



Annual Report 2020

A year in the shadow of COVID-19



Torben Möger Pedersen surrounded by the 17 UN Sustainable Development Goals

The year 2020 was different from other years in every respect. The COVID-19 pandemic challenged our healthcare systems, caused a deep financial crisis and forced us all to work in new ways and accept far-reaching restrictions on our personal freedoms.

Many PensionDanmark members and corporate clients found themselves in a critical situation due to lockdowns and a loss of jobs. However, a variety of government relief packages lent support to the economy and helped the financial markets climb back into positive territory following the massive losses sustained in the spring.

Overall, despite the difficult conditions brought about by the pandemic, 2020 was characterised by solid performances in all PensionDanmark's business areas. Despite the massive equity price slide witnessed in the spring, 2020 turned out to be a strong investment year. At the same time, we were able to keep costs low thanks to continued digitalisation, and

we launched new products and services. Customer satisfaction is as high as ever.

The financial markets were severely affected by the pandemic. As March progressed, equity and credit markets collapsed, and by the end of the month, global equity markets had lost more than 30%. This was followed by a strong recovery that lasted the year out, resulting in solid investment returns for the year as a whole. Our younger members received a return of 7.6%, while our older members received a return of 3.9%. During the ten years from 2010 to 2020, PensionDanmark generated an average annual return of 8.1% for our younger members and 6.5% for our older members. That is a very satisfactory performance. Looking a few years ahead, however, we expect returns to be more volatile and less impressive than in the past few years.

Thanks to our versatile portfolio, we hold a robust position in the current investment environment. As in-

terest rates have trended downwards in recent years, we have stepped up our investments in infrastructure and sustainable real estate – investments which provide stable returns even when equity markets are facing headwinds.

Extensive use of new intelligent technologies for member services and case processing allows for faster case processing, better resource utilisation and more time for personal advice and dialogue with our members. That is part of the reason for our impressive member satisfaction scores, and it also helps us retain our position as the most cost-efficient pension provider in Denmark.

Our digital build-up over the past many years proved its worth in 2020 amid the lockdown of large parts of society. Many of our supplementary training programmes were completed online, enabling many employers to retain and develop competent staff. Our healthcare programme started using a new booking platform that enables members to book appointments with an even greater number of physiotherapists and chiropractors, while services were also expanded to include online consultations with a doctor.

We rely on relevant data on our members, companies and employees for performance of our core task. Handling this data in a respectful and responsible manner is an absolute top priority for us. Not only are data ethics about complying with the law but they also ensure that our members, companies and employees

may trust that we handle data in an ethical and responsible manner. For this reason, we welcome the new statutory requirement obliging companies, from 2021, to account for their data ethics policy in the management's review. We have already chosen to include it in this report.

Responsibility remains high on the agenda in Denmark and internationally. The challenges of climate change are attracting a global focus. PensionDanmark has committed ourselves to contributing to the solutions, and as a leading investor in renewable energy infrastructure and sustainable real estate, we have proven that green asset investments can generate solid returns for our members. We were also concerned with other important issues related to responsibility in 2020, including equality and harassment. We adopted a zero-tolerance harassment policy, and along with 18 other top Danish executives, I signed the CEO Pledge – The ABCs of Diversity & Inclusion.

Ending a rather tough year on a positive note, PensionDanmark was named European Pension Fund of the Year at December's IPE Awards 2020. In 2020, we won a total of five international awards in recognition of our investment performance and innovative solutions. This was the result of great teamwork by all our highly skilled and committed employees – and provides a strong foundation for our efforts in the years ahead to create maximum value for our many members.

Torben Möger Pedersen
CEO, PensionDanmark

2020 in numbers



391,400
active members

PensionDanmark has 391,400 active members employed in 21,500 companies



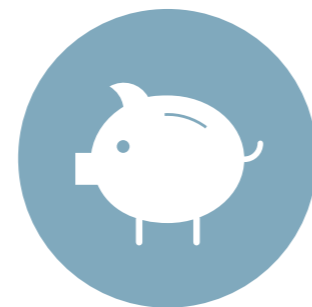
DKK 297
per member per year

PensionDanmark is Denmark's most cost-effective pension fund with annual administrative expenses of DKK 297 per member



600
healthcare clinics

Our members had access to 600 clinics against 122 in 2015



DKK 16.1
billion return

Our younger members received a return of 7.6% on their savings. Our older members received a return of 3.9%



DKK 269
billion member savings

Member savings have grown by DKK 180 billion to DKK 269 million since 2015



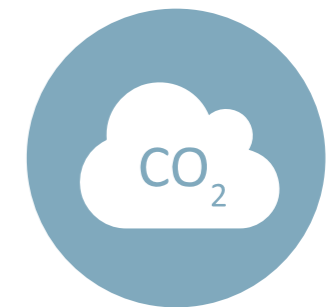
1.5
million logins

1.5 million member logins to pension.dk – compared with 1.2 million logins in 2019 and 0.5 million logins in 2015



DKK 15.3 billion

Our unlisted green infrastructure investments reached DKK 15.3 billion in 2020. To this should be added our commitment to invest an additional DKK 8.1 billion over the next 3-4 years



5,900
tonnes reduction

Between 2019 and 2020, we reduced carbon emissions from our listed equity portfolio from 537,000 tonnes to 531,100 tonnes

Financial highlights and overview



The COVID-19 crisis took its toll on the financial markets and economic activity in 2020. Even so, pension contributions increased, returns were high, and costs were low.

- > Staff numbers in most of the companies whose employees have pension schemes with PensionDanmark were relatively high and stable despite the COVID-19 pandemic. However, employment fell significantly in some sectors – among them service and transportation. Still, the number of active members was largely unchanged (391,400). The number of retired members increased to 60,500 from 58,400 in 2019.
- > Total contributions were up from DKK 13.5 billion to DKK 14.0 billion.
- > Pension and insurance benefits for our members increased from DKK 4.2 billion to DKK 4.4 billion. Adding job change-related transfers, benefits totalled DKK 7.2 billion.
- > Totalling DKK 16.1 billion, investment returns produced a 7.6% return for our younger members and 3.9% for our older members.
- > Thanks to efficient insurance administration and further digitalisation of processes, administrative expenses remained at DKK 297 per member. Total insurance administration expenses fell from DKK 258 billion to DKK 241 billion.
- > Total assets were up from DKK 271.1 billion to DKK 289.7 billion.

- > Member satisfaction remains high, and PensionDanmark's processing times are among the fastest in the industry.
- > 39,000 members received 266,000 interdisciplinary treatments (chiropractic and physiotherapy treatments etc.) under PensionDanmark's healthcare programme in 2020 – a year-on-year decline of 28% attributable to the spring lockdown. 7,700 members received Prompt Diagnosis assistance, a year-on-year increase of 19%.
- > In autumn 2020, we expanded our healthcare programme to include a significantly greater number of physiotherapists and chiropractors across the country as well as access to online consultations with doctors.
- > We sent 1.1 million individual digital messages to more than 300,000 subscribing members. This gave rise to increased interaction with members and a large number of self-service procedures. The number of member logins to our website was up by 30% to 1.5 million in 2020.
- > PensionDanmark is well-consolidated with equity of DKK 4.8 billion.
- > For the 5th time since 2012, PensionDanmark was named European Pension Fund of the Year at the IPE Awards 2020.
- > We acknowledge our corporate social responsibility. Read more in our Corporate Social Responsibility Report 2020 at [pensiondanmark.com](https://www.pensiondanmark.com).



Key figures and financial ratios

	2020	2019	2018	2017	2016
Contributions, DKKbn ¹	14.0	13.5	13.0	13.6	12.8
Benefits paid, DKKbn	7.2	7.5	8.2	7.8	6.9
Return on investment assets before tax, DKKbn	16.1	28.8	-3.2	16.6	13.0
Total assets, DKKbn	289.7	271.1	235.9	233.2	221.5
Equity, DKKbn	4.8	4.6	4.3	4.2	3.7
Administration fee per member	297	297	297	297	297
Number of members, year-end	765,300	752,500	732,000	713,000	695,000

¹ Incl. contributions relating to health and accident insurance

Jette, an electrician with NCC EL, working on DFDS' future domicile at Marmormøllen, Copenhagen



ESG ratios in the financial statements



Canteen worker Emilie picking herbs in PensionDanmark's herb garden

Again this year, PensionDanmark has decided to publish a list of ESG ratios (Environment, Social and Governance), calculated according to the guidelines published by FSR – Danish Auditors, Nasdaq and CFA Society Denmark in June 2019. The ESG ratios are included in our independent auditor's report.

The purpose of this documentation is to provide the best possible basis for rendering developments visible, improving our ESG performance and enhancing the positive impact of our activities on climate and society.

The 2020 list includes additional climate data for our investments and emissions as well as 2025 targets.

The ESG ratios show:

- > PensionDanmark's own CO₂ emissions reduced: As a result of the COVID-19 pandemic and the shutdown of our domicile building during spring and December, emissions from the building's waste, energy and water consumption fell significantly in 2020. Energy consumption was down by 14%.

- > Expanded calculation of emissions from investments: We have expanded our CO₂ calculations to include our corporate bond, private equity and real estate portfolios, which corresponds to almost 50% of PensionDanmark's total investment portfolio.

- > Focus on diversity: At end-2020, 44.3% of PensionDanmark's managers were women. In 2016, the corresponding share was 33.0%. The proportion of female managers exceeds the proportion of women in the organisation as a whole (43.7%). When recruiting new managers, PensionDanmark strives to interview qualified candidates of both genders, and our staff policy and terms of employment offer equal career opportunities in the company regardless of gender.

PensionDanmark's statutory report in pursuance of sections 132 and 132a of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds is included in our Corporate Social Responsibility Report, which is available at pensiondanmark.com.



ESG key figures and ratios

		Target 2025	2020	2019	2018	2017	2016
Environmental data							
CO ₂ e, scope 1 ¹	Tonnes	20.3	42	79	-	-	-
CO ₂ e, scope 2 (market-based)	Tonnes	61.5	56	66	448	489	563
CO ₂ e, scope 2 (location-based)	Tonnes	-	386	412	448	489	563
Energy consumption (scope 1 + scope 2) ³	Gigajoules	-	7,247	8,458	7,634	7,659	7,762
Renewable energy share (scope 2) ³	%	-	78.2	73.3	42.7	40.1	35.8
CO ₂ e, scope 3, estimated							
C1: Purchases of goods and services ¹	Tonnes	-	8.1	11.8	-	-	-
C5: Waste ¹	Tonnes	-	1.1	1.2	-	-	-
C6: Business-related travel ¹	Tonnes	-	23.4	62.3	-	-	-
C15: Investments ⁴	Tonnes	-	886,894	861,220	540,980	575,430	-
of which listed equities ²	Tonnes	-	529,224	536,994	540,980	575,430	-
of which corporate bonds ¹	Tonnes	-	306,622	266,332	-	-	-
of which private equity ¹	Tonnes	-	40,896	47,863	-	-	-
of which real estate ¹	Tonnes	-	10,152	10,031	-	-	-
CO ₂ e, scope 3, total	Tonnes	-	886,928	861,295	540,980	575,430	-
CO ₂ e savings from ownership of green infrastructure ¹	Tonnes	>2,000,000	1,902,220	2,297,000	-	-	-
Water consumption	m ³	2,363	2,552	3,150	3,040	2,952	3,586
Social data							
Full-time staff	FTE	-	291	261	246	224	188
Gender diversity	%	50	43.7	44.0	43.3	46.5	47.8
Gender diversity, other management tiers	%	50	44.3	45.2	41.6	41.4	33.0
Gender pay gap	Times	-	1.3	1.3	1.4	1.4	1.4
Staff turnover	%	-	12.0	15.7	17.9	18.8	20.8
Sickness absence	Days/FTE	4.5	4.7	6.6	7.0	9.7	9.1
Taxes paid	DKKm	-	3,565	298	2,826	1,741	1,631
Governance data							
Gender diversity, Board of Directors (17 members)	%	-	23.5	23.5	18.8	23.5	25.0
Board meeting attendance	%	95	85	82	88	85	91
Salary gap between CEO and employees	Times	-	8.7	8.6	8.5	8.5	8.6

¹ Data was not available for the computation of ratios for 2016-2018.

² Data was not available for the computation of ratios for 2016.

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

⁴ For additional data, see our Corporate Social Responsibility Report 2020, page 33.

For more information and definitions, see our Corporate Social Responsibility Report 2020.

Statement of income and comprehensive income

DKKm	2020	2019
Regular premiums before tax	13,004	12,754
Transfers from pension schemes etc.	2,225	2,070
Gross premiums before tax	15,229	14,824
A tax on retirement savings	-1,318	-1,333
Total premiums net of reinsurance	13,910	13,491
Income from affiliated companies	336	2,266
Income from associated companies	666	723
Interest income, dividends, etc.	6,788	6,776
Value adjustments	8,935	19,532
Interest expenses	-49	-39
Administrative expenses related to investment activities	-533	-420
Total investment return	16,143	28,837
Tax on pension investment returns	-2,453	-4,392
Investment return after tax on pension investment returns	13,690	24,445
Benefits paid	-7,159	-7,540
Total insurance benefits net of reinsurance	-7,159	-7,540
Change in life insurance provisions	-20,061	-29,775
Total change in life insurance provisions net of reinsurance	-20,061	-29,775
Total insurance operating expenses net of reinsurance	-241	-258
Transferred return on investments	-191	-371
TECHNICAL RESULT	-51	-8
TECHNICAL RESULT, HEALTH AND ACCIDENT INSURANCE	-30	-
Investment return on equity	229	475
Other income	29	25
Other expenses	-28	-24
PROFIT BEFORE TAX	149	467
Tax	-40	-104
PROFIT FOR THE YEAR	108	363
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME	108	363



Service gardeners Stig and Mette from Jydsk Planteservice are members of PensionDanmark

Balance sheet

DKKm	2020	2019
ASSETS		
INTANGIBLE ASSETS	131	54
Equipment	3	2
TOTAL PROPERTY, PLANT AND EQUIPMENT	3	2
Investments in affiliated companies	1,082	1,122
Loans to affiliated companies	87	105
Investments in associated companies	364	314
Total investments in affiliated and associated companies	1,533	1,541
Equity investments	2,279	2,023
Mutual fund investments etc.	88	125
Bonds	7,739	7,942
Other loans	990	990
Derivative financial instruments	805	1,265
Other	130	424
Total other financial investment assets	12,031	12,769
TOTAL INVESTMENT ASSETS	13,564	14,310
INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS	266,968	250,329
Receivables from policyholders	1,150	1,040
Total receivables related to direct insurance contracts	1,150	1,040
Receivables from affiliated companies	89	41
Other receivables	2,774	731
TOTAL RECEIVABLES	4,014	1,812
Cash and cash equivalents	3,996	3,397
TOTAL OTHER ASSETS	3,996	3,397
Accrued interest and rent earned	823	901
Other prepayments	199	282
TOTAL PREPAYMENTS	1,022	1,183
TOTAL ASSETS	289,697	271,087

DKKm	2020	2019
EQUITY AND LIABILITIES		
Share capital	8	8
Retained earnings	4,746	4,637
TOTAL EQUITY	4,754	4,645
Group life bonus provision	3,372	3,527
Life insurance provisions, average interest rate products	4,293	4,366
Life insurance provisions, unit-linked contracts	256,292	236,003
Total life insurance provisions	263,956	243,896
Claims provisions for health and accident insurance contracts	30	-
Risk margin on health and accident insurance contracts	4	-
TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	263,990	243,896
Deferred tax liabilities	230	72
TOTAL PROVISIONS	230	72
Payables to credit institutions	10,332	10,602
Payables to affiliated companies	3,571	3,039
Current tax liabilities	2,250	3,477
Other payables	4,570	5,356
TOTAL LIABILITIES	20,722	22,474
TOTAL EQUITY AND LIABILITIES	289,697	271,087



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