



PensionDanmark

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**ANNUAL REPORT**

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**2022**

## Solid performance in a year of crisis

2023 marks the 30th anniversary of the first pension contributions paid in to PensionDanmark. In January 1993, we received total contributions of DKK 54 million. Today, we receive DKK 1,500 million every month, covering 416,000 active members, and our membership and pension assets have grown dramatically. But most importantly: Pension benefits are now a solid supplement to the other incomes of our retired members.

Our 30th anniversary follows on the heels of the watershed year of 2022. There is a before and an after Russia's invasion of Ukraine. At PensionDanmark, we have adapted to this new reality. We have divested all our Russian investments, offered psychological counselling to those of our members who have relations to Ukraine and stepped up our focus on green investments to make Denmark and Europe independent of Russian energy. We have also committed to taking an active part in funding the defence investments contemplated by a broad majority of the Danish parliament in their national agreement on Denmark's security policy.

The war has led to energy and food shortages, which combined with the pandemic-induced supply chain disruptions have pushed inflation to historically high levels. This left its mark on the financial markets, which recorded negative returns in 2022 – a rare occurrence. Members under the age of 46 received a negative 6.5% return, while a 67-year-old member received a return of -4.3%. These returns are still best-in-class among Danish pension funds and can be attributed to our successful investment strategy emphasising green infrastructure and active management of interest rate risk.

Over the past five years, PensionDanmark's age pools have generated average annual returns of 4-6%. So even if there are ups and downs, the long-term trend is upward when you invest responsibly and spread your risk. In late 2022, PensionDanmark's retired members were notified that their pension benefits will be adjusted upward by an average 3.8% as of 1 January 2023. We adjust pension benefits for our retired members once a year to reflect individual mem-

ber returns, choice of savings types and the equalisation mechanism linked to lifetime pension benefits. This helps ensure that the purchasing power of benefits remains intact through retirement.

2022 was an election year in Denmark with healthcare and labour shortages taking centre stage. This fits in with PensionDanmark's priorities. The services included in our healthcare programme – physiotherapy, chiropractic treatments and Prompt Diagnosis as well as the new and very popular services offering members ready access to online consultations with a doctor or a psychologist – were widely used again in 2022. In 2022, it was also documented that our efforts in relation to supplementary training – including automation and a digital overview – have increased course participation, ensuring that our members obtain the skills required for the future. Accessibility and innovation. That is the PensionDanmark way.

Soon our members will also experience a new and even more user-friendly design at pension.dk – a way of accessing pension schemes that is increasingly popular among our members, enabling us to help our members remain active members of the workforce until retirement and to give them a financially secure retirement. The number of logins to pension.dk was 2.4 million in 2022, an increase of 26% over 2021.

Corporate social responsibility is high on the agenda at PensionDanmark. By investing in renewable energy and sustainable real estate, we have long played a key role in developing investment solutions that address climate change. In 2022, the journey into the next generation of sustainable energy projects continued with Copenhagen Infrastructure Partners' proposal to build a hydrogen island in the North Sea. The North Sea Summit in Esbjerg and the Baltic Sea Energy Security Summit in Copenhagen have underscored the need to accelerate the implementation of more sustainable energy. By the end of 2022, PensionDanmark's green investments totalled almost DKK 35 billion, of which green infrastructure accounted for DKK 14.3 billion. We have already committed to invest an additional DKK 22 billion by 2030, corresponding to a 60% increase relative to the current level. Our mem-



Torben Möger Pedersen, CEO of PensionDanmark

bers thus play a crucial role in driving the green transition.

Biodiversity was another focus area in 2022. We announced our first biodiversity strategy in 2022, setting out to achieve and document results benefiting biodiversity through a number of actions, including the development of urban areas. This year, we are publishing our first separate annual diversity report. We are signatories to the call from UNEP and UNEPFI for mandatory measurement and disclosure of biodiversity impacts and dependencies by transnational businesses and financial institutions by 2030. Ambitious targets, clear mandates, mandatory requirements and a common framework are needed if we are to halt and reverse diversity loss. High ambitions for diversity will not only benefit the world, they will also bolster the value of our investments. "Do good and do well."

Our efforts won us a number of awards in 2022. We won the "EJENDOM2022 Sustainability Award" for successfully taking the lead in combining sustainability, responsibility and return generation in real estate investment. At the beginning of the year, we won an international award for our value-creating strategy at the IPE Real Estate Awards, and we also scooped the ESG/SRI Provider of the Year award for our efforts in making social responsibility an integral part of successful investments. This was the result of great teamwork by all our highly skilled and committed employees – and will inspire our efforts in the years ahead to create maximum value for our many members while at the same time contributing to making the world a better place.

Torben Möger Pedersen  
CEO, PensionDanmark

## 2022 in numbers



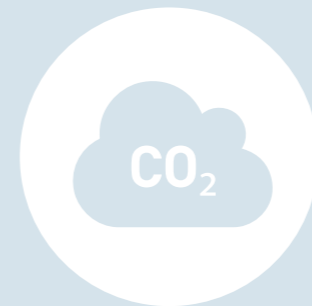
**815,000**  
members

PensionDanmark has 416,000 activemembers employed in 21,500 companies, which paid contributions of DKK 15.2 billion, and 56,000 retired members, who will receive monthly pension benefits for the rest of their lives.



**-6.5%**  
return for a typical  
45-year-old member

Compared with the rest of the pension industry, PensionDanmark delivered the best returns. From 2023, retired members will receive 3.8% more in pension benefits on average.



**6.6**  
tonnes of CO<sub>2</sub>/DKKm

Between 2018 and 2022, we reduced our total carbon footprint from 12.6 to 6.6 tonnes.



**71,000**  
members used the  
healthcare programme

Our members used the healthcare programme 527,000 times for 488,000 physiotherapy and chiropractic treatments, 17,000 Prompt Diagnosis procedures and 22,000 online consultations with a doctor or a psychologist.



**DKK 284**  
billion in pension savings

Member savings have grown from DKK 212 billion to DKK 284 billion over the past five years.



**DKK 14.3**  
billion in green infrastructure

PensionDanmark has invested massively in sustainable energy and infrastructure since 2010. In 2022, our investments totalled DKK 14.3 billion, a year-on-year increase of 18%.



**DKK 297**  
per member per year

When costs are low, pension savings grow. PensionDanmark is among Denmark's most cost-effective pension funds with annual administrative expenses of about DKK 300 per member.



**2.4**  
million logins to pension.dk

Our digital services are increasingly popular. More than 2.4 million logins to pension.dk in 2022, compared with 0.5 million five years ago.

# Financial highlights and overview

2022 was marked by the war in Ukraine, high inflation, increasing interest rates and declining equity and bond prices. Global economic developments impacted adversely on PensionDanmark's investment returns, but compared with the rest of the pension industry, PensionDanmark's 2022 returns were best-in-class. Despite the year's negative investment returns, benefits for retired PensionDanmark members will increase by an average of 3.8% in 2023.

- > Staff numbers in most of the companies whose employees have pension schemes with PensionDanmark were relatively high and stable. The number of active members grew by 15,000 to 416,000. The number of retired members increased to 65,000 from 63,000 in 2021.
- > Total contributions were up from DKK 14.6 billion to DKK 15.2 billion.
- > Pension and insurance benefits for our members increased from DKK 4.5 billion to DKK 5.2 billion. Adding job change-related transfers, benefits totalled DKK 11.2 billion.
- > Totalling a negative DKK 18.0 billion, our investment returns produced returns for members of between -6.5% (members under the age of 46) and -4.3% (67-year-old member).

- > Thanks to efficient insurance administration and the further digitalisation of processes, administrative expenses remained at DKK 297 per member. Total insurance administration expenses fell from DKK 266 million to DKK 247 million.
- > Our members are increasingly embracing our digital solutions. In 2022, our members logged in to pension.dk more than 2.4 million times, which was an increase of 26% compared with 2021.
- > Total assets were down from DKK 325.7 billion to DKK 309.2 billion as a result of the negative investment returns.
- > Member satisfaction remains high, and PensionDanmark's processing times are among the fastest in the industry.
- > 60,000 members received 488,000 physiotherapy and chiropractic treatments under PensionDanmark's healthcare programme in 2022 – a year-on-year increase of 14%. 17,000 members received Prompt Diagnosis assistance, a year-on-year increase of 37%.
- > In autumn 2021, we expanded our healthcare programme to include online consultations with a psychologist in addition to online consultations with a doctor, and 17,600 consultations were conducted under the new service in 2022.

## Key figures and financial ratios

	2022	2021	2020	2019	2018
Contributions, DKKbn <sup>1</sup>	15.2	14.6	13.9	13.5	12.9
Benefits paid, DKKbn	11.2	9.5	7.2	7.5	8.2
Return on investment assets before tax, DKKbn	-18.0	36.5	16.1	28.8	-3.2
Total assets, DKKbn	309.2	325.7	288.5	270.0	234.9
Equity, DKKbn	4.9	5.0	4.8	4.6	4.3
Administration fee per member, DKK	297	297	297	297	297
Number of members	815,100	799,200	765,300	752,500	732,000

<sup>1</sup> Incl. contributions relating to health and accident insurance

Hairstyling by Frederikke, who is a member of PensionDanmark



- > PensionDanmark is well-consolidated with equity of DKK 4.9 billion.
- > We acknowledge our corporate social responsibility.

Read more in our 2022 Corporate Social Responsibility Report, which is available at [pensiondanmark.com](https://pensiondanmark.com).



# ESG data in the financial statements



Kenneth, Rasmus and Michael work as bricklayers for Sandholt og Pedersen A/S

We started reporting on our climate impact in 2019 and have disclosed ESG data based on the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society since 2020, gradually adding more investment portfolios, guidelines and goals for selected ESG performance indicators. PensionDanmark was the first financial business in Denmark to include ESG data in the auditor's report.

The purpose of this comprehensive reporting is to ensure transparency and provide the best possible basis for rendering our performance visible and achieving our ambitions as a sustainable investor.

In 2022, we took our climate reporting to the next level, adding data for our direct (scopes 1 and 2) and indirect (scope 3) CO<sub>2</sub>e emissions, see the list of key ESG data in the table below.

The ESG data show:

- > Extended emission measurements for our investment portfolio: In 2022, we added Danish mortgage bonds, accounting for just over 15% of total assets under management, to our CO<sub>2</sub> accounts, so measurements now cover almost 80% of the investment portfolio against just under 60% in 2021 and 50% in 2020. Indirect emissions from PensionDanmark's investment activities account for the vast majority of our total CO<sub>2</sub> emissions (99.5%).
- > Reduced climate footprint of PensionDanmark's investment portfolio: The total carbon footprint (tonnes of CO<sub>2</sub>e/DKKm) of PensionDanmark's investment portfolio has declined significantly since 2018. The 2022 carbon footprint was 6.6 tonnes of CO<sub>2</sub>e/DKKm, a year-on-year reduction of 4% that was driven mainly by a reduction of emissions from listed equities thanks mostly to a reduced capital allocation to heavy-footprint sectors such as industry and materials. The overall climate footprint of listed equities and bonds was 9.8 tonnes of CO<sub>2</sub>e/DKKm in 2022, which means we are only 7% shy of achieving our short-term target of 9.1 tonnes of CO<sub>2</sub>e /DKKm by 2025.

## Key ESG data (excerpt)

		Target 2025	2022	2021	2020	2019	2018
<b>Environmental data</b>							
	<b>Unit</b>						
CO <sub>2</sub> e, Scope 3, estimated							
C1: Purchases of goods and services <sup>1</sup>	Tonnes	-	6,103	6,674	6,229	5,420	-
C2: Capital goods <sup>1</sup>	Tonnes	-	1,145	2,524	2,870	-	-
C5: Waste <sup>1</sup>	Tonnes	-	1.2	1.2	1.1	1.2	-
C6: Business-related travel <sup>1</sup>	Tonnes	-	93.3	15.4	44.2	117.6	-
C7: Employee commuting <sup>2</sup>	Tonnes	-	126.8	122.5	112.7	-	-
C15: Investments	Tonnes	-	1,499,314	1,681,892	1,099,284	966,996	540,980
of which listed equities	Tonnes	-	528,084	727,640	529,224	536,994	540,980
of which corporate bonds <sup>1</sup>	Tonnes	-	527,770	551,281	428,185	372,108	-
of which mortgage bonds <sup>1</sup>	Tonnes	-	107,104	123,724			
of which Private Equity <sup>1</sup>	Tonnes	-	74,969	57,096	40,896	47,863	-
of which Private Debt <sup>1</sup>	Tonnes	-	77,542	92,263	90,827	-	-
of which real estate <sup>1</sup>	Tonnes	-	6,360	7,920	10,152	10,031	-
of which infrastructure <sup>1</sup>	Tonnes	-	177,485	121,968	-	-	-
CO <sub>2</sub> e, Scope 3, total	Tonnes	-	1,506,783	1,691,229	1,108,541	972,535	540,980
Total carbon footprint of investment portfolio	Tonnes/DKKm	-	6.6	6.9	7.7	8.8	12.6
CO <sub>2</sub> savings from ownership of green infrastructure, estimated <sup>1</sup>	Tonnes	>2,000,000	1,309,478	1,511,358	1,902,220	2,297,000	-
<b>Social data</b>							
Gender diversity	%	50	43.3	43.8	43.7	44.0	43.3
Gender pay gap	Times	-	1.2	1.3	1.3	1.3	1.4
Taxes paid	DKKm	-	5,829	2,362	3,565	298	2,826
<b>Governance data</b>							
Gender diversity, Board of Directors	%	30	22.2	27.8	23.5	23.5	18.8
Board meeting attendance	%	95	91	95	85	82	88

<sup>1</sup> Data were not available for the computation of ratios for all five years.

<sup>2</sup> Scope 2 data for all five years are reported under changed accounting policies.

- > Extended carbon measurements for PensionDanmark's own emissions: In 2022, we further added to our ESG data by including measurements for the climate footprint of capital goods. While this leads to higher reported emissions, it also enhances transparency and, by extension, enables us to better manage developments and impact the future.

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





Kristine uses a cement mixer on Kronløbøen and is a member of PensionDanmark

## Statement of income and comprehensive income

Note	DKKm	2022	2021
	Regular premiums before tax	14,234	13,519
	Transfers from pension schemes etc.	2,228	2,310
	<b>Gross premiums before tax</b>	<b>16,462</b>	<b>15,829</b>
	A tax on retirement savings	-1,587	-1,456
4	<b>Total premiums net of reinsurance</b>	<b>14,875</b>	<b>14,373</b>
15	Income from affiliated companies	687	3,044
	Income from associated companies	1,534	2,241
	Interest income, dividends, etc.	9,959	9,795
	Value adjustments	-29,456	22,089
	Interest expenses	-85	-57
6	Administrative expenses related to investment activities	-664	-650
5	<b>Total investment return</b>	<b>-18,025</b>	<b>36,462</b>
7	<b>Tax on pension investment returns</b>	<b>2,699</b>	<b>-5,501</b>
	<b>Investment return after tax on pension investment returns</b>	<b>-15,325</b>	<b>30,961</b>
8	Benefits paid	-11,159	-9,474
	<b>Total insurance benefits net of reinsurance</b>	<b>-11,159</b>	<b>-9,474</b>
21-24	Change in life insurance provisions	11,704	-35,296
	<b>Total change in life insurance provisions net of reinsurance</b>	<b>11,704</b>	<b>-35,296</b>
6	<b>Total insurance operating expenses net of reinsurance</b>	<b>-247</b>	<b>-266</b>
5	<b>Transferred return on investments</b>	<b>205</b>	<b>-336</b>
	<b>TECHNICAL RESULT</b>	<b>53</b>	<b>-37</b>
9	<b>TECHNICAL RESULT, HEALTH AND ACCIDENT INSURANCE</b>	<b>-3</b>	<b>-35</b>
	<b>Investment return on equity</b>	<b>-251</b>	<b>453</b>
10	<b>Other income</b>	<b>31</b>	<b>35</b>
11	<b>Other expenses</b>	<b>-37</b>	<b>-34</b>
	<b>PROFIT BEFORE TAX</b>	<b>-207</b>	<b>383</b>
	<b>Tax</b>	<b>48</b>	<b>-120</b>
12	<b>PROFIT FOR THE YEAR</b>	<b>-159</b>	<b>263</b>
13	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>-159</b>	<b>263</b>

## Balance sheet

Note	DKK m	2022	2021
	<b>ASSETS</b>		
28	<b>INTANGIBLE ASSETS</b>	<b>231</b>	<b>211</b>
	Equipment	2	2
28	<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>2</b>	<b>2</b>
	Investments in affiliated companies	1,266	1,351
	Investments in associated companies	271	385
15	<b>Total investments in affiliated and associated companies</b>	<b>1,537</b>	<b>1,737</b>
	Equity investments	2,620	2,702
	Mutual fund investments etc.	18	70
	Bonds	5,810	7,176
	Other loans	1,019	1,185
17	Derivative financial instruments	421	449
	Other	116	17
	<b>Total other financial investment assets</b>	<b>10,004</b>	<b>11,599</b>
14	<b>TOTAL INVESTMENT ASSETS</b>	<b>11,541</b>	<b>13,335</b>
14	<b>INVESTMENT ASSETS RELATED TO UNIT-LINKED CONTRACTS</b>	<b>286,657</b>	<b>304,206</b>
	Receivables from affiliated companies	83	82
	Other receivables	698	1,078
29	<b>TOTAL RECEIVABLES</b>	<b>781</b>	<b>1,160</b>
7	Deferred tax assets	2,877	92
16	Cash and cash equivalents	5,766	5,461
	<b>TOTAL OTHER ASSETS</b>	<b>8,643</b>	<b>5,553</b>
	Accrued interest and rent earned	1,057	967
30	Other prepayments	248	227
	<b>TOTAL PREPAYMENTS</b>	<b>1,305</b>	<b>1,194</b>
	<b>TOTAL ASSETS</b>	<b>309,158</b>	<b>325,662</b>

Note	DKK m	2022	2021
	<b>EQUITY AND LIABILITIES</b>		
25	Share capital	8	8
	Retained earnings	4,849	5,009
	<b>TOTAL EQUITY</b>	<b>4,857</b>	<b>5,016</b>
21	Group life bonus provision	3,101	3,511
22	Life insurance provisions, average interest rate products	2,901	3,866
23	Life insurance provisions, unit-linked contracts	277,798	290,617
	<b>Total life insurance provisions</b>	<b>283,801</b>	<b>297,995</b>
9	Claims provisions for health and accident insurance contracts	31	30
	Risk margin on health and accident insurance contracts	6	6
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>283,838</b>	<b>298,030</b>
16	Payables to credit institutions	10,173	7,342
	Payables to affiliated companies	4,880	4,627
7	Current tax liabilities	11	5,754
17, 31	Other payables	5,399	4,892
	<b>TOTAL LIABILITIES</b>	<b>20,463</b>	<b>22,617</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>309,158</b>	<b>325,662</b>



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