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**THEME:**

**OUR MEASUREMENT**

Our measurement

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Marian from Alliance+ giving a shine to the floors at the Opera
Sustainability in the time of coronavirus

2020 underlined just how closely connected the world is. The pandemic broke out in a market in China but quickly spread to the rest of the world. The health crisis soon escalated into a serious economic crisis – a crisis of which we still do not know the full consequences of. Being able to act quickly and safely in a changing world is more important than ever.

Many of PensionDanmark’s members and companies have endured periods of lockdown, and jobs have been lost as a consequence. The hotel and restaurant industry, the transport industry and the many employees at Denmark’s airports have been particularly hard hit. Many of the companies that were not shut down had to implement restrictions and other measures to protect themselves against COVID-19.

Throughout the crisis, we stayed focused on our core mission: Enable our members to have a long and productive working life and give them a financially secure retirement. Our highly digitalised and automated work processes – combined with the responsible and professional conduct of our employees – proved to be key assets in those periods when most of our employees had to work from home. Our call centre operated smoothly with response times of just a few seconds, web service traffic was record-high, and our investment team was busier than ever.

We were born with a long-term perspective. Members joining us in 2020 will receive their pension benefits from 2070 or so and for the following 20 years. We are responsible for investing members’ savings in a way that adds value and at the same time contributes to making the world of our future retirees sustainable. We call this approach “Do good and do well”.

The financial markets had a turbulent year in 2020 due to the corona pandemic, new geopolitical tensions, Brexit and uncertainty ahead of the US presidential elections. 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. Early on in 2020, we chose to grow our portfolio of sustainable listed companies. Our purpose was to produce solid returns and help achieve the 17 UN Sustainable Development Goals. This was a wise decision. Thanks to the returns on our portfolio of sustainable equities and on our investments in green energy and sustainable real estate, we closed the year with very satisfactory returns for both our younger and our older members.

Our 2020 Corporate Social Responsibility Report sets out to measure the impact of our various efforts – in healthcare, supplementary training and investing – on the UN Sustainable Development Goals. And we have begun setting targets for what we want to achieve. This work, which has only just begun, will continue in the years ahead. By focusing on measuring our impact – negative as well as positive – and by disclosing our targets, we are raising the bar for our corporate social responsibility efforts.

The pandemic has been and still is an unwelcome guest. But we will incorporate the lessons learnt – and the many good new initiatives – into our future endeavours. In 2020, we celebrated the 35th anniversary of public labour market pension schemes. And in December, we won the European Pension Fund of the Year award at the IPE Awards 2020 – for the fifth time. Being recognised as Europe’s top pension provider both encourages and obliges us to continue our important work of giving our members a financially secure retirement – through a sustainable approach.

Torben Möger Pedersen
CEO, PensionDanmark

"Early on in 2020, we chose to grow our portfolio of sustainable listed companies. Our purpose was to produce solid returns and help achieve the 17 UN Sustainable Development Goals. This was a wise decision."

Torben Möger Pedersen
2020 IN NUMBERS

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

A typical 45-year-old member received a return of 7.6% on his or her savings.

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

Member savings have grown by DKK 248 billion since 2000 to amount to DKK 269 billion in 2020 against DKK 180 billion in 2015.

Our members had access to 600 clinics against 122 in 2015.

1.5 million logins to pension.dk compared with 1.2 million logins in 2019.

1,900 companies received grants for 47,900 supplementary training programmes, an increase of just under 2,800 compared with 2015.

Green infrastructure investments grew to DKK 15.3 billion in 2020 from DKK 13.5 billion in 2015.

The carbon footprint of our total investments was reduced to 49.5 tonnes/EURm from 58.7 tonnes/EURm in 2019.

Progress on 307 milestones through PensionDanmark’s active ownership, compared with 253 milestones in 2019.

PensionDanmark is the owner/co-owner of 159 properties totalling 1.4 million sqm.

For the 5th time, PensionDanmark was named European Pension Fund of the Year at the IPE Awards 2020.

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BUSINESS MODEL

PensionDanmark pursues a 360-degree approach to engaging with our members. We are committed to giving our members a financially secure retirement by generating solid returns on their savings. We want to enable them to have a long and productive working life by offering them an active and preventive approach to healthcare. We want our members to maintain and upgrade their skills through lifelong learning, and we want to protect them by means of insurance policies that provide financial security if accident or illness occurs.

PRODUCTS

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

INSURANCE
Our members are covered by insurance in case of death, critical illness, anticipatory disability pension or having to take a subsidised job.

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

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

COUNSELLING
Members can access our member services by phone Mondays-Fridays from 8.00 a.m. to 9.00 p.m. – and at pension.dk 24/7.
300,000 members have signed up to receive messages with personalised information.

VALUES

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

These policies 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 with public registers, we make sure our members always receive what they are entitled to.

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

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

Members receive proactive, personalised advice aligned with their current life situation. Members can choose their preferred platform of communication, which ensures a high degree of accessibility and readiness to meet our members’ needs. Members receive personalised information by e-mail, text messages, e-Boks (secure digital postbox), website or telephone.

RESULTS

Our members received solid returns despite uncertainty and considerable financial market volatility. The 45-year pool produced a return of 7.6%, while the 67-year pool yielded a return of 3.9%.

999 members were awarded supplementary anticipatory disability pension, 2,986 members received a lump sum of typically DKK 100,000 on critical illness, and 3,072 beneficiaries received a lump sum on the death of a member. Our members received insurance benefits of DKK 4.4 billion in all.

39,000 members received 266,000 preventive treatments. 27,000 members contacted our healthcare team.

7,700 members received a Prompt Diagnosis, a year-on-year increase of 19%.

47,900 employees in 1,900 companies were able to upgrade their skills through supplementary training paid for by the educational funds managed by PensionDanmark. Grants totalling DKK 71.7 million were paid out.

Our members received 1.1 million personalised messages. Our members logged in to pension.dk 1.5 million times – a year-on-year increase of almost 27%.

The average call waiting time was 7.8 seconds.
A sustainable DNA

Corporate responsibility and sustainability are part of PensionDanmark’s DNA. The 17 UN Sustainable Development Goals are the fundamental values on which we base our business. We want to be open and transparent and therefore also disclose the negative impact we have and the challenges we face.

As a labour market pension fund, we are committed to enabling our members to have a long and productive working life and to giving them a financially secure retirement. We demonstrate responsibility to the world around us by contributing to a more sustainable society, and we are aware that what we do today as a company and an investor has an impact on society – now and in the future.

In 2015, world leaders defined the world’s key challenges going forward to 2030 in the shape of the UN Sustainable Development Goals (SDGs), which consist of 17 goals and 169 targets. We have embraced the 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. Based on our members, the world around us and our employees, we have selected the SDGs where we can contribute the most towards positive change. 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.

Here, we report on selected SDG targets. An example: SDG 4 on quality education, which we support through the management of a number of educational funds (see p. 28). Our efforts in this respect also contribute towards SDG 8 on decent work and economic growth (see p. 42).

In addition to the SDGs and targets, we decided in 2020 to implement the new Danish sustainability indicators defined by Statistics Denmark and the 2030 Panel. Translating the SDGs into a Danish context, these indicators define how Danish companies can and should measure their efforts towards achieving the SDGs. We have selected four indicators that are relevant for our business.

New standards for reporting

The focus of PensionDanmark’s reporting on corporate social responsibility has changed from our efforts and the scope of our efforts to measuring the impact of our efforts. The theme of this report, “Our measurement” (p. 32), examines in depth how far we have come in terms of measuring our impact, the challenges we face and how we set our first-ever targets for what we want to achieve. Going forward, we will measure our performance against those targets.

Why does PensionDanmark not have a sustainability strategy?

PensionDanmark was established to carry out an important social mission: Provide financial security for Danish retirees – and thus contribute to ensuring the financial sustainability of the Danish society. Accordingly, sustainability is firmly rooted in PensionDanmark’s DNA and our entire business. While we do not have a separate sustainability strategy, sustainability is an integral part of our business strategy. In 2020, we added 2025 targets to our business model and ESG ratios. Going forward, we will evaluate our performance based on those targets.

We want to be open and transparent. While we have selected SDGs based on our stakeholders and on where we can achieve the greatest effect, we believe it is equally important to disclose the negative effects our activities may have on the SDGs.

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 in the form of our dilemmas.

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2020 RESULTS

- PensionDanmark reports on 11 SDG targets and four Danish indicators.
- We discuss six dilemmas in this report.
Partnerships for change

PensionDanmark was created and built on strong partnerships as a part of the Danish labour market model. Collaboration with private and public partners in Denmark serves the interests of our members and ensures the best services under our various schemes. Thanks to our international collaboration, we remain a pioneer in reporting on and achieving climate goals.

Labour market pensions were born out of the 1987 Joint Statement – a mutual agreement between the social partners and the Danish government on, among other things, labour market pensions. More than 30 years later, this social contract remains the cornerstone of our work and our structure, which is shaped around a Board of Directors comprising 14 social partner representatives.

PensionDanmark’s ongoing partnership efforts are rooted in a fundamental belief that what we do has a greater and more widespread impact when we do it together with others. Partnerships, whether they concern the climate crisis, COVID-19 or the pandemic’s repercussions on the global economy, have only become more important as the world has become more closely connected. This is true in relation to our members, our impact on the world around us and our employees.

Partnerships for members

PensionDanmark works with a large number of partners, both public and private, as well as with NGOs to serve the interests of our members as best as possible and provide them with the best services under our various schemes. In the educational field, PensionDanmark works with the Danish Agency for Labour Market and Recruitment (STAR), their regional labour market divisions and local labour market offices. During the coronavirus crisis, STAR and PensionDanmark have hosted a number of webinars on grant options under the educational funds and on the overview provided by the supplementary training site at pension.dk for companies, job centre employees, suppliers and labour market offices.

In relation to the healthcare programme, PensionDanmark in 2020 established a close dialogue with Danske Fysioterapeuter, the labour union for physiotherapists, and the Danish Chiropractors’ Association, which has resulted in significantly improved access for our members to treatments – both in terms of the number of clinics and the number of available slots with physiotherapists and chiropractors. Members book treatments through a new booking platform developed in collaboration with the insurance company Tryg.

Going forward to 2030, up to 20,000 new residential care units are to be established in Denmark. Therefore, PensionDanmark in 2020 formed a new partnership with Diakonissestiftelsen (institution for a semi-religious order of nursing sisters) to develop privately run residential care units for senior citizens. This partnership is shaped around PensionDanmark’s focus on developing sustainable real estate that meets tomorrow’s climate and health requirements combined with the experience of Diakonissestiftelsen in providing general social welfare services and specialised eldercare and nursing care.

Global partnerships move the world

PensionDanmark is member of a large number of international partnerships under the auspices of the UN, the OECD, the EU and the World Economic Forum. In 2020, we confirmed our continued support for the SDGs and global collaboration by signing the UN Global Compact’s United in the Business of a Better World – A Statement from Business Leaders for Renewed Global Cooperation, and also the climate initiative Uniting Business and Governments to Recover Better.

In 2020, Torben Möger Pedersen, our CEO, joined The B Team, a group of global business leaders committed to promoting responsibility and a sustainable future. Among other initiatives, the group has participated in a global campaign on how to ensure a green post-pandemic economic recovery. In 2020, Torben Möger Pedersen was also appointed co-vice chair of the Institutional Investors Group on Climate Change (IIGCC), which works to enable climate-friendly investors to exert maximum influence on companies and policy-makers.

The Net-Zero Asset Owner Alliance, which PensionDanmark co-founded in 2019, has grown its membership to 33 pension funds, including five Danish funds, with a total investment portfolio of USD 5,100 billion. As a member of this alliance, PensionDanmark is helping to pioneer standards for the measurement and reporting of investment portfolio carbon emissions. The target is for all alliance members to have CO₂-neutural portfolios by 2050 (for more information, see the theme on p. 32). These international partnerships and collaborations enable PensionDanmark to remain a frontrunner in raising standards for the reporting and achievement of climate goals, as most recently exemplified by the Net-Zero Asset Owner Alliance’s target for a reduction of 16-29% in greenhouse gas emissions by 2025.

Collective bargaining in 2020

Collective agreements are crucial to the entire labour market as they lay down the rules applying to more than 600,000 employees. In 2020, a large majority of employees voted in favour of the collective agreements for the next three years. The main pension-related achievements of the 2020 collective agreement are:

- Pension for apprentices and trainees: Apprentices and trainees receive a pension contribution of 6% when they turn 18 and are expected to be entitled to full pension contributions (12% of their wages) from 1 January 2022.
- Choice between savings and payout of pension savings: Members who keep working after they reach the state retirement age are entitled to have their pension contributions paid out rather than have them placed in their pension savings account.
- Increased Optional Pay Account contributions: The Optional Pay Account contribution is raised from 4% to 7% over a period of three years, giving members more money for days off, the senior employee scheme, pension savings, children’s care days or cash payments.
- The number of clinics was expanded to 600 in 2020 in close dialogue with Danske Fysioterapeuter and the Danish Chiropractors’ Association, an increase of 453 from the 147 clinics included in our offering in 2019.
- Development of privately run residential care units for senior citizens in collaboration with Diakonissestiftelsen.
- Reduction of 16-29% in greenhouse gas emissions by 2025 through collaboration with the Net-Zero Asset Owner Alliance.
COVID-19 has changed the way we work

The corona crisis left its distinct mark on 2020 and has had serious consequences for many of our members in the form of job insecurity, furloughing and layoffs. The pandemic has changed the way we work at PensionDanmark – and opened up new opportunities.

During the first wave of the COVID-19 pandemic in the spring, we shut down our headquarter on Langelinie Allé and asked most of our employees to work from home. Even so, members and companies had access to the same high level of service. Our phone response time, for example, remained largely unchanged throughout this period.

All referrals for physical healthcare treatments were cancelled in the spring to avoid the spread of coronavirus. However, members could still get health advice by phone through our healthcare team. When therapists were cancelled in the spring to avoid the spread of coronavirus, the use of our healthcare programme remained largely unchanged throughout this period.

With regard to supplementary training, the coronavirus crisis brought both challenges and new opportunities. Almost all face-to-face supplementary training was suspended between 11 March and 27 May 2020 in the wake of the restrictions issued by the Danish authorities. This has caused delays in the supplementary training of employees in industries where physical presence is required. However, the crisis also highlighted the many opportunities for online courses. In several industries, the manpower surplus caused by the lockdown was seen as an opportunity for employees to attend online courses. These industries have recorded a higher level of supplementary training activity with companies, assisted by grants from the educational funds, being able to retain and develop their employees at the same time.

The COVID-19 pandemic had a severe impact on the financial markets in 2020 and, by extension, our members’ pension savings. Between January and March 2020, global equity markets lost more than 30% but recovered strongly towards the end of the year, resulting in positive returns for all age pools. The 45-year pool produced a return of 7.6%, while the 67-year pool yielded a return of 3.9%. This was partially attributable to a larger portfolio of sustainable listed companies. Driven by the returns on our portfolio of sustainable equities and on our investments in green infrastructure and sustainable real estate, the year closed with very satisfactory returns for both our younger and our older members.

Corona lunch packs

In spring 2020, we made a decision to retain our canteen staff so they could make packed lunches for the more than 200 craftsmen working at our construction sites in the Greater Copenhagen area – for the benefit of both the staff and the recipients.

Distance management, a new discipline

Rania, assisting team leader in the company services team, remembers 2020 as a year in which execution and communication reached a new level. Like her colleagues, Rania was sent to work from home at the beginning of March. This marked the beginning of new ways of managing her colleagues.

“The lockdown was an acid test of the strength of our leadership team. We’ve been very aware of the need to engage in close dialogue with our employees while they’ve worked from home. It’s been a learning process during which we’ve become better at decoding when and how our colleagues need professional help and support. We’ve also been very aware of the need to keep an eye on the psychological wellbeing of our colleagues during a time when many have had to work around their children,” Rania explains.

Communication provided peace of mind

PensionDanmark took prompt action in connection with the first coronavirus lockdown in March, arranging for most employees to work from home. We have continued to promptly implement new, extensive measures to contain the spread of the virus among our employees.

Health counsellor Marlene is one of the employees who worked from home:

“Initially, I was sceptical about being directed to work from home and having to speak to our members about physical or mental illness in the presence of my husband. But it worked really well, and I was impressed at how smoothly we were able to move our entire customer service function to a home office setting in just a few hours,” Marlene recalls and emphasises clear communication from Management as a crucial factor.

PensionDanmark’s Management has had to strike a balance between looking after the health of our employees and ensuring that they were able – from home and often in the presence of their family – to maintain a high level of job satisfaction and knowledge sharing, which is usually driven by the sense of community and the dynamics that come from working in the physical presence of colleagues.

2020 RESULTS

- The average response time at our member service desk was 7.8 seconds. During the lockdown from 12 March to 12 May, the average response time was 8.1 seconds.
- The investment return for a typical 45-year-old member was 7.6%.
Diversity and gender equality on the agenda

As a general principle, PensionDanmark’s various pension and insurance schemes have always been solidarity-based and equal for all. In 2020, we stepped up our efforts to promote diversity, inclusion and gender equality in relation to our own employees and in our role as investor. We have intensified our focus on gender equality and diversity in the companies in which we are invested and will work for better and more comprehensive ESG reporting from Danish listed companies. We demand the same of ourselves.

Being a member-owned company, the basic idea is for our schemes to be solidarity-based. Female PensionDanmark members taking maternity leave benefit as their pension savings continue to grow while they are on leave. Thanks to the collective agreements, their pension savings even grow quite significantly. In most collective agreement sectors, women on maternity leave are entitled to a monthly pension contribution of DKK 2,040 during the first 14 weeks of their maternity leave.

PensionDanmark does not discriminate between gender or state of health in providing access to our healthcare programme, and expectant mothers are not subject to special insurance terms. On the contrary, expectant mothers enjoy the same access to physiotherapy and chiropractic treatment as other members – treatments that can often entail challenges in relation to their opportunities with having children than men. This means that women may entail challenges in relation to their opportunities for saving up for a good and stable retirement. Thanks to the collective agreements, most female PensionDanmark members on maternity leave are entitled to a monthly pension contribution of DKK 2,040 during the first 14 weeks of their maternity leave.

Gender equality requires action

As part of our targeted efforts to promote diversity and gender equality, PensionDanmark in 2020 signed The B Team’s Principles for Equality and the Diversity Council’s CEO pledge, under which 18 top executives have committed to:

We work to increase focus on gender equality and diversity through active ownership and investment decisions. In our experience, the level of gender diversity in a company is often an indication of the company’s approach to the broader diversity agenda. In addition to gender, ethnicity, nationality, sexual orientation and age, the broader diversity agenda deals with how diversity can ultimately help drive results by including diverse skills and expertise. Therefore, as part of our active ownership, we also consider a company’s success in utilising the often unrealised potential of (gender) diversity.

We want to help change that. Going forward, we will ask the boards of directors of the listed Danish companies in which we are invested to monitor and disclose data in accordance with the ESG key performance indicator guidelines of Nasdaq, FSR – Danish Auditors and the CFA Society Denmark, which we also apply as the basis for our own figures. These key ratios include social ratios such as gender diversity and gender pay gap as well as governance ratios on the gender composition of the board of directors. Large companies are required to report on gender diversity on the board under section 99b of the Danish Financial Statements Act. Wages and salaries, on the other hand, such as gender pay gaps and pay gaps between the CEO and the employees, are typically a more sensitive reporting topic. PensionDanmark reports on these indicators.

Safe and secure workplace

In the financial sector, the positions paying the highest salaries are dominated by men, which is a contributory factor to the gender pay gap. To be able to work towards greater diversity, we need to know the extent of the issue. See our social and governance ratios in the theme section on our key figures on p. 32.

Our focus on diversity also extends to our own employees, especially in a recruitment context. When recruiting new employees and 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.

The public debate on harassment and sexism was also part of PensionDanmark’s agenda in 2020. Together with a number of Danish top executives, our CEO, Torben Møger Pedersen, signed a zero-tolerance declaration towards any kind of harassment and sexism.

This pledge involves an obligation to have our own affairs in order, and the zero-tolerance commitment has been fully integrated into PensionDanmark’s staff policy and values. The movement gives rise to internal self-reflection and openness about the difficult balance between absolute and invariable zero tolerance towards violation of individual boundaries and a practical approach to any cases that is also respectful of other basic rights of individual employees.

PensionDanmark works actively to ensure a safe and secure working environment and to promote the understanding that working at PensionDanmark is about commitment, high spirits, high professional standards and respect for each other.

Progress was achieved on 44 company dialogues on diversity and equality as part of our active ownership.

In 2020, 44.3% of PensionDanmark’s managers were women, an increase from 33.0% in 2016, which exceeds the general proportion of women in the organisation (43.7%).

PensionDanmark has a 30% gender pay gap.
Solidarity-based scheme provides security

At PensionDanmark, we work to ensure that our members receive the benefits they are entitled to and the help they need, while keeping administrative expenses low without compromising on quality. We offer efficient and professional administration and better customer service through a combination of digital solutions and personal advisory services.

PensionDanmark was established to manage our members’ collective agreement-based pension and insurance schemes. We pursue a 360-degree approach to engaging with our members. In addition to pension schemes, we provide a social safety net that covers illness or death among our members and helps if they need early retirement or supplementary training. At the same time, we constantly work to keep costs low so that as much as possible of the member’s contribution goes to their pension savings.

Being a member-owned company, our fundamental principle is that our schemes are solidarity-based and that our members’ pension contributions are primarily used to increase their savings. Accordingly, we make a point of utilising the economies of scale that come with having 765,300 members, so we can offer them good service at a low price. When costs are low, pension savings grow. That is our mantra.

Efficient and professional management of our members’ pension contributions also involves ensuring that they get the right help as quickly as possible. In other words, efficient management is about taking the best possible care of our members.

Better customer service through new technology

Combining digital solutions and personal pension and insurance advice, we go to great lengths to ensure that our members receive the benefits they are entitled to and the help they need when they need it. We use robots for case processing purposes where they can help ensure faster, more uniform and smooth case processing without compromising on quality. This contributes to faster payouts of anticipatory disability pension benefits and insurance benefits in case of critical illness or death. This means that our members or their beneficiaries receive their benefits without undue delay.

By means of personalised messages, we make sure our members are kept informed of their options so they can make the most of their pension schemes. Based on the information we have on our members, we send them information about their situation and their options. Our goal is for our members to perceive our messages as relevant and valuable, for example when we encourage them to use the healthcare programme or advise them to combine their pensions in order to save administrative expenses.

Apprenticeship pension from age 18 makes a big difference

Under the collective agreements concluded in 2020, apprentices obtained the right to pension contributions from the age of 18. This will make a big difference to their retirement benefits. Initially, the pension contribution is 6% of apprenticeship wages, which will add some DKK 45,000 to apprentices’ retirement benefits. Apprentices are expected to be entitled to full pension contributions from the beginning of their employment, and will have an additional DKK 85,000 paid into their pension accounts.

In 2020, our members paid DKK 297 a month to have their pension savings managed by PensionDanmark. Measured in terms of overall administration and investment expenses, we offer the cheapest pension services in Denmark.

Waste collector Tommy enjoys a break with an apple and some sunshine
Preben Bregendahl Jensen is 74 years old and a little out of the ordinary. Even though he reached retirement age a long time ago, he continues to work as a bus driver. Preben started working reduced hours when he reached retirement age at 65 but postponed the payout of pension benefits until he turned 67.

PensionDanmark’s flexible pension payout scheme enables our members to have their pension paid out as it suits them – both while working and in retirement.

Members can choose:
> partial payout of both lifetime pension benefits and annuity pension benefits
> to have their lifetime pension benefits and annuity pension benefits paid out at different times
> to have their annuity pension benefits paid out over a period of 10-30 years – for instance over 12 years
> to leave their retirement savings untouched and wait to have the money paid out when they need it.

In other words, there are many ways to start retirement. By means of, e.g., personalised messages, we make sure that future retirees are kept informed of their options.

Driving between Viborg and Herning
Preben has always worked behind the wheel. He has worked for Brande Buslinier for the past 14 years and still shuttles between Viborg and Herning.

“I was born with a wheel in my hands and was very young when I started driving a tractor back home on the farm. My dad quickly discovered that I was the only one who could plough straight furrows, so I spent a lot of hours behind the wheel at a young age. I love working and will continue as long as my health permits”, says Preben, who uses PensionDanmark’s healthcare programmes to prevent minor symptoms from developing into more serious problems.
Prevention ensures a long healthy working life

To help ensure our members a long and healthy working life, we have in the course of the past 15 years developed a healthcare programme focused on prevention and easy access. In 2020, we expanded our healthcare programme to include 600 physiotherapy and chiropractic clinics and offered our members access to online consultations.

According to an assessment made by the National Institute of Public Health, PensionDanmark’s members more frequently have to cope with working in a twisted or bent posture, repetitive and monotonous movements, heavy lifting or noise in the course of their day-to-day work. Our male members, who are also in the majority, face the most challenges. Male PensionDanmark members are one to three times more likely to encounter a challenging working environment than other male employees.

Preventive action can help avert attrition, prevent minor ailments from developing into major injuries and prevent them from returning. This makes a difference to members’ day-to-day physical wellbeing, but also to their long-term connection with the labour market and the security that comes with it. At the same time, preventive action ensures that companies have access to valuable labour.

Online consultations and pharmacy
In October, as part of their healthcare schemes with PensionDanmark, our members obtained access to online consultations as a supplement to consultations with their own doctor. Via videolink, our members can talk to an online doctor on weekdays between 8 a.m. and 9 p.m. and on weekends between 9 a.m. and 5 p.m. The video consultation is conducted via PensionDanmark’s app.

This online consultation service was established to give our members easier access to medical consultations. Many members find it difficult to fit ordinary medical consultations in with their place of work and working hours. The online consultation service enables them to get in contact with a doctor right away and to avoid having to travel.

Members who need medicine can now order it from the ApoPro online pharmacy via PensionDanmark’s app. Delivery is free for orders placed through the app, and our members can order both OTC and prescription medicine.

New booking platform and more treatment slots
In 2020, we set up a new booking platform in close dialogue with Danske Fysioterapeuter and the Danish Chiropractors’ Association and expanded the programme to include more than 600 physiotherapy and chiropractic clinics with a wider geographical spread.

This is a significant increase relative to the 147 clinics previously included in the programme. As a result, our members have access to far more appointment slots and often a shorter distance to the closest clinic.

The physiotherapists associated with the programme also offer exercises that can both prevent and alleviate pain. This means that treatments are now increasingly focused on active rather than passive prevention.

Take action before damage is done
PensionDanmark’s healthcare programme is a supplement to the public healthcare system, and its many options are based on prevention and easy access. Physiotherapy treatments and exercises are the most effective tool to prevent injury and attrition, which is in the clear interest of our members, both to avoid pain and to remain in the labour market. That way, the healthcare programme also benefits individual members’ finances during their working lives and during retirement and supports the Danish economy in general.

2020 RESULTS

- 39,000 members received 264,000 preventive treatments, a year-on-year decrease of 28% that can be attributed to the corona pandemic.
- 7,700 cases of Prompt Diagnosis, a year-on-year increase of 19%.
- More than 27,000 health consultations, in line with last year’s level.
At engineering company CG Jensen A/S, the working day begins with morning exercises in the workmen’s hut. This initiative was an instant success with lots of enthusiastic participants – both at the company’s construction sites and its offices. According to Susanne Bruun, head of health & safety, environmental affairs and quality at CG Jensen, the initiative also harmonises with the preventive approach of PensionDanmark’s healthcare programme.

“We want to reduce the risk of attrition and injuries among our employees. To that end, we have introduced exercise at the workplace, and one of our initiatives is morning exercises where the employees warm up using elastic bands provided by PensionDanmark. It’s a good way to meet and is consistent with the healthcare programme’s objective of preventing injuries and attrition,” she explains.

Susanne greatly appreciates the programme’s fast access to help for employees in pain and, not least, that preventive exercises provided by the therapist ensure the treatments work – also in the long term.

“We can see that the employees appreciate the programme. It’s easy to access through PensionDanmark’s app, and they don’t need a doctor’s referral”, Susanne notes.

Preventive measures at CG Jensen

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The best possible supplementary training

Supplementary training is crucial for ensuring that our members can remain in the labour market. PensionDanmark provides members with a quick and easy overview of their supplementary training options. In 2020, members were provided with the option of sharing all their supplementary training data with their trade union to ensure they get the best possible advice.

PensionDanmark manages a number of educational funds which provide financial support for various types of supplementary training programmes. Supplementary training is a key element of PensionDanmark’s 360-degree approach to engaging with our members and helps reduce sickness absence, enhance job security and support labour market mobility. All this helps our members remain in the labour market.

Website with new options

PensionDanmark’s supplementary training site provides members and companies with a quick overview of available supplementary training options. The site thus helps ensure that companies, rather than lay off their employees in light of the COVID-19 crisis, enrol them in supplementary training courses – often with full wage compensation.

The supplementary training site undergoes continuous development. In autumn 2020, a new functionality was added that enabled members to share all their personalised overview of relevant supplementary training options when they sign in to our supplementary training site at pension.dk using NemID (secure Internet login). Creating this personalised overview requires the exchange of sensitive data between PensionDanmark and public authorities, and this exchange needs to be conducted in a secure way.

For a number of years, PensionDanmark has worked with the National Agency for IT and Learning under the Ministry of Children and Education on the secure exchange of supplementary training data. When members sign in, they can consent to PensionDanmark retrieving relevant data on their behalf from the National Agency for IT and Learning and to sharing data with their employer. This makes it easy for a member to view his or her own data and to plan relevant supplementary training.

In 2020, the educational funds paid out DKK 71.7 million in supplementary training grants, a year-on-year increase of 22%.

1,900 companies received funding for 47,900 supplementary training programmes, an increase of just over 2,800 compared with 2019.

Dilemma:

A need for skills upgrading, but many members find the adult vocational and supplementary training system difficult to navigate. As a result, Denmark loses out on valuable resources.

Forecasts show that Denmark will be short of some 70,000 skilled workers by 2025, whereas the number of unskilled workers will exceed demand by 110,000 in the absence of a substantial skills upgrade. But to many members, the adult vocational and supplementary training system is a jungle. We have taken on the challenge and provide our members with a personalised overview of relevant supplementary training options when they sign in to our supplementary training site at pension.dk using NemID (secure Internet login). Creating this personalised overview requires the exchange of sensitive data between PensionDanmark and public authorities, and this exchange needs to be conducted in a secure way.

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Sign in to pension.dk using your NemID

Find relevant courses

Draw up your own training plan

Your employer approves and receives financial support

Attend course with pay

Jette, an electrician with NCC EL, working on DFDS’ future domicile at Marmormolen, Copenhagen
Zleep Hotels, which has some 200 employees, was left with a manpower surplus during the corona lockdown. Instead of being furloughed, the employees enrolled in various online courses. Thanks to funding provided by the HRT fund (the hotel, restaurant and tourist industry’s skills development fund) and VEU (adult and supplementary training) reimbursement, 80% of the company’s payroll costs were covered while it retained its skilled staff and enhanced their qualifications.

HR director Tina Berning has no doubt that supplementary training is of great value – both to the company and to the employees.

"By enhancing the skills of our employees, we can provide better service to our guests, which effectively makes supplementary training a competitive parameter. All our employees are therefore given the chance to attend courses so they can improve their performance and maybe advance – for instance from unskilled to skilled workers. They gain recognition and seeing that they can stay with the company for years to come gives them peace of mind."

"Our employees want to undergo supplementary training, but it can be overwhelming, and the supplementary training site is an excellent tool for overcoming this challenge because it gives you a personalised overview. You can see, for instance, which courses you’ve taken and which you haven’t. And you can see how many training days you have left and get proposals for relevant courses," says Marc.

Marc, a receptionist with Zleep Hotels, has taken courses in hosting, conflict management and stress management and has gained a lot from the courses.

"Due to the corona lockdown, our opening hours have been reduced. During that period, I’ve taken five different online courses, which means I’ve upgraded my skills. We’ve used Zoom, and it works really well. The courses are often all-day courses, but the teachers have been good at listening, giving us small tasks and taking breaks so that we could keep our concentration.

Getting to grips with the whole supplementary training thing can be overwhelming, and the supplementary training site is an excellent tool for overcoming this challenge because it gives you a personalised overview. You can see, for instance, which courses you’ve taken and which you haven’t. And you can see how many training days you have left and get proposals for relevant courses," says Marc.
We use both ESG and SDG indicators for purposes of measuring and disclosing whether we are moving in a sustainable direction. In 2020, we set targets for the period to 2025 and included additional environmental data in our list of ESG ratios. Our work is rooted in our national and international partnerships and has required us to develop new calculation methods. We support further standardisation of financial sector ratios.

"You get what you measure". Measuring efforts and effects makes progress clear and, whether moving in the right or the wrong direction, creates a basis for improving performance and raising ambitions. For this reason, we measure and document the effects of our activities on our members, our employees and the world around us.

We published ESG ratios for the first time last year, calculated in accordance with the guidelines issued by FSR – Danish Auditors, Nasdaq and the CFA Society Denmark in June 2019. These guidelines are a tool that defines the framework for companies’ use of uniform key performance indicators for ESG in their annual reports.

For the sake of transparency on whether we are moving in a sustainable direction and whether our activities impact positively on the environment and society, we report on both ESG and SDG indicators in this report. By disclosing ESG ratios, we have redirected the focus of our reporting from our efforts to the impact of our efforts.

This year’s theme highlights key developments in our ratios and provides a perspective on the development of even more standardised indicators for the financial sector.

### ESG key figures and ratios

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<td><strong>CO₂e emissions from company:</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>CO₂e, scope 1</td>
<td>Tonnes</td>
<td>20.3</td>
<td>42</td>
<td>79</td>
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<td>Tonnes</td>
<td>61.5</td>
<td>56</td>
<td>66</td>
<td>448</td>
<td>489</td>
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<td>Tonnes</td>
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<td>386</td>
<td>412</td>
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<td>Renewable energy share (scope 2)</td>
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<td>42.7</td>
<td>40.1</td>
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<td>Tonnes</td>
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<td>861,295</td>
<td>540,980</td>
<td>575,430</td>
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<td><strong>C1:</strong> Purchased goods and services¹</td>
<td>Tonnes</td>
<td>-</td>
<td>8.1</td>
<td>11.8</td>
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<td><strong>C5:</strong> Waste¹</td>
<td>Tonnes</td>
<td>-</td>
<td>1.1</td>
<td>1.2</td>
<td>-</td>
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<td><strong>C6:</strong> Business-related travel¹</td>
<td>Tonnes</td>
<td>-</td>
<td>23.4</td>
<td>42.3</td>
<td>-</td>
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<td><strong>C15:</strong> Investments¹</td>
<td>Tonnes</td>
<td>-</td>
<td>886,894</td>
<td>861,219</td>
<td>540,980</td>
<td>575,430</td>
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<td>CO₂e emissions from listed equity portfolio¹:</td>
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<td></td>
</tr>
<tr>
<td>Total emissions</td>
<td>Tonnes</td>
<td>-</td>
<td>529,224</td>
<td>536,994</td>
<td>540,980</td>
<td>575,430</td>
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<td>CO₂e footprint</td>
<td>Tonnes/EURm</td>
<td>+47.0</td>
<td>47.0</td>
<td>62.6</td>
<td>94.3</td>
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<td>CO₂e intensity</td>
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<td>153.9</td>
<td>166.9</td>
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<td>Weighted average carbon intensity</td>
<td>Tonnes/EURm</td>
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<td>CO₂e emissions from corporate bond portfolio¹:</td>
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<tr>
<td>Total emissions</td>
<td>Tonnes</td>
<td>-</td>
<td>306,622</td>
<td>266,332</td>
<td>-</td>
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<td>CO₂e footprint</td>
<td>Tonnes/EURm</td>
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<td>128.5</td>
<td>127.5</td>
<td>-</td>
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<td>CO₂e footprint, excl. emissions from green bonds</td>
<td>Tonnes</td>
<td>-</td>
<td>97.8</td>
<td>114.9</td>
<td>117.7</td>
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<td>CO₂e emissions from private equity portfolio¹:</td>
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<tr>
<td>Total emissions</td>
<td>Tonnes</td>
<td>-</td>
<td>40,894</td>
<td>47,863</td>
<td>-</td>
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<td>CO₂e footprint</td>
<td>Tonnes/EURm</td>
<td>+38.0</td>
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<td>43.7</td>
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<td>CO₂e emissions from real estate portfolio¹:</td>
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<td>Total emissions</td>
<td>Tonnes</td>
<td>-</td>
<td>10,152</td>
<td>10,031</td>
<td>-</td>
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<td>CO₂e footprint</td>
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<td>+2.60</td>
<td>3.46</td>
<td>3.44</td>
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<td>CO₂e intensity</td>
<td>kg/sqm</td>
<td>+8.0</td>
<td>11.6</td>
<td>11.8</td>
<td>-</td>
<td>-</td>
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<td>Total CO₂e footprint of equities, corporate bonds and real estate</td>
<td>Tonnes/EURm</td>
<td>+48.0</td>
<td>51.0</td>
<td>59.9</td>
<td>-</td>
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<td>CO₂e emissions from the operation of green infrastructure, capacity²:</td>
<td>MW</td>
<td>1,300</td>
<td>1,106</td>
<td>961</td>
<td>-</td>
<td>-</td>
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<td>Ownership of green infrastructure, capacity²:</td>
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<tr>
<td>Avoided emissions from ownership of green infrastructure, estimated²</td>
<td>Tonnes of CO₂e</td>
<td>1,902,220</td>
<td>2,297,000</td>
<td>-</td>
<td>-</td>
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<td>Other company-related environmental data:</td>
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<td>Water consumption</td>
<td>m³</td>
<td>2,363</td>
<td>2,552</td>
<td>3,150</td>
<td>3,040</td>
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<td>Full-time staff</td>
<td>FTE</td>
<td>-</td>
<td>291</td>
<td>261</td>
<td>246</td>
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<tr>
<td>Gender diversity</td>
<td>%</td>
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<td>46.0</td>
<td>43.3</td>
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<td>Gender diversity, other management tiers</td>
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<td>44.3</td>
<td>45.2</td>
<td>41.6</td>
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<tr>
<td>Gender pay gap</td>
<td>Times</td>
<td>-</td>
<td>1.3</td>
<td>1.3</td>
<td>1.4</td>
<td>1.4</td>
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<tr>
<td>Staff turnover</td>
<td>%</td>
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<td>15.7</td>
<td>17.9</td>
<td>18.8</td>
<td>20.8</td>
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<td>Sickness absence</td>
<td>Days/FTE</td>
<td>4.5</td>
<td>4.7</td>
<td>6.6</td>
<td>7.0</td>
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<td>Taxes paid</td>
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<td>2,982</td>
<td>2,826</td>
<td>1,741</td>
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<td>Governance data</td>
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<tr>
<td>Gender diversity, Board of Directors (17 members)</td>
<td>%</td>
<td>20.0</td>
<td>23.5</td>
<td>23.5</td>
<td>18.8</td>
<td>23.5</td>
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<tr>
<td>Board meeting attendance</td>
<td>%</td>
<td>95</td>
<td>82</td>
<td>88</td>
<td>85</td>
<td>91</td>
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<tr>
<td>Salary gap between CEO and employees</td>
<td>Times</td>
<td>-</td>
<td>8.7</td>
<td>8.6</td>
<td>8.5</td>
<td>8.6</td>
</tr>
</tbody>
</table>

For ratios, see appendix on p. 79.

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¹ For ratios, see appendix on p. 79.

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**THEME:**

**OUR MEASUREMENT**

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Our measuremen

Environmental data
In 2019, PensionDanmark disclosed environmental data for our energy and water consumption and ratios for CO₂ emissions from our business activities and our listed equity portfolio as well as CO₂ savings from our ownership of green infrastructure. CO₂ emissions are categorised into so-called scopes, as described in the Greenhouse Gas Protocol.

PensionDanmark has two overall climate goals. First, to have a well-diversified investment portfolio that produces satisfactory returns for our members with the lowest possible carbon footprint. Secondly, to invest in companies that both fulfil our return expectations and have a significantly lower CO₂ footprint (38 tonnes/USDm) than the MSCI World AC index (61 tonnes/USDm).

Our long-term goal is to report CO₂ emissions and CO₂ savings for all our investments, and this year we have expanded our CO₂ calculations to include our corporate bond, private equity and real estate portfolios. We now have documentation for almost 50% of our total investments against 25% in 2019.

Our calculations show a significantly reduced carbon footprint from PensionDanmark’s largest asset class, listed equities. Even though the value of the portfolio has increased from around DKK 64 billion in 2019 to some DKK 84 billion in 2020, emissions were reduced by 6,000 tonnes of CO₂ during the same period, which is reflected in a reduction of the carbon footprint from 8.4 to 6.3 tonnes/DKKm. In 2020, we stopped up our investments in sustainable companies and low-emission companies, which has reduced our emissions. Moreover, these companies have recorded a particularly strong price performance, which contributed to boosting the market value of our overall equity portfolio. This means that market developments over the next few years may have an opposite effect on the ratio. Also, PensionDanmark’s equity portfolio already has a significantly lower CO₂ footprint (38 tonnes/USDm) than the MSCI World AC index (61 tonnes/USDm).

Emission data for the unlisted companies in our private equity portfolio are not available. These companies have therefore been benchmarked against comparable listed companies included in the MSCI World AC index. We apply this method because an index from a recognised source that includes almost 5,000 companies from all over the world offers a reliable and representative data basis and is easy to use for other financial businesses, which facilitates comparisons across the industry.

The private equity portfolio recorded a significant reduction in its CO₂ footprint to 4.1 tonnes/DKKm in 2020 from 5.9 in 2019. This was partially attributable to a lower share of companies from the most energy-intensive sectors and partially to a higher valuation, as described above. Encouraged by the substantial reduction, we aim to maintain the low CO₂ footprint in the years ahead.

Through our direct and indirect fund investments, we own some 1,100 MW of green power capacity. As most of the green power is generated by wind and solar energy, production is fluctuating from year to year. The latter is also affected by developments in fossil power sources. As many countries reduce their coal consumption and switch to, for instance, gas, power supply-related CO₂ emissions go down. This is because coal-based emissions per kWh are more than double the emissions from natural gas in many countries. Incidentally, this positive development means CO₂ savings per kWh generated by green infrastructure decline as the fossil energy supply becomes more efficient and less harmful to the climate. While we are in a much better position to affect capacity expansion than CO₂ savings, we tentatively aim to reduce our emissions by at least 2,000,000 tonnes a year.

Dilemma:
Positive external developments affect ambitious goals

At PensionDanmark, we aim to be ambitious in terms of our goals for 2025. But not all goals are unambiguous. For instance, we want to contribute to significant reductions of CO₂ emissions through our ownership of green infrastructure, but CO₂ savings are falling steadily because they are measured relative to the energy production that is being displaced by new plants, and that energy production is becoming less black in many countries. While the phasing out of the most polluting fossil fuels, such as coal, is a positive development, it makes it difficult to set ambitious targets based on our current savings. PensionDanmark is obviously in a strong position to affect the expansion of clean energy capacity, but we should not expect this to be reflected in a similar increase in CO₂ savings. We have defined a target of producing annual savings of at least 2,000,000 tonnes, but if the reason the target is not met is increasing volumes of solar and wind energy, that is obviously positive.
OUR MEASUREMENT

Social data
In 2020, 44.3% of our managers were women, which was in line with the 2019 level but a significant increase from 33% in 2016. The proportion of female managers is higher than the proportion of women in the organisation as a whole (43.7%). When recruiting new employees, PensionDanmark makes a point of interviewing qualified candidates of both genders, while our staff policy and terms of employment offer equal career opportunities in the company regardless of gender.

Supplementing the standardised ESG key ratios with indicators for the upper management layers is prudent as this is where the most significant gender gaps are found. At PensionDanmark’s upper management layers, just under 29% are women (two out of seven).

Our staff turnover and sickness absence rates have gone down relative to 2019, which is attributable to the lockdown and working from home.

ESG ratio targets
This year, we have decided to set 2025 targets for selected ESG ratios. We want not only to be transparent on our impact on the world around us, but also to be ambitious about our progress.

As a member of the Net-Zero Asset Owner Alliance, PensionDanmark has, in our capacity as investors, endorsed working towards a world economy with net zero greenhouse gas emissions by 2050 in order to limit the global rise in temperature to 1.5°C. Measures to achieve this include active ownership and climate-friendly technology investments. At the same time, it is important to measure the effects of these initiatives in terms of portfolio emissions, and the Alliance has therefore decided that its members should aim for a reduction of 16–29% in the climate footprint of their portfolios between 2019 and 2024.

This initially concerns three of our portfolios: listed equities, corporate bonds and real estate. As our investments in fossil-intensive sectors and preclude us from exercising active ownership and supporting progressive climate-related proposals at the companies’ general meetings.

Our ESG ratio targets do not constitute a binding investment framework. As a pension fund, PensionDanmark is under an obligation to at all times have an investment portfolio with an attractive return potential and a satisfactory risk profile. In a scenario of plummeting equity prices, which, all things being equal, would increase the CO₂ intensity of our portfolio, maintaining the portfolio’s CO₂ intensity per krone invested could be difficult or inexpedient. The same applies in a scenario where companies and sectors with low CO₂ emissions are priced unrealistically high in the equity market.

As a new feature this year, we have expanded our reporting of environmental data by waste consumption and scope 3 emissions from our own activities and, by extension, related targets. Scope 3 emissions cover indirect emissions from our own activities. We have defined 2025 targets for all three scopes. The scope 2 target was met in 2020, but this should be seen in light of the partial shutdown of our domicile as a result of the corona pandemic, which is also reflected in the reduction of scope 1 and 2 emissions.

Corona has reduced the consumption of waste, energy and water
Due to the corona pandemic, all PensionDanmark employees were directed to work from home through the spring of 2020 and many were working from home through to the end of the year. This caused a significant reduction in the consumption of waste, energy and water in 2020 compared with 2019. For instance, the amount of power required for lighting and electronic devices and the amount of water required for cooling and flushing were lower than normal.

Danish SDG indicators
The 197 new indicators defined by Statistics Denmark and the 2030 Panel translate the SDGs into a Danish context. We have decided to apply four indicators where our core services have a material impact. Developments in these indicators are shown in the appendix on page 48.

In a PensionDanmark context, SDG 4 on equal access to quality education concerns vocational training, supplementary training and lifelong learning. At PensionDanmark, we are committed to giving our members access to supplementary training. We do this through our management of educational funds and by developing and upgrading our supplementary training sites to make it easy for members and companies to obtain an overview of their options. The number of completed supplementary training programmes was up by 6% in 2020 compared with 2019. This was due partially to the fact that employers have used the corona lockdown to upgrade the skills of their employees to a greater extent than they would normally do. The industries that have been hit hardest by the corona lockdown, such as the hotel and restaurant industry, have recorded the strongest increase.

SDG 5 on gender equality covers issues ranging from gender-based violence and assault to equal access to education and jobs. One of the Danish indicators is equal access to pension schemes for men and women. At PensionDanmark, we do not discriminate between gender or race, and we offer all our members equal terms.

Our investments in renewable energy, which relate to SDG 7, help increase the share of renewable energy globally. This area has seen great achievements over the past five years. Given the government’s ambitious climate goals and our partnership with Copenhagen Infrastructure Partners, we will continue to grow our investments in renewable energy in 2021 and the years ahead.

By setting high sustainability standards for our properties, we contribute towards achieving SDG 11 on sustainable cities and communities. All new office buildings have been certified according to sustainability standards since 2012, and all (new) residential buildings have been certified since
“A common taxonomy will provide investors who wish to invest sustainably with a guarantee that their investments meet stringent sustainability requirements”

Nicolai Wammen, Minister for Finance

The new EU green taxonomy

The upcoming regulation on an EU classification system, or taxonomy, will set criteria for when an investment can be categorised as green. In its finished form, the taxonomy will build on screening criteria for a total of six environmental objectives, including climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. We are monitoring developments closely and will gradually implement the taxonomy into our activities during 2021 as the regulatory framework is completed.

Future measurements are a shared responsibility

PensionDanmark welcomes the growing importance assigned to ESG reporting. On the one hand, we acknowledge that we, as investors, have a responsibility for setting requirements for the accessibility and quality of ESG data and for nudging companies in a more sustainable direction. On the other hand, we also have a responsibility for ensuring that the ESG reporting required by investors is standardised and simplified so as to make reporting less bureaucratic for companies. We assume co-responsibility for ensuring that our future measurements contribute to strengthening our efforts towards a more sustainable world.
Anholt offshore wind farm
Our contribution to Denmark

"Do good and do well": Through attractive returns on our investments, we grow and future-proof our members’ pension savings, while at the same time contributing actively towards creating growth, jobs, housing, socially critical infrastructure and renewable energy.

When buying bonds issued by Danish banks and mortgage credit institutions, we support the provision of loans to Danish companies, home owners and housing associations. By investing in equities and direct loans, we help provide capital for small and large businesses, enabling them to evolve and create growth and jobs. By investing in commercial real estate, we help create jobs for construction workers during the construction period and provide up-to-date workplaces for the many workers who staff PensionDanmark’s offices buildings and hotels. By investing in wind farms and biomass power plants, we help produce green energy and create jobs in sustainable businesses and at their many sub-contractors.

Climate partnership roadmap

In 2020, the climate partnership for the financial sector, chaired by Torben Møger Pedersen, launched a roadmap for how Denmark can reach the target of a 70% reduction of carbon emissions by 2030. The companies in the financial sector plan to reduce their own greenhouse gas emissions by at least 70% by 2030. However, as the sector’s own emissions are limited, so is the overall effect of this initiative. The climate partnership for the financial sector therefore considers funding initiatives in other sectors to be its most important task. The climate partnership’s roadmap includes a number of recommendations for the government regarding a green restart in various areas.

First of all, the government is encouraged to accelerate energy efficiency measures in housing and commercial units, e.g. by extending the tax deduction when using craftsmen for extensive renovation projects. Expanding the use of energy rating reports for housing units and updating them more frequently is also recommended.

Secondly, the government is encouraged to focus on renewable energy expansion and to proceed with the plans for an energy island in the North Sea. Investments in sea-based wind energy not only support green energy production but also help create jobs in Danish businesses. A consortium consisting of PensionDanmark, PFA, the Danish energy company Andel and Nykredit has committed to funding and operating a planned energy island in the North Sea.

Thirdly, the government is encouraged to expand infrastructure that supports the electrification of society to replace fossil fuels. The production of electricity and central heating is already well on the way to becoming 100% green. The next step should be to roll out new electricity-based solutions for end-user energy consumption, including the necessary funding.

The partnership’s recommendations have been well received. Since their launch, the Danish parliament has decided to subsidise the replacement of oil- and gas-fired boilers with electrically powered heat pumps, to double the deduction for energy-efficient home improvements and to establish two energy islands in the Baltic Sea and the North Sea, respectively.

The consortium’s proposal for a future energy island

1.4 million sqm of real estate with 38,200 attractive and healthy workplaces in 51 cities across Denmark.

Co-owner of wind farms, biomass power plants and solar parks worldwide, which produce green energy and green jobs in Denmark.

We have invested DKK 11.6 billion in 52 small and large listed Danish companies employing a total of 449,300 people.

We have provided 144 small unlisted Danish businesses with long-term risk capital of DKK 359 million.

We have provided Danish businesses with long-term growth capital of DKK 2.5 billion.

The consortium’s proposal for a future energy island

PensionDanmark’s real estate investments are estimated to provide 800 constructions jobs for each billion kroner invested.

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We have provided Danish businesses with long-term growth capital of DKK 2.5 billion.
Companies which make positive contributions to the world and fulfil their social responsibilities generate solid, long-term returns for our members. We are therefore increasingly focusing our investments on companies engaged in developing sustainable solutions.

Investing responsibly requires knowledge about companies’ ways of doing business and their impact on society and the environment. The term ESG (Environmental, Social, and Governance) is used to describe the way companies conduct their business and can be used to measure how sustainable a company is in relation to environmental, social and governance aspects. ESG is an integral part of PensionDanmark’s investment decisions.

Already massively invested in energy and infrastructure projects, we are now increasingly directing our investments towards companies engaged in developing solutions to global challenges. Investing to make the greatest possible positive impact on society, we channel our investments towards companies with ambitions that contribute to concrete change.

In 2020, our investment department worked on building a portfolio of sustainable listed companies with a view to generating solid returns while at the same time document progress towards achieving the SDGs.

PensionDanmark’s approach to responsible investment is governed by the 17 SDGs, the Principles for Responsible Investment (PRI), the principles of the OECD’s Responsible Business Conduct for Institutional Investors, the Paris Agreement, international conventions and norms and the recommendations of the UN Global Compact.

We generate responsible returns

Target 16.6
Develop effective, accountable and transparent institutions at all levels. This includes combating tax evasion and securing funding for basic welfare benefits, especially in third-world countries.

The common tax code co-established by PensionDanmark is focused on combating aggressive tax planning. A responsible approach to tax ensures long-term sustainability because the SDGs are highly dependent on tax payments.

2020 RESULTS

- At end-2020, PensionDanmark’s portfolio of listed shares and bonds in companies focused on green solutions and the green transition totalled DKK 11 billion, a year-on-year increase of DKK 4 billion.
- Our investments in green infrastructure total DKK 15.3 billion.
More high-return green investments

At the end of 2020, our green infrastructure investments totalled DKK 15.3 billion. In 2020, PensionDanmark committed to invest a total amount of DKK 4 billion in Copenhagen Infrastructure Partners’ (CIP) newest fund, CI IV, which is expected to become one of the world’s largest renewable energy investment funds and a significant contributor towards achieving the global climate goals of the Paris Agreement.

PensionDanmark was a co-founder of CIP, which has evolved into a world-leading renewable energy infrastructure investor in onshore and offshore wind energy, solar energy and transmission assets in Europe, North America and parts of Asia. Some DKK 11 billion of PensionDanmark’s green infrastructure investments were made through CIP.

PensionDanmark has been invested in green infrastructure for the past ten years and currently has investments in wind, biomass and solar cells worth DKK 15.3 billion. Renewable energy investments are an important contributor to robust and stable pension savings for our members. At the same time, these investments effectively contribute to overcoming climate challenges, as a higher proportion of renewable energy will help replace other energy sources, such as coal, in the global energy mix. The derived CO₂ savings for 2020 amount to just under 1.9 million tonnes.
With responsibility come tough choices

Responsible investors are bound to face dilemmas and tough choices from time to time. At PensionDanmark, we are aware of our social responsibility and the challenges that come with it, and we wish to be transparent on both our inclusion and our exclusion decisions.

Dilemma:
Pollutes, but crucial to the green transition

Mining is an energy-intensive process that accounts for 4-7% of global greenhouse gas emissions and involves the risk of various adverse environmental and social impacts. Pollution from mining is harmful to ecosystems and biodiversity, and the industry has adverse impacts on humans and communities due to the loss of nature providing the livelihood and the home of poor and vulnerable populations. Moreover, despite the efforts of several countries, the risk of occupational accidents, illness and death remains higher than in other industries. This was the reason why we excluded the coal industry from our investments in 2018.

On the other hand, minerals and other geological materials are the backbone of many industries – and absolutely crucial to the green transition. For instance, demand for metals such as aluminium, cobalt, iron, lead, lithium, manganese and nickel, which are used in the production of batteries for electronic devices and electric vehicles, is expected to increase strongly in the next few years.

The mining industry is also important because it creates direct and indirect jobs that are essential to local communities. In developing countries, in particular, mines have the potential to generate jobs and growth, both direct jobs during the construction phase and the ensuing mining operations and indirect jobs as a result of the demand for retail goods and infrastructure improvements, etc. The mining sector supports more indirect jobs than any other sectors, including the hotel industry, retail and agriculture.

PensionDanmark puts a lot of effort into seeking out and motivating the most visionary and responsible companies. In 2020, we engaged in a lengthy dialogue with English-Australian mining company Rio Tinto. Earlier in the year, the company was responsible for the destruction of cultural heritage in the form of 46,000-year-old caves of great importance to particularly aboriginal Australians. The incident, which took place in the course of the company’s expansion of its iron mine in Juukan Gorge in western Australia, set off a firestorm against the company. In response to this, the company at the end of the year presented an extensive and ambitious plan setting out a number of measures aiming to protect the cultural heritage and rights of indigenous peoples through free, prior and informed consent. In addition, the company dismissed its CEO as a direct consequence of the incident and replaced him with former Maersk CFO Jakob Stausholm. We welcome these initiatives and are confident that Jakob Stausholm can transform the culture into one that is focused on ESG.

PensionDanmark has mining investments worth DKK 640 million.

Dilemma:
Can you be committed to social responsibility at the same time as being invested in Chinese companies?

China has long been in the world community spotlight as a result of its actions in Xinjiang, Hong Kong and Tibet and its military threats against Taiwan. Other points of criticism are China’s violation of human rights in the form of discrimination and oppression of minorities and the violation of the freedom of speech. At the same time, China represents more than 17% of the world economy and the Chinese market is growing, which means that Chinese companies are yielding attractive returns. Many companies in the financial sector are therefore faced with the dilemma that investments in Chinese companies are attractive but may at the same time jeopardise the UN norms and values typically governing investment.

At PensionDanmark, we have chosen to deal with this dilemma based on a dual goal: generate attractive returns for our members and pursue the great potential for exerting a positive influence on the environment and society offered by investing in China.

We invest in Chinese companies but are aware of our social responsibility. Large Chinese companies are increasingly open to dialogue. We follow up on the progress made in the dialogues we engage in when planning our investment strategy. If a dialogue is considered to not be progressing, we will be less keen to remain invested in the company.

Together with a group of other investors, PensionDanmark is currently engaged in dialogue with Alibaba, the operator of one of the world’s largest online trading platforms. Investors are pushing for the publication of relevant policies for working conditions and have inquired about the risk of forced labour in the supply chain in light of the repression of the Uyghurs in northwest China. Through Federated Hermes, PensionDanmark is also engaged in dialogue with Tencent and Ping An Insurance about their use of big data and artificial intelligence (AI) in collecting sensitive personal data.

PensionDanmark has investments in Chinese equities totalling DKK 4,332 million, in Chinese bonds totalling DKK 524 million and in Chinese government bonds totalling DKK 159 million.

- PensionDanmark engaged in 632 dialogues with 385 companies.
- Progress on 307 milestones in companies in which PensionDanmark is invested.
Active ownership pays off

As active owners, we engage in dialogue with companies on their challenges and criticisable conditions instead of just exiting our investment. Through constructive dialogue, we can drive positive change, even on difficult issues. We apply our own voting policy when voting at general meetings. For the sake of transparency, we decided to disclose this policy in 2020.

With investments come owner responsibilities. PensionDanmark fulfils this responsibility by means of active ownership. We exercise active ownership by engaging in dialogue with management on specific issues that call for special 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 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.

As a new feature, we have decided to disclose how we voted at all general meetings. We believe that being open and promoting transparency is important.

Our active ownership in 2020

Typically through Federated Hermes, PensionDanmark is engaged in several hundred dialogues in an effort to drive positive change together with other investors. The purpose of these dialogues is to remedy objectionable conditions, but they also serve to give us greater insights 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.

Milestones in 2020

In order to measure our work, we set specific milestones for the dialogue conducted with companies. These milestones may concern increased transparency through reporting of climate risks or the definition of targets for improved representation of certain ethnic groups and women in management positions.

The subjects to be addressed are often complex, and the process of prompting a company to take action and thus reach a milestone is therefore time-consuming. We understand this and therefore practise our ownership with equal portions of patience and persistency in our endeavours to drive positive change towards a more sustainable world.

Active ownership in practice

- We are in direct contact with Danish companies ourselves, while we work with a number of other responsible investors at international level.
- Our international adviser, Federated Hermes, facilitates dialogue with the companies and collects input from us and other investors ahead of general meetings.
- A common position is formulated, which gives us more clout in relation to the individual companies, but we can always deviate from this position if desired.
Active ownership means understanding, encouraging and setting expectations for long-term sustainable value creation through dialogue. PensionDanmark’s active ownership is increasingly driven by a wish to engage even more actively in corporate dialogue. Sony, Alphabet and Visa are three of the global companies we engaged in dialogue with in 2020.

Sony – diversity on the agenda
Sony is a Japanese multinational electronics and entertainment conglomerate. In terms of diversity, Sony ranks relatively high compared with other Japanese companies as four of its 12 board members are women. Conversely, there are no women on Sony’s executive board, and PensionDanmark is therefore focused on the company’s efforts to attract women.

Sony has defined diversity as one of its core values and has set relevant targets, not only for management but for the organisation as a whole. Getting women to study engineering is a challenge, not only in Japan, and this makes it difficult to build a diverse workforce. PensionDanmark regularly follows up on its dialogues and Sony’s efforts in relation to diversity.

PensionDanmark’s equity investments in Sony amount to DKK 291 million.

Visa – dialogue on human rights
Visa is an international supplier of digital payment solutions. In 2020, PensionDanmark engaged in dialogue with Visa’s management on the implementation of its human rights policy. The dialogue focused on the handling of inequality, artificial intelligence (AI) and the company’s presence in high-risk areas.

Visa works to promote financial inclusion and combat inequality through Visa Foundation’s philanthropic programmes, etc. Today, Visa is much more open about its efforts to protect itself against fraud. As regards Visa’s presence in high-risk areas, the company has conducted an extensive risk assessment and process for the protection of human rights in these areas. Visa believes it has the best chance of contributing to the protection of human rights by maintaining its presence if possible. PensionDanmark supports this approach but has encouraged the company to maintain stringent attention to and monitoring of this area.

PensionDanmark’s equity investments in Visa amount to DKK 697 million.

Alphabet – data protection and the right to privacy
Alphabet is the holding company behind internet firm Google, which, in addition to its search engine, provides advertising, software and hardware solutions and processes gigantic volumes of data from users across the globe.

In 2020, Google was accused of collecting information on online searches by users who had activated Google’s privacy settings, which were supposed to anonymise their search activity. In the course of the shareholder dialogue, Google was encouraged to involve its board of directors more and to have it monitor the handling of personal data and risks of human rights abuse. If data security is breached, there is also a risk of violation of the right to privacy. In response to the dialogue, Alphabet announced later in the year that the company’s audit committee now also supervises the handling of personal data and risks of human rights abuse. Alphabet was also encouraged to report on its compliance with the UN Guiding Principles on Business and Human Rights.

We are keeping our investment in Alphabet but will monitor future developments as we wish to maintain the dialogue and contribute to responsible handling of data that respects the right to privacy.

PensionDanmark’s equity investments in Alphabet amount to DKK 1,144 million.
Sustainable real estate provides the framework

PensionDanmark invests in real estate because it provides stable returns and makes a large positive contribution to society. Our approach as developer and a responsible investor is driven by environmental, social and financial aspects. We require all new real estate to obtain gold certification as a minimum.

To ensure a high and uniform level of sustainability in our real estate investments, all new office buildings have been certified since 2012 and all new residential buildings since 2016. We primarily use the Danish version of the German certification system, DGNB, as this pursues the most holistic sustainability approach with all elements of the construction process being measured before, during and after construction. With a view to ensuring high sustainability standards, we require all new real estate to obtain gold certification as a minimum.

DGNB-certified in 2020

Delta Park 45, Vallensbæk
Zleep Hotel, Skøjby
Felt B, Castor, Islands Brygge
Nørthyns Bank, Odense

Dilemma:
Recycled materials – good for the climate but their lifespan may be shorter
Recycling materials in the construction of new real estate is the sustainable approach, and recyclable materials are part of PensionDanmark’s sustainability programme. Recyclable materials involve substantial environmental benefits but have shorter lifespans than non-recycled materials. Sourcing recyclable materials with the longest possible lifespans presents a challenge. PensionDanmark is committed to using recycled materials to the widest extent possible.

2020 RESULTS

> PensionDanmark owns or co-owns 159 properties, equivalent to 1.4 million sqm, in Denmark.
> In 2020, PensionDanmark obtained sustainability certification for 31,420 sqm, bringing the total to 343,524 sqm.
> In 2020, we reduced total carbon emissions from our Danish properties to 11.6 per sqm from 11.8 in 2019.

PensionDanmark}

Corporate Social Responsibility Report 2020
Located in an old industrial area, Trælasten in Aarhus is one of PensionDanmark’s many exciting new real estate projects. Over the next few years, the area will be converted into some 70,000 sqm of residential and non-residential real estate, an investment of just over DKK 2 billion. Construction is scheduled to commence in 2021.

The project is focused on how PensionDanmark, as developer, can support the SDGs. In support of SDG 11 on sustainable cities and communities, the area will accommodate a mixed city with room for all. Diversity and community concepts are the key words. The area will comprise owner-occupied, rental and social housing as well as life style homes for a broad range of people with room for shops, workshops, cafes, shared office facilities, day-care institutions and green spaces.

Including a plan for the establishment of a healthy and comfortable urban environment and measures to reduce traffic noise and improve air quality, the project also supports SDG 15 on life on land. Residents will also benefit from green and recreational spaces that will create synergies between people and nature.

Nature rehabilitation in the area is expected to result in wider biodiversity.

Part of Trælasten will be constructed of wood, and existing building materials such as laminated wood beams and wooden facades will be recycled with a view to reducing the area’s climate impact. These initiatives support SDGs 12 and 13 on responsible consumption and production and climate action.

As a responsible developer, PensionDanmark is committed to providing healthy and attractive working conditions at the construction site and to meeting collective agreement requirements for the employment of apprentices. To secure its long-term value, the area will obviously also be DGNB-certified.
**Sustainability programme for new urban areas**

When PensionDanmark is the developer, sustainability is the key to a better investment.

Over the past few years, PensionDanmark has developed a sustainability programme that covers the certification of buildings, urban areas and recreational areas and sets requirements for real estate projects. In 2020, we set the bar even higher.

The most recent version of our sustainability programme sets stricter requirements in a number of areas:

- We want to use recycled materials when it makes sense.
- We intensify our focus on circular requirements when the building is at the end of its lifespan.
- We set requirements for materials and exclude those that can be replaced by more eco-friendly ones.
- We want to use sustainable concrete with optimised strength.
- We require a biologist to be involved in connection with the design of outdoor areas.
- In addition, we set a number of requirements for resident involvement processes.

As part of our sustainability programme, we require that all new projects comply with the new voluntary sustainability class that was included in the national strategy for sustainable construction in 2020, i.e. a maximum carbon emission level of 8.5 kg CO$_2$/sqm/year. The voluntary sustainability class is a practical tool that is intended to accelerate the green transition of the construction industry and support the Danish Climate Act adopted in June 2020. The sustainability class will remain voluntary for the next few years, but PensionDanmark has chosen to implement it now.

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OUR EMPLOYEES
We assume co-responsibility

We make distinct demands on both suppliers and the companies in which we invest member savings. And we demand the same of ourselves.

Many of our suppliers represent the core of PensionDanmark – our members. They drive the bus that takes our employees to work. They prepare our lunches, clean our desks and maintain our building. And PensionDanmark’s members are also our owners.

This affects our in-house policies and the demands we make on our suppliers. PensionDanmark must therefore lead the way in protecting labour and human rights and require all suppliers to comply with the ten principles of the UN Global Compact. That goes without saying.

Any suppliers failing to respect the right of their employees to unionise, failing to pay wages in accordance with applicable collective agreements or otherwise failing to provide attractive working conditions are deselected. We also exclude any suppliers otherwise failing to comply with national legislation prohibiting discrimination on the grounds of gender, ethnicity, sexual preference or age, or failing to comply with environmental and climate impact requirements.

The demands we make promote the right culture in a context that extends way beyond our own four walls. In 2021, we will therefore re-evaluate our supplier policy to make sure we are still sufficiently ambitious.

Our employees are our most important asset

Particularly in 2020, most of which was marked by lockdown, our strong IT security and GDPR compliance culture played a critical role. Even when working from home, it is essential that our employees have the required respect for and ability to protect sensitive member data. For this reason, we welcome the new statutory requirement obliging us to account for our data ethics policy in our annual report from 2021, and we have in fact already implemented the requirement from this year.

PensionDanmark’s employees are also supported by a corporate culture that makes them personal ambassadors for a sustainable climate strategy. This means that employees with a company car have only had electric cars to choose from since 2020. In 2020, we also decided to give all employees and each member of the Board of Directors and the industry boards three trees as Christmas presents under an agreement with Eco-Tree. In addition to the recreational amenity value offered by the forest, the trees will bind 650 tonnes of carbon dioxide during their lifetime. This is approximately five times PensionDanmark’s own 2020 carbon emissions.

It all begins with us and the ripple effect we create.
Our employees set the sustainable course

This year, the employee section consists of testimonials from our employees on how they see PensionDanmark as a workplace. Our employees are the company’s fuel and they must develop through co-responsibility and influence so good ideas can grow.

Line, Susanne and Søren are among the employees who have been charged with the task of developing a new strategy with goals for PensionDanmark’s development going forward to 2025 – a change that will combine a solid foundation for PensionDanmark’s business with a keen eye for sustainability.

The work revolves around the future demands of our members and the job satisfaction of our employees through a greater holistic understanding of their efforts and, by extension, their incentives for assuming responsibility that extends beyond their own desk.

Does investment rhyme with sustainability?

A global pandemic-induced financial crisis, increased protectionism, shorter supply chains and geopolitical tensions between the USA and China. Add to this low economic growth, low interest rates and constantly changing consumer values, and it is a sizable challenge. Søren and the rest of a group of employees have taken on in setting an ambitious course to change and future-proof PensionDanmark’s already innovative and successful investment policy.

“We must provide opportunities for considering whether there’s anything we can do better or be inspired by. That helps minimise the risk that we do something out of habit and not because it’s the right thing to do. Strategy is not a set formula handed down to us from above. The world changes fast when it comes to attractive investments, so you need to keep an open mind and not be rigidly bound by a long-term strategy”, Søren explains.

The impact of the COVID-19 pandemic on the global economy and the wide-reaching government restrictions that followed have underlined for Søren the need to be prepared for change if we are to navigate through the crisis. From a long-term perspective, he sees it as essential that employees beyond management level are involved.

“Over the past few years, PensionDanmark has tied the organisation more closely together to ensure that cross-organisational efforts and knowledge flow between relevant employees. This ensures better integration in the organisation, and the strategy work is a contributory factor in these efforts. When you’re involved as an employee to a degree that makes sense, you’ll see that the strategy is implemented more stringently and efficiently. It goes from being strategic intentions to being really anchored in the decision-making process”, Søren notes.

How do we take advantage of AI and Robotics?

Susanne Østergaard Lundby, CFO

Susanne is part of an interdisciplinary team of employees set up to scout the right innovation opportunities amid rapid digitalisation and changing technologies – in other words seeking out the change required to maintain a position in the industry as an innovation pioneer with a well-tuned technological infrastructure.

“It’s a huge challenge. The focus of our work has been to not lean back and content ourselves with maybe being at the front in our own industry. We need to be able to match all the personalised products offered by the leading tech giants in this field”, Susanne says.

She points to PensionDanmark’s persistent pioneering spirit as a major reason why she has worked for PensionDanmark for more than ten years. Another reason is that management always finds time for the right idea. In working with the strategy, she has had confirmed the importance of sharing knowledge across management areas right from the development stage of a good idea.

In charge of finances and member costs herself, she has benefited from the exchange of insights with PensionDanmark’s leading experts in artificial intelligence and robotics.

“We’ve had many heated discussions and disagreed on several things. But this has also helped build a community spirit that may be instrumental in breaking down the silo mentality and strengthening knowledge sharing and relations, which will drive value in other contexts than just the work with this strategy”, Susanne says.

Susanne thus sees her work as sowing the seeds of something that goes well beyond the task at hand.

“The movement towards giving the employees a greater say has been really positive. It’s so important that a lot of bridge builders are created among the employees in the course of this process who can spread the change to the entire organisation.”

What will our members need?

Amid the heavy strain on public finances and growing international health inequalities caused by the COVID-19 crisis, Line has worked on developing PensionDanmark’s offering to our members in terms of healthcare and prevention, supplementary training and senior life – change intended to maintain high customer satisfaction rates, be cost-efficient and evolve seamlessly in step with members’ needs and values.

Adaption to changing social conditions and values is what motivates Line the most.

“We can help give our senior citizens a financially secure retirement – as part of a generally satisfying life. My hope is that by 2025 our members will feel they have been assisted in all life situations, present or past,” Line says.

Line herself also takes great pleasure in interacting with her colleagues across the organisation and sharing the responsibility for developing a key part of the offering for more than 750,000 members.

“Being allowed to interact with colleagues across the organisation to discuss subjects other than just the day-to-day tasks is amazing. It actually helps us understand how we can use each other to achieve even better results.”

Susanne Østergaard Lundby, CFO
2020 was an eventful year. Despite the COVID-19 pandemic and the uncertainties resulting from it, the year was also characterised by progress and new initiatives within our organisation – business-wise as well as reporting-wise. In 2021, we are setting the bar a little higher with a view to achieving our goals.

PensionDanmark’s 360-degree approach to engaging with our members not only provides security by means of carefully planned pension and insurance schemes. By continually improving our product offering through innovative measures in the areas of healthcare, prevention and supplementary training, we help our members remain active members of the workforce for longer.

An example: In 2020, we decided to insource physical treatments provided under our healthcare programme and to establish a new booking platform giving members access to treatment at more than 500 physiotherapy and chiropractic clinics, thus ensuring both minor and more serious ailments were quickly dealt with.

Another example is our supplementary training site, which provides employees and employers with a complete overview of training options in and outside their industry. In 2020, many employers decided that rather than lay off their employees in light of the COVID-19 crisis they would enrol them in supplementary training courses – often with full wage compensation.

Investment-wise, we expanded our portfolio of sustainable listed companies with a view to generating attractive returns and supporting the 17 SDGs. As a result, we closed a turbulent year with very satisfactory returns for both our younger and our older members, driven by investments in green energy and sustainable real estate. A perfect example of “do good and do well”.

In 2019, we published our ESG ratios for the first time, calculated in accordance with the guidelines issued by FSR – Danish Auditors, Nasdaq and the CFA Society Denmark. In 2020, our main focus was to upgrade our climate footprint reporting – covering both our own emissions of greenhouse gases and those of the investment portfolio. We also decided to implement the 197 new indicators defined by Statistics Denmark and the 2030 Panel in order to give concrete expression to the contribution of our healthcare and supplementary training efforts towards the SDGs.

In 2021, we will continue our work to measure our impact on the world around us. We will implement the new EU green taxonomy as the regulatory framework is developed. We will also increase our focus on biodiversity in our real estate projects, investment portfolio and active ownership. In developing new indicators, we will, however, focus mainly on our member schemes and services. While we await common, standardised SDG ratios for the measurement of the impact of our core activities, we will work to develop indicators for all aspects of our business so ensure transparency on their impact.

In 2021, we will launch a new strategy with goals for PensionDanmark’s development going forward to 2025 – a change that will combine a solid foundation for PensionDanmark’s business with a keen eye for sustainability. We will define goals for what we want to achieve, and the bar has been set high for our efforts over the next few years.
Appendix

Key figures and financial ratios

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<td>752,500</td>
<td>732,000</td>
<td>713,000</td>
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¹ Incl. contributions relating to health and accident insurance

Comparatives

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<td>Average member service response time</td>
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<td>50% target 3.8:</td>
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<td>Preventive treatments</td>
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<td>369,763</td>
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<td>44,256</td>
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<td>Supplementary training grants provided by educational funds</td>
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<td>58,909</td>
<td>56,644</td>
<td>64,587</td>
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<td>Listed equities and bonds in green solutions and the green transition (DKKbn²)</td>
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<td>Danish indicator 7.2.ii:</td>
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<td>Investments in green infrastructure (DKKbn)</td>
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<td>13,664</td>
<td>14,853</td>
<td>12,541</td>
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<td>Active ownership dialogues</td>
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<td>488</td>
<td>436</td>
<td>556</td>
<td>516</td>
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<td>Progress on milestones in companies in which PensionDanmark is invested</td>
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<td>253</td>
<td>197</td>
<td>213</td>
<td>254</td>
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<td>1,000,000</td>
<td>800,000</td>
<td>700,000</td>
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<td>Sqm obtaining sustainability certification during the year</td>
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<td>68,513</td>
<td>84,637</td>
<td>8,138</td>
<td>43,388</td>
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<td>Real estate portfolio CO₂ intensity (kg/sqm)²</td>
<td>11.6</td>
<td>11.8</td>
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¹ Numbers for 2016 are not available. ² Numbers for 2016–2018 are not available.
### ESG key figures and ratios

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<td><strong>Environmental data</strong></td>
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<td><strong>CO₂ emissions from company:</strong></td>
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<td>CO₂, scope 1</td>
<td>Tonnes</td>
<td>28.3</td>
<td>42</td>
<td>79</td>
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<td>CO₂, scope 2 (market-based)</td>
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<td>56</td>
<td>66</td>
<td>448</td>
<td>489</td>
<td>563</td>
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<td>CO₂, scope 2 (location-based)</td>
<td>Tonnes</td>
<td>-</td>
<td>386</td>
<td>412</td>
<td>448</td>
<td>489</td>
<td>563</td>
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<td>Energy consumption (scope 1 + scope 2)</td>
<td>GigaJoules</td>
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<td>8,458</td>
<td>7,434</td>
<td>7,659</td>
<td>7,262</td>
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<td>Renewable energy share (scope 2)</td>
<td>%</td>
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<td>42.7</td>
<td>40.1</td>
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<td>Tonnes</td>
<td>-</td>
<td>886,927</td>
<td>861,295</td>
<td>540,980</td>
<td>575,430</td>
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<td>C1: Purchased goods and services</td>
<td>%</td>
<td>8.1</td>
<td>11.8</td>
<td>-</td>
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<td>C1: Waste</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>C6: Business-related travel</td>
<td>%</td>
<td>23.6</td>
<td>42.3</td>
<td>-</td>
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<tr>
<td>C15: Investments</td>
<td>%</td>
<td>-</td>
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<td>861,219</td>
<td>540,980</td>
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<td><strong>CO₂ emissions from listed equity portfolio:</strong></td>
<td></td>
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<td>Total emissions</td>
<td>Tonnes</td>
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<td>529,224</td>
<td>536,994</td>
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<td>94.3</td>
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<td>Weighted average carbon intensity</td>
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<td>162.5</td>
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<td>306,622</td>
<td>266,332</td>
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<td>Total emissions</td>
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<td>Total emissions</td>
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<td>51.0</td>
<td>59.9</td>
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<td>49.9</td>
<td>58.4</td>
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<td><strong>Ownership of green infrastructure, capacity:</strong></td>
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<td>1,300</td>
<td>1,108</td>
<td>961</td>
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<td>Avoided emissions from ownership of green infrastructure, estimated</td>
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<td>2,297,000</td>
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<td><strong>Other company-related environmental data:</strong></td>
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<td>Water consumption</td>
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<td>Full-time staff</td>
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<td>261</td>
<td>246</td>
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<td>Gender diversity, other management tiers</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender diversity, Board of Directors (17 members)</td>
<td>%</td>
<td>20.0</td>
<td>23.5</td>
<td>23.5</td>
<td>18.8</td>
<td>23.5</td>
<td>25.0</td>
</tr>
<tr>
<td>Board meeting attendance</td>
<td>%</td>
<td>95</td>
<td>89</td>
<td>82</td>
<td>88</td>
<td>89</td>
<td>91</td>
</tr>
<tr>
<td>Salary gap between CEO and employees</td>
<td>Times</td>
<td>-</td>
<td>8.7</td>
<td>8.6</td>
<td>8.5</td>
<td>8.5</td>
<td>8.6</td>
</tr>
</tbody>
</table>

### Accounting policies

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

For purposes of calculating estimated CO₂ emissions from PensionDanmark’s investment portfolio, see environmental data – scope 3. Enterprise Value including Cash (EVIC) is applied in accordance with the recommendations of the EU and the Partnership for Carbon Accounting Financials (PCAF). In 2019, market value was applied. The comparatives were restated in 2020.

Other than that, the accounting policies are consistent with those applied for 2019.

### Environmental data

Much of the environmental data is related to CO₂ 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 electricity, district heating and cooling.

**Scope 3** reflects all other indirect emissions from, e.g., sub-contractors and, for financial undertakings, CO₂ emissions from investment portfolios.

CO₂ 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 CO₂ 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 CO₂ emission per kilometre driven in a standard car or bus, as the case may be.

**Scope 2**

For purposes of calculating scope 2 CO₂ emissions, the conversion of power and district heating into CO₂ emissions is based on the general declaration of Energy Danmark and HDFOR. The market-based principle also takes purchases of sustainable energy into account. By comparison, location-based CO₂ emissions are calculated using average emission factors.

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

**Scope 3**

Scope 3 CO₂ emissions are disclosed as a supplement to the guidelines issued by FSR – Danish Auditors, Nasdaq and the CFA Society Denmark. Under the GHG Protocol, scope 3 CO₂ emissions are divided into 15 sub-categories (C1–C15). PensionDanmark does not disclose data for all 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.

PensionDanmark discloses CO₂ emissions for C1: Purchased goods and services (paper consumption), C5: Waste, C6: Business travel (aircraft) and C15: Investments.

C1: Purchased goods and services (paper)

PensionDanmark’s paper consumption is measured in terms of printed paper, which is converted into tonnes of CO₂ emissions.

C5: Waste

The weight of waste disposed of is converted into CO₂ emissions.

C6: Business travel (aircraft and taxi)

Business travel comprises air travel and transportation by taxi. Emissions are measured in tonnes of CO₂ and comprise PensionDanmark’s consumption of air travel and transportation by taxi based on supplier statements of CO₂ emissions.
Accounting policies (continued)

C15: Investments

CO₂ emissions are estimated for PensionDanmark’s investments in listed equities, corporate bonds, private equity (unlisted equities) and real estate. In 2020, this was just under 50% of PensionDanmark’s total investment portfolio. CO₂ emissions are stated in so-called CO₂ equivalents – CO₂e – and measured in tonnes.

CO₂ emissions from the investment portfolio

In measuring CO₂ emissions from the investment portfolio of financial businesses, up to four metrics may be used, as per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Metric 1: Total CO₂ emissions:

The ratio shows the portfolio’s total estimated CO₂e Scope 1 and Scope 2 emissions, see the G4H Protocol. Under this method, the CO₂e footprint is measured on the basis of the value of the amount invested, EVIC and CO₂e emissions. For the financial sector, CO₂ emissions are calculated based on Enterprise Value (EV). The ratio is computed according to the following formula:

Total CO₂ emissions = ∑ \left( \frac{\text{PensionDanmark’s ownership relative to EVIC} \times \text{scopes 1 and 2 CO₂e emissions from the investment}}{\text{EV}} \right)

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 ratio is computed according to the following formula:

CO₂e footprint = \frac{\text{Total CO₂ emissions (metric 1)}}{\text{EV of PensionDanmark’s holding}}

Metric 3: CO₂ intensity (carbon intensity):

The measurement builds on metric 1, normalising the CO₂ 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 CO₂. The ratio is computed according to the following formula:

CO₂ intensity = \frac{\text{Total CO₂ emissions (metric 1)}}{\text{EVIC \times Revenue of investment}}

Metric 4: Weighted average carbon intensity:

The ratio shows the portfolio’s exposure to CO₂-intense companies and thus potential climate-related financial risks. The ratio is computed according to the following formula:

Weighted avg. carbon intensity = \sum \left( \frac{\text{Value of ownership share in investment}}{\text{EVIC \times EVIC of PensionDanmark’s holding}} \times \text{scopes 1 and 2 CO₂e emissions from the investment} \right) / \text{Revenue of investment}

Calculations of estimated CO₂e emissions from the corporate bond and listed equity portfolios are based on MSCI and Bloomberg data. Emission data are collected from both MSCI and Bloomberg (MSCI is preferred in case of discrepancy). Company values are sourced from Bloomberg.

CO₂e emissions from the listed equity portfolio

CO₂e emissions from the listed equity portfolio are measured on the basis of metrics 1, 2, 3 and 4.

Data are available for 99% of the listed equity investments. CO₂e emissions from the remaining 1% of the total investment in listed equities are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry Classification Standard) using the data available. It is assumed that the climate footprint (CO₂e/EURm) 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 Discretionary, Utilities, Information Technology, Consumer Staples, Materials, Financials, Healthcare, Telecommunication Services and State) and two geographical areas (OECD countries and non-OECD countries). Colombia, Chile and Mexico are categorised as non-OECD countries.

CO₂ emissions from the corporate bond portfolio

CO₂ 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.

Data are available for 80% of the corporate bond investments. CO₂e emissions from the remaining 20% of the total investment 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/EURm) 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 Discretionary, Utilities, Information Technology, Consumer Staples, Materials, Financials, Healthcare, Telecommunication Services and State) and two geographical segments (OECD countries and non-OECD countries). Colombia, Chile and Mexico are categorised as non-OECD countries.

CO₂ emissions from the private equity portfolio

CO₂ emissions from the private equity portfolio are measured based on metrics 1 and 2.

As data are not available for CO₂ emissions from the private equity investments, emissions for the entire portfolio are estimated on the basis of the MSCI AC World index according to 11 sectors (Real Estate, Energy, Consumer Discretionary, Utilities, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and six geographical areas (Asia, Europe and Oceania, China, North America and other Emerging Markets). The portfolio’s CO₂e emissions were calculated at 30 September 2020.

CO₂e emissions from the real estate portfolio

The 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 approx. 90% of the real estate portfolio. PensionDanmark collects real estate data from property managers DEAS and ATP AM. The remaining 10% of the real estate portfolio has not yet been occupied 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 electricity and district heating in order to estimate its CO₂e emissions.

Metric 1: Total CO₂ emissions from real estate:

The ratio shows the properties’ total estimated CO₂e emissions. The ratio is computed according to the following formula:

Total CO₂ emissions = ∑ \left( \text{scopes 1 and 2 CO₂e emissions from real estate} \right)

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 ratio is computed according to the following formula:

CO₂e footprint = \frac{\text{Total CO₂e emissions (metric 1)}}{\text{Property values}}
Accounting policies (continued)

Metric 3: CO₂ intensity (carbon intensity) of real estate:
The ratio shows CO₂ emissions relative to the size of the property. The carbon intensity method illustrates the portfolio’s efficiency per sqm relative to the emission of CO₂. The ratio is computed according to the following formula:

\[
\text{CO}_2\text{ intensity} = \frac{\sum \text{CO}_2\text{ emissions}}{\text{sqm}}
\]

Avoided emissions from ownership of green infrastructure
Avoided emissions from ownership of green infrastructure (avoided emissions) are calculated as the volume of CO₂ avoided by investing in renewable energy and comprises PensionDanmark’s investments in renewable energy infrastructure assets. Power generated by means of energy infrastructure assets is converted into the volume of CO₂ that would have been emitted if the same volume of power had been produced by means of fossil sources in the local power grid.

Avoided emissions are calculated based on the actual power production and statistics of 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 ratios
For purposes of measuring gender diversity for other management tiers, a manager is defined as a person with personnel responsibilities. The CED is not included in the calculation of the ratio.

Customer retention ratios 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 are used for purposes of calculating CO₂ emissions from the investment portfolio. The numbers are therefore subject to some uncertainty.

A number of assumptions are used for purposes of calculating avoided emissions from ownership of green infrastructure.

Independent auditor’s report

To the stakeholders of PensionDanmark
As per agreement, we have examined PensionDanmark’s Corporate Social Responsibility Report (the report) for the year ended 31 December 2020.

Our responsibility is to express a conclusion as to whether the report has been prepared in accordance with the reporting methodology and the criteria set out on pages 71-74. We express our conclusion with limited assurance.

Management’s responsibilities
PensionDanmark’s Management is responsible for the preparation of the report in accordance with the reporting methodology and the criteria set out on pages 71-74 and for such internal control as Management determines is necessary to enable the preparation of a report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibilities
Our responsibility is to express a conclusion on PensionDanmark’s report based on our examination. We performed the engagement in accordance with ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Economic 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, applies a comprehensive quality control system, including documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

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

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

Conclusion
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that PensionDanmark’s report for the year ended 31 December 2020 has not in all material respects been prepared in accordance with the accounting policies set out on pages 71-74.

Frederiksberg, 3 March 2021

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

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

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

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Front page: Jan and Øla from JD Stål are members of PensionDanmark
Anholt offshore wind farm
Karina from PensionDanmark’s member services team

Back page: Frederikke from Gun-Britt Coiffure is a member of PensionDanmark
PensionDanmark’s property at Hummeltoftevej
Marc from PensionDanmark’s investment team