



# Corporate Social Responsibility Report 2018



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

Printed: In Denmark in 2019 by GSB Grafisk, an ecolabelled printing house

Paper: MultiDesign Original White

Photos: Ursula Bach, MT Højgaard (p. 6), Jakob Boserup (pp. 6, 21, 32), Simon Knudsen (pp. 11, 15, 18, 30), Palle Peter Skov (p. 17), IFU (p. 26), Mia Manghezi (p. 28), Red Star Photo (p. 29).

Front page: Electricians Peter, Valentino and Kenneth of Høyrup & Clemmensen – all members of PensionDanmark  
 Back page: Bus drivers Olga and Lars of Arriva – both members of PensionDanmark





PensionDanmark was named Best European Pension Fund for the fourth time in 2018

“Our mission is to enable our members to have a long and productive working life and to give them a financially secure retirement. In a sustainable way.”

Torben Möger Pedersen

Valentino, electrician at Høyrup & Clemmensen and a member of PensionDanmark



## 25 years of occupational pensions – 25 years of corporate social responsibility

2018 was a special year for PensionDanmark. We celebrated the 25th anniversary of the first contributions to the pension schemes set up with great courage and vision by the social partners in 1987 through their Joint Declaration.

Since then, things have moved fast. From originally contributing less than 1%, employees contribute 12% or more of their incomes towards their pension. Employees who originally could only expect to receive state pension will now be pension millionaires by the time they retire. This is because PensionDanmark invests member savings, totalling DKK 216 billion, responsibly with a view to generating solid sustainable returns. PensionDanmark also has a tightly knit social safety net which we spread out in the event of illness or death among our members, or if they need early retirement or lifelong learning support. And by taking advantage of the many possibilities offered by digital technologies, we are able to keep costs down while providing better services to our members.

This is the Danish welfare model 2.0. Denmark’s ranking as the country with the most sustainable pension system and PensionDanmark winning the European Pension Fund of the Year award for the second year in a row in 2018 are therefore well-deserved achievements. We are happy and proud to have received this recognition, which inspires us to work even harder at providing solid pensions, insurances, health schemes and world-class lifelong learning.

Marking a shift from “seven good years” following the severe financial and growth crisis ten years ago to “seven lean years” of slowing economic growth, low interest rates, volatile equity markets and greater political uncertainty as to where the world is heading, 2018 was also a very challenging year.

These developments entail massive challenges for the pension industry and make it even more important to be

firmly anchored in a robust set of values and a long-term vision for our ambitions and beliefs.

PensionDanmark has decided to let our activities be guided by the UN Sustainable Development Goals adopted by all member states in 2015. We rely on these goals in working to provide our members with better health, better education and training and attractive pensions. The goals are also an integral part of our investment policy, which has won us the position as a leading investor in sustainable real estate and renewable energy infrastructure. Our results over the past few years are testimony to the fact that commitment to sustainable investments generates attractive returns — exceeding those provided by listed markets — while at the same time helping to make the world a better place. We will continue to *do good and do well* at the same time.

This 2018 report aims to take us one step further in measuring how our activities contribute to achieving the UN Sustainable Development Goals. We will continue these efforts in and beyond 2019. This year, we address a number of dilemmas that arise in pursuing corporate social responsibility. We hope this will trigger a good and critical dialogue with all our many members, companies, union representatives, organisations and other partners. All the while focusing on our overriding mission:

To enable our members to have a long and productive working life and to give them a financially secure retirement. In a sustainable way.

Torben Möger Pedersen  
CEO, PensionDanmark  
tmp@pension.dk

**2018**  
The year gone by

**732,000**  
members employed with  
**23,600** companies contributed DKK **14.2** billion

**900,000**  
member log-ins  
to pension.dk

**340,000**  
interdisciplinary  
treatments  
received by members

Total assets of  
DKK **236** billion

Owned by **11** trade  
unions and  
**29** employers'  
associations

Agreement on traineeships  
at PensionDanmark's  
building sites

Exhibition on the 25th  
anniversary of occupational  
pensions opened at the  
Workers Museum

Grants for 44,000 training  
programmes

10,000 painters  
enrolled in  
PensionDanmark's  
healthcare programme

PensionDanmark  
won Urban Develop-  
ment Award for its  
Køge Kyst project

Member no. 5,000  
received Prompt  
Diagnosis assistance

Pension benefits  
increased by  
5-25%



February

March

April

May

June

June

September

November

December



Together with its  
co-investors, Pension-  
Danmark handed over  
Slagelse Hospital  
PPP project to  
Region Zealand



PensionDanmark  
provided the first  
pension scheme  
for a digital  
platform business  
(Hilfr)



PensionDanmark received  
international award at the IPE  
Real Estate Global Awards  
2018 in Milan for its strategy  
on sustainable and innovative  
real estate investments



PensionDanmark  
opened three new  
member health  
clinics



PensionDanmark invested DKK 400 million in  
Danish SDG Investment Fund, set up to invest  
in projects working towards the UN Sustainable  
Development Goals



PensionDanmark  
won two investment  
awards for alternative  
investments and  
private debt



PensionDanmark  
won four awards  
at the 2018  
IPE Awards  
in Dublin



## Using the UN Sustainable Development Goals as a lever

In 2015, world leaders defined the world's key challenges going forward to 2030 in the UN Sustainable Development Goals. Comprising 17 goals and 169 targets, the goals apply to all countries.

Responsibility and sustainability are part of PensionDanmark's DNA. The UN Sustainable Development Goals have provided us with a framework for our CSR efforts, and with new opportunities.

As a provider of supplementary welfare benefits within the areas of pension, social security and lifelong learning and as a major investor, most of the 17 Sustainable Development Goals are relevant to our work. This report shows how PensionDanmark's activities contribute to achieving the UN Sustainable Development Goals.

In 2018, we began the work to develop specific measuring and reporting tools for our various business areas with a view to illustrating the impact of our efforts to our members, Denmark and the world community. There is still work to be done, and we will continue our efforts in the years ahead.

For more information on the 17 Sustainable Development Goals, see: [www.un.org/sustainabledevelopment/sustainable-development-goals](http://www.un.org/sustainabledevelopment/sustainable-development-goals)





PensionDanmark's domicile at Langelinie Allé

## Partnerships – part of the solution

In November 1987, the social partners and the Danish government concluded an agreement which laid the groundwork for the world-leading pension system that Denmark has today, more than 30 years later.

The so-called Joint Statement provided the framework for solving Denmark's challenges with respect to competitiveness, balance of payments deficits and an obsolete pension system. A few years later – in 1989 for the public labour market and in 1991 for the private labour market – employer and labour organisations agreed to set up compulsory group pension schemes for the large groups of employees who up to that point were only entitled to state pension and supplementary ATP pension on retirement. This marked the birth of occupational pensions – and of PensionDanmark – which have grown into the solid pension system that has won Denmark the reputation as a world leader in designing pension systems which embrace all and which are not a burden on the public purse. So, partnerships and collective solutions are part of PensionDanmark's DNA and have been a cornerstone of our work since the beginning.

Today, our partnerships go beyond trade unions, employers' associations, companies and union representatives. They have grown in number and now comprise all parts of our business. We use partnerships to put together the best and most effective solutions for our members and companies, and we participate actively in our partnerships with a view

to sharing knowledge and impacting the conditions we operate under. Through our partnerships with the social partners, other financial undertakings, authorities and organisations, we work every day to secure attractive pension schemes and good service for our members while at the same time contributing to making the world a better place:

- > In the context of our healthcare programme, we work with patient associations, including the Danish Brain Injury Society, the Danish Heart Foundation, the Danish Cancer Society, the Danish Parkinson's Society and the Danish Multiple Sclerosis Society, to help critically ill members. In cases related to early retirement, we also work with the Danish Rheumatism Association.
- > We cooperate on data integration with the Danish Agency for Labour Market and Recruitment and the Danish Health Authority for the purpose of identifying members with long-term illnesses and helping them get the right treatment and return to work.



17 PARTNERSHIPS FOR THE GOALS

Target 17.17

Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

PensionDanmark engages in partnerships in all its business areas to secure the best and most effective solutions.

- > We work with the National Agency for IT and Learning to ensure our members receive the right supplementary training.
- > In 2018, we formed a partnership with the Capital Region, the Zealand Region and the eight vocational schools in their areas to create more building and construction traineeships and apprenticeships at PensionDanmark's many building sites.

On the investment front, 2018 saw the formation of a new partnership with the Investment Fund for Developing Countries (IFU) and the Danish State concerning the establishment of Danish SDG Investment Fund to invest in projects and companies working towards realising the UN Sustainable Development Goals.

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

PensionDanmark is a signatory to the UN Global Compact and a member of the board of directors of Global Compact Network Denmark. UN Global Compact is a leading corporate sustainability initiative, and the ten Global Compact principles for responsible business conduct have been a driving force in our investment screening and active owner-

ship efforts for several years. In the years ahead, we will continue to support the UN Global Compact and to report on our progress in relation to its principles.

PensionDanmark is actively engaged in the public debate on social responsibility through, among others...

- Board Leadership Society
- Dansif
- Insurance & Pension Denmark
- Global Compact Network Denmark
- Green Building Council
- Green Climate Fund
- IFU
- Institutional Investors Group on Climate Change
- OECD Centre on Green Finance and Investment
- Patient associations
- Danish Agency for Labour Market and Recruitment
- National Agency for IT and Learning
- Sustainable Build
- UN Global Compact
- World Economic Forum

Torben signs an agreement with Heino Knudsen, Chairman of the Zealand Region, and Sophie Hæstorp Andersen, Chairman of the Capital Region



# PensionDanmark's business model

PensionDanmark pursues a 360-degree approach to engaging with our members. We want to give our members a financially secure retirement. We want to protect them during their working lives by means of insurances that come into operation in case of an accident. We want to enable them to have a long and productive working life by offering them active, preventive healthcare programmes. And we want them to maintain and develop their skills through lifelong learning.

## PRODUCTS

### PENSION

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



### INSURANCE

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



### HEALTHCARE PROGRAMME

PensionDanmark's healthcare programme offers free access to preventive interdisciplinary treatment, health counselling and Prompt Diagnosis.



### 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.



250,000 members have signed up to receive messages with personalised information.

## VALUE FOR MEMBERS

Members are ensured a financially secure retirement. Investment risks are aligned with members' age, and pension contributions are distributed on savings product so as to minimise offsetting against public benefits.

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

Our healthcare programme prevents physical disabilities 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 member service aligned with their current life situation.

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

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

## RESULTS ACHIEVED IN 2018

In terms of returns, 2018 was a difficult year. Younger members received a negative 2.6% return, while older members received a positive 0.2% return. Losses were mitigated by robust returns on real estate and infrastructure investments.

780 members received supplementary early retirement benefits. 3,070 members received a lump sum of typically DKK 100,000 on critical illness. 2,840 beneficiaries received a lump sum on death. In total, our members received pension and insurance benefits of DKK 3.8 billion.

40,100 members received 340,000 treatments at our health clinics. 27,300 members contacted PensionDanmark's health team. The team helped more than 70% of our members with long-term illnesses return to work. 3,100 members received paid memberships of patient associations.

19,000 employees in 2,000 companies were able to upgrade their skills thanks to supplementary training funded by the educational funds managed by PensionDanmark.

Our members received more than 1.1 million personalised messages.

Our members logged on to pension.dk 0.9 million times – an increase of 75%.

The average call wait time was 10.1 seconds.

We interacted with 275,800 members across our various channels.



The firefighters of CPH Brand & Redning are members with PensionDanmark

### Aldersopsparing implemented in 2018

The new Aldersopsparing (retirement savings) product was incorporated into our members' pension savings in 2018. Following the introduction of new pension rules, retirement savings benefits are not set off against state pension, and this makes the product attractive. We have adjusted the distribution of savings so that we automatically allocate the maximum allowed amount (DKK 5,100 for younger and DKK 46,000 for older members) to retirement savings. The remaining pension contributions are distributed among annuity pensions and lifetime pensions.

"Aldersopsparing has become an integral part of our members' pension savings, making it even more attractive for our members to save up for retirement. Pension Danmark will always adjust the scheme according to new pension rules so that our members will not have to worry about that. This makes it easy and safe to be a member of PensionDanmark."



Stig Søllested, deputy president of the Plumber and Pipeline Union in Denmark

## Securing members in the best possible way

At PensionDanmark, we manage and develop occupational pension and insurance schemes with a view to creating the maximum value for our members.

PensionDanmark's pension and insurance schemes are a supplement to public benefits and are aligned with the needs of members within different industries. Being a member-owned company, it is a fundamental principle of ours that our schemes are solidarity-based and that members' pension contributions are primarily used to increase their savings. Our insurance schemes are designed so as to minimise offsetting against public benefits, and through integration of public registers we make sure our members always receive what they are entitled to.

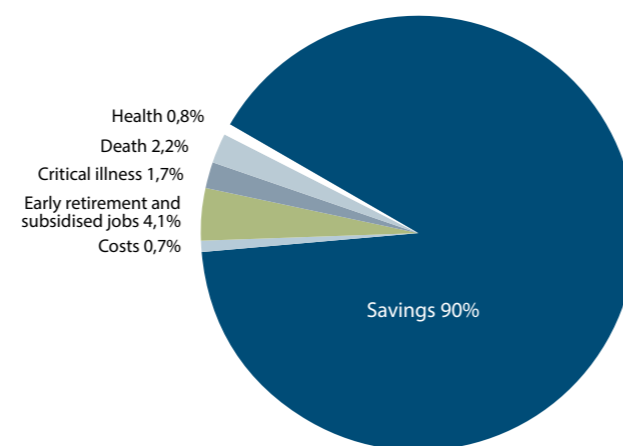
### Insurance cover options

The insurances included in the pension scheme cover in the event of critical illness, the granting of early retirement pension, resource programmes or subsidised jobs and on death, and they generally embrace the needs of most members. However, members have the option of adjusting insurance amounts to align them with their individual needs. It may be a good idea for members to adjust their insurances if they get married, divorced, have children or buy a home, for instance.

In 2018, PensionDanmark adjusted the insurance cover becoming operative on the granting of early retirement pension so that members joining a municipal resource programme are entitled to receive a tax-free lump sum of typically DKK 50,000 after one year in a resource programme.

### How pension contributions are distributed

Each member paid an administration fee of DKK 297 in 2018, which was one of the lowest administration fees among Danish pensions providers. When costs are low, pension savings grow.



### The best pension system in the world

For the sixth year in a row, Denmark tops the international Melbourne Mercer Global Pension Index (MMGPI) of the world's best pension systems. The MMGPI report emphasises Danish pension savers' high pension contributions relative to their income, that the pension system is for all, and that the ratio of pension assets to GDP is among the highest in the world.



#### Target 1.3

Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Through their savings with PensionDanmark, our members are guaranteed attractive and stable pension incomes and an important supplement to public pension benefits. They also have effective insurance cover in the event of incapacity for work or critical illness.

#### Dilemma:

**Why does PensionDanmark not provide critically ill members with the option of having their pension savings paid out?**

The main purpose of pension savings is to give members a financially secure retirement, and pension savings are therefore not paid out prematurely. Members diagnosed with a critical illness are guaranteed a lump sum of typically DKK 100,000. About 70% of members diagnosed with a critical illness survive their illness and therefore need their pension savings when they retire.

The dairy operators of Christiansfeld Dairy are members of PensionDanmark







A PensionDanmark member being treated in one of our 137 health clinics

## Prevention creates value for everyone

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

Like the other insurance benefits included in the pension scheme, our preventive efforts are solidarity-based and a long-term investment for the individual member and for the community. Not working has serious financial and personal implications. And to the community, prevention is cost-effective. For instance, if a typical 50-year-old member is granted early retirement, this will cost the PensionDanmark community almost DKK 1.3 million in supplementary early retirement benefits. In other words, preventing early retirement is sound business.

### Focusing on individual member needs

Musculoskeletal disorders are the most frequent cause of physical disabilities and early retirement among PensionDanmark's members.

Through the healthcare programme, members suffering from, for instance, back pain have access to preventive treatment by a physiotherapist, a chiropractor or a massage therapist. As a doctor's referral is not required, access to preventive treatment at one of our 137 health clinics is simple and fast.

### Making a difference

It is important to us that our members are aware of the options available to them under the healthcare programme. Accordingly, we keep them informed through company visits, articles in the media of employer and labour organisations, personalised messages, etc.

### Taking care of vulnerable members

Our health team assists vulnerable members, including members who are or risk becoming absent for longer periods of time, providing advice and recommending other offers (interdisciplinary treatment, psychological therapy, specialist treatment, scans, etc.).

**3 GOOD HEALTH AND WELL-BEING**

**Target 3.8**  
Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Most of our members have a health scheme with PensionDanmark. In addition, all members are covered by an insurance of typically DKK 100,000 in case of critical illness. In addition to insurance benefits, members suffering from critical illness receive one year's paid membership of a relevant patients association.



The team can also help members who have been referred to a specialist get a prompt diagnosis. The member is assigned a nurse who will help patient through the healthcare system - with no unnecessary delays.

Members who have received insurance benefits in connection with a critical illness will also get a solicitude call from a nurse offering guidance concerning the many options available under the healthcare programme.

### Dilemma:

**Why offer a healthcare programme when Denmark has an efficient health system?**

Despite our efficient public healthcare system, triage times can be so long that members lose their ties with the labour market and end up in resource programmes or, at worst, early retirement. PensionDanmark's Prompt Diagnosis programme ensures prompt diagnosis within an average of 23 days.

### Results achieved in 2018

- > 40,100 members received 340,000 preventive treatments, an increase of 15% on 2017.
- > 5,000 cases of Prompt Diagnosis, an increase of 57% on 2017.
- > More than 1,000 health consultations conducted across the country out of PensionDanmark's advisory bus.
- > An increase of 15% in the number of preventive treatment slots compared with 2017.



Teacher giving lesson at Selandia Business College

## Lifelong learning

PensionDanmark manages 18 educational funds provided for by collective agreements which provide financial support for various types of supplementary training programmes.

By providing quick and easy access for companies to reimbursement from the funds when their employees participate in supplementary training programmes, we help ensure that members and companies are aware of the options available to them for continually upgrading their general and specialist skills.

By upgrading their skills, members strengthen their ties to the labour market and give companies access to skilled staff. This is an important task as there is already now a shortage of skilled labour in several industries. Forecasts show that Denmark will be short of some 30,000 skilled workers by 2020, whereas the number of unskilled workers will exceed demand by 80,000 in the absence of a substantial skills upgrade.

### New training site — new opportunities

At the beginning of 2019, we launched a new training site providing members with a 360-degree overview of their supplementary training options, completed training programmes and work experience and with guidance in identifying relevant training courses within the framework of their respective educational funds.

The site also provides employees and employers with new opportunities for collaborating in drawing up development plans and sharing information on completed training and supplementary training programmes. This makes it easy for the company to plan supplementary training based on the support provided by the educational fund.

### Securing members through supplementary training

Studies show that lifelong learning leads to less sickness absence, enhanced job security and job mobility and higher incomes. The purpose of our lifelong learning efforts is to:

- > stimulate adult and supplementary training among our members
- > ensure that training programmes are aligned with the skills of each individual as well as with the company's needs.



4 QUALITY EDUCATION

#### Target 4.4

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

PensionDanmark manages 18 educational funds which subsidised 44,000 training programmes in 2018.

## Supplementary training at Arriva

At transport operator Arriva, management is committed to providing supplementary training opportunities for its employees.

“At Arriva, we see supplementary training as a good investment in upskilling already qualified employees. Many of our employees have non-Danish ethnic backgrounds, and by providing them with supplementary training in the form of Danish lessons, we upgrade the skills they use in their day-to-day work. This is often the first step towards becoming a skilled driver. As an employer, we are happy to support this.”

Marianne Bøttger, Head of CSR, Arriva Denmark

Olga Daria has been a driver with Arriva for seven years. She wanted to become a skilled driver and began by taking Danish lessons at UCplus.



“Thanks to the programme, I’ve become much better at writing and speaking Danish, and I’ve also qualified as a skilled driver. This also means that I get paid a little more. Without the Danish lessons, I would not have qualified as a skilled driver.”

Olga Pavlova, bus driver, Arriva Denmark

## Results achieved in 2018

- > The educational funds paid corporate supplementary training grants of DKK 57 million.
- > 2,000 companies received grants for 19,000 employees completing 44,000 training programmes.
- > Four major educational funds decided to also support continuing adult training programmes to stimulate further training of skilled employees.

Property service technicians undergoing training at Next Copenhagen





Glaziers at Glarmester Svensson checking personalised messages received through the PensionDanmark app

## Better member services through digital solutions

We are fundamentally committed to providing good service and advice to our members while at the same time keeping costs at a minimum. Digitalisation is a key part of the solution.

Digitalisation enables us to provide our members with proactive, personalised digital services while enhancing case processing efficiency and reducing costs.

A specific example of proactive member service could be sending a message to selected members that they have the option of increasing the sum becoming payable on death when we become aware of changes in their family or housing situation. All messages are data-driven and automatically generated and are sent out to relevant members through their preferred channel(s).

Digitalisation also means that if a member gets stuck using the self-service solution on pension.dk, the member is contacted by a member of our member services team, who will then help solve the problem.

Through targeted, automatically generated content distributed through various digital channels, we make sure our members make the most of their pension savings. Satisfaction surveys show that member satisfaction increases in step with the number of interactions with PensionDanmark – such as advisory messages and log-ins to pension.dk.

### Continuous optimisation

As part of our efforts to always deliver the best possible

service to our members, we work continuously to optimise existing processes and enhance automation in order to reduce the case processing time. We do this by, for instance, implementing new tools such as Machine Learning and AI (artificial intelligence), which we use to scan and analyse e-mails received from members. This enables us to better understand our members' needs and thus to provide them with better and more cost-efficient services.

### Robots and automation

Using software robots is an important part of PensionDanmark's member service strategy, and we began using software robots for case processing purposes in 2017. Some of the benefits of using robots are that members applying for critical illness benefits on pension.dk typically receive their insurance benefits the next day, compared with the previous processing time of 16 days. The case processing time for payout of other insurance benefits has also dropped significantly.

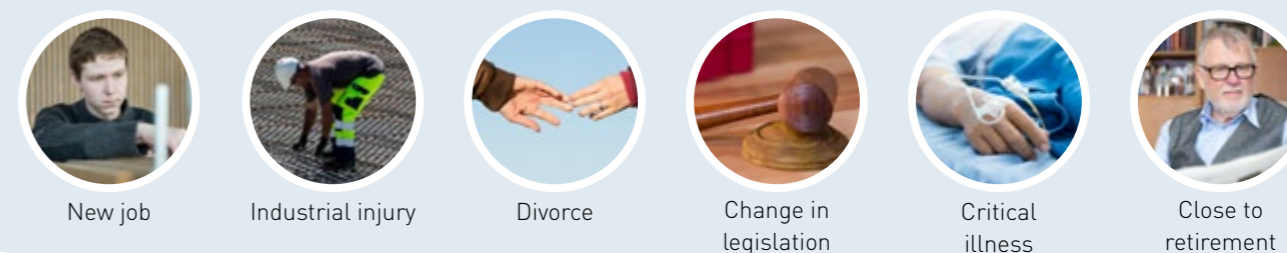
The same automatics unfold if a member gets stuck using the self-service solution on pension.dk to, for example, transfer pension savings from a previous job to PensionDanmark. In such cases, the system ensures that the member is contacted by our member services team, who will then help the member transfer the money.

Through the integration of public registers, PensionDanmark generally makes sure our members and their families always receive what they are entitled to in the event of an accident.

## Proactive services

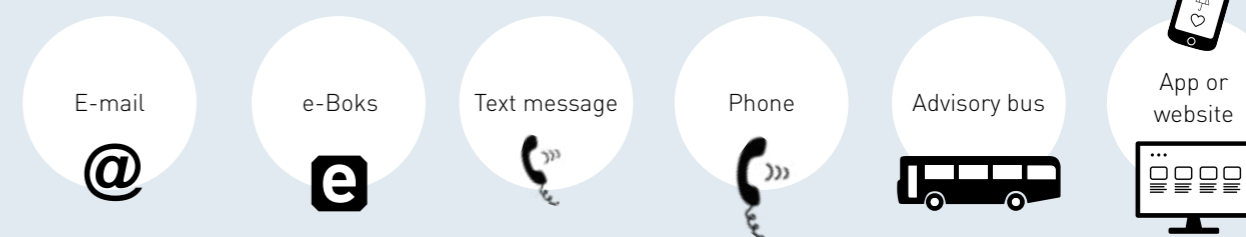
### Situation-aligned communications

PensionDanmark provides members with relevant information aligned with their current life situation.



### Preferred communication channels

Information is provided through our members' preferred communication channels.



### Monitoring and follow-up

We monitor member responses to our messages.

Depending on how important the information is, we may send follow-up messages or call the member.



### Results achieved in 2018

- > 250,000 members have actively signed up to receive individual digital messages from PensionDanmark.
- > We sent 1.1 million individual messages to members.
- > The number of visits to pension.dk passed 900,000 – an increase of 75% compared with 2017.
- > The administration fee was kept at DKK 297 per member.

# Investments create growth and jobs

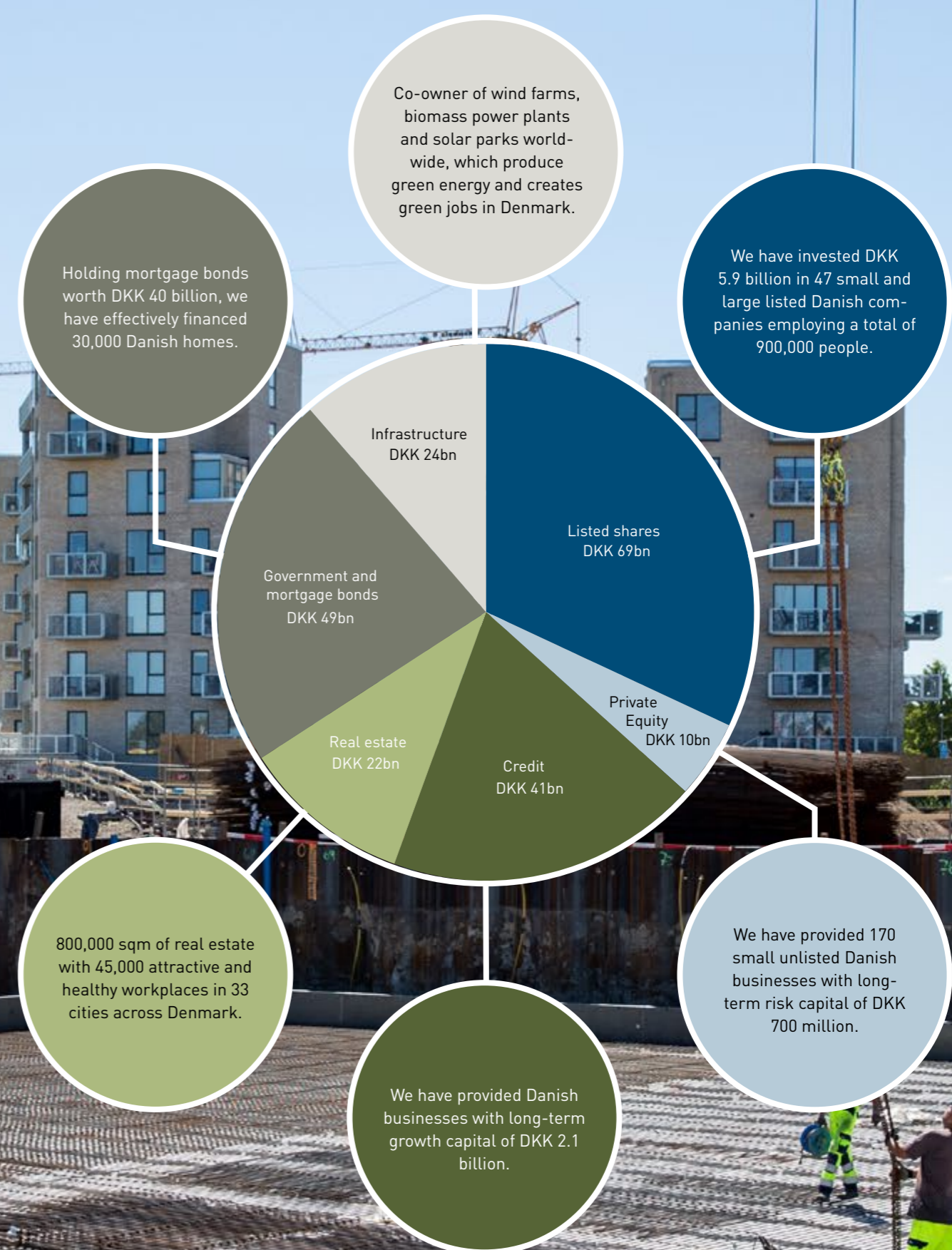
PensionDanmark invests in a broad range of assets in order to diversify risk and secure robust returns for our members. Our investments provide funding for a wide range of projects and activities that stimulate growth and job creation in Denmark and the rest of the world. When buying mortgage bonds issued by Danish mortgage credit institutions, we effectively provide loans to Danish home owners and housing associations. By investing in shares and direct loans, we help procure capital for small and large businesses to enable them to develop and create growth and jobs.

By investing in real estate, we help create jobs for construction workers during the construction period and provide healthy workplaces for the many employees who work in PensionDanmark's office buildings, hotels and department stores. By investing in wind farms and biomass power plants, we help produce green energy and create jobs in Danish businesses and their many sub-contractors.

**8 DECENT WORK AND ECONOMIC GROWTH** Target 8.5  
 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

PensionDanmark makes sure apprentices are taken on for all our construction projects. In 2018, 80 apprentices worked at PensionDanmark's construction sites.

# Our national footprint



# Green transition entails new opportunities

Since 2008, PensionDanmark has invested more than DKK 16 billion in wind, biomass and solar cells. PensionDanmark's overriding priority is to ensure robust and stable long-term pension savings for our members, and our renewable energy investments are instrumental in enabling us to do so. They also contribute to tackling the climate challenge.

PensionDanmark reached a number of climate milestones in 2018 with our collaboration partner Copenhagen Infrastructure Partners (CIP) being engaged to build the first offshore wind farms off the US and Taiwanese coasts. Entering new markets and participating in the project construction phase enables us to enhance returns for our members, and when the turbines have been connected to the grids of the respective countries – the first ones scheduled for 2021 – they will offer a capacity of 800 MW and 900 MW in the US and Taiwan, respectively.



## 13 CLIMATE ACTION



**Target 13.3**  
Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

PensionDanmark is part of The Investor Agenda, which helps the global investor community accelerate and scale up the actions that are critical to achieving the global goals of the Paris Agreement. The Investor Agenda includes Climate Action 100+, an investor initiative to engage the world's 100 largest greenhouse gas emitters on contributing to the green transition. The Investor Agenda was launched in response to former UN climate chief Christiania Figueres' challenge to global investors to invest 1% of their assets in renewable energy. PensionDanmark has invested far more than that in renewable energy for several years and in 2018 had renewable energy investments of DKK 16 billion in green investment funds such as Copenhagen Infrastructure Partners alone.



# Investing in the UN Sustainable Development Goals

In 2018, PensionDanmark together with the Danish government and a number of other investors, established the Danish SDG Investment Fund to invest in sustainable projects with a view to helping achieve the UN Sustainable Development Goals. PensionDanmark will contribute DKK 400 million, and with contributions from other investors and the government, the fund will have up to DKK 30 billion available for investment.

The Danish SDG Investment Fund will invest in companies and projects in Africa, Asia, Latin America and parts of Europe. It will do so in collaboration with the Danish business community, which commands strong competencies, know-how and technologies within a number of the strategic sectors working towards the UN Sustainable Development Goals.

The fund will operate on market terms to generate competitive returns for PensionDanmark's members. The Danish SDG Investment Fund is shaped around the same structure as the Danish Climate Investment Fund and the Danish Agribusiness Fund, which were also co-established by PensionDanmark. These funds are managed by the Investment Fund for Developing Countries (IFU).



Torben and Danish Prime Minister Lars Løkke Rasmussen at the launch of Danish SDG Investment Fund.

"To achieve the UN Sustainable Development Goals, we need to involve the private sector and turn the transition to a green and more sustainable economy into an attractive business case. That is the purpose of the Danish SDG Investment Fund, which will raise up to DKK 30 billion for developing country investments in support of the UN Sustainable Development Goals. Every krone is an investment in a better future for planet Earth. I'm very pleased that Danish pension companies are taking the lead on this."

Lars Løkke Rasmussen, Prime Minister

**17 PARTNERSHIPS FOR THE GOALS**

Target 17.7  
Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

## Solar parks in Chile

Through the Danish Climate Investment Fund, PensionDanmark is a co-owner of solar parks Parque Solar Sol del Norte and Parque Solar Luna del Norte, both located 500 km north of Santiago de Chile, the capital of Chile. These parks have a capacity of 3.4 MW each and have been in operation since 2015.



The Pollux property at Islands Brygge, Copenhagen

## Higher returns from sustainable real estate investments

Certified sustainable real estate is a sound and responsible investment.

PensionDanmark is invested in 269,000 sqm of sustainable real estate, most of which has been awarded the DGNB gold certificate, and investments of an additional 144,000 sqm are underway. For collaboration purposes, properties are sometimes also certified according to the US LEED system or the UK BREEAM system.

Work is also ongoing to certify and energy upgrade PensionDanmark's portfolio of existing, older properties. We are part of the Energispring energy optimisation partnership working to make the City of Copenhagen the world's first CO<sub>2</sub>-neutral capital by 2025.

A total of 25 properties in PensionDanmark's DKK 20 billion real estate portfolio have obtained sustainability certificates or will do so shortly.

PensionDanmark has developed a Housing Platform containing value and sustainability programmes for the homes

### Social sustainability

PensionDanmark requires of its contractors that an appropriate number of apprentices and trainees are taken on for each construction project, that everyone working on our projects must be covered by a Danish collective agreement, that there is a strong focus on occupational health and safety, and that collaboration is established with local trade unions.

### Sustainable elements

The Pollux property at Islands Brygge, constructed using recycled tiles from Funen, has obtained DGNB gold certification. Using recycled instead of ordinary tiles saved 100,000 tonnes of CO<sub>2</sub>. The building materials were chosen with great consideration for the indoor climate and the environmental impact. As much wood as possible is FSC/PEFC-certified to ensure that no more wood than the forests can produce is harvested. Rainwater from the roof and the courtyard is led into the harbour basin without affecting the municipal sewage system. LED lighting has been installed everywhere, inside and outside. The lifespan of LED lighting is up to 20 times that of conventional lighting, and the cost is up to 50% less. Water-saving installations and domestic appliances have been installed in all units. Solar cells have been mounted on the roof, and regeneration modules in all elevators lead excess braking energy back into the system to reduce power consumption.

of tomorrow that contribute to making sustainable real estate an attractive investment for our members. Today, sustainable building materials with a low carbon footprint are no more expensive than other materials and are often more durable, while at the same time the certification requirement makes the construction process more stringent. Moreover, sustainable housing, hotels and offices are attractive for owners and tenants, which leads to higher returns and easier re-letting.

### Buildings bound for gold certification



Skibet, Søndre Havn, Køge Kyst  
Floor space:  
Approx. 7,169 sqm and 2,400 sqm of parking facilities  
Number of rental units:  
80 apartments, of which 28 50+ life style homes  
Architects: Vandkunsten



Frederiks Plads Company House, Aarhus C  
Floor space:  
Approx. 5,300 sqm and 420 underground parking spaces  
Tenants:  
Horten Advokater, SAS Institute and Alektum Group  
Architects: C.F. Møller A/S



Kunstnerkarréen, Ørestad  
Floor space:  
Approx. 9,189 sqm and 2,571 sqm of parking facilities  
Number of rental units:  
28 terraced houses and 67 apartments  
Architects: Årstiderne Arkitekter



Target 11.1  
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

PensionDanmark aims to build for residents of all income brackets – including students and senior citizens with modest incomes. PensionDanmark's first youth housing units will be ready for occupation by summer 2019. The project also includes terraced houses and family-sized apartments. By 2020, the first multioccupied senior homes, so-called 50+ life style homes, will be ready for occupation by their tenants. The project at Køge Kyst also includes ordinary family housing units. The diverse mix of occupants will benefit all users of the properties.



Dorthe Ulsø, HSEQ Director at Semco Maritime, which is domiciled in PensionDanmark's property in Esbjerg

### Sustainable domicile helps drive results

"It's just over three years since we moved to our certified sustainable domicile, and we're absolutely thrilled to be here. There are several reasons for that. One is the great design. This is not so much down to the certification, rather to the high-quality materials that have been used and to the indoor climate, which is so much better than in the four old buildings we used to reside in. Also, the focus areas identified by the workplace assessment we've performed of the physical working environment are much more manageable than in the old buildings. That is a great benefit. And we've reached the goal we set out to achieve: a low sickness absence rate."

# Sustainability programme for new real estate

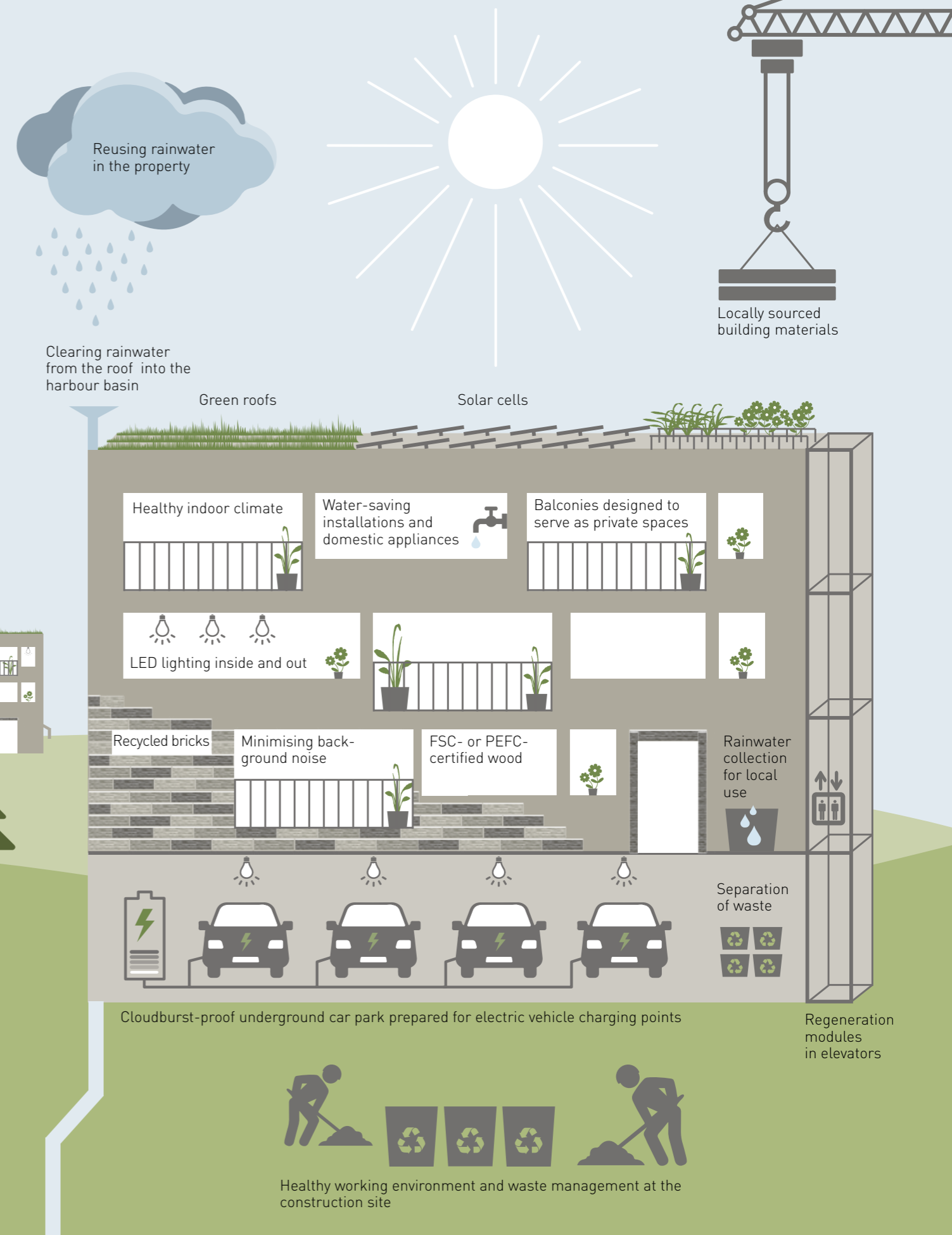
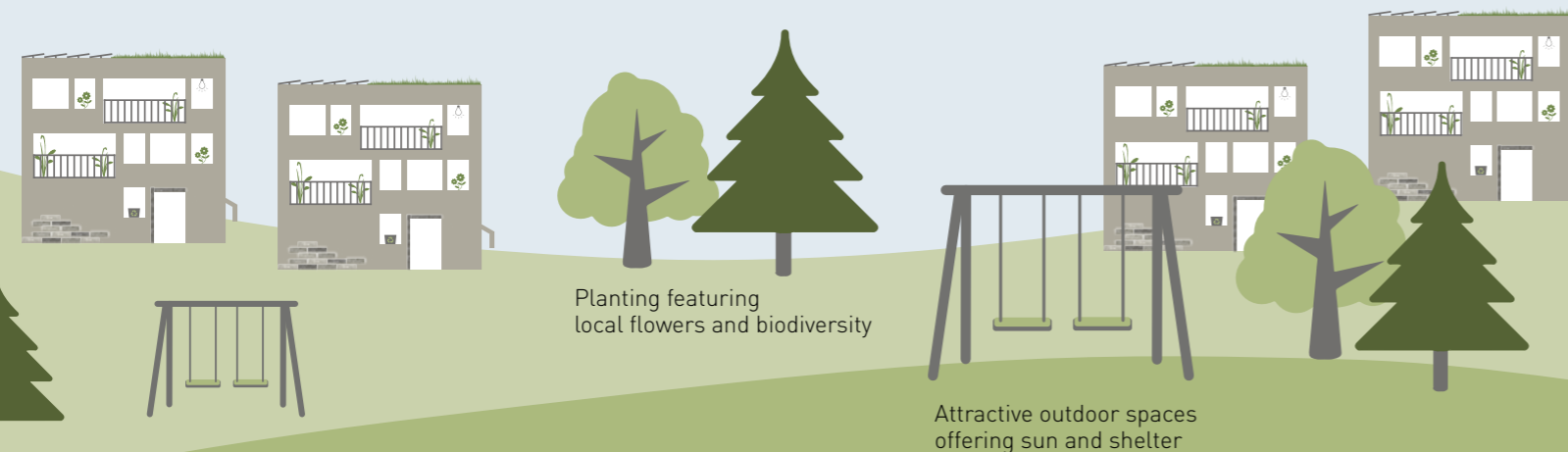
PensionDanmark's sustainability programme sets out to reduce the environmental and climate impact of the properties we build and to enhance the health and well-being of their users.

Regulating the financial, technical, environmental and social standards of a property, the sustainability requirements focus on:

- > the lifetime economy of the building
- > keeping operational and maintenance costs low
- > ensuring that end-users will be happy with the completed building and that the building process is sustainable.

New properties built by PensionDanmark must not only meet the requirements of the sustainability programme, they must also be certified according to the DGNB programme. The Building Regulations set out certain environmental requirements, and rated by sustainability parameters, a building complying with the Building Regulations will obtain DGNB silver certification.

Certified buildings score between 50 and 100 points. By way of example, we have delivered Gladsaxe Company House, a platin-certified project occupied in 2015 that scores 80 points and meets the 2020 energy requirements of the Building Regulations.



## Healthy indoor climate

"We are thrilled to live in Pollux and not only because of its fantastic location. The building is constructed sustainable in every detail. It provides us with quality of life through a healthy indoor climate and an incredibly low heating bill. Furthermore our consciousness is of course much better knowing that our CO<sub>2</sub>-footprint is reduced to a minimum. In fact, we are a bit proud when we tell our friends and family about it."

Hans Frederik Jørgensen, resident at the Pollux building on Islands Brygge, Copenhagen. Pollux has obtained DGNB Gold certification.





Meeting at the Investment Department

## Responsibility founded on international guidelines

PensionDanmark manages assets worth DKK 236 billion on behalf of our 732,000 members. It is our responsibility to invest these assets responsibly and ensure that our members receive solid returns on their pension savings.

Our responsible investment efforts are based on international guidelines such as the OECD Guidelines for Multinational Enterprises and the Danish government's Guide to Responsible Investment.

The OECD's guidelines are the only multilaterally recognised, comprehensive set of standards for responsible business conduct which OECD member state governments have committed to implementing. The guidelines apply to companies, and we expect the companies and projects we are invested in to comply with the OECD and other relevant guidelines. The OECD guidelines apply to investors as well and therefore also to PensionDanmark. Our responsibilities are emphasised by the Danish government's guidelines, which are based on Responsible Business Conduct for Institutional Investors, which specifies what is expected of investors under the OECD guidelines.

In brief, the Danish Business Authority's guidelines set out four requirements for investors:

- > International guidelines for responsible business conduct must be put into practice and be embedded in the company.
- > Due diligence processes must be in place to identify, prevent and mitigate current and potential impacts on society.
- > Investors must prevent and mitigate negative effects – even if they did not cause or contribute to the negative effects.
- > Investors must communicate and report on specific responsible investment efforts, challenges and priorities.

PensionDanmark has implemented and integrated a range of measures in our investment policy and processes to ensure that we comply with the OECD guidelines.

### OECD guidelines and UN Sustainable Development Goals

"By complying with the OECD guidelines and implementing responsible due diligence processes, businesses contribute to society and to sustainable development in accordance with the UN's 17 Responsible Development Goals and the Paris Agreement"  
The Danish Business Authority's Guide to Responsible Investment

PensionDanmark's portfolio managers have access to ESG data, which they take into consideration when making investment decisions. Such data concern human and labour rights, climate and environment and corporate governance.

When PensionDanmark pledges support for new investment funds and projects, ESG is part of the due diligence process completed prior to any investment. As part of this process, we investigate whether there are any ESG matters which we should be aware of, and whether the manager/project partner has ESG policies in place as part of its ongoing portfolio management.

Our equity portfolio is screened on a regular basis to ensure that our investments are in accordance with responsible business conduct and to identify any companies with which PensionDanmark should engage in order to steer them in a positive direction. The results of PensionDanmark's active ownership are detailed overleaf.

### Responsible investment is good business

At PensionDanmark, we believe that investments in responsible businesses yield higher long-term returns because such businesses are in control of all aspects of their activities and are abreast of ongoing and future responsibility developments.

### Pursuing transparency

PensionDanmark aims for a transparent responsible investment approach, and our website provides examples of PensionDanmark's active ownership investments. It also lists the companies with which PensionDanmark, in collaboration with our external partner, has engaged in dialogue, and provides a list of cases concerning specific corporate dialogues. Moreover, it provides a complete list of our equity investments as well as our exclusion list, and PensionDanmark is happy to answer any additional questions concerning our responsible investments.

In 2018, PensionDanmark invested in COBIS, a biotech and life science park



### Nextera Energy — best in class

We are invested in US utility company Nextera Energy, which has outperformed the industry by 5x in terms of returns over the past ten years and is in a speedy process of abandoning the use of fossil fuel and investing in renewable energy. 24.5% of the company's total energy generation is renewable, and management plans to increase production by up to 70%, corresponding to 12 GW, going forward to 2020. For the past five years, MSCI ESG Research has assigned a best-in-class AAA rating to Nextera Energy, based primarily on its reduced water consumption, reduced waste water discharge, reduced CO<sub>2</sub> emissions and renewable energy potential.

### Dilemma:

#### Is investing in nuclear weapons responsible?

A nuclear war would have devastating consequences for mankind, which leads some people to believe that investing in nuclear weapon manufacturers is irresponsible. Denmark is part of NATO, whose main contributors include the US, the UK and France. All three countries are nuclear powers, and Denmark's defence therefore ultimately relies on the deterrence offered by nuclear weapons. So any investments PensionDanmark may have in companies involved in nuclear weapons are consistent with Denmark's foreign and defence policies. A number of companies manufacturing or otherwise involved in nuclear weapons, including aircraft manufacturers Boeing and Airbus, also make products which we all use on a regular basis.



Niels and Stephen, listed share specialists with PensionDanmark's Investment Department

## Active ownership pays off

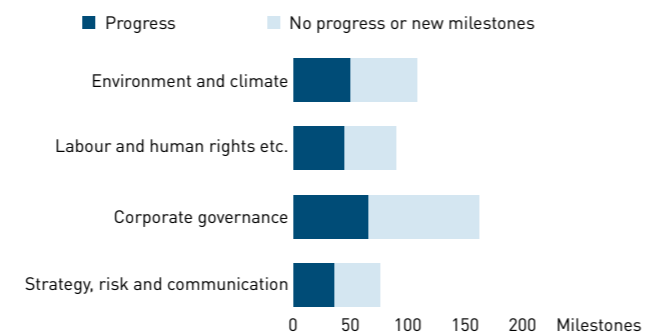
In 2018, PensionDanmark was engaged in dialogue with 436 companies, including 162 dialogues on corporate governance, 90 on labour and human rights, 76 on corporate strategy and risk and 108 on environmental and climate issues.

In order to be able to measure our work, we set specific milestones for the dialogue conducted with companies. In 2018, the companies in which we are invested reported progress on 197 milestones. The subjects to be addressed are often complex, and the process of bringing a company to take action and thus reaching a milestone is therefore time-consuming.

Our active ownership efforts are generally handled by Hermes EOS, our London-based collaboration partner.

If made aware of a possible breach of our responsible

### Milestones in 2018

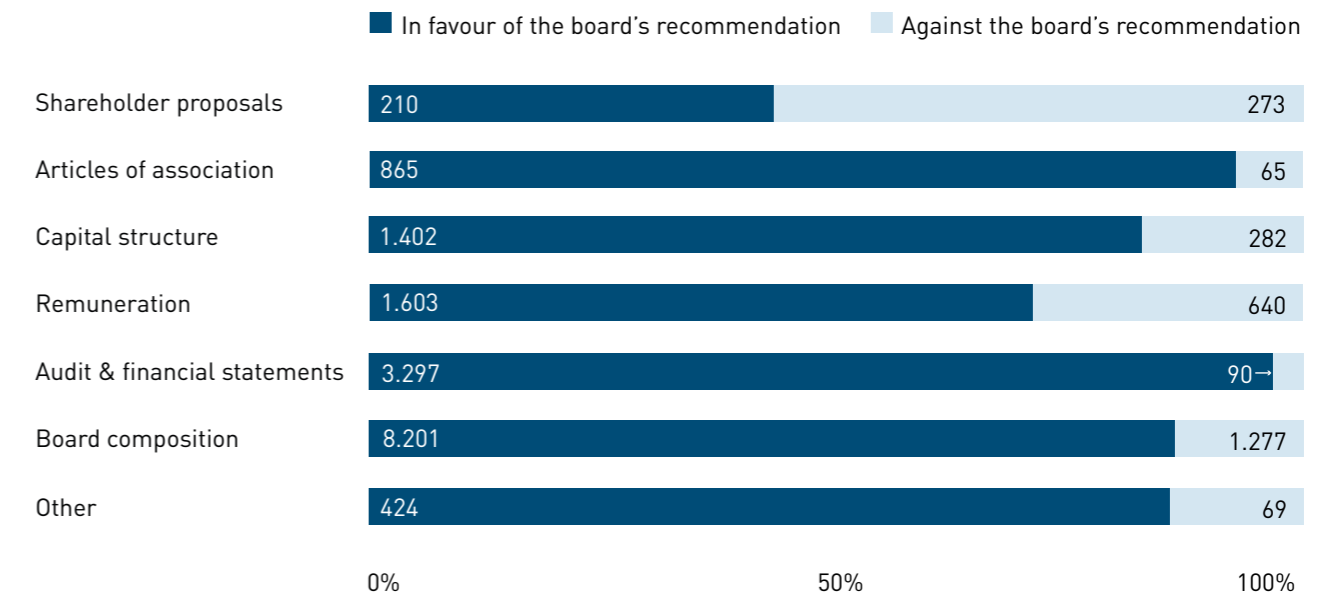


investment guidelines, we assess the issue together with Hermes EOS and consider whether Hermes EOS should engage in dialogue with the company in question. We will always seek to prevail upon a company to rectify unacceptable conditions rather than divest our shares in the company. We consider this the most responsible approach.

### Corporate dialogue milestones



## PensionDanmark's voting at general meetings in 2018



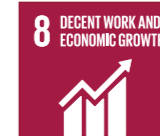
If dialogue does not produce the intended progress, we will divest.

Participation at general meetings is an integral part of active ownership. We vote based on our own voting policy, which stipulates that the companies must be run in the best interests of all shareholders.

We emphasise the importance of the company's board of directors being independent of its management and of the company pursuing a remuneration policy that aligns the interests of management and shareholders.

In 2018, PensionDanmark voted at 1,655 general meetings of foreign companies, and in 85,6% of the votings, we voted in favour of the recommendations of the board of directors.

We voted at 73 general meetings of Danish companies and voted in accordance with all of the recommendations of the board of directors.



8 DECENT WORK AND ECONOMIC GROWTH

Target 8.8

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

In 2018, PensionDanmark was engaged in dialogue with 33 companies on labour rights.

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





Ulrikke and Marianne were both appointed Senior Vice Presidents in 2018

## Room for development and ambition

To achieve its goals, PensionDanmark needs to have the best qualified employees and to release untapped potential among men and women alike.

PensionDanmark is strongly committed to taking the lead when it comes not only to enhancing diversity and ensuring healthy working conditions but also to promoting sustainability and protecting the climate. If we want a say in setting the broad responsibility agenda, we need to have our own affairs in order.

### A good working environment drives performance

Since Green Building Council Denmark developed a sustainability certification programme for existing buildings in 2016, PensionDanmark's domicile has been energy-optimised with measures including using sea water in the building's cooling system and mounting solar cells on its roof. This has won us a DGNB gold sustainability certificate. Moreover, an almost 20-metre-tall plant wall has been installed in the central stairwell to improve the physical indoor climate.

Our employees have access to, among other things, supplementary training programmes, a massage scheme, a fitness centre, company bicycles, health checks, vaccination programmes, an organic kitchen focusing on a healthy and varied diet, and an attractive social working environment with a high in-house information level and a flat and

### Prioritising and appreciating learning

"Sensing the strong in-house commitment to developing PensionDanmark for the benefit of members and companies is highly motivating. We are a very innovative organisation keeping many balls in the air – and our people make sure the balls don't fall to the ground. We are also a workplace where learning and personal development are prioritised and appreciated. I completed my Executive MBA at CBS in 2018. This was rewarding for me personally, but is of course of even greater value to PensionDanmark and my day-to-day work for the company."

Susanne, Vice President, Finance & Accounting

Susanne talking to Risk Manager Cengiz



Mads from Alternative Investments often takes the e-bike to meetings

informal structure with a short chain of command. Our employees contribute actively to developing new business solutions and are instrumental in running a thriving staff association.

We regularly measure employee satisfaction on a number of parameters, and our surveys have shown a high employee satisfaction rate over a number of years.



#### Target 4.3

By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

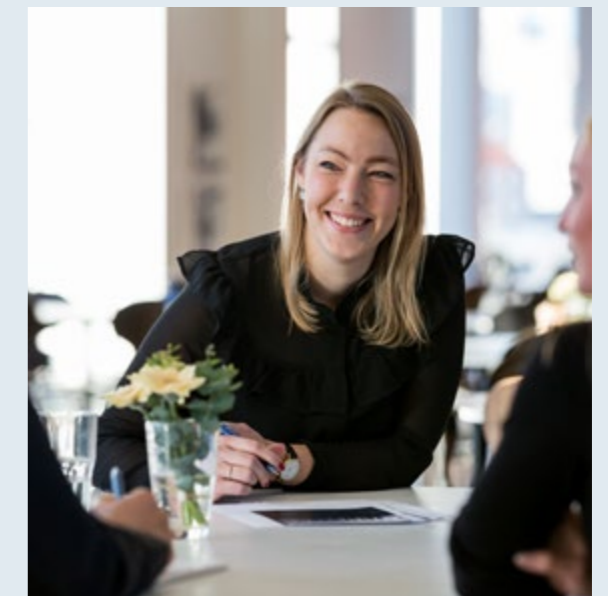
At PensionDanmark, we consider competence development a natural part of our staff policy. All employees must have and maintain the skills required to handle current and future tasks and challenges. Accordingly, our employee contracts stipulate that employees have a right and an obligation to attend supplementary training as agreed with their immediate superiors.

### Strengthening social relations

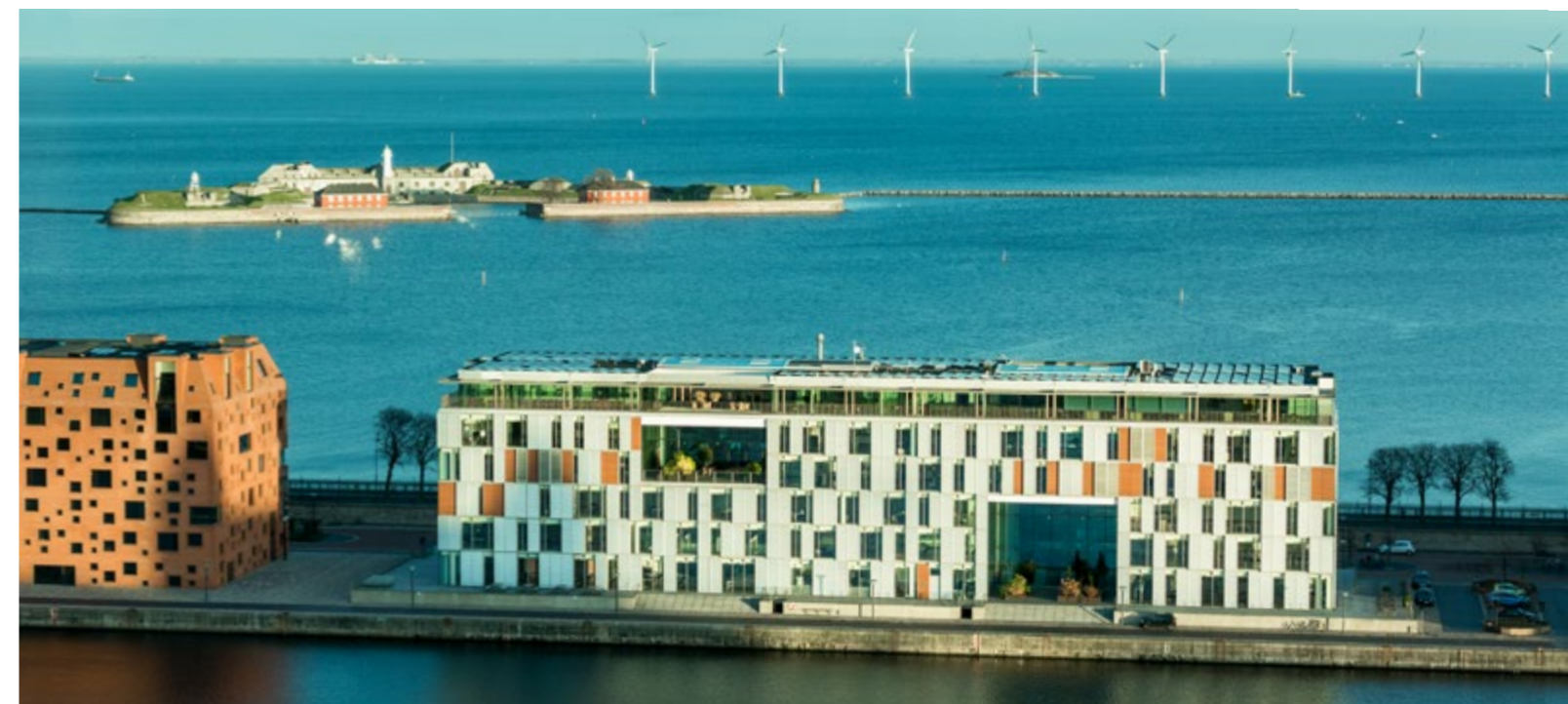
"On the executive committee of the staff association, we organise after-work events which help strengthen social interaction among colleagues. It's fun, and we're allowed great leeway in picking events. We organise a well-attended monthly Friday bar and a broad array of other events in the course of the year. This may include wine tasting events, plus-one Friday bars, chocolate courses, sailing in Copenhagen Harbour or a tour of the Copenhagen City Hall. We also sponsor sports events such as the DHL Relay running event, the Christiansborg Swim event and various cycling events."

Line, Actuary, chairman of the staff association

Line and her staff association colleagues planning an event



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



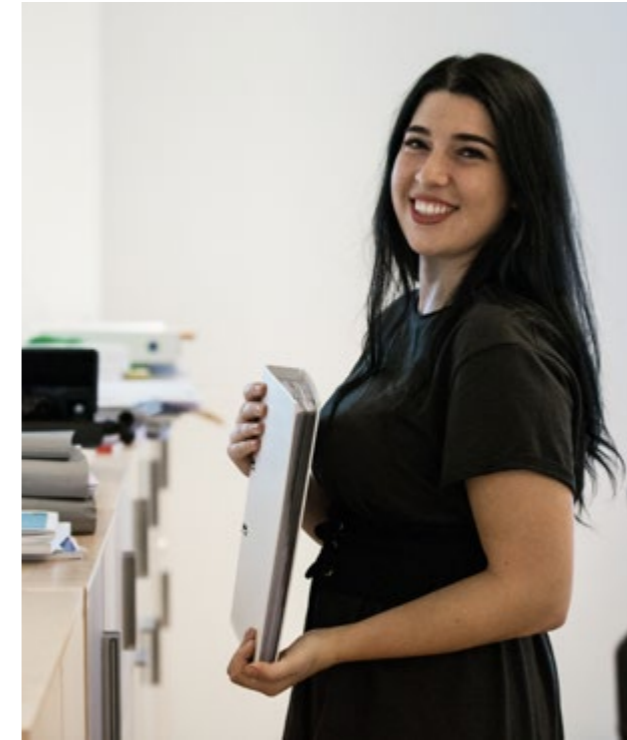


Project Manager Elin talking to Christian, General Counsel with Alternative Investments



When making investments, we thoroughly investigate the tax conditions in the relevant locations and make sure that international tax structures are in accordance with the laws of the countries in which we operate. Tax is paid in the countries in which the underlying investments are placed in the form of local income tax, indirect taxes, payroll taxes, etc. For more information, see [pensiondanmark.com](http://pensiondanmark.com).

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



Sermin, student assistant in the Real Estate Department



**Target 5.5**  
Ensure women's full and effective participation and equal opportunities for leadership at all levels of decisionmaking in political, economic and public life

PensionDanmark is committed to promoting equal opportunities for men and women and has adopted a policy on the gender composition of the company's upper management tiers, which lays down a target for the proportion of the under-represented gender on the Board of Directors. The target for 2018 was 20%. Three of the 16 incumbent members of PensionDanmark's Board of Directors are women. At the end of 2018, the share of women in top management was 29%, while the proportion of women in mid-level management positions was 44%. A total of 117, or 46%, of PensionDanmark's 252 employees are women. When recruiting new managers, PensionDanmark makes a point of interviewing qualified candidates of both genders, and our staff policy and terms of employment offer equal career opportunities in the company regardless of gender.

## PensionDanmark's policies

PensionDanmark has policies in place in all business areas to ensure that we ourselves meet the expectations we have of the companies we are invested in.

### Supplier policy

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

- > respect the rights of employees to unionise and to collective bargaining
- > promote health and safety at work and prevent work-related accidents, attrition, etc.
- > discourage discrimination on the grounds of ethnicity, religion, age, disability, gender, sexual orientation, trade union membership or political conviction
- > pay their employees wages and salaries that are consistent with relevant collective agreements and ensure fair living standards relative to national standards
- > dissociate themselves from forced, compulsory and child labour

- > work persistently and systematically to comply with national environmental legislation and limit their impact on the environment
- > discourage and work actively against tax evasion, bribery and other kinds of corruption.

If we find that a supplier fails to live up to our policy and guidelines, we will initiate a dialogue with that supplier. If this dialogue does not lead to any improvements, we will terminate our collaboration with the supplier. No breaches of PensionDanmark's supplier policy were registered in 2018.

### Tax policy

All of PensionDanmark's investment returns, whether generated in or outside Denmark, are subject to tax on pension investment returns in Denmark (15.3%). The investment return on all PensionDanmark's investments is reported annually to the Danish tax authorities. Through the past five years, PensionDanmark has paid a total of DKK 9.5 billion in tax on pension investment returns.

PensionDanmark is under an obligation to maximise returns for our members within the legislative framework.

Using all the building's facilities for meetings is encouraged





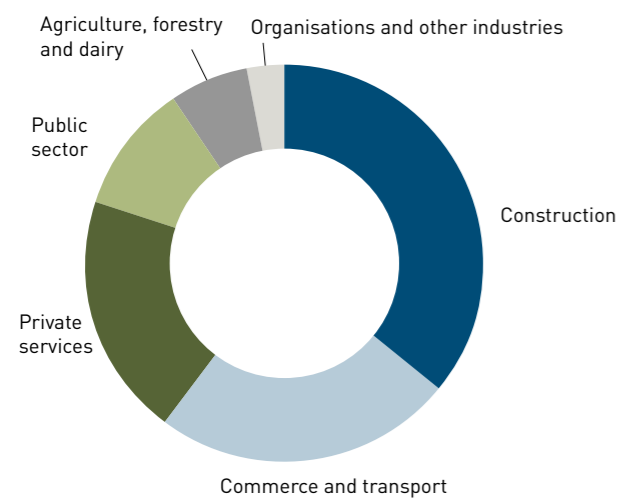
Mohamad of Malerfirmaet Petersen & Andersen is a member with PensionDanmark

## Key figures and financial ratios

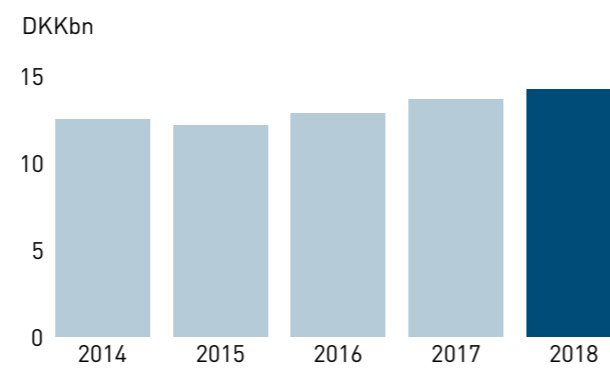
	2018	2017	2016	2015	2014
Contributions before tax, DKKbn	14.2	13.6	12.8	12.1	12.5
Benefits paid, DKKbn	8.3	7.8	6.9	5.9	8.1
Return on investments before tax, DKKbn	-3.2	16.6	13.0	7.1	16.1
Total assets, DKKbn	235.9	233.2	221.5	199.8	171.0
Equity, DKKbn	4.3	4.2	3.7	3.8	3.6
Members	732,000	713,000	695,000	684,000	662,000

## Appendix

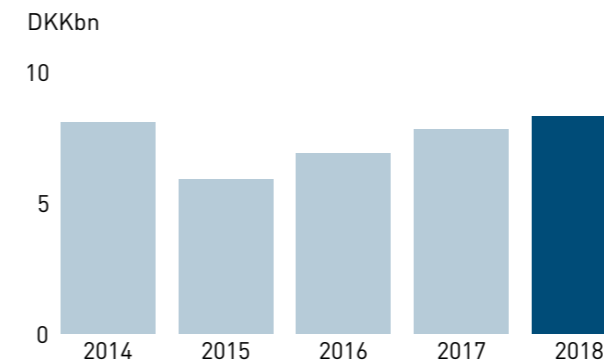
### Industry distribution



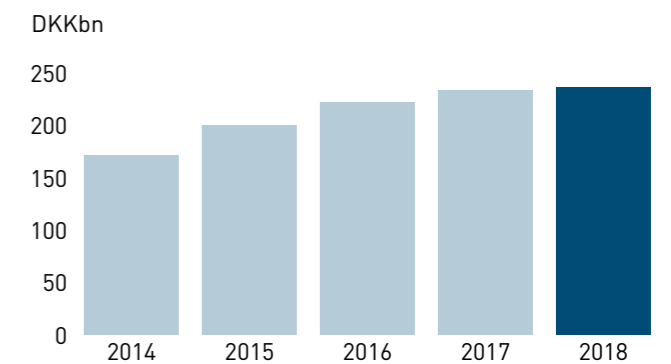
### Contributions before tax



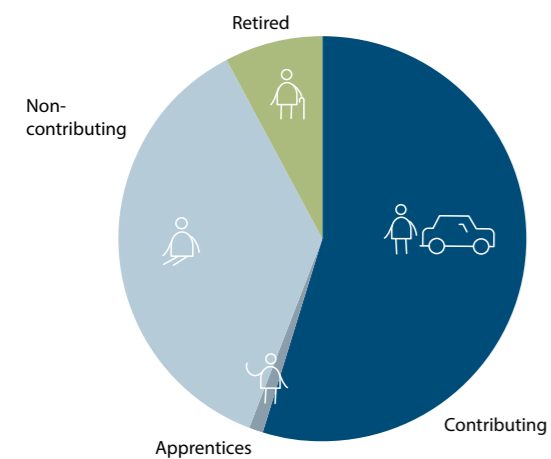
### Benefits



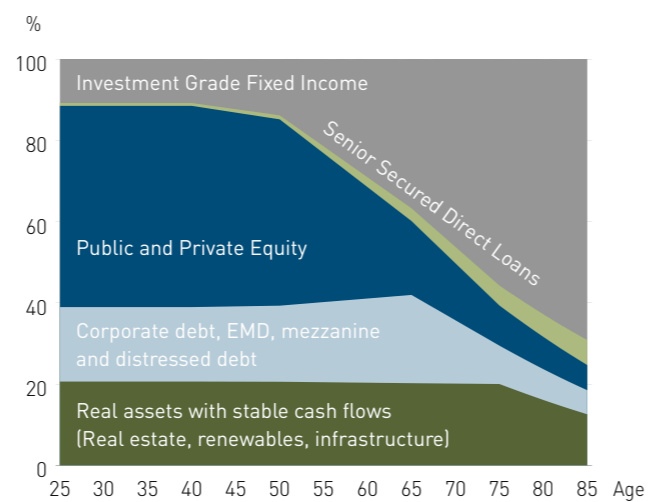
### Total assets



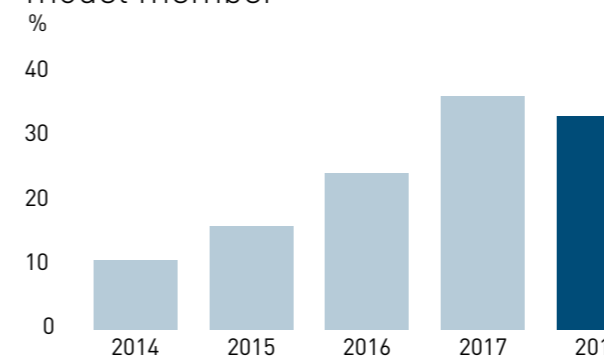
### Member distribution



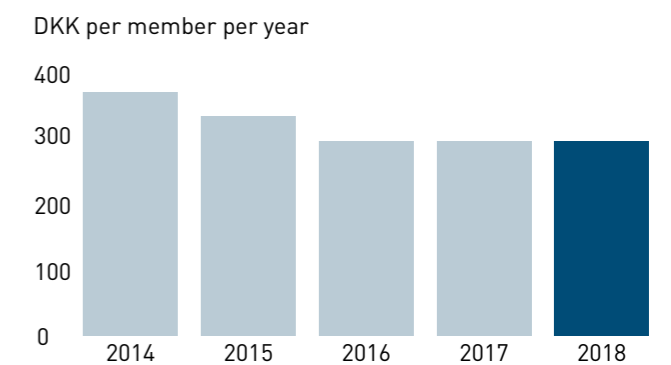
### Age pool scaling down profile



### Accumulated return, 50-year-old model member



### Administration fee



Reinforcement work at PensionDanmark's building site at Køge Kyst





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**PensionDanmark**

