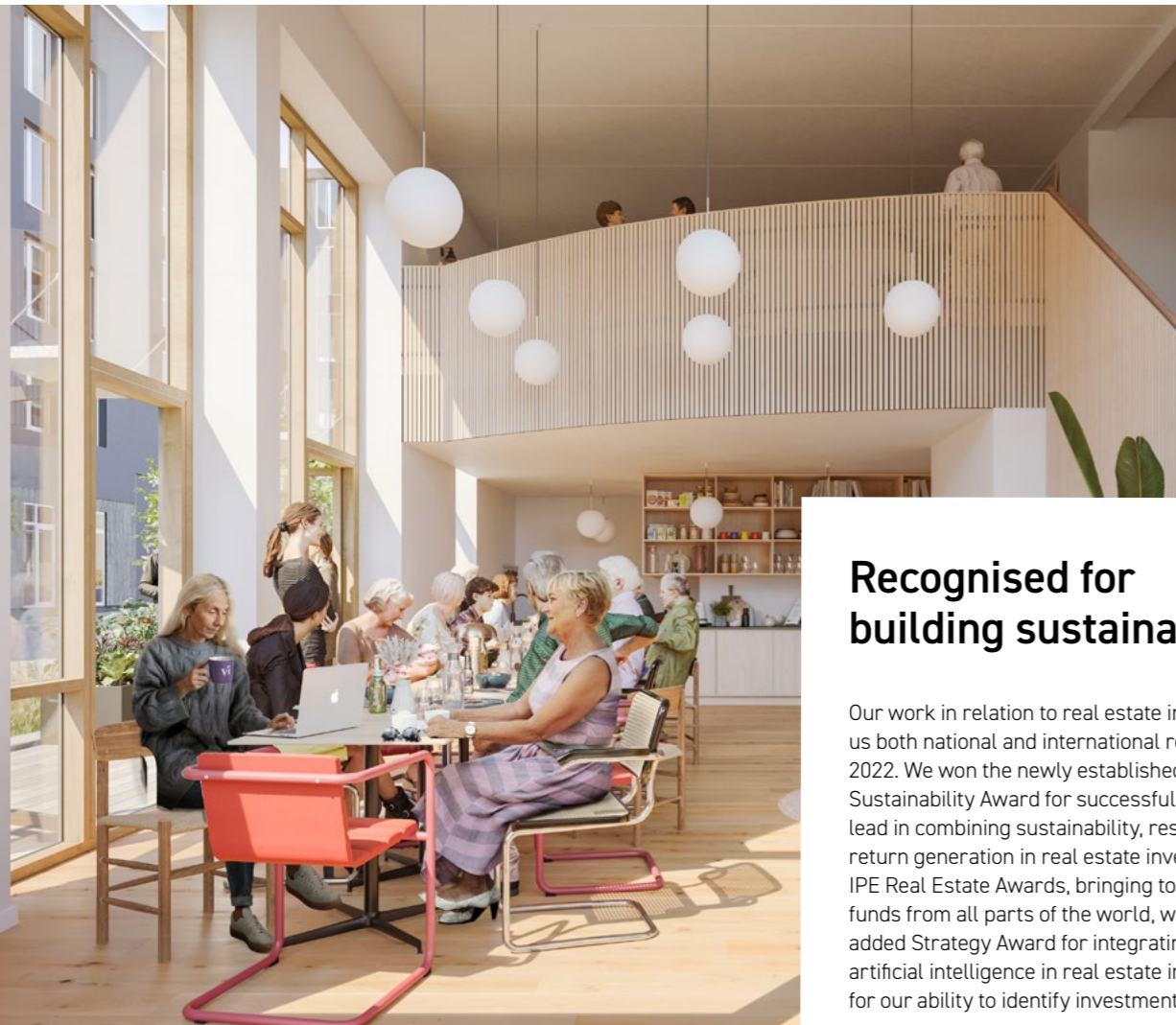


Illustration of Virke-Teglgården in the Trælåsten urban district in Aarhus.

Recognised for building sustainably

Our work in relation to real estate investments won us both national and international recognition in 2022. We won the newly established EJENDOM2022 Sustainability Award for successfully taking the lead in combining sustainability, responsibility and return generation in real estate investment. At the IPE Real Estate Awards, bringing together pension funds from all parts of the world, we won the Value-added Strategy Award for integrating data and artificial intelligence in real estate investment and for our ability to identify investments with potential.



The Virke housing concept

The basic idea behind the Virke concept is that a strong sense of community among residents helps prevent social inequality and loneliness. We choose solutions that have a measurable impact on climate and environmental footprints and at the same time foster social sustainability. The housing units are certified to the DGNB Gold standard as a minimum and focus on four key values:

Climate

We build homes with a smaller climate impact. By using wood and recycled materials, we have already realised

the national target of a 70% reduction in carbon emissions by 2030.

Nature

We build nature-friendly homes, designing housing units and outdoor spaces with room for people, insects, birds and animals.

Health

We build homes using simple solutions and healthy materials. We build without using harmful chemicals,

and our homes make it easy to combine individual comfort with low energy consumption.

Resources

We create communities in which resources are used and reused with care. We build circularly, using local materials and suppliers – and we use local and renewable energy sources and recycle resources on site or through local networks.

Case Sustainability-certified community

More and more senior citizens choose to live in multi-occupied homes where community experiences can be found right outside their own door. One example of such a community is Balancen, consisting of 33 housing units for the 50+ segment in Ry in eastern Jutland. The community includes shared facilities with a kitchen-dining room, a workshop, guest rooms, an office and an orangery.

Together with the architects, the first residents have helped design the shared facilities and outdoor spaces. As a Balancen resident, you can help create the culture and activities that will define the community. And given that the project has obtained DGNB Diamond certification, which differs from DGNB's other sustainability standards by also including an architect's assessment, the residents of Balancen have documentation that their homes meet the highest standards in terms of not only sustainability but also architecture and aesthetics. Balancen is the first private construction project and only the second housing project to obtain Diamond certification. The project also won the Skanderborg Municipality and Skanderborg Museum Association's joint architectural award in 2022 for its inspiring, high-quality residential architecture.

The plan is for Balancen's age distribution to be 40% between 50-65 years, 40% between 65-75 years and the remaining 20% at 75+ years. The youngest current resident is 52 years old and the oldest 90.



PensionDanmark contributes to strengthening national and regional urban planning and to making urban growth more inclusive and sustainable.



Virke-Balancen, Kildebjerg Ry.

RESULTATER



7,7 kg/m²

I 2022 har vores ejendomme i Danmark reduceret den samlede CO₂-udledning pr. m² fra 11,8 kg i 2019 til 7,7 kg.



43,7 pct.

af PensionDanmarks ejendomsportefølje lever op til EU-taksonomiens energikrav. En stigning fra 38,6 pct. i 2021.

A photograph of two men in a modern office setting, viewed through horizontal window blinds. The man on the left is wearing a white shirt and glasses, and the man on the right is wearing a blue checkered shirt and glasses. They are both looking at a laptop screen. The background shows a bright, open-plan office with large windows and a high ceiling with exposed beams.

EMPLOYEES

As a member-owned, collective agreement-based labour market pension fund, we hold ourselves to high standards in terms of social responsibility and sustainability – both when investing our members' savings and in relation to our own sustainability and operational responsibility.

As part of our focus on sustainability, we measure our own carbon emissions. In 2022, we measured carbon emissions in connection with commuting, distance working and operations, among other things. These data enable us to gradually reduce our carbon footprint.

Sustainability begins with us

At PensionDanmark, sustainability extends from the companies we are invested in all the way to how we build – and naturally also to us, our offices and our day-to-day operations. [L2](#)

Our climate accounts have disclosed purchases and in-house services since 2021. The 2022 climate accounts provide insight into our purchases, including which areas have the greatest impact on our climate footprint. We have opened sustainability dialogues with suppliers in our various areas ("food and canteen", "services" and "IT services and software"), which has resulted in concrete initiatives and the drafting of a sustainable procurement policy applying across PensionDanmark.

We measure and document our climate footprint because measurements of our efforts and impacts indicate whether we are on the right track, creating a basis for improving performance and raising ambitions. "You get what you measure" is our guiding principle.

Bringing down our own climate footprint through new initiatives

At our head office on Langelinie Allé, we have launched a range of sustainability initiatives aligned with our commitment to reduce our overall climate footprint and be a sustainable

workplace. We have replaced fluorescent lighting in our basement and installed automatic off switches, which have reduced our power consumption. To cut heating consumption, we have refurbished all window seals, lowered the room temperature and adjusted sunblind movements during the winter months to boost energy efficiency when heating the building.

In 2022, we also focused on what employees can do to reduce our carbon footprint. We have onboarded a new "employee" – a sustainability figure representing the average PensionDanmark employee. The figure makes us more aware of how we all impact the environment and how we can do better by working together. We will use data to change how we manage our premises and also to nudge our employees to sort waste, print less, etc. The entire organisation agrees that we should all focus more on what we can do at an individual level to reduce our climate impact.

Case Julius addressed our own ESG data

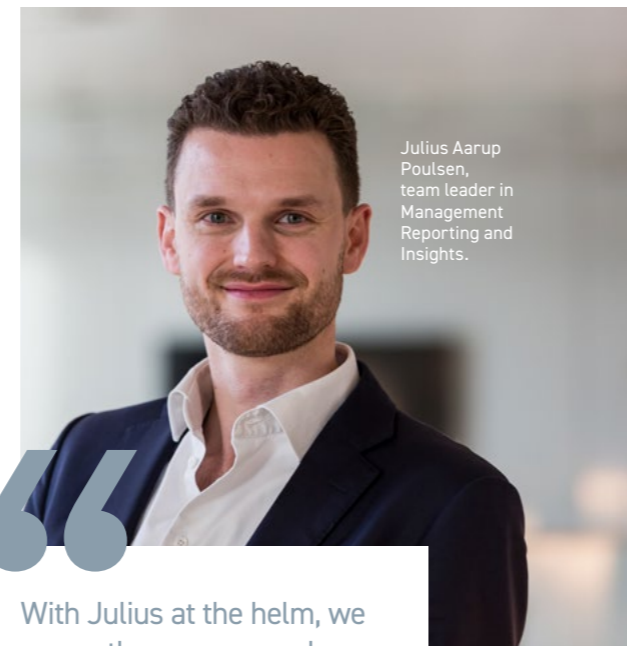
Julius Aarup Poulsen, team leader in Management Reporting and Insights, began his career at PensionDanmark as a finance business partner in charge of member cost accounts. Noting PensionDanmark's growing focus on ESG, Julius suggested that it might be relevant to broaden our measurements and incorporate more in-house ESG key figures to make data the basis of action plans in relation to building operations and supplier partnerships.

We currently measure carbon emissions in connection with building operations, commuting and purchases from external suppliers with a view to also reducing our in-house carbon footprint.

"Continually developing our methods based on trial and error is exciting and

stimulating. We try new things and are inspired by our networks in other Danish companies."

His and his team's ESG efforts getting exposure both in the management team and across the organisation is a motivating factor for Julius. "There's widespread support for involving suppliers so we can extend our impact beyond our own four walls. Data provide insight as to what we can and can't control. A purchase is not just an expense in the financial statements. It also comes with a responsibility in terms of who we choose to work with, how it impacts our value chain and whether we could take responsibility for our surroundings by helping suppliers contribute to the green transition."



Julius Aarup Poulsen,
team leader in
Management
Reporting and
Insights.

“With Julius at the helm, we currently measure carbon emissions in connection with building operations, commuting and purchases from external suppliers, the ultimate aim being to also reduce our own carbon emissions.”



Our service provider, Partneren, uses eco-labelled and perfume-free cleaning products for daily cleaning. Together, we focus on limiting the use of detergents. All service personnel are trained in correct dosing to avoid overconsumption.”



Tina Huldahl Lænkholm,
Facility & Workplace Manager,
with Millicent from Partneren.

Sustainable supplier partnerships

By estimating carbon emissions from our purchases, we get an indication as to where we can do more, for example by nudging suppliers in a more sustainable direction.

One example is our close collaboration with service provider Partneren, whose service personnel not only empty litter bins and keep our premises clean and tidy, but also play a role in making our own operations more sustainable and environmentally responsible.


“Our consumption of paper and soap in the lavatories and our waste sorting efforts all influence our environmental impact. Working with Partneren, we now have a really good grasp of those data, and we also discuss lighting and water consumption with them. Collaboration

like this is a learning opportunity for both parties and helps us constantly move in a more sustainable direction together,” says Tina Huldahl Lænkholm, Facility & Workplace Manager.

Catja Winther, CEO of Partneren, is also very pleased with the venture. “PensionDanmark is agile and ready to embrace change. They listen to new ideas and are prepared to invest in sustainable solutions like waste sorting stations and soap dispensers made from recycled plastics. Our collaboration is very much data-driven, and we have a full overview of such things as paper and bag use and the chemicals in detergents. Together, we use those data to set new targets for reducing total carbon emissions.”

RESULTS

 **336**
employees in
PensionDanmark,
43% women.

 **12%**
reduction in our elec-
tricity consumption
in 2022, driven by
a range of sustain-
ability measures at
PensionDanmark's
domicile.

Employee engagement a boon to PensionDanmark

PensionDanmark is a modern and environmentally conscious workplace. We emphasise that everyone in our organisation should be aware that, ultimately, members getting the most out of their pension schemes is at the centre of everything we do.

Working at PensionDanmark should be exciting and stimulating, which is why our organisational structure is flat and focused. This ensures a short decision-making path focused on working for the benefit of our members whether that be on day-to-day tasks or major projects.

PensionDanmark's employees are highly professional and an important resource that we take good care of via a variety of healthcare initiatives and more. In addition, our canteen offers healthy and varied lunches and afternoon snacks.

PensionDanmark's employees are also backed by a corporate culture where regular competence development ensures they have the required skills to handle current and future tasks and challenges.



Facility assistant René Berthelsen is in charge of technical operations at PensionDanmark's offices.



Emilie W. S. Ljungqvist is a UX Designer and in charge of PensionDanmark's user panel.

Case Emilie engages members in developing our services

Emilie Ljungqvist is a UX designer at UX & Digital Platforms, where she is in charge of engaging our members in developing new products and services – especially PensionDanmark's digital platforms, where redesigned versions of our app and our member service website (pension.dk) will be launched in Q1 2023. Emilie reaches out to members to gain input on their needs and preferences.

"Basically, it's a question of listening and then trying to satisfy their requests for making our products and services easier to use. It's an exciting process, and our members are very committed and eager to provide input and potential solutions. We often learn something new because many of our members don't work from a computer and therefore think differently than we tend to assume. I analyse the insights we gain and incorporate them into the development process while working closely with IT and the rest of the organisation."

A 3,000-member user panel is a new initiative from Emilie and her team. The panel gives PensionDanmark ready access to a group of members who have joined the panel on their own initiative because they are keen to be involved in the development of future products, services and digital self-service solutions.

"The user panel is a huge asset for our work because it enables us to accelerate the number of member-involving activities across the organisation. We engage the members of the user panel four to six times a year via user tests, interviews, workshops, etc. The frequent input enables us to continually improve our products and services. Being able to make a difference to our members in this way is highly fulfilling."

Case Making a difference for our members

Member adviser Christina Foged Torp Larsen is a part of PensionDanmark's member services team comprising 25 skilled and experienced advisers. She enjoys the direct contact with members, who call to ask all sorts of questions.

"Members call to inquire about what options they have with their insurance schemes, about additional contributions or benefit payments, and much else besides. Having excellent tools and an adviser portal that provides a 360-degree overview of our members enables us to give sound advice."

Christina will often provide advice that extends beyond a member's specific inquiry.

"It's important that our members are aware of the options they have under their pension schemes, so we might explain the advantages of combining their pension schemes in one bundle, or help them log in to our website – pension.dk – where they can import data from Pensionsinfo into our calculation tool and get an overview of their financial situation when they retire. This is often an eye-opener that provides great reassurance."

Christina Foged Torp Larsen has been part of PensionDanmark's experienced member services team for more than 14 years.



To give members the best possible service, Christina uses her colleagues – both inside and outside her own department – as a sounding board.

"Being able to discuss complicated matters with highly competent and professional colleagues is extremely valuable, and often we also consult with our healthcare teams and our social workers. This allows us to service our members much more broadly. We can clearly feel we make a huge difference for them, and that makes the job very fulfilling."

Case René knows every nook and cranny of our building

A facility assistant with PensionDanmark for almost 15 years, René Berthelsen knows every nook and cranny of the building and is familiar with every technical installation. René is in charge of technical operations at PensionDanmark's offices. He liaises with builders and handles renovations, workstation relocations, etc. René has also played a key role in lowering the building's carbon emissions from the consumption of electricity, water and heating.

"There's a lot we can do. In 2022, we installed automatic light switches on all floors, replaced all toilets, lowered the room temperature and refurbished all window seals. Seeing our measures

make a real impact on our carbon emissions is very rewarding."

René is also the one with a clear picture of our minute-by-minute consumption of electricity, water and heating thanks to the so-called digital twin we installed in early 2022 to monitor all consumption.

"It gives us a pretty accurate picture of our consumption. The system will spot a running toilet on the third floor, for example. We're also alerted if power consumption unexpectedly spikes somewhere in the building, so it's been really helpful in reducing our consumption."

An aerial photograph of a multi-story building under construction. The building's concrete frame is visible, with multiple levels of balconies or walkways. Each level is enclosed with metal safety railings. A worker in a bright orange safety suit and helmet is pushing a wheelbarrow across the ground floor. The ground is a mix of concrete and dirt, with some construction materials and equipment scattered around. The overall scene is one of active construction.

PROGRESS AND AMBITIONS

Accurate and transparent measure of efforts and impact illuminates progress. Regardless whether things are moving in the right or the wrong direction, this creates a basis for improving performance and raising ambitions.

To ensure that PensionDanmark continues to move in a more sustainable direction, we started reporting on our climate impact back in 2019, disclosing ESG data based on the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society. These guidelines provide a tool for measuring the impact of our activities and define the framework for the use of uniform ESG key figures.

Tracking progress

We add new targets and key figures to our ESG reporting as methods and data improve. In 2022, we set targets for the period up to 2030 and included additional environmental data in our list of ESG key figures.

According to our new climate targets, we must reduce emissions from our listed equities and corporate bonds by 62% relative to 2018 by 2030. We also included two new indicators in our reporting on the EU Taxonomy – one relating to biodiversity and one relating to due diligence procedures to identify, prevent, mitigate and address negative human rights impacts.

Our ambition is to be ahead of the curve on reporting, and we contribute to the development of methodologies on an ongoing basis in Danish and international forums.

The E is the most important element of our reporting – especially indirect carbon emissions from our investment portfolios, which account for 99.5% of our total emissions. Over the past few years, we have therefore focused on expanding the basis of our reporting, and our carbon measurements now comprise seven asset classes, corresponding to almost 80% of our total investments compared to 25% in 2019. This gives us the best possible foundation for measuring our impact on the world.

We use ESG data actively in our daily work; to set the course and pinpoint the challenges that come with social responsibility, to qualify our active ownership and to steer our portfolio companies in a more sustainable direction. We wish to be transparent about both our inclusion and exclusion decisions and about the potential negative impacts and challenges that may follow.

Dilemma How do we include all emissions in our reporting?

We need ambitious and relevant targets for the reduction of carbon emissions to mitigate the climate crisis. Accordingly, we have set new reduction targets for the period up to 2030 for our listed equities and corporate bonds. The targets concern the companies' direct emissions (scope 1) and their indirect emissions from purchased energy, e.g. electricity and heating (scope 2). Our companies' other indirect emissions (scope 3) are not included in our climate targets for the portfolio of listed equities and bonds, as this would lead to double counting. For example, emissions from investments in the transport and energy sectors would be included twice and sometimes even three times in our total financed emissions portfolio's total carbon accounts.

Example: The truck manufacturer and the oil producer supply vehicles and fuel, respectively, to the transport company, which uses them for its business activities. Emissions

from these business activities should not only be included in the transport company's direct emissions, but also in the climate accounts of both suppliers if scope 3 emissions are included. If PensionDanmark is invested in all three companies, the direct emissions of the transport company would be included three times in our climate accounts.

There is no easy solution to avoiding double counting, and international consensus to ensure an accurate data basis is still lacking.

As most of our portfolio companies' emissions are scope 3, particularly

those of emission-heavy sectors, we measure and monitor emissions at company and sector level, and we expect companies to set targets for these emissions. Moreover, in 2020, we added sector targets, including scope 3, for four high-emission industries – oil and gas, utilities, cement and shipping – to our portfolio targets. We aim to add at least one new sector target in 2023.

Scope 3 is also included when we qualify our active ownership in terms of our companies' plans for the transition to a net-zero emissions economy by 2050.

Scope 3	Direct emissions	Indirect emissions	Total CO ₂ e financed by PensionDanmark
Transport company	200	100	300
Lorry manufacturer	50	200	250
Oil producer	50	200	250
PensionDanmark	300	500	800

The road to a climate-neutral investment portfolio by 2050

25% of investment portfolio
Listed equities included in carbon emission measurements.

50% of investment portfolio
Corporate bonds, private equity and real estate added to carbon emission measurements.

60% of investment portfolio
Private debt and infrastructure added to carbon emission measurements.

80% of investment portfolio
Danish mortgage bonds added to carbon emission measurements.

2019

2020

2021

2022

2024

2030

2050

Reporting of ESG data and independent auditor's opinion.

First reporting in accordance with the PAI indicators of the Disclosure Regulation.

Reporting of biodiversity metrics for real estate projects. Reporting in accordance with the Disclosure Regulation and the Taxonomy Regulation.

45% reduction in the carbon footprint of listed equities and corporate bonds relative to 2018.

62% reduction in the carbon footprint of listed equities and corporate bonds relative to 2018.

Carbon-neutral investment portfolio

Key ESG data

Environmental data	Unit	Target 2025	2022	2021	2020	2019	2018
CO₂e emissions from company:							
CO ₂ , scope 1 ¹	Tonnes	20.3	74	45	42	79	-
CO ₂ , scope 2 (market-based) ²	Tonnes	61.5	33	67	58	82	290
CO ₂ , scope 2 (location-based) ²	Tonnes		174	212	213	301	290
Energy consumption (scope 1 + scope 2) ³	GJ		7,930	9,154	7,247	8,458	7,634
Renewable energy share (scope 2) ³	%		81.0	82.2	78.2	73.3	42.7
CO₂e, scope 3, estimated							
C1: Purchased goods and services ¹	Tonnes		6,103	6,674	6,229	5,420	-
C2: Capital goods ^{2,4}	Tonnes		1,145	2,524	2,870	-	-
C5: Waste ¹	Tonnes		1.2	1.2	1.1	1.2	-
C6: Business travel ¹	Tonnes		93.3	15.4	44.2	117.6	-
C7: Employee commuting ^{2,4}	Tonnes		126.8	122.5	112.7	-	-
C15: Investments ²	Tonnes of CO ₂ e		1,499,314	1,681,892	1,099,284	966,996	540,980
CO ₂ e, scope 3, total	Tonnes		1,506,783	1,691,229	1,108,541	972,535	540,980
Other company-related environmental data:							
Water consumption	m ³		2,809	2,769	2,552	3,150	3,040
Social data							
Full-time staff	FTE		336	321	291	261	246
Gender diversity	%	50.0	43.3	43.8	43.7	44.0	43.3
Gender diversity, other management tiers	%	50.0	43.5	43.9	44.3	45.2	41.6
Gender pay gap	Times		1.2	1.3	1.3	1.3	1.4
Staff turnover	%		18.7	18.1	12.0	15.7	17.9
Sickness absence	Days/FTE	4.5	7.1	6.8	4.7	6.6	7.0
Taxes paid	DKKm		5829	2,362	3,565	298	2,826
Governance data							
Gender diversity, Board of Directors	%	30.0	22.2	27.8	23.5	23.5	18.8
Board meeting attendance	%	95.0	91.0	95.0	85.0	82.0	88.0
Salary gap between CEO and employees	Times		8.9	8.9	8.7	8.6	8.5

¹ Data not available for key indicator measurement in 2018.

² Scopes 2 and 3 data (C2, C7 and C15) for all five years are reported under changed accounting policies.

For more information and definitions, please see accounting policies for key ESG data.

³ Energy consumption and renewable energy share are calculated based on scope 2 market-based.

⁴ Data not available for key indicator measurement in 2018-2019.

Elevating sustainability

Our 2022 ESG data clearly reflect the impact COVID-19 lockdowns and restrictions had on PensionDanmark's activities the year before. In 2022, the mileage travelled by employees using their own cars for business purposes went up, pension and healthcare advisory buses were back on the road, and business travel by air bounced back following a period of restrictions in 2021.

We are starting to see the effects of a range of sustainability initiatives implemented at our offices. In 2022, we replaced fluorescent lighting in our basement and installed automatic off switches for lights, reducing our electricity consumption by 12% relative to 2021. We also refurbished all window seals and lowered the room temperature, significantly reducing energy consumption for heating. We reduced our total carbon footprint by about 18% relative to 2021. Our water consumption increased by 1.5% in 2022 compared with 2021, which was less than expected given that the 2021 numbers were affected by the lockdown of our offices and our headcount has increased. To optimise water consumption, we replaced a number of toilets and installed water-saving shower facilities in 2022.

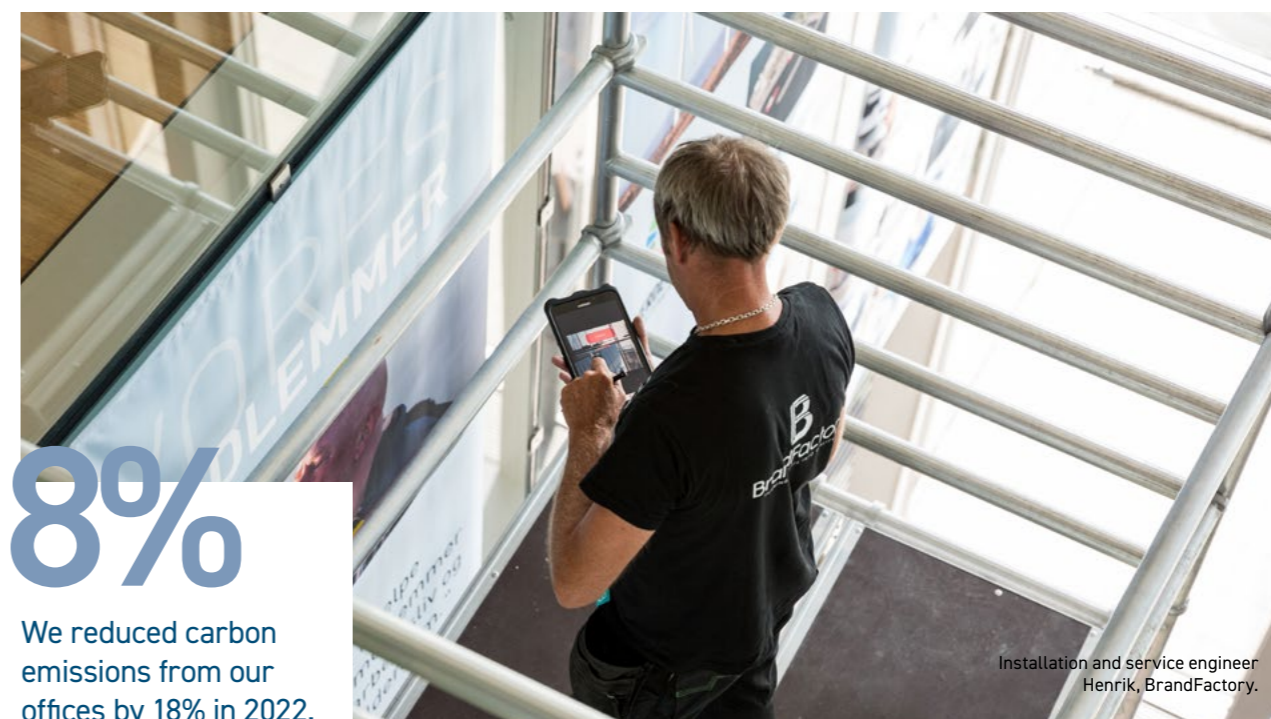
In 2022, we expanded our ESG reporting to include the calculation of carbon emissions from capital goods, reflecting emissions from the work of external suppliers on plant under development, primarily related to IT. Developing a new and even more user-friendly design for pension.dk was our main

project in 2022. The new design is about to be launched, for the benefit of our members.

Employee numbers increased by a net 15 compared with 2021. The rate of staff turnover was 18.7%, unchanged compared with last year but somewhat higher than in 2020, when it was exceptionally low due to the COVID-19 lockdown. Gender diversity for the entire organisation and for other management tiers fell slightly relative to 2021. The gender pay gap, measured by median salaries, narrowed to 1.2 in 2022.

IOT

We use the Internet of Things (IoT) to collect building operations data by means of sensor technology and to gain an overview of optimisation potential, e.g. the potential effect (in kWh, DKK, CO₂) of various measures.



18%

We reduced carbon emissions from our offices by 18% in 2022.

Installation and service engineer
Henrik, BrandFactory.

Key ESG data

Environmental data		Target	Target				
- carbon footprint of investments:		2030	2025	2022	2021	2020	2019
	Unit						
CO₂ emissions from listed equity portfolio:							
Total emissions	Tonnes of CO ₂ e			528,084	727,640	529,224	536,994
CO ₂ footprint	Tonnes/DKKm	<4.4	<6.3	6.2	6.9	6.3	8.4
CO ₂ intensity	Tonnes/DKKm			14.3	19.9	18.9	20.6
Weighted average carbon intensity	Tonnes/DKKm			15.6	18.5	19.4	18.4
CO₂ emissions from corporate bond portfolio:							
Total emissions	Tonnes of CO ₂ e			527,770	551,281	428,185	372,108
CO ₂ footprint	Tonnes/DKKm	<14.5	<20.7	22.8	22.6	24.1	23.9
CO ₂ footprint, excl. green bonds	Tonnes/DKKm	<12.6	<18.0	19.6	20.9	22.2	22.9
CO₂ emissions from private equity portfolio:							
Total emissions	Tonnes of CO ₂ e			74,969	57,096	40,896	47,863
CO ₂ footprint	Tonnes/DKKm	<2.9	<4.1	3.3	3.7	4.1	5.9
CO₂ emissions from private debt portfolio¹:							
Total emissions	Tonnes of CO ₂ e			77,542	92,263	90,827	-
CO ₂ footprint	Tonnes/DKKm	<5.5	<6.4	5.5	7.3	9.2	-
CO₂ emissions from infrastructure portfolio²:							
Total emissions	Tonnes of CO ₂ e			177,485	121,968	-	-
CO ₂ footprint	Tonnes/DKKm	<7.5	<9.0	10.3	10.5	-	-
Danish mortgage bond portfolio²:							
Total emissions	Tonnes of CO ₂ e			107,104	123,724	-	-
CO ₂ footprint	Tonnes/DKKm	<1.8	<2.3	2.6	2.7	-	-
CO₂ emissions from real estate portfolio:							
Total emissions				6,360	7,920	10,152	10,031
CO ₂ footprint	Tonnes/DKKm	<0.3	<0.35	0.3	0.3	0.5	0.5
CO ₂ intensity	kg/sqm	<6.9	<8.0	7.7	8.9	11.6	11.8
Total CO ₂ footprint of equities and corporate bonds	Tonnes/DKKm	<6.4	<9.1 ³	9.8	9.8	9.4	11.4
Total CO ₂ footprint of equities and corporate bonds, excl. emissions from green bonds	Tonnes/DKKm	<6.2	<8.9 ³	9.1	9.5	9.1	11.2
Total CO ₂ footprint of investment portfolio	Tonnes/DKKm			6.6	6.9	7.7	8.8
Ownership of green infrastructure, capacity ⁴ :	MW		1,300	952	893	1,108	961
Avoided CO ₂ emissions from ownership of green infrastructure, estimated ⁴	Tonnes of CO ₂	>2,000,000		1,309,478	1,511,358	1,902,220	2,297,000
Cumulative renewable energy capacity expansion since 2021	MW	800		254			

¹ Data not available for key indicator measurement in 2019.

² Data not available for key indicator measurement in 2019-2020.

³ Asset Owner Alliance goals relating to 2024.

⁴ PensionDanmark has not set any targets for key indicator beyond 2025, but has instead set targets for the development of new renewable energy capacity.

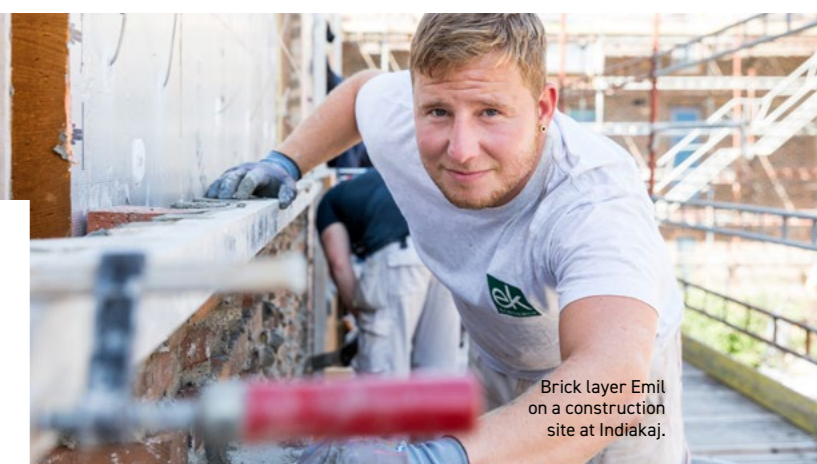
Reduced footprint per krone invested

Our choice of investments affects the world in the form of carbon emissions that impact adversely on the climate, but also in the form of investments in sustainable solutions and visionary companies that can help drive the transition towards a more sustainable society. To ensure PensionDanmark continues to move in a greener and more sustainable direction, we started reporting on our climate impact back in 2019. Since then, we have added more asset classes, guidelines and targets for selected ESG key figures in order to continuously

improve our reporting and make it more specific. Indirect carbon emissions from our investment portfolios account for 99.5% of our total emissions. Our absolute emissions are expected to increase over the next five to ten years because of growing investments as contributions are expected to outpace benefits paid. However, we aim to reduce our carbon footprint in terms of emissions per million kroner invested by 2025.

99.5%

Indirect carbon emissions from our investment portfolios account for 99.5% of our total emissions.



Brick layer Emil on a construction site at Indiakaj.

On track to deliver on climate objectives

In 2022, we added danish mortgage bonds to our carbon measurements for both 2022 and 2021, so our climate accounts now encompass almost 80% of our total investments – one of the highest ratios in the industry. Mortgage bonds finance residential and non-residential properties in Denmark, which typically emit less CO₂ than the economic activities of other sectors, such as the cement and shipping industries. Accordingly, the extended coverage has led to a decline in PensionDanmark's total carbon footprint compared with 2020.

Listed equities and corporate bonds account for most of the CO₂ emissions from PensionDanmark's investment portfolio (70% in 2022) and has some of the largest footprint. The combined climate footprint of the two asset classes fell from 11.4 tonnes of CO₂ per million kroner invested in 2019 to 9.8 tonnes in 2022, which means we are only 7% from achieving our short-term target of 9.1 tonnes of CO₂ per

million kroner invested before 2025. In the longer term, we aim to reduce the climate footprint from the two asset classes even further, to below 6.4 tonnes of CO₂ per million kroner overall by 2030. The decline reported in 2022 was largely driven by the sale of listed equities in two high-emission sectors, industrials and materials.

Our real estate portfolio also reported a lower carbon footprint (kg/sqm) and lower absolute emissions in 2022, which means we have already achieved our 2025 target for the real estate portfolio's carbon footprint. The decline was driven mainly by the divestment of our ownership interests in the CO₂-heavy, low-energy-efficiency Magasin (department store) properties. Moreover, we have focused our real estate investments in PensionDanmark-developed urban areas and non-residential properties and have inaugurated a number of new energy-efficient properties in 2022, including the new DFDS head office at Nordhavn.

Dilemma How do we estimate the climate footprint of green corporate bonds?

PensionDanmark has to a larger extent invested in green corporate bonds, where the proceeds are earmarked for green purposes such as the funding of renewable energy projects. These investments can help preparing the companies to the transition to a carbon-neutral economy, which makes good sense to us as investors, and at the same time contributes to the sustainable development.

However, no common method for measuring the climate footprint of green bonds is in place yet. For purposes of PensionDanmark's climate accounting, we treat green bonds as ordinary corporate bonds, allocating a portion of the issuer's CO₂ emissions to them. In line with common principles for the allocation of CO₂ emissions, this also reflects the potential time lag between the issuance of the bonds and the actual reduction of emissions.

However, this method may blur developments in the climate impact of PensionDanmark's investments. Some 70% of our green corporate bonds have been issued by companies in high-emission industries such as utilities and energy. The method therefore results in growing investments in green corporate bonds adding to the total emissions and to the portfolio's carbon footprint, all else being equal.

To take into consideration the impact of green bonds, PensionDanmark discloses the carbon footprint of the total portfolio both including and excluding emissions from green bond issuances. Excluding of emissions from green bonds, the footprint was reduced compared with last year.

Dilemma Will we have to prioritise between the green transition and robust returns going forward?

Russia's invasion of Ukraine and the crises the war has spawned directly affect how we invest our assets of some DKK 300 billion. With bonds generating zero yields in recent years, PensionDanmark had turned to alternative investments such as infrastructure and real estate. However, as interest rates and yields soared in 2022, new bond investments have made a comeback, with expected returns looking increasingly attractive compared to those from alternative investments. This means some of the infrastructure and real estate investments that were realistic three years ago will not be completed in the coming years.

A growing proportion of new bond investments will probably be directed at sustainable purposes (for example green bonds), but alternative investments are still crucial to reaching the climate goals of the Danish government and the Paris Agreement. In the next few years, the challenge will therefore be to balance achieving climate objectives and investing in green infrastructure against generating the best possible returns for our members. We aim to overcome this challenge by increasing our investments in new green technologies – for while these investments may carry a greater risk, they also offer better return potential.



Krøll Cranes

2 MILLION TONNES OF CO₂

It is our ambition to help avoid 2 million tonnes of CO₂ emissions through our ownership of green infrastructure by 2025.

Drop in avoided emissions from ownership of green infrastructure

Emissions avoided through our ownership of green infrastructure dropped from 1.5 million tonnes in 2021 to 1.3 million tonnes in 2022. The decline was driven primarily by the sale, through Copenhagen Infrastructure Partners (CIP), of a number of wind farms to other investors, as a result of which PensionDanmark's ownership of green power generation capacity fell.

At the same time, 14 new plants (primarily solar and wind) remain under construction, with some only partially connected to the local power grid, while others have not even begun generating power. In contrast to 2021, which was a poor wind year, winds normalised in 2022, resulting in PensionDanmark's Danish wind turbines in Nysted and on Anholt producing more green power to the benefit of our members and Danes generally.

Dilemma Reporting on ownership of green infrastructure and avoided CO₂ emissions

Our ambition is to help avoid 2 million tonnes of CO₂ emissions through our ownership of green infrastructure by 2025. To avoid counting the same CO₂ reductions twice, rules have been established at international level for how avoided CO₂ emissions and actual emissions should be calculated. Under these rules, when a wind farm is sold, for example, PensionDanmark cannot include the wind farm's avoided emissions in our CO₂ accounts because we no longer have an ownership stake in the wind farm.

Operating green infrastructure has become less lucrative, while assuming the risk associated with developing green infrastructure projects has become more lucrative. For this reason, our business partner, CIP, has started divest wind farms just a few years after they have started generating green power, leaving us with a lower amount of avoided CO₂ emissions to book in our accounts.

Between 2014 and 2021, PensionDanmark funded 775 MW of new green power capacity through three CIP funds alone while divesting assets corresponding to a capacity of 292 MW during the same period. Even if faster divestment impacts on our reporting of avoided CO₂ emissions, we will continue to fund the installation of more green infrastructure around the world in order to contribute to the green transition. Moreover, thanks to our many years' experience, we will still be able to generate solid returns for our members' pensions.

Consistent objectives bolster credibility

Consistent climate and environmental objectives are critical to strengthening the comparability and credibility of the sector's climate reporting. This was one of the recommendations issued by the climate partnership for the financial sector, which is chaired by Torben Møger Pedersen, PensionDanmark's CEO. Based on this recommendation, Insurance & Pension Denmark in 2021 issued industry recommendations defining a set of common climate action indicators. A consistent approach to objectives and reporting is critical to achieving Denmark's

climate commitment of a 70% reduction in carbon emissions by 2030 and climate neutrality by 2045.

At PensionDanmark, we have opted to report on all the indicators and strongly support the inclusion of the industry's active commitment to climate action in the reporting. This enables investors to genuinely and significantly contribute to minimising climate change.

Climate reporting						
Active commitment to climate action	Unit	2022	2021	2020	2019	2018
Active ownership¹:						
Climate change dialogues	Number	263	240	190	134	108
Of which own dialogues	Number	10	-	-	-	-
Of which dialogues via ESG rating agency or the like	Number	253	-	-	-	-
Properties aligned with EU sustainability criteria^{2,6}						
Existing buildings	%	35.2	32.2	-	-	-
New buildings (until commencement of use)	%	100.0	100.0	-	-	-
Total real estate portfolio	%	43.7	38.6			
Sustainability-certified properties						
Existing buildings	%	26.4	20.0	17.8	19.6	18.4
New buildings (until commencement of use) ³	%	97.4	97.1	89.4	100	87.46
Sustainability of business models²						
Investments aligned with EU sustainability criteria						
Equity portfolio ⁴	%	5.2	5.6	-	-	-
Corporate bonds ⁵	%	8.8	7.9	-	-	-
Real estate portfolio ⁶	%	43.7	38.6	-	-	-
Infrastructure ⁷	%	57.0	54.0	-	-	-

¹ A response must have been received to the company's inquiry to qualify as dialogue.
² Data not available for key indicator measurement in 2018-2020.
³ The assessment of whether PensionDanmark's new buildings are certified sustainable is based on pre-certifications.
⁴ Proportion of PensionDanmark's equity portfolio aligned with EU sustainability criteria, in terms of revenue, based on MSCI estimates.
⁵ The proportion of PensionDanmark's corporate bond portfolio aligned with EU sustainability criteria is an estimate based on whether a bond complies with ICMA's green bond principles.
⁶ Proportion of PensionDanmark's real estate portfolio aligned with EU sustainability criteria based on data concerning the property's energy efficiency. The assessment does not consider the 'do no significant harm' or 'minimum social safeguards' criteria due to unavailability of relevant data.
⁷ The proportion of PensionDanmark's infrastructure portfolio aligned with EU sustainability criteria is stated as ownership of green energy infrastructure deemed to do no significant harm to other environmental objectives and to comply with minimum social safeguards.

Active ownership progress

As active owners, we engage in dialogue with companies on their challenges and problems rather than simply exiting our investment. Constructive dialogue enables us to drive positive change, even when circumstances are difficult. The purpose of these dialogues is to remedy objectionable conditions, but they also serve to give us greater insight into a company's business model, including how it contributes positively to its customers and society at large. This is what ultimately decides whether an investment is attractive for PensionDanmark.

In order to measure the impact of our work, we set specific milestones for the dialogue conducted with companies. These milestones may concern increased transparency through the reporting of climate risks or the definition of targets for improved representation of certain ethnic groups or women in management positions. In 2022, we achieved progress on company dialogues concerning labour rights and human rights. These dialogues accounted for 25% of the total number of dialogues conducted in 2022, second after environment and climate. Most of our dialogues still concern environmental and climate issues, and we intensified our dialogues on those issues in 2022.

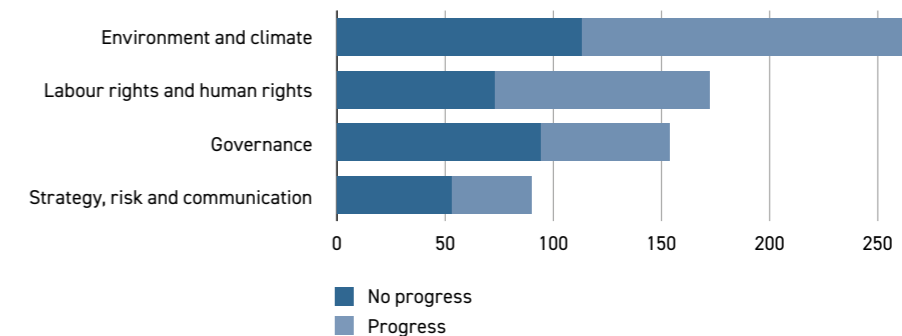
We exercise active ownership by engaging in dialogue with management on specific issues that call for particular attention and by voting at general meetings. We vote based on our own voting policy, which stipulates that the companies must be run in the best interests of both the shareholders and society

at large. We believe that attempting to steer a company in a sustainable direction rather than divesting our investment is the responsible approach in the vast majority of cases. In 2022, PensionDanmark voted for the board's recommendations at 82% of the general meetings at which we voted. When we vote against a board recommendation, it is typically due to concerns about the composition of the board, including its lack of gender diversity. In 2022, our investment ethics adviser, Federated Hermes EOS, engaged in dialogue on behalf of PensionDanmark with the Industrial & Commercial Bank of China on appointing a woman to the board of directors. While acknowledging our concerns about the lack of diversity, the company has still not changed its conduct, and we therefore voted against the appointment of two board members at the company's annual general meeting in May 2022.

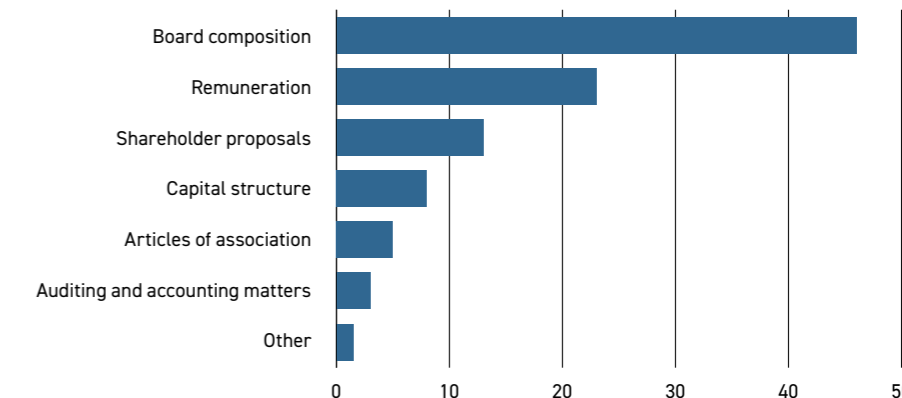
In 2022, to a greater extent than in 2021, we also voted against management on shareholder proposals concerning issues such as increased transparency on climate reporting, the definition of climate objectives and labour rights. At the annual general meeting of ConocoPhillips, we voted for a shareholder proposal, and against management, suggesting that the company should define both medium-term and long-term CO₂ reduction targets.

Our voting record at all general meetings is disclosed at pensiondanmark.com.

Company dialogues
The chart shows the progress achieved towards the milestones for PensionDanmark's company dialogues in 2022.



Proposals put to the vote
The chart shows the distribution of votes against board recommendations in % [↗](#)



Combining construction and biodiversity

Sustainability is a key concern for PensionDanmark as a builder and an investor. Accordingly, all new office buildings since 2012 and all new residential buildings since 2016 have been DGNB-certified. In 2022, the proportion of existing buildings that were sustainability-certified rose to 26.4%, a year-on-year increase of 6%. This means more than 25% of our existing buildings comply with a number of ambitious sustainability criteria relating to energy consumption, maintenance, choice of materials, etc. In 2022, we also grew the proportion of the real estate portfolio meeting the energy requirements of the EU Taxonomy. This was mainly achieved through energy upgrades of existing properties and the finishing of new energy-efficient buildings. Also, the total value of the real estate portfolio declined due in part to the divestment of the Magasin properties.

While already working actively to mitigate the net loss of biodiversity by, as a minimum, meeting the requirements of the DGNB Gold sustainability certification standard for all new buildings, we took additional steps in 2022 to reduce our biodiversity impact.

Measuring biodiversity

Biodiversity is a complex concept. Whereas exact standards are in place for the calculation of financed CO₂ emissions, no such standard is yet available for measuring the impact of investors on biodiversity. However, the UN biodiversity conference in Montreal, Canada, in December 2022 speeded up the process, and the long-awaited TNFD standard is expected to be issued in 2023.

With the ongoing biodiversity crisis calling for prompt action, we cannot wait for global standards to be drawn up before

we measure the impact of our investments on biodiversity. Therefore, PensionDanmark together with SLA, Anel and Aaen Engineering has taken steps to develop a method for reporting on our contribution to nature based on the DGNB manual for six of our urban development projects. The main focus of this method is on how the ground area is affected by economic activities, a key parameter in measuring the biodiversity impact of building projects and urban areas. The method is based on a number of biodiversity objectives inspired by scientific recommendations and the DGNB sustainability certification requirements.

These disclosures make PensionDanmark the first in the sector to report on the biodiversity impact of new build and urban area projects. According to the data, the biodiversity indicators were below the baseline in 2022, with the baseline of a project set prior to the commencement of the area's development, typically a point in time during the program and concept development phase. Most of our projects are still in the building and construction phase, during which space is cleared for machinery, personnel and materials. This obviously results in less vegetation, trees and blue areas with a permanent water surface and, by extension, in a deterioration of conditions for quality habitats, which are areas featuring a natural diversity of locally adapted plant species, varied physical habitat structures and habitats for diverse local fauna.

However, PensionDanmark has already started planting bushes and plants in some areas such as the Sirius project. Accordingly, we expect to see an increase in the total green/blue area by as early as next year.



Illustration of Fælledby.

Dilemma Can ambiguous EU requirements hinder sustainable urban development?

The EU's new green taxonomy sets out to create a common understanding of sustainable investment and what qualifies as a green investment. The Taxonomy also lays out six climate and environmental objectives to which investments must make a substantial contribution in order to be classified as sustainable. The Taxonomy lays down technical screening criteria and requirements that new and existing buildings must comply with in order to be classified as sustainable in terms of climate change mitigation.

The requirements are stricter for new buildings than for existing ones. In addition, to meet certain energy consumption requirements, new buildings must do no significant harm to the Taxonomy's other climate and environmental objectives, which means that so-called brownfield sites must be checked for pollutants in order to be classified as greenfield sites.

Common standards that create a common understanding of sustainability and green investment are important. Unfortunately, there are significant ambiguities in the Taxonomy that could affect the classification of building projects.

Is it possible for a former dump site to be taxonomy-aligned?

The Fælledby district is expected to be one of PensionDanmark's largest real estate investments, where the vision is to create a more sustainable and climate-friendly urban district interacting with nature. While Fælledby is expected to be certified to the highest DGNB standard (Platinum), there is a risk that it may not comply with the pollution prevention requirements of the Taxonomy, given that Fælledby will be built on a part of Amager Fælled (large common) that used to be a dump site. The dump has been encapsulated and clean

soil added to the area in several stages. A survey commissioned by PensionDanmark has shown that the subsoil is contaminated, however, the Taxonomy does not adequately specify the implications this could have for the project's classification.

Rather than disqualify, polluted soil should be handled correctly

There is a need for more urban housing projects, but many potential development sites are either old industrial sites or former dumps. For this reason, it is important that building on potentially polluted land does not disqualify building projects from being classified as greener and more sustainable. This would reduce incentives to build more sustainable housing projects in old industrial areas and on former dump sites rather than on green areas that have not previously been used for other purposes.

Biodiversity reporting

	Unit	Baseline	2022
Total area	sqm	258,608	
Total green/blue area	sqm	185,410	17,376
<i>Proportion of total area</i>	%	72	7
Crown cover	sqm	37,431	7,219
<i>Proportion of total area</i>	sqm	14	3
Biofactor		0.4	0.0
Quality habitat A	sqm	47,200	16,400
<i>Proportion of total area</i>	%	18	6

Note: Concerns the Trælsten project in Aarhus, the Kronløbsøen, Sirius and Fælledby projects in Copenhagen together with Køge Kyst and Vejle Flegmade.

Performance across the business

In some business areas, PensionDanmark's indicators are affected by Russia's invasion of Ukraine and its implications.

This is reflected in our members' returns, which were negative in 2022 due to the volatile equity market and falling property valuations. It was also reflected in the number of square metres owned or partially owned by PensionDanmark, as we found divesting some of our properties to protect member returns the appropriate thing to do in 2022. On the other hand, we expect to grow our investments in green infrastructure and new green solutions in the years ahead. Energy policy has become security policy, and no one wants to rely on energy from a country like Russia. We want to contribute to this development by providing funding for new green infrastructure projects.

PensionDanmark is clearly still a labour market pension fund in the process of growing. We are growing in size – in terms of both membership and benefits. The first members who saved at least 12% of their wages up for retirement throughout their working lives will not retire until 2050. And only since 2010 has the number of members starting to receive lifetime pension benefits surpassed the number of members receiving the full amount of their savings as a lump sum.

The number of members making use of our healthcare programme rose significantly in 2022, due partly to more members being covered by the programme. Since 2017, it has been possible for our members to remain covered by the healthcare programme on retirement and since 2021 also on transition to dormant membership. The number of members covered by the healthcare programme is expected to increase in the years ahead, as it did between 2021 and 2022. [↗](#)



PensionDanmark's HavneBryggen Sirius housing project.

Relevant comparatives

Our members	Unit	2022	2021	2020	2019	2018
Pension scheme ↗						
Logins to pension.dk ⁶	Number	2,362,745	1,873,270	1,461,348	1,154,140	807,747
Logins to pension.dk via app	Number	1,684,760	1,186,868	962,592	679,820	321,209
Return for 45-year-old member ¹	%	-6.5	16.0	7.6	16.1	-2.6
Benefits paid to members	DKKkm	11,159	9,474	7,159	7,540	8,248
Benefits paid to retired members	DKKkm	4,390	3,789	3,672	3,447	3,130
Healthcare programme ↗						
Physiotherapy and chiropractic treatments	Number	488,126	427,535 ²	265,657	369,763	340,088
Prompt Diagnosis cases opened	Number	17,117	12,459	10,192	6,471	4,992
Online consultations with a doctor ³	Number	4,051	2,839	515	-	-
Online consultations with a psychologist ⁴	Number	17,577	-	-	-	-
Supplementary training ↗						
Grants paid by supplementary training funds	DKK	55,684,943	52,944,758	71,723,531	58,908,779	56,643,852
Supplementary training programmes	Number	39,744	35,765	47,906	45,102	44,256
Our world						
Investments ↗						
Investment in green infrastructure	DKKkm	14,322	12,139	15,303	13,664	14,853
Investments in new green solutions	DKKkm	3,269	1,793	0	0	0
PensionDanmark's total carbon footprint	Tonnes/ DKKkm	6.6	6.9	7.7	8.8	12.6
Active ownership ↗						
Active ownership dialogues	Number	680	686	632	488	436
Progress on milestones in companies in which PensionDanmark is invested	Number	341	340	307	253	197
Real estate ↗						
Sqm owned or partially owned by PensionDanmark	sqm	1,355,028	1,476,285	1,443,602	1,308,569	1,185,916
Sqm obtaining sustainability certification during the year	sqm	40,158	7,841	31,420	68,513	84,637
Real estate portfolio CO ₂ intensity	kg/sqm	7.7	8.9	11.6	11.8	-
Properties aligned with EU sustainability criteria ⁵	%	43.7	38.6	-	-	-

¹ Numbers for 2018 for a 40-year-old member

² Revised from 422,134 in Corporate Social Responsibility Report 2021

³ The service was launched in November 2020

⁴ The service was launched in October 2021

⁵ The proportion of PensionDanmark's real estate portfolio aligned with EU sustainability criteria is based on data concerning the property's energy efficiency. The assessment does not consider the 'do no significant harm' or 'minimum social safeguards' criteria due to unavailability of relevant data

⁶ Revised from 1,938,805 in Corporate Social Responsibility Report 2021



Brian, CRH Concrete.

Our efforts in 2022 and our focus in 2023

2022 was a landmark year. The war in Ukraine created a new global reality, and several crises unfolded at the same time. The investment return for the year was negative, even if losses for our members were contained by our successful investment strategy. In 2022, we focused on strengthening our existing partnerships and on reaching out to new prospective partners for purposes of adding new products aligned with the challenges and needs of our members.

Russia's invasion of Ukraine provoked a war in Europe and acted as a catalyst for several simultaneous crises that affected the financial markets throughout the year. This left its mark on Danish pension returns as interest rates increased, inflation skyrocketed and energy prices soared.

Our more than 815,000 members sustained moderate losses in 2022. Members under the age of 46 received a negative 6.5% return, while a 67-year-old member received a return of -4.3%. In most age pools, our returns were best-in-class among Danish pension funds. Investments will occasionally produce negative annual returns. Our solid performance through these difficult times was the result of a successful investment strategy characterised by active management of the portfolio's equities and interest rate sensitivity. Our relatively large exposure to unlisted investments and correspondingly lower proportion of listed equities also reflected positively on our performance.

Our efforts in 2022 were supported by new partnerships. We believe strong partnerships make us better and create the best solutions and products to the benefit of our members and society at large. The geopolitical situation emphasised the importance of all key actors uniting to support the national agreement on Denmark's security policy. In 2022, we entered a dialogue with the Danish Ministry of Defence Acquisition and Logistics Organisation on the development of new patrol vessels, with the emphasis being on a new equipment procurement model that benefits all parties. Our new public-private partnerships model will also be in focus in 2023 when appropriate for all parties.

Based on the strategy process implemented in 2021, we launched a number of new projects in 2022, including a partnership with 3F and the Danish Cancer Society – supported by Den A.P. Møllerske Støttefond – to provide better support for cancer survivors in returning to work. For our older members, we have launched a series of webinars intended to smooth the journey from employment to retirement. Partnerships for health and eldercare will play an important role in our efforts in the coming years, with our focus being on enhancing the health and wellbeing of our members and their families.

"You get what you measure" is our basic approach to sustainability. Accordingly, we have extended emission measurements to include an even higher proportion of our investment portfolio as well as defining climate objectives for our investment portfolio for the period up to 2030. We are the first pension fund in Denmark to have defined biodiversity targets for our real estate portfolio, and we report on our performance in a new biodiversity report. We have also drafted a gender diversity code for builders. Last, but not least, we intensified our active ownership efforts, particularly in relation to the environment and climate, labour rights, gender diversity and biodiversity. We will continue these efforts in 2023.

Being able to measure the impact of all our products by 2025 remains our mission.

Statement by the Management and Board of Directors

We have today presented the Corporate Social Responsibility Report of PensionDanmark Pensionsforsikringsaktieselskab for the period 1 January to 31 December 2022.

In our opinion, the report gives a true and fair view of PensionDanmark's impact on society for the period 1 January to 31 December 2022. Furthermore, it is our opinion that the information in the report is consistent with PensionDanmark's accounting policies.

We recommend the Corporate Social Responsibility Report 2022 for adoption at the annual general meeting.

Copenhagen, 1 March 2023

Management

Torben Möger Pedersen
Chief Executive Officer

Board of Directors

Lars Sandahl Sørensen
Chairman

Henning Overgaard
Deputy Chairman

Morten Andersen

Lydia Callesen

Kirstine Damkjær

Troels Blicher Danielsen

Claus von Elling

John Frederiksen

Peter Kaae Holm

Peter Engberg Jensen

Gert Rinaldo Jonassen

Camilla Khokhar

Brian Mikkelsen

John Nielsen

Henrik Werner Petersen

Jørgen Juul Rasmussen

Jan Villadsen

Pia Voss

Independent auditor's report on PensionDanmark's corporate social responsibility report

To the stakeholders of PensionDanmark

We have been engaged to perform a limited assurance engagement as defined by the international standard on assurance engagements other than audits or reviews of historical economic information for purposes of reporting on PensionDanmark's corporate social responsibility report ("the corporate social responsibility report") for the year ended 31 December 2022.

In preparing the corporate social responsibility report, PensionDanmark applied the criteria ("Accounting policies") described on pages 76-82. The corporate social responsibility report should be read and understood in conjunction with the accounting policies, which Management is solely responsible for selecting and applying. The absence of established practices for deriving, evaluating and measuring the data included in the corporate social responsibility report allows for the application of different, but accepted, measuring techniques, which may affect the comparability between units and over time.

Management's responsibilities

PensionDanmark's Management is responsible for selecting the accounting policies and for, in all material respects, preparing the corporate social responsibility report in accordance with those accounting policies. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates relevant to the preparation of a corporate social responsibility report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the corporate social responsibility report based on our procedures and the evidence obtained.

We performed the engagement 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.

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

We have complied with the independence and other requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which incorporates the basic principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, as well as ethical requirements applicable in Denmark.

Procedures performed

Our procedures were designed to obtain such information and explanations as we deem necessary to obtain sufficient and appropriate evidence to express a limited assurance conclusion on the corporate social responsibility report.

Procedures performed in a limited assurance engagement vary in nature and timing from, and are significantly less in scope than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included:

- > Conducting interviews with the employees responsible for the corporate social responsibility report to understand the process for the preparation of the corporate social responsibility report and the performance of internal control procedures
- > Performing analytical review procedures concerning data and trends to identify areas in the corporate social responsibility report subject to a significant risk of misleading information or material misstatement and obtaining an understanding of the reasons for any significant inconsistencies
- > Based on inquiries, assessing whether the accounting policies are appropriate and have been applied consistently and evaluating related information in the corporate social responsibility report, including the reasonableness of estimates made by Management
- > Designing and performing additional procedures responsive to risks and obtaining evidence sufficient and appropriate to provide a basis for our conclusion.

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

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the corporate social responsibility report for the period 1 January - 31 December 2022 has not in all material respects been prepared in accordance with the accounting policies set out on pages 76-82.

Copenhagen, 1 March 2023

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28623

Lars Fermann
State Authorised Public Accountant
mne45879



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Accounting policies for key ESG data

Accounting policies

The ESG data are prepared in accordance with the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019. For a description of the calculation methods applied, visit the website of FSR – Danish Auditors.

The method for calculating scope 2 market-based and location-based CO₂e emissions was changed in 2022 to reflect more accurate Energinet electricity consumption emission factors. Based on the improved data basis, management has found it relevant to restate historical comparatives.

As regards scope 3, we have added two new indicators to our ESG disclosures. For the investment portfolio (C15), we now also measure emissions from Danish mortgage bonds and have restated the comparatives for 2021 accordingly. We have also introduced a new indicator for capital goods (C2) and prepared comparative figures for 2021 and 2020.

Other than as set out above, the accounting policies are consistent with those applied last year.

PensionDanmark discloses CO₂e emissions for C1: Purchased goods and services, C2: Capital goods, C5: Waste, C6: Business travel (aircraft and taxi), C7: Employee commuting and C15: Investments.

C1: Purchased goods and services

PensionDanmark's emissions from purchased goods and services are calculated using a combined activity and purchase-based approach. The first method calculates emissions from activities for which emissions can be measured based on volumes used, while the second converts, on a discretionary basis, purchases (DKK) of goods and services that are not already reflected, directly or indirectly, in the ESG data, primarily by means of EXIOBASE conversion factors. In preparing the disclosure, we have considered all purchased goods and services and assessed whether the cost has had an associated CO₂e emission or has already been reported indirectly under the other scopes 1, 2 and 3 categories. The number is stated in tonnes of CO₂e.

C2: Capital goods

Emissions from PensionDanmark's capitalised costs are calculated using a purchase-based approach as described above (C1). Additions of capitalised costs during the year (DKK) for all plant with external costs are used for purposes of estimating emissions based on EXIOBASE conversion factors. The number is stated in tonnes of CO₂e.

C5: Waste

The weight of waste disposed of is converted into CO₂e emissions.

C6: Business travel (aircraft and taxi)

Business travel comprises air travel and transportation by taxi. Emissions are measured in tonnes of CO₂e and comprise PensionDanmark's consumption of air travel and transportation by taxi based on supplier statements of CO₂e emissions and in-house recordings of business travel. Air travel emission measurements include radiative forcing and the effects of upper air fuel consumption having a greater impact on the climate than ground emissions.

C7: Employee commuting to and from work

Our total emissions from employee commuting to and from work are calculated based on internally collected data and standard factors for commuting by car and train. For workdays on which the employees did not commute, home office emissions are estimated based on an eight-hour working day and the relating power consumption for work equipment. The number is stated in tonnes of CO₂e.

C15: Investments

CO₂e emissions are estimated for PensionDanmark's investments in listed equities, corporate bonds, private equity and private debt (unlisted equities and debt), real estate, infrastructure and Danish mortgage bonds. In 2022, this was just under 80% of PensionDanmark's total investment portfolio. CO₂e emissions are stated in so-called CO₂ equivalents – CO₂e – and measured in tonnes.

CO₂e emissions from the investment portfolio

For purposes of measuring CO₂e emissions from the investment portfolios of financial businesses, up to four metrics may be used, as per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). PensionDanmark's holdings and ownership stakes are generally stated as of the end of the financial year.

Metric 1: Total CO₂e emissions:

The number reflects the portfolio's total estimated CO₂e scope 1 and scope 2 emissions, see the GHG Protocol. Emissions are measured on the basis of the value of the amount invested, the companies' Enterprise Value Including Cash (EVIC), in accordance with the recommendations of the EU and the Partnership for Carbon Accounting Financials (PCAF), and the companies' CO₂e emissions. For the financial sector, CO₂e emissions are calculated based on market value (MV). The number is computed according to the following formula:

$$\text{Total CO}_2\text{e emissions} = \sum_n \text{PensionDanmark's ownership share relative to EVIC}_i * \text{scopes 1 and 2 CO}_2\text{e emissions from the investment } n_i$$

Metric 2: CO₂e footprint (carbon footprint):

The measurement builds on metric 1, normalising the CO₂e footprint based on the value of PensionDanmark's holdings in the asset classes included. The number is computed according to the following formula:

$$\text{CO}_2\text{e footprint} = \text{Total CO}_2\text{e emissions (metric 1)} / \text{The value of PensionDanmark's holding}$$

Metric 3: CO₂e intensity (carbon intensity):

The measurement builds on metric 1, normalising the CO₂e footprint based on the reporting company's revenue. The carbon intensity method illustrates the portfolio's efficiency in generating revenue relative to the emission of CO₂e. The number is computed according to the following formula:

$$\text{CO}_2\text{e intensity} = \text{Total CO}_2\text{e emissions (metric 1)} / \sum_n \text{PensionDanmark's ownership share}_i \text{ relative to EVIC} * \text{Revenue of investment}_i$$

Effects of changes to accounting policies:

	Unit	2021	2020	2019	2018
Scope 2 Market-based	Tonnes of CO ₂ e	-4	+2	+16	-158
Scope 2 Location-based	Tonnes of CO ₂ e	-243	-173	-111	-158
Scope 3 C7: Employee commuting	Tonnes of CO ₂ e	-10.2	-8.5		

Environmental data

Much of the environmental is related to CO₂e emissions, which are calculated in accordance with the Greenhouse Gas (GHG) Protocol unless otherwise stated. For reporting purposes, emissions are divided into scopes according to the source of emission:

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

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

Scope 3 reflects all other indirect emissions from, e.g., sub-contractors and, for financial undertakings, CO₂e emissions from investment portfolios.

CO₂e emissions for the three scopes are stated as follows:

Scope 1

Direct emissions generated by the reporting company's own combustion of fuels and materials. Emissions are measured in tonnes of CO₂e and comprise all transportation subject to the tax rules on mileage allowance, all company transportation in company cars and all journeys made by the pension and healthcare advisory buses. Total mileage is converted according to a standard CO₂e emission per kilometre driven in a standard car, in accordance with the EU Emissions Trading System (ETS).

Scope 2

For purposes of calculating scope 2 CO₂e emissions, the conversion of power and district heating into CO₂e emissions is based on the environmental declarations of Energinet and HOFOR. The market-based principle also takes purchases of sustainable energy into account. By comparison, location-based CO₂e emissions are calculated using average emission factors. The renewable energy share is the sum of renewable energy, as defined by the environmental declarations of Energinet and HOFOR, and energy produced by means of own solar cells. Power supplied by EnergiDanmark is 100% renewable as the company has purchased and cancelled certificates corresponding to the volume purchased and consumed during the 2019-2022 period.

Scope 3

Scope 3 CO₂e emissions are disclosed as a supplement to the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society. Under the GHG Protocol, scope 3 CO₂e emissions are divided into 15 sub-categories (C1-C15). PensionDanmark does not disclose data for all those categories, which is due either to a lack of data or to the fact that the sub-category in question is not relevant to PensionDanmark's activities.

Metric 4: Weighted average carbon intensity:

The measurement shows the portfolio's exposure to CO₂e-intense companies and thus to potential climate-related financial risks. The number is computed according to the following formula:

Weighted avg. carbon intensity = $\sum_i \text{in} (\text{Value of ownership share in investment}_i \text{ relative to EVIC} / \text{value of PensionDanmark's holding}) * (\text{scopes 1 and 2 CO}_2\text{e emissions from the investment}_i / \text{Revenue of investment}_i)$

Calculations of estimated CO₂e emissions from the corporate bond and equity portfolios are based on MSCI and Bloomberg data. Reported emission data are collected from both MSCI and Bloomberg, while emission estimates are sourced from MSCI. Company EVICs are collected from Bloomberg.

CO₂e emissions from the equity portfolio

CO₂e emissions from the equity portfolio are measured on the basis of metrics 1, 2, 3 and 4. In 2022, data sourced from external parties covered 99% of the investments in listed equities, of which 8.9% were estimates. CO₂e emissions from the remaining 1% of the total portfolio of listed equities are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry Classification Standard) based on the data available. It is assumed that the climate footprint (CO₂e/DKKm) is the same, on average, for all equities within the same sector and geography. This average is applied for that part of the portfolio for which observations are not available. The distribution is made based on 11 sectors (Real Estate, Energy, Consumer Durables, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and two geographical segments (OECD countries and non-OECD countries). Columbia, Chile and Mexico are categorised as non-OECD countries. Portfolio CO₂e emissions are estimated based on PensionDanmark's investments at 31 December 2022.

CO₂e emissions from the corporate bond portfolio

CO₂e emissions from the corporate bond portfolio are measured based on metrics 1 and 2. Metric 2 is calculated for both the total corporate bond portfolio and for the total corporate bond portfolio exclusive of CO₂e emissions from green bonds, the latter being due to the fact that green bonds are dedicated to specific projects that will reduce the reporting company's greenhouse gas

emissions through, for instance, transition to renewable energy. At the present time, unambiguous standards have not been adopted for how the CO₂e footprint from green bonds should be calculated. For this reason, PensionDanmark calculates the CO₂e footprint both inclusive and exclusive of emissions from green bonds. Green bonds are defined according to the guidelines of International Capital Market Association (ICMA).

In 2022, data sourced from third parties (MSCI) covered 81% of PensionDanmark's investments in corporate bonds, of which 35% were estimates. CO₂e emissions from the remaining 19% of the total portfolio are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry Classification Standard) based on the data available. It is assumed that the climate footprint (CO₂e/DKKm) is the same, on average, for all corporate bonds within the same sector and geography. This average is applied for that part of the portfolio for which observations are not available. The distribution is made based on 12 sectors (Real Estate, Energy, Consumer Durables, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare, Telecommunication Services and Government) and two geographical segments (OECD countries and non-OECD countries). Columbia, Chile and Mexico are categorised as non-OECD countries. Portfolio CO₂e emissions are estimated based on PensionDanmark's investments at 31 December 2022.

CO₂e emissions from the portfolio of Danish mortgage bonds

The principles are based on the joint CO₂e model of Insurance & Pension Denmark and Finance Denmark for the Danish financial sector. Comparatives for 2021 are included. The measurement is stated in tonnes of CO₂e.

"Cover pools" or capital centers denote the reserve funds where mortgage institutions pool the financing of their lending stock and thus their bond series. When investing in a mortgage bond, PensionDanmark is assigned a portion of the total CO₂e emissions financed through the capital centre from which the mortgage bond was issued, corresponding to PensionDanmark's ownership stake in the total volume of mortgage bonds issued by the capital centre.

The absolute financed emissions from investments in Danish mortgage bonds are calculated as follows:

Both the value of mortgage bonds and the total value of bonds issued by the capital centres are stated at the market value at the end of the period, in line with current practice for other listed instruments. The total market value of bonds issued by the capital centres is sourced from the numbers published by mortgage credit institutions in the Danish transparency template, Harmonised Transparency Template (European Covered Bond Council Initiative).

The total value of bonds issued by the capital centres is adjusted by the coverage of the mortgage credit institutions' CO₂ calculations. Emissions financed by the cover pool are sourced from the mortgage credit institutions' own published numbers. In 2022 data have been reported for 90% of the mortgage bonds measured in terms of market value. No estimates are made for the remaining 10%.

Absolute emissions financed by the capital centres are sourced from the mortgage credit institutions' most recent sustainability reports or their ECBC reporting – using financed capital centre emissions scaled by property Loan-to-Value ratios.

As unambiguous standards have not been adopted for how the CO₂e footprint from green bonds should be calculated, a distinction is not made between ordinary and green bonds for purposes of calculating total CO₂e emissions. Portfolio CO₂e emissions are estimated based on PensionDanmark's investments at 31 December 2022.

CO₂e footprint of the portfolio of Danish mortgage bonds

The measurement shows CO₂e emissions financed through our ownership of covered bonds normalised by the amount of PensionDanmark's portfolio of mortgage bonds. The number is computed according to the following formula:

CO₂e footprint of the portfolio of Danish mortgage bonds = $\frac{\text{PensionDanmark's total CO}_2\text{e emissions}}{\sum_i \text{PensionDanmark's portfolio of Danish mortgage bonds}}$

CO₂e emissions from the private equity and private debt portfolios

CO₂e emissions from the private equity and private debt portfolios are measured based on metrics 1 and 2.

As data are not available for CO₂e emissions from private equity and private debt investments, emissions for the portfolios are estimated on the basis of the MSCI AC World index according to 11 sectors (Real Estate, Energy, Consumer Discretionary, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and six geographical areas (Asia (excl. China), OECD Asia, Europe and Oceania, China, North America and other Emerging Markets). Data are available for 95% of the private equity portfolio and for 82% of the private debt portfolio, and no estimates are made for the portfolios. Portfolio CO₂e emissions are estimated based on PensionDanmark's investments at 30 September 2022 due to a lack of data.

CO₂e emissions from the real estate portfolio

CO₂e emissions from the real estate portfolio are measured on the basis of total CO₂e emissions and two metrics for footprint and carbon intensity, respectively. Data are available for 93% of the real estate portfolio. Data are supplied by property managers. The remaining 7% of the real estate portfolio is still under construction and is therefore not included. A property's energy consumption is calculated based on its energy certificate and energy area and subsequently multiplied by a weighted emission factor for power and district heating in order to estimate its CO₂e emissions. Portfolio CO₂e emissions are estimated based on PensionDanmark's investments at 31 December 2022.

Metric 1: Total CO₂e emissions from real estate:

The measurement shows the properties' total estimated CO₂e emissions. The number is computed according to the following formula:

Total CO₂e emissions = \sum_n scopes 1 and 2 CO₂e emissions from real estate_i

Partially owned properties are included based on PensionDanmark's ownership share.

Metric 2: CO₂e footprint (carbon footprint) of real estate:

The measurement builds on metric 1, normalising the CO₂e footprint based on the value of PensionDanmark's properties. Property values are calculated according to the same principles as those applied in the financial statements. The number is computed according to the following formula:

CO₂e footprint = Total CO₂e emissions (metric 1) / Property values

Metric 3: CO₂e intensity (carbon intensity) of real estate:

The measurement shows CO₂e emissions relative to the size of the property. The carbon intensity method illustrates the portfolio's efficiency per sqm relative to the emission of CO₂e. The number is computed according to the following formula:

CO₂e intensity = \sum_n^i kgCO₂e / sqm

CO₂e emissions from the infrastructure portfolio

CO₂e emissions from the infrastructure portfolio are measured based on metrics 1 and 2.

An infrastructure investment is defined as an investment that derives most (i.e. more than two-thirds) of its payments and returns from owning, funding, developing or operating infrastructure assets. Infrastructure assets comprise physical assets, structures or facilities, systems and networks supplying or supporting publicly regulated supplies of power, heating, transport, data and communications.

Data are available for 68% of the infrastructure portfolio, of which 61% are reported numbers.

PensionDanmark's total CO₂e emissions =

$\sum_i \frac{\text{PensionDanmark's portfolio of Danish mortgage bonds issued in cover pool}(i)}{\text{Total value of bonds issued in cover pool}(i)} * \text{Emissions financed by cover pool}(i)$

Avoided emissions from ownership of green infrastructure

Avoided emissions from ownership of green energy infrastructure are calculated as the volume of CO₂e avoided by investing in renewable energy and comprise PensionDanmark's investments in renewable energy infrastructure assets. Power generated by means of energy infrastructure assets is converted into the volume of CO₂e that would have been emitted if the same volume of power had been supplied by the local energy mix.

Avoided emissions are calculated based on the actual power production and statistics on the current mix of fossil fuels in local and national power grids. This enables the calculation of the displaced fossil-based power production and the related avoided emissions.

Other disclosures

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 indicator.

Customer retention data are not disclosed as they would not appropriately represent customer satisfaction due to the high rate of job mobility among PensionDanmark's members and the fact that existing pension schemes are generally transferred in connection with a change of jobs.

Taxes paid, which are not included in the guidelines, are stated as tax on pension returns, VAT, payroll tax, tax at source and corporation tax paid in the year.

ESG-related estimates and judgments

A number of assumptions and judgments, as set out under the individual indicators, are used for purposes of calculating CO₂e emissions from the investment portfolio and other scope 3 indicators. A number of assumptions are used for purposes of calculating avoided emissions from ownership of green infrastructure. The numbers are therefore subject to some uncertainty. We are continually working to improve the completeness and accuracy of the data basis and to – as far as possible – implement changes to calculation methods retrospectively in order to ensure the comparability of individual years where possible.

Accounting policies for disclosure data

Accounting policies**Principle Adverse Impact (PAI) Indicators**

PensionDanmark reports in accordance with article 7 of the Disclosure Regulation on Principal Adverse Impact (PAI) indicators. Disclosures are based on MSCI data.

We report on 14 mandatory indicators for the listed equity portfolio. This year, we also disclose data for our portfolio of mortgage bonds. We also report on two voluntary indicators for the first time: policy to address deforestation and due diligence procedures in relation to human rights. In interpreting the results, allowance should be made for the inconsistent quality of both data and data coverage. We only report on available data as meaningful estimates are impossible to make.

CO₂e emissions from the equity portfolio

For total scopes 1 and 2 CO₂ footprint and CO₂ intensity, reference is made to the sections on 'CO₂e emissions from the investment portfolio' and 'CO₂e emissions from the equity portfolio'. Total CO₂e emissions are the sum of scope 1 and scope 2 emissions.

Companies active in the fossil industry

The ratio indicates the share of companies which are exposed to activities related to fossil fuels, including extraction, processing, storage and transportation of oil products, natural gas and thermal and metallurgical coal. The share is calculated as the sum of the portfolio weights of companies exposed to fossil fuels.

Share of non-renewable energy

The ratio indicates the share of non-renewable energy consumption and production. The ratio is calculated as a weighted average of the percentage shares of non-renewable energy consumption and production for the companies in the portfolio.

Energy consumption intensity in high-emission industries

The ratio indicates energy consumption in terms of GWh per million euros of revenue for companies in high-emission industries. The ratio is calculated as a weighted average of the energy consumption intensity of portfolio companies with NACE codes A, B, C, D, E, F, G, H or L.

Sensitive biodiversity areas

The ratio indicates the share of investments in companies with locations or activities in or adjacent to sensitive biodiversity areas in which the company's activities are harming biodiversity. The share is calculated as the sum of the weights of the companies in the listed equity portfolio whose activities have an adverse impact on sensitive biodiversity areas.

Water emissions

The ratio indicates the volume of waste water emitted by the reporting company as a result of its production activities. The ratio is calculated according to the same method as CO₂e emissions, adjusted to show water emissions in tonnes for each million euros invested in the portfolio.

Hazardous waste

The ratio indicates the company's reported volume of hazardous waste in tonnes. The ratio is calculated according to the same method as CO₂e emissions, adjusted to show hazardous waste volumes in tonnes for each million euros invested in the portfolio.

Violation of the principles of the UN Global Compact

The measurement indicates whether a company is the subject of a notable controversy in relation to the principles of the UN Global Compact as regards its activities and/or products, as well as the severity of the controversy's social or environmental impact. The ratio is stated as a share and is calculated as the sum of the weights in the portfolio of companies which do not comply with the principles of the UN Global Compact.

Lack of processes and mechanisms for monitoring compliance with the principles of the UN Global Compact

The ratio indicates the share of companies which are not signatories to the UN Global Compact and are therefore not required to monitor and disclose compliance with the principles of the UN Global Compact. The share is calculated as stated above.

Average gender pay gap

The ratio indicates the difference between average hourly gross earnings for male and female employees as a percentage relative to male employees' gross earnings. The difference is calculated as a weighted average of gender pay gaps in portfolio companies.

Average share of women on boards

The ratio indicates the share of women on boards of directors. The ratio is calculated as a portfolio-weighted average.

Exposure to controversial weapons

The ratio indicates the share of companies exposed to anti-personnel landmines, cluster munitions and chemical or biological weapons. Exposure means ownership, production or investment. The share is calculated in the same way as for 'companies active in the fossil industry'.

Lack of due diligence procedures in relation to human rights

The ratio indicates the share of companies which do not have a due diligence process in place for identifying, preventing, mitigating and addressing negative human rights impacts. The share is calculated as the sum of the portfolio weights of companies lacking due diligence procedures.

Policy to address deforestation

The ratio indicates the share of companies lacking a policy to address deforestation. The share is calculated as stated above.

Accounting policies for biodiversity data

Accounting policies

For financial year 2022, PensionDanmark discloses consolidated biodiversity data for six selected new build and urban area projects. The projects were selected based on the criterion that PensionDanmark owned the land at 31 December 2022. The data were prepared together with external advisers, and the method is based on a number of biodiversity objectives inspired by scientific recommendations and the DGNB sustainability certification requirements.

Baseline

A baseline is determined for each indicator. The baseline of a project is set prior to the commencement of the area's development, typically a point in time during the program and concept development phase. For all biodiversity indicators, the baseline is set on the basis of aerial photographs as of the balance sheet date of the project area as well as, in some cases, field registration and mapping.

Total area

The total area of each project is measured by external advisers, or cadastral reference are sourced from Arealinformation – Danmarks Miljøportal. The cadastral reference, or numbers if the urban development project includes more than one cadastral plot, is used to look up the cadastral area on the Public Information Server at ois.dk, which is owned by the IT and Development Agency (Udviklings- og Forenklingsstyrelsen). The total area is the sum of the cadastral areas of the six urban development projects.

Total green/blue area

The total green/blue area is the sum of the green/blue areas of all six projects and is determined according to the DGNB ENV1.5 Urban Climate criterion. The share of green/blue area is the green/blue area divided by the total area. The green area covers all habitat types featuring plants that are measured in connection with the calculation of the biofactor. Such habitat types may be mown grass/playing fields, natural grass and pasture, scrub and bushes, green roofs and green facades. The blue area covers lake areas, comprising areas with a permanent water surface.

Areas with vegetation are measured for the baseline by means of aerial photographs, field registration and mapping. Polygons demarcating vegetation are marked on aerial photographs, and the area is measured in the Geographic Information System (GIS) in square metres. The areas are analysed and measured via the open source programme QGIS, where the annual aerial photographs are available. Specifically for Trælasten in Aarhus, data (maps) have been sourced from an external adviser and the areas marked in GIS on the basis of aerial photographs as, in contrast to the other projects, the areas do not appear from the received external report.

Crown cover

The total crown cover is the sum of the crown covers of all six projects. The share of crown cover is the total crown cover area divided by the total area. Trees and crown cover comprise areas covered by tree crowns. This includes woodland, groups of trees and single trees. The area equals the sum of the DGNB area categories underlying the calculation of the biofactor for afforestation and the crown cover of single trees. Based on an assessment of the density and height of a bush area, a bush such as a willow scrub may sometimes be included in the crown cover. Crown cover is calculated according to the same method as the green/blue area. Larger areas may be measured by means of remote sensing GIS analysis.

Biofactor

The biofactor expresses the biological activity allowed by a building site, building plot, housing area or urban district and is used for DGNB certification purposes under the ENV1.5 Urban Climate criterion. A high biofactor allows for a high degree of biodiversity. The areas covered by the various plantations/surface types are measured by means of aerial photographs in GIS in the same way as described for the total green/blue area. The measured areas covered by the various plantations/surface types are entered into a diagram developed by BUILD, Aalborg University and then multiplied by a weighted factor. This produces a total biofactor of between 0 and 2, where 2 is a high biofactor and 0 a low.

Quality habitat A

Quality habitat A is the sum of the quality habitats of the six projects, and the share of quality habitats is the total quality habitat divided by the total area. Quality habitats are areas featuring a natural diversity of locally adapted plant species and varied physical habitat structures, including protected and valuable areas. Areas with quality habitats are identified by field registration or aerial photographs as described for the total green/blue area. Quality habitats are determined according to DGNB criterion ENV2.4, Method III.



Krøll Cranes.



APPENDIX

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PensionDanmark's PAI reporting

Disclosure data

Principal adverse impact indicator	Unit	2022				2021	
		Equities		Corporate bonds		Equities	
		Key indicator	Data coverage (%)	Key indicator	Data coverage (%)	Key indicator	
1 Scope 1	Tonnes	415,504		442,257		620,516	
Scope 2	Tonnes	112,580		85,513		107,124	
Total	Tonnes	528,084	99.0	527,770	80.9	727,640	
2 CO ₂ footprint	Tonnes/EURm	46.2		170.4		51.2	
3 CO ₂ intensity	Tonnes/EURm	106.6		297.0		148.8	
4 Companies active in the fossil industry	%	8.7	97.9	11.5	73.1	6.3	
5 Share of non-renewable energy	%	71.9	95.5	73.2	88.7	77	
6 Energy consumption intensity in high-emission industries			58.3		26.9		
Agriculture, forestry and fishing	GWh/EURm	0.4		7.5		0.2	
Raw material extraction	GWh/EURm	0.9		39.0		2.1	
Industry GWh/EURm		0.7		1.1		0.7	
Power, gas and heating supply	GWh/EURm	5.1		20.9		5.1	
Building and construction	GWh/EURm	0.7		5.2		0.6	
Trade and repair industry	GWh/EURm	0.1		0.2		0.1	
Hotel and restaurant operations	GWh/EURm	0.0		0.3		1.3	
Transport	GWh/EURm	0.9		3.8		1.6	
Real estate, rental and business services	GWh/EURm	0.5		0.4		0.3	
7 Activities in sensitive biodiversity areas ¹	%	8.8	91.2	8.8	72.9	8.1	
8 Water emissions	Tonnes/EURm	44.4	9.7	300.5	3.9	7.6	
9 Hazardous waste	Tonnes/EURm	7.7	31.2	29.4	20.1	28.3	
10 Violation of the ten UN Global Compact principles	%	0.6	77.8	1.2	46.8	0.8	
11 Lack of processes and compliance mechanisms to monitor compliance with the ten UN Global Compact principles	%	44.6	97.1	39.8	70.3	49.8	
12 Average gender pay gap	%	12.7	22.0	12.4	5.3	12.2	
13 Average share of women on boards	%	33.6	97.9	29.5	72.8	30.6	
14 Exposure to controversial weapons	%	0.0	97.9	0.0	73.1	0.0	
15 Policy to address deforestation	%	7.1	97.4	2.9	75.3	6.4	
16 Due diligence procedures in relation to human rights	%	56.8	97.0	30.1	73.0	54.8	

¹ In addition to the number of companies with activities in sensitive biodiversity areas, we have also calculated the number of companies with an adverse impact on sensitive biodiversity areas. According to MSCI data, four companies in the portfolio of listed equities have an adverse impact on sensitive biodiversity areas, which corresponds to 0.1% of the portfolio. According to MSCI, none of the companies in the portfolio of corporate bonds have an adverse impact on sensitive biodiversity areas.

The table to the left, *Disclosure data*, constitutes PensionDanmark's reporting on Principal Adverse Impact (PAI) indicators under Article 11 of Disclosure Regulation (EU) 2019/2088. Due to a lack of data, we do not report on the indicators for sovereign bond investments.

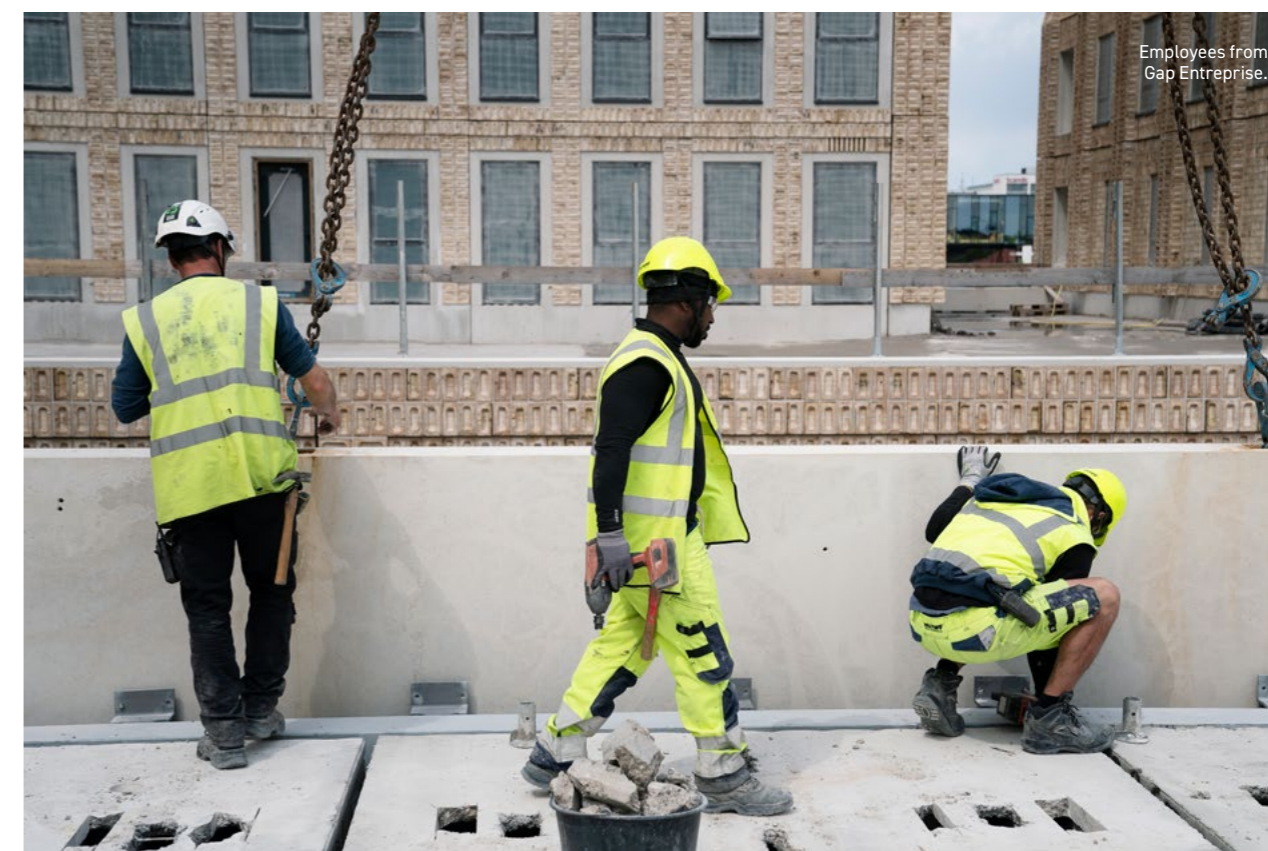
2022 is our first year disclosing data for the corporate bond portfolio in addition to the portfolio of listed equities, which was also included in our 2021 reporting. In addition, we disclose the data coverage for the individual indicators, and in pursuance of the Regulation, we have selected two optional indicators – policy to address deforestation and due diligence procedures in relation to human rights – which we also report on.

The data for the portfolio of listed equities show that the proportion of female board members increased from 30.6% in 2021 to 33.6% in 2022. The number of signatories to the UN Global Compact and, by extension, the number of companies with processes and compliance mechanisms to monitor compliance with the ten UN Global Compact principles, also increased. On the other hand, the gender pay gap widened slightly in 2022 compared with 2021.

Overall, the corporate bond portfolio appears to have a greater adverse sustainability impact than the portfolio

of listed equities. By way of example, the corporate bond portfolio has more companies that violate the ten UN Global Compact principles, and they derive a greater share of their energy from non-renewable sources. The corporate bond portfolio also has fewer companies with a policy to address deforestation. It should be noted that data coverage for water emissions and average gender pay gaps, in particular, is low, which means, for example, that estimated water emissions for the corporate bond portfolio are heavily impacted by the few observations with a significant footprint. Also, data are typically available for companies with substantial water emissions.

Due to inconsistent data quality and low data coverage for a number of indicators, we refrain from drawing any firm conclusions from the data for now. However, we expect the quality of data to improve over the next few years, for example in connection with the entry into force of the Corporate Sustainability Reporting Directive (CSRD), under which many investees will have to report according to European Sustainability Reporting Standards (ESRS), which are expected to overlap with the PAI indicators of the Disclosure Regulation. Moreover, as part of our active ownership, we are trying to steer our investees towards enhanced transparency and more reliable reporting.



Periodic disclosure

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: PensionDanmark's pension scheme
Legal entity identifier: 213800FUOGGLQ4FL3R57

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Partners' proposal to build a hydrogen island in the North Sea. In addition, we launched a new biodiversity strategy in 2022, which also contributes to our promotion of environmental characteristics.

In order to further ensure transparency on the promotion of environmental and social characteristics, PensionDanmark has expanded the scope of our reporting on environmental impact to cover 80% of our investments.

How did the sustainability indicators perform?

We measure our performance based on a number of sustainability indicators, including carbon footprint, expansion of green power capacity and estimated emissions avoided through investments in green infrastructure such as wind farms and solar parks around the world.

In 2022 our investments in green infrastructure resulted in 254 MW of new green power capacity becoming operational. Part of the new capacity comes from solar parks in North America, in which PensionDanmark is a co-investor through Copenhagen Infrastructure Partners, and which started generating power in 2022.

PensionDanmark's investments in green infrastructure helped avoid CO₂ emissions of an estimated 1.3 million tonnes. Emissions are avoided by means of our investments in the Danish wind farms in Nysted and on Anholt and our investments through Copenhagen Infrastructure Partners.

The data for the equity portfolio show that the proportion of female board members increased from 30.6% in 2021 to 33.6% in 2022. The number of signatories to the UN Global Compact and, by extension, the number of companies with processes and compliance mechanisms to monitor compliance with the UN Global Compact principles, also increased. On the other hand, the gender pay gap widened slightly in 2022 compared with 2021. We also made investments that promote the 17 UN Sustainable Development Goals, partially through the Danish SDG Investment Fund and the Investment Fund for Developing Countries (IFU). Our performance in promoting the 17 Sustainable Development Goals is measured by means of data from, among others, MSCI.

In 2022, 35% of PensionDanmark's real estate portfolio was certified or pre-certified according to sustainability standards, a year-on-year increase of 5%. In 2022, we also kept an eye out for any suspicious activity among our investees through consultancy firm Sustainalytics, who kept us up to date on controversial companies, and our investment ethics adviser Federated Hermes EOS, who issues client alerts to notify us of suspicious activity on the part of our investees. Hence, we regularly evaluated whether any companies in our investment universe were engaged in activities that we consider to be associated with elevated sustainability risks.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

PensionDanmark is a member of the Net-Zero Asset Owner Alliance (NZAOA) and supports the opinion of the UN Intergovernmental Panel on Climate Change (IPCC) that meeting the 1.5° C goal of the Paris Agreement requires net zero emissions of greenhouse gases by 2050. Accordingly, our strategic objective is to reduce carbon emissions from the portfolio of equities and corporate bonds, which accounts for the vast majority of the product's total emissions, to 9.1 tonnes of CO₂e per million kroner invested by 2025.

The overall climate footprint of listed equities and bonds was 9.8 tonnes of CO₂e/DKKm in 2022, which means we are only 7% shy of achieving our 2025 target.

As a labour market pension fund founded by the social partners, we are also attentive to the impact of our investments on social objectives, including labour rights, diversity and human rights. In 2022, we achieved progress on company dialogues concerning social characteristics such as labour rights and human rights. These dialogues accounted for 25% of the total number of active ownership dialogues conducted in 2022, second after environment and climate.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

Yes No

- It made **sustainable investments with an environmental objective: ___%**
 - in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 13.8% of sustainable investments
 - with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
 - with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
 - with a social objective
- It made **sustainable investments with a social objective: ___%**
- It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



To what extent were the environmental and/or social characteristics promoted by this financial product met?

The promotion of environmental and social characteristics was a priority for PensionDanmark in 2022. Our investments must comply with our criteria for responsible investments in order to be included in our investment universe. This is ensured by means of tools such as active ownership and exclusion of certain sectors and companies which do not comply with our criteria for responsible investments. This was also the case in 2022.

By investing in renewable energy and sustainable real estate, we have long played a key role in developing solutions that address climate change, and we continued to do so in 2022 with Copenhagen Infrastructure

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

In 2022, PensionDanmark continually screened the product's investments for any adverse impacts on environmental or social factors. To that end, we work with Federated Hermes EOS, our investment ethics adviser, and are kept up to date by consultancy firm Sustainalytics on companies involved in the production of controversial weapons, tobacco, extraction of oil from oil sand, etc. In addition, we received client alerts whenever an investee company exhibited suspicious activity.

While we have excluded companies from our investment universe on the basis of this ongoing monitoring, our main focus in 2022 was on exercising active ownership in respect of companies that might potentially harm environmental or social objectives. We do this by voting at general meetings and engaging in direct dialogue with the companies. PensionDanmark engaged in 680 dialogues with 347 companies in 2022.

How were the indicators for adverse impacts on sustainability factors taken into account?

PensionDanmark has gathered Principle Adverse Impact (PAI) indicator data for our equity investments since 2021. These indicators measure adverse impacts on sustainability factors relating to climate, biodiversity and social matters. Even though data coverage was not complete in 2022, the PAI indicators play an increasing role in our ESG efforts and may result in the exercise of active ownership etc.

We measured our performance on 16 different PAI indicators, and a full overview is provided in the 2022 Corporate Social Responsibility report and at PensionDanmark's website. We measured, for example, the share of companies in our equity portfolio that have signed up to the UN Global Compact. This share rose from 50.2% in 2021 to 55.4% in 2022, reflecting the results of our active ownership based on the PAI indicators.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

As respect for human rights is the leading principle of PensionDanmark's responsible investment guidelines, violations of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights were a focus area in 2022.

The share of the companies in our equity portfolio that have due diligence procedures for human rights increased from 55% in 2021 to 58% in 2022, measured on the basis of 97% of the equity portfolio.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period.

In 2022, we excluded companies that violated PensionDanmark's responsible investment guidelines or were involved in activities banned from our investment universe. Attentive to the principal adverse impacts on sustainability factors, PensionDanmark focused strongly on active ownership and conducted a large number of company dialogues in 2022.

Among the companies in focus was WizzAir, which failed to comply with ILO conventions on labour rights. With our active ownership efforts in 2022 focused on engaging in dialogue with a number of companies on their principal sustainability impacts, we decided to exclude WizzAir from our investment universe based on our dialogue with the company.



What were the top investments of this financial product?

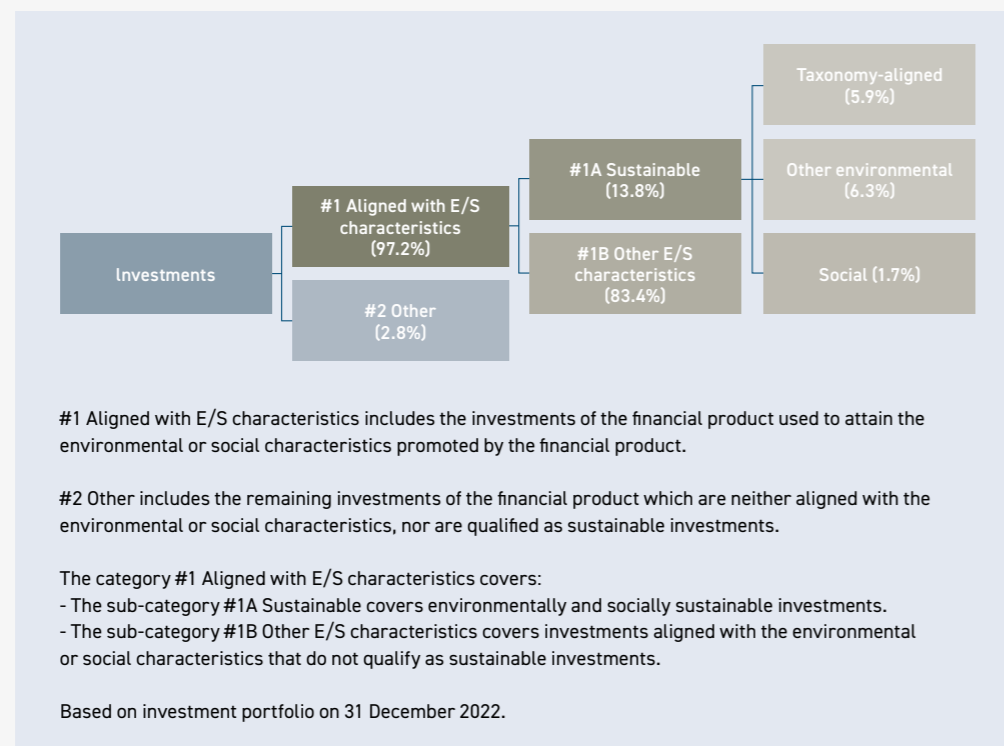
Largest investments	Sector	% assets	Country
NYKRE 1 01/01/24	Finance (mortgage credit)	1.4%	DK
NYKRE 1 07/01/23	Finance (mortgage credit)	1.1%	DK
RDKRE 1 04/01/23	Finance (mortgage credit)	1.1%	DK
Anholt Offshore Wind Farm	Energy	1.1%	DK
NDASS Float 07/01/25	Finance (mortgage credit)	0.8%	DK
Novo Nordisk A/S	Healthcare	0.8%	DK
DGB 1 1/2 11/15/23	Government	0.7%	DK
Nykredit	Finance	0.6%	DK
Copenhagen Infrastructure II	Energy	0.6%	DK
NYKRE 1 07/01/27	Finance (mortgage credit)	0.6%	DK
Microsoft Corp	Tech	0.6%	US
2.50% 79.s.b.IS 47	Finance (mortgage credit)	0.6%	DK
Copenhagen Infrastructure IV	Energy	0.6%	DK
Blackstone Real Estate Part IX	Real estate	0.5%	US
CI Artemis	Energy	0.5%	DK

Based on investment portfolio on 31 December 2022.

What was the proportion of sustainability-related investments?

The proportion of sustainability-related investments at 31 December 2022 was 13.8%. This number includes investments aligned with the EU Taxonomy and other environmentally and socially sustainable investments. The determination of sustainability-related investments was based on reported data, and on estimates for those investments for which reported data were not available. The reason why we include estimated data is that we aim for the highest level of transparency in relation to sustainable investments. As the data coverage in relation to investments aligned with the EU Taxonomy is currently limited, reporting based solely on reported data is not deemed to provide the most complete and accurate picture. Accordingly, we include estimates as well. The sections below specify when numbers are based on data and when they are based on estimates.

What was the asset allocation?



The list of '1A Sustainable' investments reflects investments in listed equities, corporate bonds, real estate, green energy infrastructure and a few direct investments.

Listed equities accounted for 23% of the sustainable investments included under '1A', while corporate bonds accounted for 6%, real estate for 34%, green infrastructure for 36% and direct investments for 2%. We were not able to achieve sufficient data coverage to include other assets in this category in 2022.

The '1B Other E/S characteristics' category covers investments for which data coverage is insufficient to classify them as sustainable investments. This includes investments in private equity, private debt, index-linked bonds and mortgage bonds as well as taxonomy-eligible investments for which there is not sufficient documentation to classify them as taxonomy-aligned.

The main purpose of PensionDanmark's investments is to generate solid risk-adjusted returns for our members on their pension savings. Accordingly, the '1B Other E/S characteristics' category also covers investments whose purpose is not to contribute to sustainability objectives, but which contribute to generating positive returns and thus to giving our members a financially secure retirement. The funding of companies and projects in PensionDanmark's investment universe, which covers a wide range of sectors and geographies, generally contributes to promoting wealth, growth and employment.

All PensionDanmark's investments must comply with our responsible investment guidelines, and all companies are evaluated on the basis of their business model and approach to environmental considerations, human rights and labour rights to ensure they promote environmental and social characteristics. Companies which do not comply with PensionDanmark's policy and are not responsive to dialogue are excluded.



In which economic sectors were the investments made?

Our investments in equities and corporate bonds were made in a variety of sectors, as illustrated below:

Sector	% of equity portfolio	% of corporate bond portfolio
Real estate	3.2%	2.2%
Energy	3.0%	12.0%
Finance	14.2%	20.2%
Consumer durables	6.8%	15.4%
Utilities	4.1%	9.2%
Industry	10.1%	10.3%
IT	15.2%	2.8%
Consumer goods	9.4%	9.1%
Materials	5.2%	5.8%
Healthcare	20.8%	3.1%
Telecommunications	8.0%	9.9%

Based on 97.9% data coverage, 8.7% of the companies in the equity portfolio were active in the fossil sector. Based on 73.1% data coverage, 11.5% of the companies in the corporate bond portfolio were active in the fossil sector.



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Investments classified as sustainable investments with an environmental objective aligned with the EU Taxonomy are considered to contribute either to the Taxonomy's environmental objective of climate change mitigation climate change adaptation. The proportion of sustainable investments with an environmental objective aligned with the EU Taxonomy was 5.9% of PensionDanmark's total investments including sovereign bonds. If sovereign bonds are not included in total investments, the percentage was 6.1%. In pursuance of the disclosure requirements set out in Article 3 of Regulation (EU) 2020/852, reference is made to the auditor's report issued on the full report.

Based on the best available estimates, the proportion covers investments in listed equities, corporate bonds, the real estate portfolio and green infrastructure. The proportion of the listed equity portfolio and the corporate bond portfolio that was aligned with the EU Taxonomy was calculated on the basis of the best available MSCI data, which, in turn, were based on estimates of the maximum alignment with the EU Taxonomy for each company. As calculations are based on estimates of the maximum proportion for each investment, the actual numbers may be lower.

The proportion of corporate bonds aligned with the EU Taxonomy only includes green bonds for which estimated MSCI data are available for a corporate bond's alignment with the EU Taxonomy.

The proportion of green infrastructure aligned with the EU Taxonomy was calculated on the basis of available estimates of PensionDanmark's green energy projects and thus includes investments in Danish offshore wind farms. The assessment of the real estate portfolio was based on an in-house evaluation of existing buildings with a class A energy-labelling and new buildings with an energy-labelling of A2015 or A2020 that were considered to comply with the energy requirements of the EU Taxonomy. The 'Do no significant harm' and 'Minimum social safeguards' criteria were not considered.

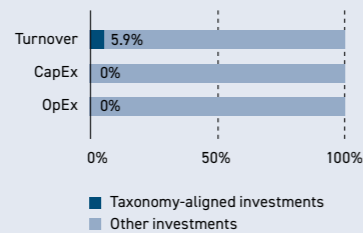
As data coverage for alignment with the EU Taxonomy increases in the years ahead, we expect the proportion of total investments that are aligned with the EU Taxonomy to go up.

Moreover, as the screening criteria for the remaining four environmental objectives of the EU Taxonomy are expected to be laid down in 2023, investments in companies that make a substantial contribution to other environmental objectives, including biodiversity and a circular economy, will be eligible for inclusion going forward.

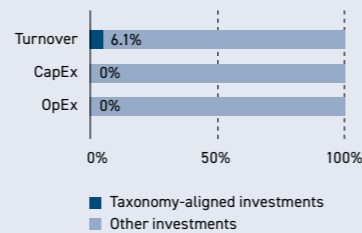
The graphs below show in blue the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

As no data or estimates were available for 2022 for the alignment of PensionDanmark's investments based on CapEx and OpEx, the shares for both these parameters have been set at 0%.

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective. Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of investments made in transitional and enabling activities?

Due to a lack of data, we have not been able to determine the share of investments made in transitional and enabling activities.

What was the minimum share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective not aligned with the EU Taxonomy was 6.3%, covering investments in green bonds, real estate, green infrastructure and direct investments in companies considered to meet other environmental objectives, including circular economy.

Real estate covers investments in properties that have obtained DGNB Gold or Platinum, Leed Gold or Platinum or Breeam sustainability certification. Investments in properties expected to obtain DGNB Gold and A2020 energy performance certification are also included. Buildings certified to sustainability standards account for 12.2% of our sustainable investments with an environmental objective not aligned with the EU Taxonomy, while buildings expected to be certified to sustainability standards account for 15.2%.

The numbers also cover investments in green energy infrastructure (wind farms, solar parks, etc.) for which sufficient data are not yet available to determine whether they are taxonomy-aligned. Investments in green bonds are also included. Investments in green bonds were determined based on Bloomberg data, with green bonds being defined as bonds that promote climate change mitigation and climate change adaptation as well as other environmental objectives.

What was the minimum share of socially sustainable investments?

Socially sustainable investments accounted for 1.7% of our total investments. The percentage is based in part on MSCI data for the listed equity portfolio that determine the extent to which a company's activities are aligned with the UN Sustainable Development Goals to end poverty and hunger and promote health and well-being, quality education and gender equality. Investments made through the Danish SDG Investment Fund, i.e. investments in developing countries setting out to achieve the 17 UN Sustainable Development Goals, are also included.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

Investments included under 'other' include derivatives and cash funds and account for 2.8% of PensionDanmark's total investments. These investments are included under 'other' as determining whether they promote environmental and social characteristics is not possible. All PensionDanmark's investments must comply with our responsible investment guidelines.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

Also in 2022, PensionDanmark monitored the compliance of investments with our responsible investment guidelines. Whenever an issue was identified in relation to environmental or social matters, we exercised active ownership, including through dialogue with the companies and voting at their general meetings. In the event that a company did not comply with PensionDanmark's responsible investment guidelines and was not responsive to dialogue, we excluded the company from our investment universe.

How did this financial product perform compared to the reference benchmark?

No specific index has been designated as a reference benchmark.

Reporting for 2022 under Article 8 of the EU Taxonomy Regulation

In 2020, the EU published a classification system for determining which economic activities are environmentally sustainable. The system, which is called the EU Taxonomy, creates a common understanding of environmentally sustainable activities. To qualify as taxonomy-aligned, an economic activity must contribute to at least one of the six environmental objectives of the Taxonomy, must do no significant harm to the Taxonomy's other environmental objectives and must comply with minimum social safeguards. If an economic activity is described in the Taxonomy but does not necessarily meet its requirements, it is classified as taxonomy-eligible. The table below shows the share of our taxonomy-eligible investments based on reported data. Given that the implementation of the Taxonomy is still in its early stages, the data available for the determination are limited. Moreover, as only large companies are currently required to determine whether their activities are taxonomy-eligible,

the mandatory information only includes reported data for our listed equities, infrastructure investments, real estate investments and corporate bonds. For listed equities and corporate bonds the numbers are based on data from our data provider MSCI, which is calculated on the basis on the company's own published taxonomy data. The numbers for our real estate investments are based on an in-house evaluation of our investments in acquisition and ownership of real estate and the construction of new buildings, which are both taxonomy-eligible economic activities.

The information below is based on the asset allocation on December 31 2022, except for information in relation to investments in private equity and private debt, which is based on the asset allocation in September 2022.

Mandatory information under Article 8 of the Taxonomy Regulation

	Explanation	Share of total assets
Share of taxonomy-eligible assets*	Share of taxonomy-eligible assets contributing to the first two Taxonomy objectives concerning mitigation of climate change and adaptation to climate change. The numbers are based on reported data.	14%
Share of not taxonomy-eligible assets*	Share of assets not contributing to the environmental objectives of the Taxonomy concerning mitigation of climate change and adaptation to climate change. The numbers are based on reported data.	86%
Share of sovereign bonds	Share of exposures to central administrations, central banks and supranational issuers.	4.4%
Share of derivatives	The share of derivatives relative to total assets.	2.4%
Non-covered activities	Share of assets not required to disclose non-financial information under Article 19a or 29a of Directive 2013/34/EU. As the share is based on estimates, the actual share may be higher.	0.7%

* Does not include exposures to central administrations, central banks and supranational issuers, derivatives and undertakings not required to disclose non-financial information under Article 19a or 29a of Directive 2013/34/EU

Voluntary information

As the determination of the share of taxonomy-eligible investments is restricted by the limited volume of available reported data, we have opted to disclose additional information based on estimates. This supplementary information shows the estimated shares of taxonomy-eligible and taxonomy-aligned investments in PensionDanmark's asset classes. The data and methodology underlying the estimates are specified for each asset category.

The estimated share of taxonomy-aligned investments represents investments which are considered to meet the Taxonomy's requirement that the activity must contribute to one or

more environmental objectives, must do no harm to other environmental objectives and must comply with minimum social safeguards. The share is an estimate because the necessary data for assessing alignment with the EU Taxonomy are not available. Due to stricter documentation requirements, the estimated share of taxonomy-aligned investments is lower than the share of taxonomy-eligible investments. We expect the share of taxonomy-aligned investments to increase in the years ahead as more companies prepare the documentation required for Taxonomy alignment.

The information below was stated at 31 December 2022, except for information in relation to private equity and private debt, which was stated at 30 September 2022 as per our accounting policies.

Voluntary supplementary information

	Explanation	DKKkM	Share of asset class	Share of total assets
Estimated share of taxonomy-eligible investments*				53.8%
Listed equity portfolio	The share of the listed equity portfolio with taxonomy-eligible activities based on MSCI estimates for each company.	33,935	39.9%	12.3%
Corporate bonds	Share of corporate bonds with taxonomy-eligible activities based on MSCI estimates of the maximum share of taxonomy-eligible turnover. The share includes the estimated eligibility for all corporate bonds.	8,121	35.3%	3.0%
Real estate portfolio	In-house evaluation of investments in acquisitions and ownership in real estate and construction of new buildings, which are both taxonomy-eligible activities. The number is included in the mandatory information.	23,655	100%	8.6%
Private equity and private debt	In-house statement based on estimates for each investment of the share of taxonomy-eligible economic activities, made using a method similar to the one applied to estimate CO ₂ emissions from the private debt and private equity portfolios. The portfolio's weighted share of taxonomy-eligible investments is estimated based on the MSCI AC World index according to 11 sectors (Real Estate, Energy, Consumer Discretionary, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and six geographical areas (Asia (excl. China), OECD Asia, Europe and Oceania, China, North America and other Emerging Markets).	17,237	41.2%	6.3%
Index-linked bonds	In-house statement of index-linked bonds, covering acquisitions of and ownership stakes in real estate and the construction of new buildings, both taxonomy-eligible activities.	5,619	100%	2.0%
Mortgage bonds	In-house statement of total investments in mortgage bonds, covering investments in acquisitions of and ownership stakes in real estate, which are taxonomy-eligible activities.	45,183	100%	16.4%
Infrastructure	In-house statement of investments in the production of electricity from renewable energy sources, which is a taxonomy-eligible activity.	14,323	57.0%	5.2%
Estimated share of taxonomy-aligned investments:*		4,435	5.2%	6.1%
Listed equity portfolio	The share of the equity portfolio with taxonomy-aligned activities based on MSCI estimates for each company. As the number is an estimate of the maximum taxonomy-aligned share, the actual number may be lower.	4,435	5.2%	1.6%
Corporate bonds	The share of corporate bonds with taxonomy-aligned activities based on MSCI estimates. As the number is an estimate of the maximum taxonomy-aligned share for each company, the actual number may be lower. The share of taxonomy-aligned corporate bonds only includes green bonds for which estimated MSCI data are available.	162	0.7%	0.1%
Real estate portfolio	Assessment of existing buildings with a class A energy-labelling and new buildings with an energy-labelling of A2015 or A2020 that were considered to comply with the energy requirements of the EU Taxonomy. The 'Do no significant harm' and 'Minimum social safeguards' criteria were not considered.	8,540	43.7%	3.1%
Infrastructure	Based on estimates of taxonomy-aligned investments in the production of electricity from renewable energy sources.	3,716	12.9%	1.4%
Private equity and private debt	Not available due to a lack of data.	-	-	-
Index-linked bonds	Not available due to a lack of data.	-	-	-
Mortgage bonds	Not available due to a lack of data.	-	-	-

* Total assets do not include exposures to central administrations, central banks and supranational issuers.

Periodic reporting

To enhance transparency with respect to the product's promotion of environmental and social characteristics, PensionDanmark discloses a periodic report in accordance with the Disclosure Regulation and the Taxonomy Regulation. The periodic report for 2022 shows the extent to which PensionDanmark's Article 8 product, the pension scheme, promotes environmental and social characteristics. The report has been prepared according to the ESMA reporting template.

A list of the documentation underlying the various numbers referred to is provided in the document "Periodic reporting documentation".

New operational capacity

New green power capacity made operational in 2022 in which PensionDanmark has an ownership stake via Copenhagen Infrastructure Partners. Projects included comprise Travers and Fighting Jays under CI IV and Unicus under CIP New Markets Fund I. Capacity has been determined based on CIP's ownership stake in the individual projects and PensionDanmark's ownership stake in CI IV and CIP New Markets Fund I.

Top investments of the financial product

The largest single investments in terms of amount. Includes the 15 largest investments for which sector and country could be determined.

Share of investments with a taxonomy-aligned environmental objective

The sum of investments in green bonds, listed equities, real estate and green infrastructure assessed to be taxonomy-aligned.

Share of equity portfolio with a taxonomy-aligned environmental objective

Total equity investments in taxonomy-aligned activities based on MSCI estimates.

Share of corporate bonds with a taxonomy-aligned environmental objective

Total investments in green bonds with taxonomy-aligned activities based on MSCI estimates.

Real estate with a taxonomy-aligned environmental objective

Total investments in existing buildings with a class A energy-labelling and new buildings with an energy-labelling of A2015 or A2020 that were considered to comply with the energy requirements of the EU Taxonomy. The "Do no significant harm" and "Minimum social safeguards" criteria were not considered.

Green infrastructure with a taxonomy-aligned environmental objective

Total investments in the offshore wind farms in Nysted and on Anholt, which are operated by Ørsted and have announced that all their taxonomy-eligible activities were taxonomy-aligned in 2022.

Share of investments with an environmental objective not aligned with the EU Taxonomy

The sum of investments in corporate bonds, real estate, green infrastructure and direct investments with an environmental objective but for which sufficient documentation is not available to determine whether they are taxonomy-aligned. The following investments are included:

- Investments in green bonds not assessed to be taxonomy-aligned
- Investments in buildings certified to DGNB Gold/Silver, Leed Platinum or Breeam / Good
- Investments in green infrastructure not assessed to be taxonomy-aligned, including wind farms and solar parks under Copenhagen Infrastructure Partners
- Direct investments cover direct investments in companies assessed to have a business model that contributes towards a circular economy.

Share of socially sustainable investments

The share of PensionDanmark's socially sustainable investments, based primarily on MSCI data (SDG Alignment Methodology). The indicator is stated as the share of PensionDanmark's investments in listed equities and corporate bonds, respectively, which, measured by their operations and the use of their product, contribute to at least one of the five SDGs we believe to be particularly promotive to social objectives: 1) End poverty 2) End hunger 3) Promote health and well-being 4) Promote quality education 5) Promote gender equality. PensionDanmark's investments in the part of the Danish SDG Investment Fund that contributes towards social objectives are also included.

Data sources and data processing

Data for our listed investment universe are retrieved through automatic data extraction from external data suppliers and stored in an ESG database maintained by the ESG team working together with an attached data manager. Numbers for further analysis are retrieved through in-house visualisation tools such as dashboards. Data for PensionDanmark's listed equities and bonds are supplied by recognised third parties, including MSCI and Bloomberg. We monitor the quality of data for our listed universe on an ongoing basis, including in connection with our quarterly management reporting and via data visualisation and analysis.

Regarding the unlisted universe, we are in regular contact with our business partners, including Copenhagen Infrastructure Partners and property company DEAS, which supply production data for our ownership stakes in renewable energy infrastructure and CO₂ emissions for our directly owned properties, respectively.

We review the data quality on an annual basis in connection with the preparation of our annual reporting. For data estimates or enumerations, we check the consistency against the reported numbers for the universe. Having included mortgage bonds in 2022, we disclose CO₂ emissions for approximately 80% of the investment portfolio as of 31 December 2022. The numbers are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry Classification Standard) based on the available data or enumerations reflecting reported data.

Limitations with respect to methods and data

ESG data are generally subject to significant shortcomings in terms of incomplete data coverage and data quality. Moreover, consistent reporting standards are not yet in place, which makes comparing company impacts on society and the environment difficult for investors.

Data concerning CO₂ emissions are subject to particular challenges and limitations, due partly to the fact that unambiguous standards have not been adopted at the present time for how the CO₂e footprint of green bonds should be calculated. For this reason, PensionDanmark calculates the CO₂e footprint both inclusive and exclusive of emissions from green bonds.

Given the significant risk of double accounting – an issue the financial system has yet to resolve – we do not include investee companies' scope 3 emissions.

The reporting of the adverse sustainability impacts of the investment portfolio in terms of the so-called principal adverse impact (PAI) indicators also faced significant challenges, due partly to the fact that data on water emissions were only available for about 10% of the listed equity portfolio, while data on gender pay gaps were available for about 22%. For corporate bonds, data coverage was even lower. The low data coverage makes drawing any valid conclusions on the adverse sustainability impacts of our investment portfolio difficult.

We work systematically to increase data coverage for both the listed and the unlisted portfolio through dialogue with our managers and investee companies to induce them to start disclosing sustainability data. These limitations as to data and methodologies do not prevent the product from promoting social and environmental characteristics.

Declaration on Article 8 product

The social and environmental characteristics of the product PensionDanmark promotes environmental and social characteristics by identifying and addressing sustainability factors throughout the investment process. This means that we incorporate significant ESG aspects into our investment research and investment decisions, when we exercise active ownership, and when we select external managers to invest on PensionDanmark's behalf.

The purpose of our due diligence procedures is to identify, prevent, mitigate and explain any potential adverse impacts of an investment on society and/or the environment and to consider how the investment may be monitored on an ongoing basis. A significant negative impact could be a violation of labour rights or pollution.

Companies engaging in the production of tobacco or controversial weapons and countries subject to sanctions are completely banned from PensionDanmark's investment universe. We also exclude companies which derive 5% or more of their revenues from thermal coal production or extraction of oil from tar sand and companies involved in new thermal coal mines. Similarly, repeated and/or serious violations of, for example, labour rights or human rights may also lead to the exclusion of specific companies if repeated efforts to resolve the issue prove unsuccessful.

We exercise active ownership by engaging in dialogue with our investees and by voting at their general meetings, by which measures we attempt to drive positive change in a number of sustainability-related areas, including on ESG issues.

All investment portfolios are screened on an ongoing basis for violation of PensionDanmark's ethical guidelines and are updated to reflect any new data on the investments. If any non-compliance with the investment strategy comes to our attention, we will open a dialogue for purposes of inducing the company to take necessary measures to prevent a similar violation in the future. If efforts to drive positive change are not successful, we may divest our investment.

PensionDanmark's green investments primarily contribute towards the Taxonomy's climate change mitigation objective. PensionDanmark is massively invested in energy infrastructure, such as wind farms, solar parks, biomass power plants and Power-to-X plants. Just over half of PensionDanmark's infrastructure investments contribute towards phasing out fossil energy sources from the global energy mix.

In addition, we build and invest in sustainable buildings, setting strict requirements for the building's energy consumption and the materials used to build it. Our buildings are certified according to internationally recognised standards, including DGNB, LEED and BREEAM, which focus on the environmental, economic and social qualities of buildings. About 35% of PensionDanmark's existing buildings have "A" energy ratings, which, according to the technical screening criteria of the Taxonomy, is sufficient for contribution towards the environmental objective of climate change mitigation.

In addition, a number of our investees are engaged in the development of solutions to mitigate climate change.

Based on our general requirements regarding the sustainability of our investments, the exercise of active ownership and our substantial investments in green and sustainable activities, we believe that our main product, the pension scheme, meets the definition of a so-called light green product under Article 8 of the Disclosure Regulation.

It should be noted that the Taxonomy's do-no-significant-harm principle applies only to those investments underlying the financial product that are aligned with the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the financial product are not aligned with the EU criteria for environmentally sustainable economic activities.





Teeranuch,
Hotel Crowne Plaza
in Ørestad.

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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We Love People

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The printed version is a condensed edition. The full report is available on pensiondanmark.com



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