



Annual Report 2019 - Extract

A good year for PensionDanmark's members



Torben Möger Pedersen at the site of PensionDanmark's 500-unit urban development project at Køge Kyst

Strong performances in all business areas made 2019 a good year for PensionDanmark. Investment returns were among the best we have ever achieved, costs were kept in check through massive investments in new technology, and we launched a range of new services and products. Customer satisfaction was as high as ever.

Investment markets benefited from significant equity price gains and positive returns in all other asset classes. PensionDanmark generated a 16.1% return for our younger members and 9.5% for our older

members – a total return of DKK 29 billion, making 2019 the best investment year since 2009. During the 11 years from 2009 to 2019, PensionDanmark generated an average annual return of 9.4% for our younger members and 7.6% for our older members, which is a very satisfactory performance. Looking a few years ahead, however, we expect returns to be more volatile and moderate than in the past ten years.

Thanks to our diversified portfolio, we hold a robust position in the current investment environment. As interest rates have trended downwards in recent years,

we have stepped up our investments in infrastructure and sustainable real estate – investments which provide stable revenue even when equity markets are facing headwinds.

Driven by high and stable staff numbers in the companies whose employees have pension schemes with PensionDanmark, contributions grew to DKK 13.5 billion in 2019. This combined with strong investment returns lifted total assets to DKK 271 billion from DKK 236 billion in 2018.

PensionDanmark perseveres in using new intelligent technologies for member services and case processing. In 2019, robots performed member services and case processing work corresponding to about 60 FTE man-years. Digital solutions allow for faster case processing, better resource utilisation and more time for personal advice for and dialogue with our members, which is the reason for our impressive customer satisfaction scores. At the same time, our high digitalisation rate helps us retain our position as the most cost-efficient pension provider in Denmark.

All collective agreement sectors have agreed to include PensionDanmark's healthcare programme in their members' product packages. Early action is a crucial element of PensionDanmark's efforts to prevent minor symptoms from developing into chronic disorders.

At the beginning of 2019, we launched a new supplementary training site providing members with a com-

prehensive overview of their supplementary training options, completed training programmes and work experience and with guidance in identifying relevant training courses within the framework of their respective educational funds. A crucial element in retaining members in the labour market, access to life-long learning is of great value to the individual member, to companies and to society at large.

Awareness of global climate change is greater than ever. Solving the challenges of climate change may be considered tantamount to the lunar landing for the current generation – and at PensionDanmark, we are committed to doing our part. Our investment strategy has not only brought us to our position as a leading investor in renewable energy infrastructure and sustainable real estate, but has also proven that green investments can generate solid returns for our members. In 2019, we took our efforts to the next level by co-founding an international alliance of major pension investors committed to making their investment portfolios carbon neutral.

As a new initiative, we are including a list of ESG ratios (Environment, Social and Governance) in our annual report, calculated according to the guidelines published by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019. In order to lend credence to these ESG ratios, we are also, as the first pension provider in Denmark, including them in our independent auditor's report.

Torben Möger Pedersen
CEO, PensionDanmark

Financial highlights and overview



PensionDanmark received eight national and international awards in 2019

The financial markets were characterised by positive returns, especially in equity markets, in 2019. From the perspective of PensionDanmark’s members, 2019 was a year of continued growth in pension contributions and low costs.

- > Staff numbers in the companies whose employees have pension schemes with PensionDanmark were high and stable. The number of active members was 391,600. The number of retired members increased to 58,400.
- > Pension contributions reached DKK 13.5 billion.
- > Pension and insurance benefits for our members amounted to DKK 4.2 billion. Adding job change-related transfers, benefits totalled DKK 7.5 billion.
- > Totalling DKK 28.8 billion, investment returns produced a 16.1% return for our younger members and 9.5% for our older members.
- > Thanks to efficient insurance administration and further digitalisation of processes the administration fee per member remained at DKK 297.
- > Total assets amounted to DKK 271.1 billion.
- > Customer satisfaction was high, and processing times were reduced even further.

- > 43,200 members received 370,000 interdisciplinary treatments under PensionDanmark’s healthcare programme in 2019 – a year-on-year increase of 12%. 6,500 members received Prompt Diagnosis assistance, a year-on-year increase of 30%.
- > At the beginning of 2019, we launched a new supplementary training site providing members with a comprehensive overview of their supplementary training options, completed training programmes and work experience and with guidance in identifying relevant training courses.
- > We sent 1.1 million individual digital messages to more than 265,000 subscribing members. This gave rise to increased interaction with members and a large number of self-service procedures. The number of member log-ins to our website was up by 29% to 1.15 million in 2019.
- > PensionDanmark is well-consolidated with equity of DKK 4.6 billion.
- > We acknowledge our corporate social responsibility. Read more in our Corporate Social Responsibility Report 2019 at pensiondanmark.com.
- > In 2019, PensionDanmark received eight national and international awards in acknowledgment for our achievements and innovative solutions within investment and customer service. For more information, see pensiondanmark.com.



Key figures and financial ratios

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

One of PensionDanmark’s sustainable housing projects at Islands Brygge, Copenhagen



ESG key figures in the financial statements



45.2% of PensionDanmark’s managers are women

PensionDanmark has decided to publish a list of ESG key figures (Environment, Social and Governance), calculated according to the guidelines published by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019. In order to give credence to these ESG key figures, we have also included them in our independent auditor’s report as the first pension provider in Denmark.

A common standard for ESG ratios ensures comparability and transparency across companies.

The ESG ratios show:

- > PensionDanmark’s own CO₂ emissions reduced: By switching to green power, we have reduced emissions from electricity consumption in our domicile property from just below 500 tonnes to less than 100 tonnes.
- > Overall investments saved CO₂ emissions: Our share of CO₂ emissions from the portfolio of listed companies was some 700,000 tonnes.

Through our investments in renewable energy infrastructure producing an annual 3,665 GWh of green power, we avoided emissions of between 2.3 million tonnes and just below 3.5 million tonnes of CO₂ relative to power based on fossil fuels, depending on the calculation method applied.

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

Read more in our Corporate Social Responsibility Report at pensiondanmark.com.



ESG key figures and ratios

| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------------------------|-----------|---------|---------|-------|-------|
| Environmental data | | | | | | |
| CO ₂ emissions from the company: | | | | | | |
| CO ₂ , scope 1 ¹ | Tonnes | 13 | 9 | 9 | 6 | 5 |
| CO ₂ , Scope 2 ² | Tonnes | 82 | 448 | 489 | 563 | 452 |
| CO ₂ emissions from the portfolio of equities in listed companies ³ : | | | | | | |
| Total emissions | Tonnes of CO ₂ e | 731,000 | 736,000 | 813,000 | - | - |
| Carbon footprint | Tonnes/USDm | 76 | 112 | 4,754 | - | - |
| Carbon intensity | Tonnes/USDm | 150 | 156 | 161 | - | - |
| Weighted average carbon intensity | Tonnes/USDm | 123 | 148 | 140 | - | - |
| Offsetting reductions through renewable energy investments ⁴ | | | | | | |
| | Tonnes of CO ₂ | 2,297,000 | - | - | - | - |
| Other company-related environmental data: | | | | | | |
| Energy consumption | Gigajoules | 7,551 | 7,634 | 7,659 | 7,762 | 6,097 |
| Renewable energy share | % | 81.1 | 42.7 | 40.1 | 35.8 | 30.4 |
| Water consumption | m ³ | 3,150 | 3,040 | 2,952 | 3,586 | 2,017 |
| Social data | | | | | | |
| Full-time staff | FTE | 261 | 246 | 224 | 188 | 155 |
| Gender diversity | % | 44.0 | 43.3 | 46.5 | 47.8 | 53.1 |
| Gender diversity, other management tiers | % | 45.2 | 41.6 | 41.4 | 33.0 | 30.3 |
| Gender pay gap | Times | 1.3 | 1.4 | 1.4 | 1.4 | 1.4 |
| Staff turnover | % | 15.7 | 17.9 | 18.8 | 20.8 | 19.3 |
| Sickness absence | Days/FTE | 6.6 | 7.0 | 9.7 | 9.1 | 9.0 |
| Taxes paid | DKKm | 298 | 2,826 | 1,741 | 1,631 | 2,365 |
| Governance data | | | | | | |
| Gender diversity, Board of Directors | % | 23.5 | 18.8 | 23.5 | 25.0 | 25.0 |
| Board meeting attendance | % | 82 | 88 | 85 | 91 | 91 |
| Salary gap between CEO and employees | Times | 8.6 | 8.5 | 8.5 | 8.6 | 8.6 |

¹ Scope 1 reflects direct emissions from own factory and office buildings and vehicles.
² Scope 2 reflects emissions (at the energy producer) from purchased electricity, steam, district heating and cooling.
³ Data was not available for the computation for 2015-2016.
⁴ Data was not available for the computation for 2015-2018. Calculations based on displacement of fossil fuels in the year of installation of individual projects, resulted in CO₂ reductions at 3,473,000 tonnes for 2019.

For more information and definitions, see our Corporate Social Responsibility Report 2019.





Anders and Tommy, waste collectors at Henrik Tofteng A/S and members of PensionDanmark

Statement of income and comprehensive income

| Note | DKKm | 2019 | 2018 |
|------|---|----------------|---------------|
| | Regular premiums before tax | 12,754 | 12,275 |
| | Transfers from pension schemes etc. | 2,070 | 1,876 |
| | Gross premiums before tax | 14,824 | 14,151 |
| | A tax on retirement savings | -1,333 | -1,186 |
| 4 | Total premiums net of reinsurance | 13,491 | 12,965 |
| 14 | Income from affiliated companies | 2,266 | 1,848 |
| | Income from associated companies | 723 | 1,917 |
| | Interest income, dividends, etc. | 6,776 | 7,582 |
| | Value adjustments | 19,532 | -14,094 |
| | Interest expenses | -39 | -29 |
| 6 | Administrative expenses related to investment activities | -420 | -436 |
| 5 | Total investment return | 28,837 | -3,211 |
| 7 | Tax on pension investment returns | -4,392 | 537 |
| | Investment return after tax on pension investment returns | 24,445 | -2,674 |
| 8 | Benefits paid | -7,540 | -8,248 |
| | Total insurance benefits net of reinsurance | -7,540 | -8,248 |
| 23 | Change in life insurance provisions | -29,775 | -1,680 |
| | Total change in life insurance provisions net of reinsurance | -29,775 | -1,680 |
| 6 | Total insurance operating expenses net of reinsurance | -258 | -238 |
| 5 | Transferred return on investments | -371 | -113 |
| | TECHNICAL RESULT | -8 | 12 |
| | Investment return on equity | 475 | 7 |
| 9 | Other income | 25 | 25 |
| 10 | Other expenses | -24 | -25 |
| | PROFIT BEFORE TAX | 467 | 19 |
| | Tax | -104 | 107 |
| 11 | PROFIT FOR THE YEAR | 363 | 125 |
| 12 | Other comprehensive income | - | - |
| | TOTAL COMPREHENSIVE INCOME | 363 | 125 |

Balance sheet

| Note | DKKm | 2019 | 2018 |
|------|---|----------------|----------------|
| | ASSETS | | |
| 27 | INTANGIBLE ASSETS | 54 | 91 |
| | Equipment | 2 | 2 |
| 27 | TOTAL PROPERTY, PLANT AND EQUIPMENT | 2 | 2 |
| | Investments in affiliated companies | 1,122 | 1,063 |
| | Loans to affiliated companies | 105 | 108 |
| | Investments in associated companies | 314 | 374 |
| 14 | Total investments in affiliated and associated companies | 1,541 | 1,545 |
| | Equity investments | 2,239 | 1,656 |
| | Mutual fund investments etc. | 125 | 122 |
| | Bonds | 7,820 | 7,941 |
| | Other loans | 896 | 794 |
| 16 | Derivative financial instruments | 1,265 | 455 |
| | Other | 424 | 86 |
| | Total other financial investment assets | 12,769 | 11,053 |
| 13 | TOTAL INVESTMENT ASSETS | 14,310 | 12,599 |
| 13 | INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS | 250,329 | 215,227 |
| | Receivables from policyholders | 1,040 | 949 |
| | Total receivables related to direct insurance contracts | 1,040 | 949 |
| | Receivables from affiliated companies | 41 | 4 |
| | Other receivables | 731 | 403 |
| 28 | TOTAL RECEIVABLES | 1,812 | 1,356 |
| 7 | Deferred tax assets | 0 | 776 |
| 15 | Cash and cash equivalents | 3,397 | 4,598 |
| | TOTAL OTHER ASSETS | 3,397 | 5,374 |
| | Accrued interest and rent earned | 901 | 933 |
| 29 | Other prepayments | 282 | 291 |
| | TOTAL PREPAYMENTS | 1,183 | 1,224 |
| | TOTAL ASSETS | 271,087 | 235,872 |

| Note | DKKm | 2019 | 2018 |
|--------|--|----------------|----------------|
| | EQUITY AND LIABILITIES | | |
| 24 | Share capital | 8 | 8 |
| | Retained earnings | 4,637 | 4,274 |
| | TOTAL EQUITY | 4,645 | 4,282 |
| 20 | Group life bonus provision | 3,527 | 3,351 |
| 21 | Life insurance provisions, average interest rate products | 4,366 | 4,445 |
| 22 | Life insurance provisions, unit-linked contracts | 236,003 | 205,797 |
| | Total life insurance provisions | 243,896 | 213,593 |
| | TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS | 243,896 | 213,593 |
| 7 | Deferred tax liabilities | 67 | 0 |
| | TOTAL PROVISIONS | 67 | 0 |
| 15 | Payables to credit institutions | 10,602 | 9,880 |
| | Payables to affiliated companies | 3,039 | 2,455 |
| 7 | Current tax liabilities | 3,483 | 18 |
| 16, 30 | Other payables | 5,356 | 5,645 |
| | TOTAL LIABILITIES | 22,479 | 17,997 |
| | TOTAL EQUITY AND LIABILITIES | 271,087 | 235,872 |



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