



# Corporate Social Responsibility Report 2017



# Contents

Founded on social responsibility .....	4
PensionDanmark's business model.....	6
PensionDanmark supports the UN's Sustainable Development Goals .....	8
Created in partnerships .....	10
Better customer services through digital solutions .....	12
Retaining members in the labour market through preventive efforts.....	14
Being where our members are .....	16
Lifelong learning in a changing labour market.....	18
Investments create growth and jobs .....	20
Sustainable real estate produce solid returns .....	22
Sustainability programme for new real estate.....	24
Our international footprint .....	26
Value creation through active ownership .....	28
Active ownership pays off.....	30
Green investments produce stable returns.....	32
Responsibility begins with us.....	34
Keeping up our CSR efforts .....	36

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.

Printed: In Denmark in 2018 by GSB Grafisk, an ecolabelled printing house

Paper: MultiDesign Original White

Photos: Ursula Bach, Stine Bro (p. 7), Simon Knudsen (pp. 10, 19, 36), Morten Svenningsen (p.16), Ole Mortensen (p. 17), Claus Bonnerup (p. 19), MT Højgaard (s. 22), Dragør Luftfotos (p. 23), ESOFT (p.23), BC Hospitality Group (p. 23), Jesper Heldgaard (p. 26), Jakob Boserup (pp. 28, 30), Nykredit (p. 29), zodebala/iStock (p. 31).

Front page: Electricians at the Kronen shopping centre in Vanløse – all members of PensionDanmark

Back page: Brick layers at Indiakaj, Østerbro – all members of PensionDanmark





## Founded on social responsibility

Social responsibility and sustainability have been part of PensionDanmark's DNA from the beginning. Just over 25 years ago, the social partners agreed to set up occupational pension schemes for all Danish workers in the private and public labour markets as part of Denmark's collective agreements. The purpose of these schemes was to provide all workers with robust supplements to their state pensions – through savings accumulated throughout their working lives – and effective insurance cover in the event of an accident. PensionDanmark was created to fulfil that role.

PensionDanmark's mission is to enable our members to remain active members of the workforce until retirement and then to give them a financially secure retirement. We support our members during their working lives by offering them a healthcare programme and insurance cover in the event of critical illness, disability or death – and by subsidising relevant supplementary training through the educational funds we manage for the parties to the collective agreements. We provide good customer service and advice while at the same time keeping costs to a minimum. We are able to do this thanks to extensive digitalisation of processes and communication. It frees up time to further improve our services to members and companies.

Ensuring a financially secure retirement for our members requires solid and stable returns on their pension savings. Our ambition is therefore to provide world-class investment management. PensionDanmark's assets under management have now surpassed DKK 233 billion, and 37,000 members currently have more than DKK 1 million in their savings account.

We invest responsibly and design our investments so they contribute as much as possible to developing innovative solutions to the key challenges facing Denmark and the international community. Our investments are aligned with the UN's Sustainable Development Goals for 2030 and are

consistent with the principles of the UN Global Compact, to which PensionDanmark is a participant.

Through our investments in equities, listed and non-listed corporate bonds and credits, PensionDanmark provides funding for large and small businesses to enable them to grow and create jobs. Through active ownership of the more than 1,400 companies in which PensionDanmark is a shareholder, we support long-term value creation by insisting on responsible behaviour in relation to the climate and environmental, social and governance issues.

For several years, PensionDanmark has been a leading investor in climate-friendly energy infrastructure such as wind farms and biomass power plants. When building new real estate, we have sustainability standards that all building projects have to meet. In that way, our responsible investments do not only ensure attractive returns for our members – they also make a positive difference for Denmark and the world. We call this approach "doing good and doing well".

This corporate social responsibility report highlights our efforts in all our business areas. Our ambitions and goals will remain high also in the years to come. We are confident we can do even better. But we can only succeed if we maintain strong partnerships and close dialogue with our members, companies, shop stewards, organisations and partners. We stand prepared.

Torben Möger Pedersen  
CEO, PensionDanmark  
tmp@pension.dk

“PensionDanmark’s job is to enable our members to remain active members of the workforce for longer and to give them a financially secure retirement.”

Torben Möger Pedersen

Painter and PensionDanmark member at Hvidovre Stadium



# PensionDanmark's business model

PensionDanmark has a 360-degree approach to our members. We want to give our members a financially secure retirement. We want to protect them during their working lives by means of insurances that come into operation in case of an accident. We want to help them remain active members of the workforce for longer by offering them active, preventive healthcare programmes. And we want them to maintain and develop their skills through lifelong learning.

## PRODUCTS

### PENSION

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



### INSURANCE

Our members are covered by insurances that become operative on death, critical illness, early retirement and subsidised jobs.



### HEALTHCARE PROGRAMME

PensionDanmark's healthcare programme offers free access to preventive interdisciplinary treatment, health advice and prompt diagnosis.



### LIFELONG LEARNING

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



### CUSTOMER SERVICE

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

200,000 members have signed up to receive e-mails with personalised information.



## VALUE FOR MEMBERS

Members are given a financially secure retirement. Investment risks are adjusted to members' age, and pension contributions are distributed on savings products so as to minimise offsetting against public benefits.

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

Our healthcare programme prevents attrition and assists members in overcoming health problems and return to the labour market faster. This provides security for each individual member.

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

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

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

Members receive personalised information through e-mail, text messages, e-Boks, website and by telephone.

A young woman with dark hair tied back, wearing a white short-sleeved button-down uniform, stands in a brightly lit laundry facility. She is smiling and looking towards the camera. The background shows industrial laundry equipment and racks of white linens.

## RESULTS ACHIEVED IN 2017

Members achieved a return of DKK 17 billion, corresponding to percentage returns from 6.9% (older members) to 9.9% (younger members). Over the past five years, a typical member has achieved a total return of 50%.

580 members received supplementary early retirement benefits. 3,000 members received a lump sum of typically DKK 100,000 for critical illness. 2,600 beneficiaries received a lump sum on death. In total, we paid pension and insurance benefits of DKK 3.5 billion to our members.

35,000 members received 300,000 treatments at our health clinics. 24,000 members contacted PensionDanmark's health team. The team assisted more than 70% of our members with long-term illnesses return to work. 2,800 members received paid memberships of patient associations.

21,200 employees in 2,400 companies were able to upgrade their skills thanks to adult training funded by the educational funds managed by PensionDanmark.

Our members received more than 1 million personalised messages.

200,000 members logged on to pension.dk – an increase of more than 40%.

The average call wait time was nine seconds.

Our customer service conducted 155,000 calls to members – an increase of 22% over the year before.



# PensionDanmark supports the UN's Sustainable Development Goals

In September 2015, the UN adopted the Sustainable Development Goals to replace the Millennium Development Goals that addressed developing countries. The 17 UN Sustainable Development Goals and 169 targets, which apply to all countries set out to solve some of the world's major sustainability issues by 2030.

In 2017, the Danish government adopted an action plan setting the framework for Denmark's implementation of the UN Sustainable Development Goals. The government encourages Danish companies to contribute actively to fulfilling these goals.

At PensionDanmark, we have made the UN Sustainable Development Goals the platform for our CSR and sustainability efforts. Throughout the report, we assess how PensionDanmark's work and results contribute to the relevant targets.

Learn more about the UN Sustainable Development Goals at:  
[www.un.org/sustainabledevelopment/sustainable-development-goals/](http://www.un.org/sustainabledevelopment/sustainable-development-goals/)









PensionDanmark's shop steward forum meets every year in September

## Created in partnerships

PensionDanmark is the result of a partnership between the social partners. Partnerships are thus deeply rooted in PensionDanmark's DNA.

Today, our partnerships are no longer only with trade unions, businesses and shop stewards. They have grown in number as well as in scope. We use these partnerships to put together the best and most effective solutions for our members, and we participate actively in our partnerships with a view to sharing knowledge and impacting the conditions we operate under.

In connection with our healthcare programme, we work with Hjernesagen (brain injury society), the Danish Heart Foundation, the Danish Cancer Society, Parkinsonforeningen (Parkinson's disease association), the Danish Multiple Sclerosis Society and the Danish Rheumatism Association.

We cooperate with public authorities such as the Danish Agency for Labour Market and Recruitment on data integration for the purpose of identifying members with long-term illnesses and with the National Agency for IT and Learning on the exchange of data for purposes of managing our educational funds. PensionDanmark has formed a new partnership with the Capital Region and the Zealand Region and the eight vocational schools in their areas to create more traineeships in building and construction at PensionDanmark's building sites.

In 2017, PensionDanmark formed a partnership with Realdania for the construction of multioccupied homes, so-called 50+ life style homes. The first project will be in Køge and PensionDanmark's members will have preferred rights to the units. PensionDanmark has also entered into a collaborative agreement with Boligfonden DTU for the development of housing units for students and temporary staff at DTU, the Technical University of Denmark, in Lyngby.


2017 also saw the formation of a partnership with A.P. Møller Holding on the establishment of two funds to invest in ships and infrastructure in Africa. The funds complement our partnership with the Investment Fund for Developing Countries (IFU) and the Danish state concerning climate and agricultural investments in developing countries.

Partnerships are a prerequisite for reaching our CSR and sustainability targets. Therefore, PensionDanmark participates actively in the public debate and in a number of networks and organisations.

PensionDanmark is a signatory to the UN Global Compact and a member of the board of directors of the recently established Global Compact Network Denmark. UN Global Compact is a leading corporate sustainability initiative, and the ten Global Compact principles have been a driving force in our investment screening and active ownership efforts for several years. In the years ahead, we will continue to support the UN Global Compact and to report on our progress in relation to its principles.



**17 PARTNERSHIPS FOR THE GOALS**



**Target 17.17**  
Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed.



**COMMUNICATION ON PROGRESS**

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

We welcome feedback on its contents.



Pernille, one of PensionDanmark's nurses, talking to a member

## Better customer services through digital solutions

PensionDanmark's digital solutions support the provision of individual customer service and faster case processing, and help our members make the most of their pension schemes.

As part of PensionDanmark's customer service strategy, we provide our members with relevant information aligned with their current life situation. We are able to do this thanks to the very high quality of our data on our members, their insurance covers and their use of PensionDanmark's services. We use this data to provide proactive customer service through advisory e-mails (200,000 subscribers), e-Boks (500,000 subscribers) or text messages (150,000 subscribers). Our members also receive personalised push notifications when logging on to pension.dk.

Through targeted, automatically generated content distributed through various digital channels, we make sure our members receive information that is relevant to them, and that they are contacted through their preferred channel(s) with information on, for example, early retirement, the use of our healthcare programme or in case of missing payment of pension contributions.

The same automatics unfold if a member gets stuck using the self-service solution on pension.dk to, for example, transfer pension savings from a previous job to Pension-

Danmark. In such cases, the system ensures that the member is contacted by our customer service team, who will then help the member transfer the money.

### Putting robots to work

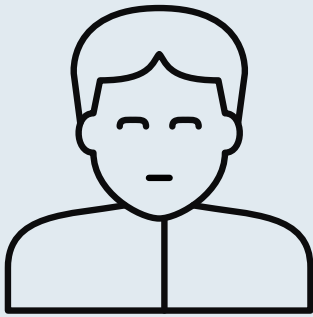
Using software robots is an important part of PensionDanmark's customer service strategy, and we began using software robots for case processing purposes in 2017. The robots solve both administrative and member-oriented tasks, freeing up time for our advisers to further improve the service provided to members and companies.

Some of the benefits of using robots are that our members get better service and receive their insurance benefits faster when applying for insurance payout on pension.dk in the event of critical illness. The case processing time has dropped from 16 to two days.

### Results in 2017

- > Every fourth log-in to pension.dk takes place through PensionDanmark's app.
- > 60% of contribution-paying members between the ages of 64 and 65 have logged on to pension.dk.
- > The number of visits to pension.dk exceeded 1.1 million – an increase of 44% in just one year.
- > The administration fee is DKK 297 per member.

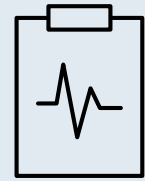
# How the robot works...



A member is diagnosed with a critical illness and visits pension.dk to check whether the illness is covered by his or her insurance.



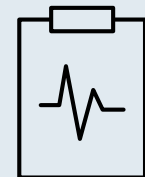
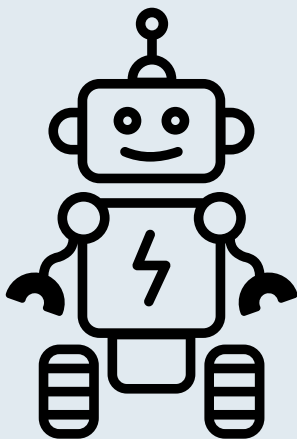
The member downloads his or her medical record from sundhed.dk.



The member uploads his or her medical record to pension.dk.

**The case processing time in connection with critical illness has dropped from 16 to two days**

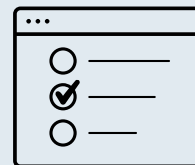
PensionDanmark's robots receive the member's medical record



The robot performs a technical check of the member's insurance.



The robot sends the payment to the member's NemKonto account and a letter to e-Boks.



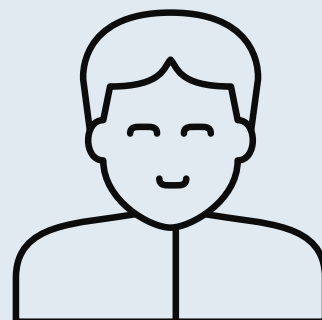
The robot signs up the member with the relevant patients association.



The robot notifies one of PensionDanmark's nurses of the member's situation.



The nurse at PensionDanmark uses the freed-up time to place a care call to the member, offering advice and guidance.





A PensionDanmark member being treated in one of our 135 health clinics

## Retaining members in the labour market through preventive efforts

The purpose of PensionDanmark's healthcare programme is, through prevention and prompt action, to enable our members to remain in the labour market. This is in the interests of our members, the companies they work for and society.

Prevention is the primary focus of our healthcare programme. We want our members to have easy access to treatment in PensionDanmark's 135 health clinics operated by a total of 800 physiotherapists, chiropractors and massage therapist. A doctor's referral is therefore not required. The purpose is to prevent minor symptoms from developing into more serious injuries, long-term illness or, at worst, early retirement. Once the damage is done, the healthcare programme activates a number of coordinated efforts to alleviate the injury.

We are continually upgrading our healthcare programme and our health team currently consists of about 20 nurses and social workers. The team provides counselling on health issues experienced by our members while working, if they become redundant and when they retire. The team may, for instance, offer advice on the offers available under the public Diet, Smoking, Alcohol and Exercise (KRAM) programme or more extensive assistance where a member risks expulsion from the labour market. The team can also help members who have been referred to a specialist get a prompt diagnosis. This helps speed up the patient's journey through the healthcare system.

By proactively reaching out to our members, we contribute to improving their quality of life and to enabling them to remain in the labour market longer. A tool in this process is the health test available on PensionDanmark's website. If the test shows that the member has health issues, PensionDanmark's health team will contact the member to arrange follow-up, preventive efforts or, if necessary, treatment.

We make sure that members with long-term illnesses are offered advice. We do this in collaboration with the Danish Agency for Labour Market and Recruitment (STAR), which is in charge of the sickness benefit register. Members receiving sickness benefits will receive a letter advising them to contact PensionDanmark for personal counselling from a nurse.

### 3 GOOD HEALTH AND WELL-BEING



#### Target 3.8

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

Most of our members have a health plan with PensionDanmark. In addition, all members are covered by an insurance of typically DKK 100,000 in case of a critical illness. In addition to insurance benefits, the member with a critical illness receives one year's free membership of a relevant patients association.



## Results in 2017

- > 35,000 members received 300,000 preventive treatments.
- > 3,200 cases of prompt diagnosis. Just over 30% state they would be on medical leave if they had not received prompt diagnosis assistance.
- > 70% of all members with long-term illnesses who contacted PensionDanmark's health team after receiving a letter from STAR have returned to work.
- > 20,000 members have taken PensionDanmark's health test on pension.dk.

# Being where our members are

2017 saw PensionDanmark's new advisory bus hit the road for the first time to visit companies and local trade unions. The bus has been a great success – with companies and with members who are not always aware of the services available to them under their pension scheme. The bus made a total of 100 stops across Denmark to allow members to consult a pension adviser or a nurse.

PensionDanmark has set up health clinics at a number of major construction sites, offering treatment of construction workers under their health plan with PensionDanmark. At our own construction sites, we have arranged for a physiotherapist to introduce the various construction teams to PensionDanmark's healthcare programme when they start on a job and to advise them on how to take care of their body and avoid attrition.

At construction sites with available facilities, we also offer weekly physiotherapy treatments. These initiatives are of great value to individual members and to their employers as the number of days lost through illness is reduced.

Photo: PensionDanmark's counselling bus visiting Bornholm in 2017







"It was a great surprise to me when I found out that you can change your insurance covers. I would never have thought of that if we hadn't had a visit from the advisory bus."

Jonas, road asphalter apprentice in Ulfborg, standing next to Hans, PensionDanmark pension adviser.



Construction designers are entitled to training subsidies from the Building and Construction Industry's Development Fund

## Lifelong learning in a changing labour market

In our capacity as managers of a number of educational funds provided for by the collective agreements, PensionDanmark supports our members in upgrading their skills.

With digitalisation and robots continuing to gain ground in the rapidly changing labour market, it is essential to design training programmes to match the skills of each individual. Our members need to maintain and develop the skills that are required within their field and that match companies' needs. Studies show that lifelong learning leads to less sickness absence and enhanced job security, job mobility and corporate productivity – as well as higher wages for our members.

An effective lifelong learning system helps prevent the Danish labour market from being caught in a situation of skills shortages and unemployment. Avoiding this paradoxical problem requires a massive effort in upgrading unskilled workers to skilled professionals and intensified efforts to continually upgrade the general and specialist skills of our members. The educational funds provided for by the collective agreements play a key role in doing this.

PensionDanmark manages 18 educational funds provided for by collective agreements. We assist the social partners in ensuring quick and easy access for companies to reimbursement from the funds when their employees participate in adult vocational training programmes. The funds are a supplement to public subsidy schemes, and

companies can often recover most of their adult vocational training expenses.

It is important, especially for small and medium-sized businesses, that applying for adult vocational training subsidies is easy and non-bureaucratic. PensionDanmark has developed an easy administrative approach that, based on data-supported IT solutions, helps keep administrative expenses to a minimum.

For example, PensionDanmark exchanges data with the National Agency for IT and Learning on which employees have participated in AMU programmes (adult vocational training programmes). Companies that have applied for and received VEU (adult and supplementary training) reimbursement for employees' participation in AMU programmes do not need to re-enter the information to receive subsidies from the educational funds. PensionDanmark will automatically retrieve the information from [eferuddannelse.dk](http://eferuddannelse.dk) and subsequently send the companies



### Target 4.4

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

PensionDanmark manages 18 educational funds, which have subsidised 46,000 training programmes.

## Julie has become a better waitress

Julie is undergoing training as a skilled waitress at Silkeborg Technical College. The programme gives her broad insight into the waiting trade and basic gastronomy and servicing knowledge. Outside school, she works as an unskilled waitress at Hotel Scandic City in Aarhus, which has received funding for her training from the Hotel, Restaurant and Tourism Industry's Competence Development Fund, which is managed by PensionDanmark.

"I have learned about meat cuts and about matching wine and food, and we have also attended a coffee course. The programme also provides me with more long-term career opportunities. I would like to become a manager one day, and I have been quite extensively involved in introducing our new apprentice waiters to the trade, so in that context it is also important to me to be able to document my skills."



an e-mail informing them that they are also entitled to subsidies from the educational fund they are associated with.

The social parties' lifelong learning support was most recently manifested in a tripartite agreement setting out to ensure lifelong skills enhancement for Danish workers. The agreement, which sets aside DKK 2.5 billion for initiatives to be implemented between 2018 and 2021, earmarks DKK 400 million for a fund targeting unskilled and skilled workers, ensuring access for these groups of workers to upgrade their skills or to completely retrain so they can offer employers the skills they need in a changing labour market.

## Need for lifelong learning

Studies undertaken by the Think Tank DEA have shown that adult and supplementary training leads to less sickness absence and enhanced job security, job mobility and corporate productivity. There is broad consensus that in 2025, Denmark will be short of 70,000 skilled workers, whereas the number of unskilled workers will exceed demand by 65,000. A 2013 study showed that some 600,000 adult Danish workers have poor reading, writing and arithmetic skills, and that more than one million workers lack proficiency in performing everyday computer operations.

Trainee chefs undergoing training at the Selandia vocational college



# Investments create growth and jobs

PensionDanmark invests in a broad range of assets in order to diversify the risk and secure robust returns for our members. Our investments provide funding for a wide range of projects and activities that stimulate growth and job creation in Denmark and the rest of the world.

When buying mortgage bonds issued by Danish mortgage banks, we effectively provide loans to Danish home owners and housing associations. By investing in shares and direct loans, we help procure capital for small and large businesses to enable them to develop and create growth and jobs. By investing in real estate, we help create jobs for large numbers of construction workers during the construction period and provide healthy workplaces for the many employees who work in PensionDanmark's office buildings, hotels and department stores. By investing in wind farms and biomass power plants, we help produce green energy and create jobs in Danish businesses and their many sub-contractors.


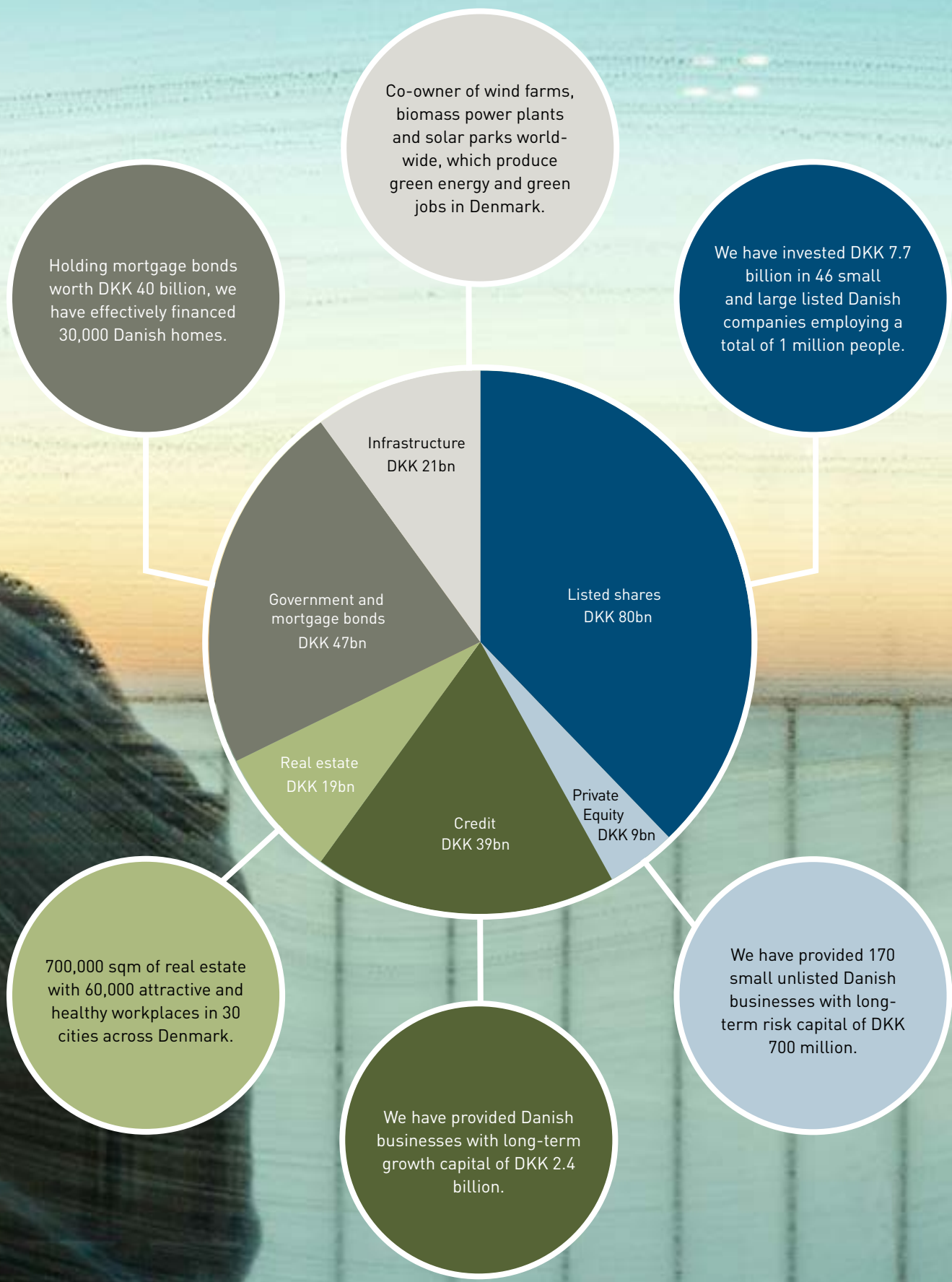
 <p>8 ANSTÆNDIGE JOBS OG ØKONOMISK VÆKST</p>	<p>Target 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p>
<p>PensionDanmark's real estate projects create 1,000 construction jobs for each billion Danish kroner invested.</p>	

Photo: Elite Miljø window cleaner and PensionDanmark member

# Our national footprint





PensionDanmark co-invested in Denmark's first PPP hospital, the psychiatric hospital in Vejle, which was completed in 2017

## Sustainable real estate produce solid returns

For PensionDanmark, integrating sustainability into the construction of new buildings is both profitable and part of our social responsibility.

Sustainability is the strategic cornerstone of PensionDanmark's real estate investments. We strive to combine strong profitability with responsible development, construction and management of the property projects we invest in. At the same time, PensionDanmark's properties must be of a high technical standard and quality.

Sustainable housing, hotels and offices are attractive for owners and tenants alike. Sustainable buildings produce higher returns and are easy to re-let. Accordingly, it is PensionDanmark's strategy to obtain gold sustainability certificates for all new non-residential and residential properties. PensionDanmark primarily uses the Danish DGNB certification system as this applies the most holistic sustainability model. For collaboration purposes, the US LEED system or the UK BREEAM system is used as well.

PensionDanmark currently owns 19 sustainability-certified properties.

We are also working to certify and energy upgrade our portfolio of existing buildings. We are part of the Energispring partnership working to energy upgrade buildings in order to make the City of Copenhagen the world's first CO<sub>2</sub>-neutral capital by 2025.

When acting as a developer, we require that everyone working on our projects must be covered by a Danish collective agreement, that a reasonable number of apprentices and trainees are taken on, that work places set a good example and are committed to ensuring occupational health and safety, and that collaboration is always established with local trade unions.

### Traineeship agreement

PensionDanmark, the Zealand Region, the Capital Region and the eight vocational schools located in their areas are collaborating on a programme called "Traineeships in large construction projects". The programme is supported by the Building and Construction Industry's Development Fund.

The main purpose of the programme is to establish more traineeships within the building and construction industry at PensionDanmark's building sites. The programme is combined with recruiting efforts to attract more youth and adults to the building and construction industry.

The agreement provides for an appropriate number of traineeships for each construction project, follow-up from building superintendents, school representative participation at site meetings and coordination between schools and construction contractors concerning traineeships.

11 BÆREDYGTIGE BYER OG LOKALSAMFUND



Target 11.3

By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in

all countries.

In 2012, PensionDanmark decided that all our new buildings under construction should receive a sustainability certificate. Currently, we have 19 properties with sustainability certificates.

### 50+ life style homes

PensionDanmark is building certified sustainable residential units in the new Køge Kyst district at Køge. The project comprises both ordinary housing units and multioccupied homes for the 50+ segment, the purpose being to create a diverse district.

The units are being developed in a partnership with Realdania as part of the "Room and communities for seniors" project, which sets out to promote activities that may also prevent loneliness. The multioccupied homes take up a third of the floor space and will include facilities such as a shared kitchen, a workshop and outdoor spaces that will set the scene for joint activities for the residents.

### Four of PensionDanmark's new properties



Copenhagen Marriott Hotel, Copenhagen V.  
Floor space: Approx. 24,000 sqm  
Tenant: BC Hospitality Group A/S  
Architects: PLH Arkitekter  
Consortium consisting of ATP and PensionDanmark



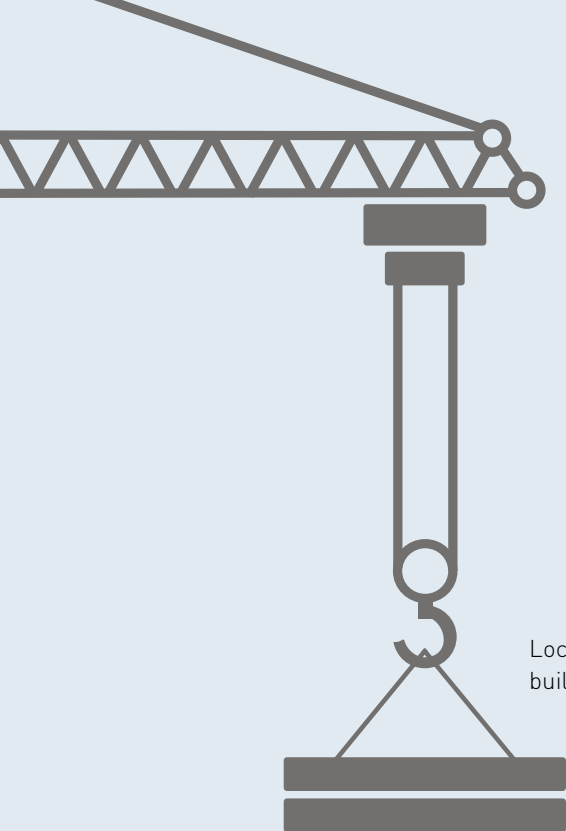
Nordea Headquarter, Ørestad, Copenhagen S  
Floor space: Approx. 46,000 sqm  
Tenant: Nordea Bank Danmark  
Architects: Henning Larsen Architects  
Consortium consisting of three pension companies



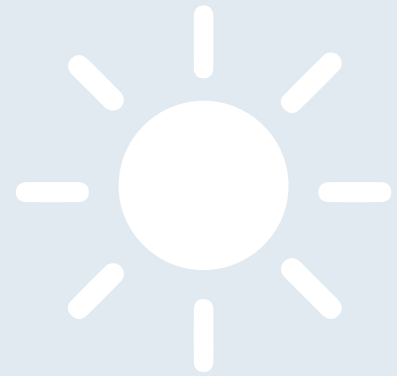
Residential units, Islands Brygge, Copenhagen S  
Floor space: Approx. 20,000 sqm  
No. of units: 120 of a total of 550  
Architects: Henning Larsen Architects



Residential units, Kanaltårnene, Vejle Harbour  
Floor space: Approx. 10,800 sqm  
Units: 44 of a total of 88  
Architects: Arkitema



Locally sourced building materials



## Sustainability programme for new real estate

In 2017, we developed our own sustainability programme setting out requirements for the properties we build. Regulating the financial, technical, environmental and social standards of the property, these requirements set out to reduce the environmental and climate impact of the property and to enhance the health and well-being of its users. Before commencing a project, our partners must demonstrate how they intend to fulfil our sustainability requirements, including collective agreement rules and safety and working requirements.

Focus is on the lifetime economy of the building and on keeping operational and maintenance costs low. Committed also to ensuring that end-users will be happy with the completed building, we go to great lengths throughout the construction process to consult with neighbours and to heighten the social qualities of the building. And lastly,

we are committed to ensuring that the building process is sustainable as well. This involves waste management and energy consumption management at the building site and in the building, and requirements regarding the documentation of materials used.

Sustainable buildings are more attractive for owners and tenants and are thus exposed to a lower risk of vacant premises. Thus, our sustainability programme and certification helps provide solid returns for our members.

- ☑ Focus on the overall economy of the building throughout its expected lifetime
- ☑ Reject materials with substances that are toxic for people and the environment
- ☑ Minimise the environmental footprint of the building
- ☑ Document materials used, production conditions and building processes



Planting focused on local flowers and focus on biodiversity

Attractive outdoor spaces offering sun and shelter

Healthy working environment at the construction site







Reusing rainwater in the property

Solar cells

Green roofs

Healthy indoor climate with as much daylight as possible



Balconies designed to serve as private spaces



LED lighting



Minimising background noise



Separation of waste



Regeneration modules in elevators

Water-saving installations and domestic appliances



Recycled tiles

FSC- or PEFC-certified timber

Easy and safe access to the building

Waste management at the construction site

Rainwater collection for local use

# Our international footprint

Through our investments in two funds managed by the Investment Fund for Developing Countries (IFU) – Danish Climate Investment Fund (DCIF) and Danish Agribusiness Fund (DAF) – PensionDanmark has helped raise private capital for direct investments in developing countries. Both funds are examples of “blended finance”, meaning that public and private capital are combined. This reduces the risk exposure of private investors and thus enables them to participate in attractive investments in developing countries. At the same time, the private capital provided by, among others, PensionDanmark adds to the funds’ investment capacity and professionalism.

DCIF has invested in the Lake Turkana windfarm in Kenya, solar power plants in South America and a number of other renewable energy projects. DAF has invested in, e.g., sustainable pig production in China and Africa focusing on the environment and animal welfare.

Under the auspices of the UN Global Compact’s new “Financial Innovation for the SDGs” initiative, the purpose of which is to develop new ways of directing private finance towards efforts supporting the UN Sustainable Development Goals, PensionDanmark is sharing the experience from participating in the two funds.

<b>17</b> PARTNERSHIPS FOR THE GOALS 	Target 17.3 Mobilize additional financial resources for developing countries from multiple sources.
In 2017, PensionDanmark committed to investing just under DKK 1 billion in Africa Infrastructure Fund I, which is managed by A.P. Møller Capital. Set up to invest in transport and energy infrastructure in Africa, the fund is expected to make its initial investments in 2018 and will over the next ten years make infrastructure investments in excess of DKK 6 billion.	



"Blended finance projects combine public and private funds to bring sustainable technology to developing countries while at the same time generating attractive returns for PensionDanmark's members."

Claus, head of Alternative Investments at PensionDanmark

## Lake Turkana

The 310 MW Lake Turkana wind farm in Kenya is the largest in Africa. The Lake Turkana location was selected because of the favourable wind conditions, which are some of the best in the world for onshore wind farms. The 365 turbines were supplied by Danish-based Vestas Wind Systems.



Søren, Head of Equities at PensionDanmark, and his team manage investments totalling DKK 80 billion in 1,400 companies

## Value creation through active ownership

By the end of 2017, PensionDanmark was invested in more than 1,400 listed companies. Being a shareholder and a co-owner entails responsibilities and rights, and those responsibilities and rights are managed through PensionDanmark's active ownership.

PensionDanmark's responsible investment guidelines are based on a range of widely recognised international standards and conventions in the areas of human and labour rights, environmental and climate conditions and corporate governance. The guidelines are reviewed annually to ensure they are aligned with developments in the area.

Companies meeting the expectations of the surrounding community make for better long-term investments, and active ownership thus supports long-term value creation in the companies for the benefit of our members' savings.

Active ownership, practised by voting at general meetings and maintaining dialogue with businesses in which PensionDanmark is a shareholder, is an integral part of PensionDanmark's work as a responsible investor. We regularly screen our portfolio to identify any non-compli-

ance with our guidelines. We use active ownership to try to induce portfolio companies to rectify unacceptable conditions and ensure their policies and procedures comply with international standards and norms.

### Focus areas in PensionDanmark's active ownership

#### Environment

- > Climate
- > Water

#### Social conditions

- > Human rights
- > Labour rights
- > Diversity
- > Supply chain management
- > Bribery and corruption
- > Tax

#### Governance

- > Board composition
- > Remuneration
- > Shareholder rights
- > Audit
- > Integrated reporting

To that end, PensionDanmark is collaborating with Hermes EOS. This collaboration enhances the impact of PensionDanmark's work in two ways:

- > Hermes EOS represents 42 investors from Europe, North America and Asia with equity investments of an aggregate DKK 2,800 billion. That gives Hermes EOS much greater leverage with companies than PensionDanmark has acting on its own.
- > With specialists capable of engaging in dialogue with companies across the world and experience from a wide range of industries, Hermes EOS is able to communicate where cultural and language understanding and industry insights are required to achieve a positive outcome.

## Recommendations on active ownership

By virtue of our work and experience with responsible investments, PensionDanmark was in 2017 invited to join a working group advising the Danish Minister for Industry, Business and Financial Affairs on the drafting of new responsible investment guidelines for Danish investors.

The new guidelines are based on the OECD's Responsible Business Conduct for Institutional Investors, which explains the application of the OECD Guidelines for Multinational Enterprises in the context of institutional investors. The OECD guidelines state clearly that compliance with the OECD's guidelines and implementation of due diligence

## Climate Action 100+

In 2017, PensionDanmark signed on to Climate Action 100+, a five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters to curb emissions, improve governance on climate change and strengthen climate-related financial disclosures. Read more at [climateaction100.org](http://climateaction100.org)

processes are important steps towards sustainable development in accordance with the 17 Sustainable Development Goals. PensionDanmark complies with the Danish stewardship code.

## Transparency and dialogue

PensionDanmark's equity portfolio and a list of excluded companies are disclosed at [pensiondanmark.com](http://pensiondanmark.com). We also publish cases related to our work on active ownership. On request, PensionDanmark will disclose how we voted at general meetings.

Members and other stakeholders may inquire about PensionDanmark's work on responsible investments at [pensiondanmark.com](http://pensiondanmark.com). All comments are presented to the Board of Directors of PensionDanmark.

In 2017, PensionDanmark was part of a consortium of five pension companies acquiring a stake of just under 20% in Nykredit Holding





Steffen and Marc from PensionDanmark's Fixed Income team, which is in charge of bond investments totalling DKK 47 billion.

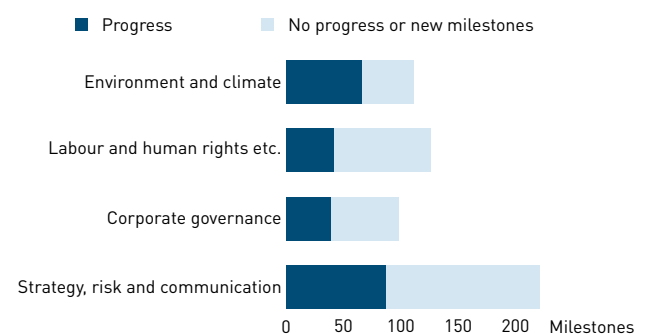
## Active ownership pays off

In 2017, PensionDanmark was engaged, through Hermes EOS, in dialogue with 320 companies, including 422 dialogues on corporate governance, 251 on labour and human rights, 91 on corporate strategy and risk and 146 on environmental and climate issues.

In order to be able to measure our work, we set specific milestones for the dialogue conducted with companies. In 2017, the companies in which we are invested reported progress on 213 milestones. The subjects to be addressed are often complex, and the process of bringing a company to take action and thus reaching a milestone is therefore time-consuming.

If made aware of a possible breach of our responsible investment guidelines, we assess the issue together with Hermes EOS and consider whether Hermes EOS should engage in dialogue with the company. We will always seek

### Milestones in 2017

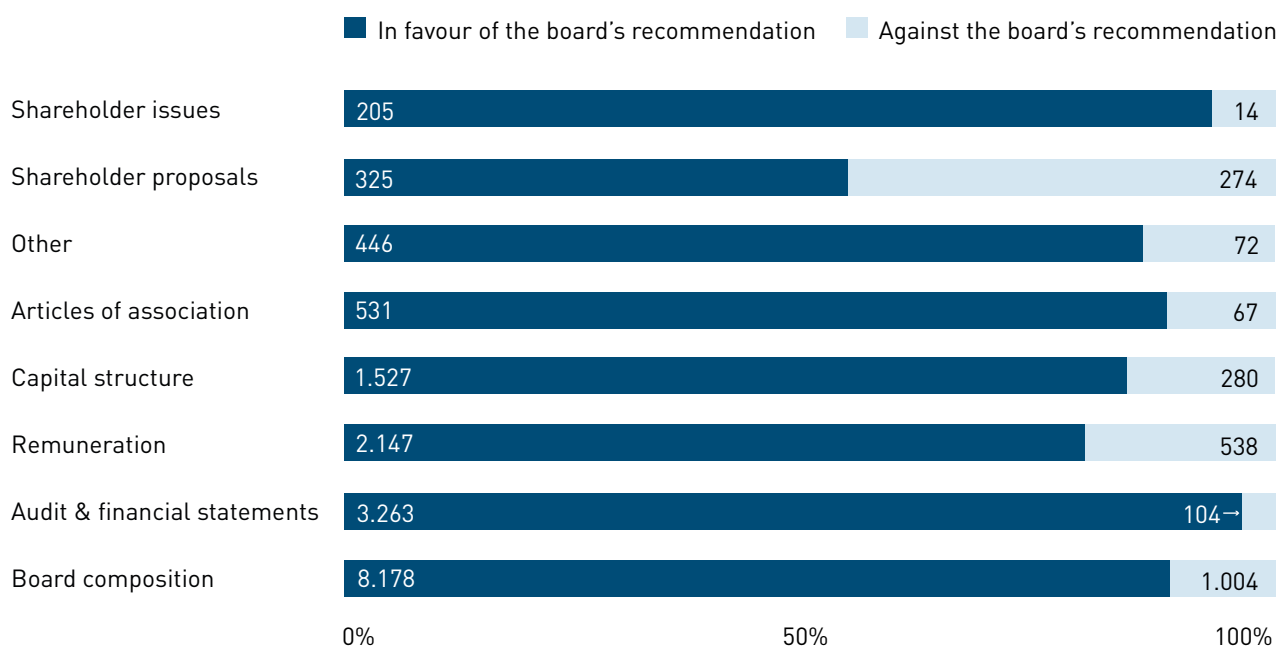


to influence a company to rectify unacceptable conditions rather than divest our shares in the company. We consider this the most responsible approach. If a dialogue does not produce the intended progress, we will divest.

### Corporate dialogue milestones



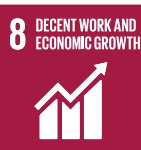
## PensionDanmark's voting at general meetings in 2017



Voting at general meetings is an integral part of active ownership. We vote based on our own voting policy, which stipulates that the companies must be run in the best interests of all shareholders. We emphasise the importance of the company's board of directors being independent of its management and of the company pursuing a remuneration policy that aligns the interests of management and shareholders.

In 2017, PensionDanmark voted at 1,632 general meetings of foreign companies, and in 88% of the cases we voted in favour of the recommendations of the board of directors. We voted at 43 general meetings of Danish companies and

voted in accordance with all of the recommendations of the board of directors.



**8** DECENT WORK AND ECONOMIC GROWTH

Target 8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

In 2017, PensionDanmark was engaged in dialogue with 30 companies on labour rights.

In 2017, PensionDanmark co-established the Maritime Investment Fund for investing in ships



# Green investments produce stable returns

PensionDanmark invests in sustainable energy infrastructure such as wind farms, biomass power plants, solar parks and transmission assets. These investments provide solid, attractive returns and help support the green transition.

Most of PensionDanmark energy investments in Europe and North America are made through funds managed by Copenhagen Infrastructure Partners (CIP). PensionDanmark co-established CIP in 2012 and was initially the only investor in CIP's funds. Subsequently, other investors have been invited to join, and the alliance for direct investment in renewable energy infrastructure currently has more than 30 investors. Since its establishment, the partnership has raised some DKK 45 billion for its funds. This makes CIP a European leader within its field.

PensionDanmark invests in energy and climate projects in developing countries through two funds managed by the Investment Fund for Developing Countries (IFU).

PensionDanmark's renewable energy investments have capacity corresponding to more than all of the power consumed annually by PensionDanmark's 713,000 members and their families combined. The world map shows where PensionDanmark is invested in renewable energy.



## 7 AFFORDABLE AND CLEAN ENERGY



### Target 7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

PensionDanmark has renewable energy investments of more than DKK 20 billion. In 2017, we committed to investing DKK 4 billion in Copenhagen Infrastructure Partners' third fund, which over the coming years will invest in onshore and offshore wind turbines, solar power plants, biomass power plants, transmission grids, etc.


Photo: Wind turbines and transformer at the Anholt offshore wind farm, in which PensionDanmark is an investor









Wind farm 

Biomass power plant 

Transmission grid 

Solar park 



PensionDanmark's domicile at Langelinie Allé was awarded the DGNB gold sustainability certificate in 2016

## Responsibility begins with us

At PensionDanmark, our social responsibility extends beyond our members and investments, it also includes our role as an employer, the working conditions of our employees, internal policies and our collaboration with suppliers.

PensionDanmark wants to be a first mover when it comes to protecting the climate and the environment, enhancing diversity and ensuring healthy working conditions. If we want to be among those setting the sustainability and responsibility agenda, we need to begin with ourselves.

### Environment and climate

PensionDanmark has implemented a number of green measures, including mounting solar cells on the roof of our domicile property at Langelinie Allé in Copenhagen and using seawater in the building's cooling system. This won us a DGNB gold sustainability certificate in the existing buildings category in 2016. We have also created herb gardens, which supply our organic kitchen. And we have bicycles available to our employees.

PensionDanmark owns half of the Nysted offshore wind farm, and we keep part of the RECS certificates produced by the wind farm for purposes of CO<sub>2</sub>-neutralising our power consumption.

### Gender composition

PensionDanmark is committed to promoting equal opportunities for men and women and has adopted a policy on the gender composition of the company's upper management tiers, which lays down a target for the proportion of the under-represented gender on the Board of Directors. The target for 2017 was 20%. Four of the 17 incumbent members of PensionDanmark's Board of Directors are women. At the end of 2017, the share of women in top management was 29%, while the proportion of women in mid-level management was 41%. A total of 97, or 43%, of PensionDanmark's 224 employees are women.

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.

### Working with suppliers

PensionDanmark works with a number of suppliers, and our supplier policy stipulates that our suppliers must:

- > respect the rights of employees to unionise and to collective bargaining;
- > promote health and safety at work and prevent work-related accidents, attrition, etc.;
- > discourage discrimination on the grounds of ethnicity,

religion, age, disability, gender, sexual orientation, trade union membership or political conviction;

- > pay their employees wages and salaries that are consistent with relevant collective agreements and ensure fair living standards relative to national standards;
- > dissociate themselves from forced, compulsory and child labour;
- > work persistently and systematically to comply with national environmental legislation and limit their impact on the environment; and
- > discourage and work actively against tax evasion, bribery and other kinds of corruption.

If we find that a supplier fails to live up to our policy and guidelines, we will initiate a dialogue with that supplier. If this dialogue does not lead to any improvements, we will terminate our collaboration with the supplier. No breaches of PensionDanmark's supplier policy were registered in 2017.

## Tax

All of PensionDanmark's investment returns, whether generated in or outside Denmark, are subject to tax on pension returns in Denmark. The investment return on all PensionDanmark's investments is reported annually to the Danish tax authorities. In 2017, PensionDanmark paid DKK 2.3 billion in tax on pension returns.

PensionDanmark is under an obligation to maximise returns for our members within the legislative framework. When making investments, we thoroughly investigate the tax conditions in the relevant locations and make sure that international tax structures are in accordance with the




PensionDanmark's chef, Maurice, in the organic vegetable garden

law of the countries in which we operate. We pay tax in the countries in which the underlying investments are placed in the form of local income tax, indirect taxes, payroll taxes, etc. Read more at [pensiondanmark.com](http://pensiondanmark.com).

Over the past few years, the OECD and the EU have implemented a range of measures to enhance the transparency of global tax payments and contain tax evasion through, among other measures, the use of third countries in tax structures. PensionDanmark's tax reporting and investments comply with the principles of these initiatives.

The solar power system on the roof of PensionDanmark's domicile produced 90,000 kWh of green power in 2017





## Keeping up our CSR efforts

PensionDanmark will continue to focus on CSR and sustainability initiatives in 2018.

We need to become better at measuring the impact of our efforts and therefore, in 2018 and the years ahead we will develop measuring and reporting tools for our various business areas. We will measure the effects for our members, for Denmark and for the international community, guided by the UN's Sustainable Development Goals.

Photo: PensionDanmark's shop steward forum 2017





PensionDanmark A/S

Langelinie Allé 43

DK-2100 Copenhagen Ø

☎ +45 3374 8000

@ info@pension.dk

🌐 pensiondanmark.com

**Pension**Danmark

