



PensionDanmark

ANNUAL REPORT

2023



**Growth in a
difficult year**

Dear Reader

This report marks a turnaround in the history of PensionDanmark. In the autumn, we appointed a new CEO for the first time in our company's history. Furthermore, this is the first time our report on corporate social responsibility forms an integral part of the annual report. This is a natural development as sustainability is integrated across our organisation and therefore ought to also be an integral part of our overall reporting. In addition, combining the two reports is a good way to start implementing the new EU Corporate Sustainability Reporting Directive (CSRD).

Current and future challenges

While PensionDanmark has fared relatively well during the past few years, the economy and the financial markets have been affected by dramatic fluctuations in inflation and energy prices, sharply rising interest rates and geopolitical instability. Despite very buoyant equity and bond markets towards the end of 2023, the investment climate is set to remain volatile and challenging in the years ahead, with a new and uncertain world order expected to leave its mark on global growth, international trade and security.

PensionDanmark regularly adjusts its investment portfolio and strategy and, other things being equal, recent years' rising interest rates are positive for long-term pension savings. So even though long-term bond yields moved lower towards the end of the year, corporate bonds and loans, in particular, again offer solid interest income and may contribute to better risk diversification of the investment portfolio. In 2024, a growing share of our members' savings will therefore be invested in corporate bonds and loans.

Larger benefits and new products

Over the past five years, PensionDanmark's age pools have provided average annual returns of 5.1-8.1%. So even when there are ups and downs along the way, the long-term trend is upward when you invest responsibly and spread your risk. Accordingly, we are particularly pleased to have started the new year by raising pension benefits for virtually all retired members. On average, monthly pension benefits for retired PensionDanmark members increase by 5%. This will give our retired members the best possible preconditions for keeping up with price developments in supermarkets and in their fixed expenses.

Also in terms of technology, 2023 was a good year with an actual breakthrough in the use of artificial intelligence (AI) as a tool for offering improved and faster service to our members. E-mail correspondence will increasingly be qualified by software robots, and an AI assistant conducts searches and investigates relevant

factors to be used in a personalised and correct reply, which is most often sent automatically. When we give our members access to online consultations with a physiotherapist, we now use AI to transcribe and summarise the consultations. Both these solutions help our employees stay fully focused on the needs of our members.

Sustainability is the way forward

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 solutions that address climate change. In 2023, PensionDanmark was one of the first pension companies in the world to have its targets for CO₂ emissions validated. We greatly appreciate that the Science Based Target Initiative has approved our short-term targets as being in line with the Paris Agreement. This is an important validation of our efforts to reduce and, in the long term, fully neutralise the carbon footprint of the DKK 300 billion which our members have saved.

We also continued our journey towards the next generation of renewable energy projects. PensionDanmark's total green investments amounted to almost DKK 38 billion at year-end 2023, of which DKK 13 billion was invested in green infrastructure. We have already committed to investing an additional DKK 14.8 billion by 2030. In December 2023, PensionDanmark made an investment commitment of DKK 1 billion to a new fund managed by Copenhagen Infrastructure Partners (CI GMF II), for the purpose of developing and building renewable energy facilities in a



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number of developing countries. In January 2024, PensionDanmark co-invested in Copenhagen Energy Islands – a new company dedicated to developing energy islands globally. By investing their pension savings, PensionDanmark's members thus make a substantial contribution to the green transition. For these investments, we also focus on generating attractive returns.

Our performance in 2023 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 positive change in the world around us.

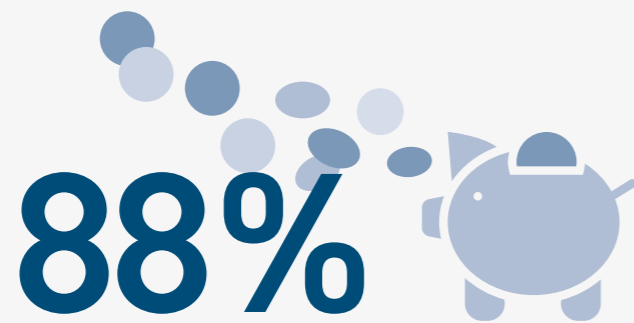
Claus Stampe
CEO

Peter Stensgaard Mørch
Deputy CEO

5.1-8.1
POSITIVE ANNUAL RETURNS FOR MEMBERS AGED 45 TO 67 OVER THE PAST FIVE YEARS.

PensionDanmark's members

PensionDanmark was founded for the purpose of managing the pension agreements that have been part of the collective agreements since the beginning 30 years ago, entitling all employees covered by a collective agreement to pension contributions paid into PensionDanmark. PensionDanmark administers collective agreement to pension agreed between 11 labour organisations and 28 employer organisations.



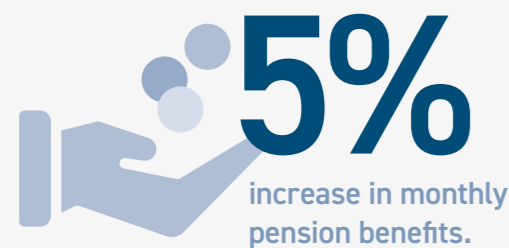
of the pension contributions of a typical member is allocated to retirement savings.

The pension scheme element that is given the highest priority is retirement savings, and a high savings rate helps ensure that as much as possible of the member's contribution to PensionDanmark is allocated to securing the member a financially secure retirement.

The average annual returns over the past five years have been 8.1% for members under 46 years of age and 5.1% for a 67-year-old member. So even when there are ups and downs along the way, the long-term trend is upward when you invest responsibly and spread your risk.



average annual return over the past five years for a typical 45-year-old member.



In 2023, PensionDanmark adjusted the pension benefits for 67,700 of our retired and partially retired members by 5.0% on average. More or less all of PensionDanmark's retired members will thus experience an increase in their monthly benefits at the beginning of 2024.



PensionDanmark has 416,800 active members, which is an increase of more than 1,200 members. Most of our 21,200 member companies have experienced relatively stable and high employment levels.

PensionDanmark's retired members make up 14% of our active membership. By 2040, this proportion will increase by some 120,000 individuals, equal to 25-30% of the total number of members.



PensionDanmark is one of Denmark's most cost-effective pension funds with annual administrative expenses of DKK 305 per member.



Digital solutions help keep expenses in check. Our digital services are increasingly popular. More than 2.4 million logins to pension.dk in 2023, which was 29% more than three years ago.



PensionDanmark's members used our healthcare programme on 565,200 occasions, with 517,700 physiotherapy and chiropractic treatments, 18,300 Prompt Diagnosis procedures and 29,200 online consultations with a doctor or a psychologist. We experienced an increase across the products of our healthcare programme in 2023.



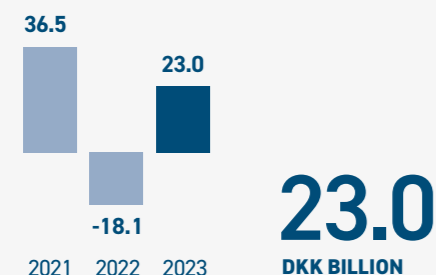
In 2023, our members completed 46,900 training programmes, an increase of 18% relative to 2022. Grants were paid to 2,300 businesses, which is more than 300 more than in 2022.



RESULTS

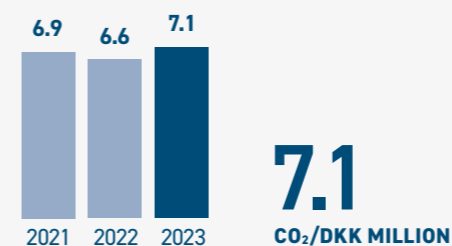
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Performance highlights



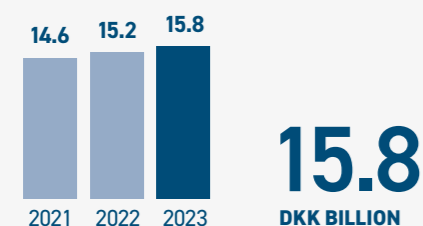
Investment return

Investment returns for the year amounted to DKK 23.0 billion before tax, producing a positive return of 8.7% for our younger members (under the age of 46), while our older members (67 years) received 7.2%. Compared with industry peers, investment returns were at the low end, but viewed over the past couple of years PensionDanmark's age pools have recorded the absolute best returns of the industry.



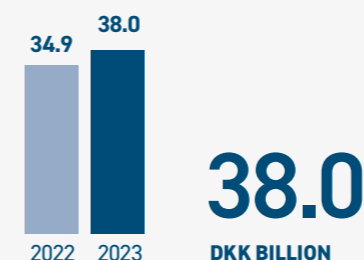
Climate footprint of investments

The total CO₂ footprint of PensionDanmark's investment portfolio rose to 7.1, primarily because we included shipping investments in the infrastructure portfolio in 2023. The goal remains for the investment portfolio to be CO₂-neutral by 2050.



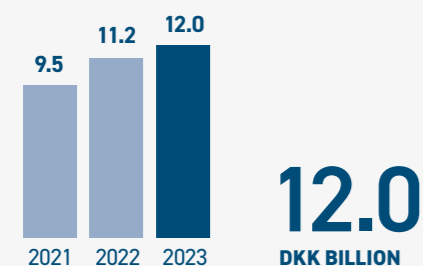
Contributions

Member contributions amounted to DKK 15.8 billion after tax in 2023, up 3.9% on 2022. This amount was composed of regular premiums totalling DKK 12.8 billion and incoming transfers totalling DKK 2.9 billion. The increase was due to a higher number of members and a general wage increase among our members.



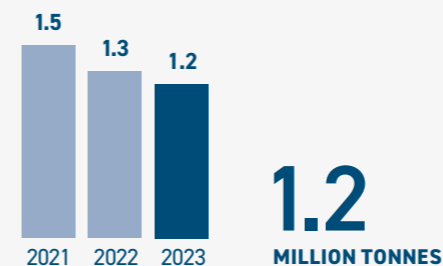
Green investments

PensionDanmark's green investments amounted to DKK 38 billion at year-end 2023, of which DKK 13 billion was invested in green infrastructure. As we have already committed to investing an additional DKK 14.8 billion by 2030, our members make a substantial contribution to the green transition.



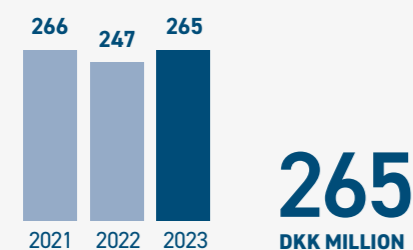
Benefit payments

In 2023, PensionDanmark paid benefits totalling DKK 12.0 billion to members and beneficiaries in connection with retirement, insurance events or withdrawals – a year-on-year increase of DKK 0.9 billion. Retirement benefits totalled DKK 4.3 billion – a year-on-year increase of 12% that was attributable to an increase in the proportion of retired members.



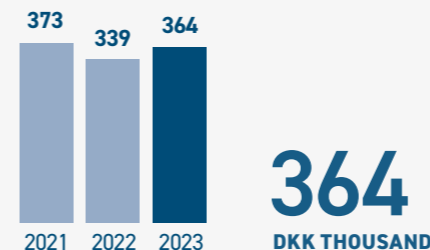
CO₂ savings

Emissions avoided through our ownership of green infrastructure dropped to 1.2 million tonnes in 2023. The development was driven primarily by the sale, through Copenhagen Infrastructure Partners (CIP), of a number of wind farms to other investors, as a result of which PensionDanmark's supplies of green electricity fell.



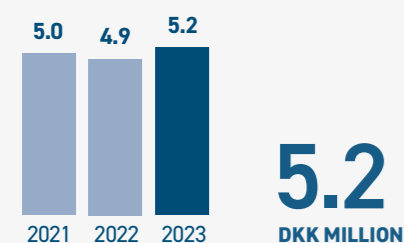
Total expense ratio

Total insurance administration expenses increased from DKK 247 million to DKK 265 million in 2023. The administration fee accounted for 0.7% of an average contribution, which was on a level with last year.



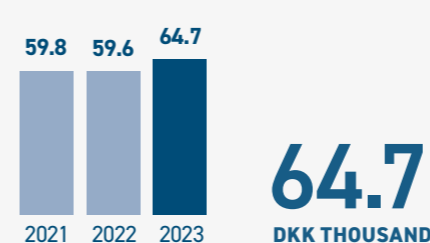
Members' savings

The average savings of our members rose to DKK 364,200 in 2023 – an increase of 7.3% on 2022. In 2023, a typical member was able to retain 60% of the final salary on retirement. When labour market pensions have fully matured in 2073, the number is expected to have risen to 70%.



Equity

Equity amounted to DKK 5.2 billion in 2023, an increase of DKK 0.4 billion relative to 2022. The increase was mainly driven by the positive investment return.



Average annual benefits

Members who started receiving the full amount of their savings by way of benefits in 2023 received an average annual amount of DKK 64,700. During the period from 2010 to 2030, annual new retirement benefits are expected to grow by some 250%, reflecting that labour market pensions are still in a build-up phase.

Five-year financial highlights

Key figures						
	Unit	2023	2022	2021	2020	2019
Income statement						
Premiums	DKKkm	15,447	14,875	14,373	13,791	13,459
Insurance benefits	DKKkm	-12,022	-11,159	-9,474	-7,159	-7,540
Investment return	DKKkm	23,020	-18,102	36,462	16,143	28,837
Total insurance operating expenses	DKKkm	-265	-247	-266	-241	-258
Technical result	DKKkm	28	53	-37	-51	-8
Technical result, health and accident insurance	DKKkm	-22	-3	-35	-30	-
Profit/loss for the year	DKKkm	353	-159	263	108	363
Balance sheet						
Provisions for unit-linked pensions	DKKkm	302,712	277,798	290,617	254,999	234,864
Provisions for other pensions	DKKkm	6,026	6,002	7,378	7,665	7,892
Provisions for health and accident insurance	DKKkm	35	37	36	34	-
Total provisions for insurance and investment contracts	DKKkm	308,773	283,838	298,030	262,698	242,756
Total equity	DKKkm	5,210	4,857	5,016	4,754	4,665
Total assets	DKKkm	329,807	306,664	325,662	288,547	270,047
Key figures and financial ratios						
Return						
Return related to unit-linked products	%	8.0	-5.7	14.0	6.4	13.4
Return related to average rate products	%	7.6	-13.8	1.4	4.5	7.7
Risk on return related to unit-linked products	%	4.3	4.8	4.5	4.5	3.5
Expenses						
Administrative fee per policyholder	DKK	305	297	297	297	297
Expenses as per cent of provisions	%	0.09	0.09	0.10	0.10	0.12
Return and solvency						
Return on equity after tax	%	7.0	-3.2	5.4	2.3	8.1
Solvency coverage ratio	%	358	335	303	343	362
Members						
Members	Number	826,700	815,100	799,200	765,300	752,500
Active members	Number	416,800	415,500	401,000	391,400	361,600
Retired members	Number	57,700	56,000	54,700	52,100	50,500

Key ESG data							
	Unit	Target 2025	2023	2022	2021	2020	2019
Environmental data – own operations (scopes 1 and 2)							
CO ₂ , scope 1	Tonnes	20.3	65	74	45	42	79
CO ₂ , scope 2 (location-based)	Tonnes		102	174	212	213	301
CO ₂ , scope 2 (market-based)	Tonnes	61.5	38	33	67	58	82
Energy consumption (Scope 1 + Scope 2) ³	GJ		7,307	7,930	9,154	7,247	8,458
Renewable energy share (Scope 2)	%		81.4	80.0	82.2	78.2	73.3
Water consumption	m ³		3,004	2,809	2,769	2,552	3,150
Environmental data – carbon footprint of investments (scope 3)							
Listed equities	Tonnes/DKKm	<6.3	6.0	6.2	6.9	6.3	8.4
Corporate bonds	Tonnes/DKKm	<20.7	18.7	22.8	22.6	24.1	23.9
Private Equity	Tonnes/DKKm	<4.1	3.2	3.3	3.7	4.1	5.9
Private Debt	Tonnes/DKKm	<6.4	3.8	5.5	7.3	9.2	-
Infrastructure	Tonnes/DKKm	<18.7 ¹	19.6	10.3	10.5	-	-
Mortgage bonds	Tonnes/DKKm	<2.3	2.1	2.6	2.7	-	-
Real estate	Tonnes/DKKm	<0.35	0.2	0.3	0.3	0.5	0.5
Government bonds	Tonnes/DKKm		29.8	29.3	-	-	-
Ownership of green infrastructure, capacity	MW	1,300	1,087	952	893	1,108	961
Avoided emissions from ownership of green infrastructure, estimated	Tonnes of CO ₂	>2,000,000	1,244,357	1,309,478	1,511,358	1,902,220	2,297,000
Cumulative renewable energy capacity expansion since 2021	MW		338	254	-	-	-
Social data²							
Full-time staff	FTE		363	336	321	291	261
Gender diversity	%	40.0	42.8	43.3	43.8	43.7	44.0
Gender diversity for managers with HR responsibilities	%	40.0	39.9	43.5	43.9	44.3	45.2
Gender pay gap	Times		1.3	1.2	1.3	1.3	1.3
Staff turnover	%		12.1	18.7	18.1	12.0	15.7
Sickness absence	Days per FTE	4.5	7.1	7.1	6.8	4.7	6.6
Taxes paid	DKKkm		67	5,829	2,362	3,565	298
Governance data							
Gender diversity, Board of Directors	%	30.0	22.2	22.2	27.8	23.5	23.5
Members on the Board of Directors	Number		18	18	18	17	17
Board meeting attendance	%	95.0	92.3	90.5	95.3	85.3	82.3
Salary gap between CEO and employees	Times		7.7	8.9	8.9	8.7	8.6

¹ Reduction target adjusted after inclusion of shipping.

² Social key figures are calculated from a group perspective



FINANCIAL REVIEW

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Results for the year

Contributions

In 2023, PensionDanmark recorded another year-on-year increase in premium income. Total contributions amounted to DKK 15.8 billion in 2023, up 3.9% on 2022. This amount was composed of regular premiums totalling DKK 14.9 billion, incoming transfers totalling DKK 2.9 billion and premiums relating to health and accident insurance of DKK 0.3 billion. There was a DKK 1.2 billion increase in retirement savings contributions after tax because of the higher contribution limits compared with last year. As a result, contributions to annuity pension and lifetime pension were DKK 1.4 billion lower than in 2022.

Incoming transfers in 2023 were expected to be in line with the levels of 2022. Incoming transfers amounted to DKK 2.9 billion in 2023, which was DKK 0.7 billion higher than in 2022.

Benefit payments

In 2023, PensionDanmark paid benefits totalling DKK 12.0 billion to members and beneficiaries in connection with retirement, insurance events or withdrawals – a year-on-year increase of DKK 0.9 billion. Retirement benefits totalled DKK 4.3 billion – a year-on-year increase of 14% that was attributable to an increase in the number of members receiving pension benefits. Members who started receiving the full amount of their savings by way of regular benefits in 2023 received an average annual amount of DKK 64,700.

The 2022 annual report guided for benefits excluding transfers of DKK 5.5 billion, and actual benefits in 2023 were DKK 5.7 billion.

Insurance operating expenses net of reinsurance

Insurance operating expenses net of reinsurance were DKK 265 million in 2023, an increase of DKK 18 million compared with 2022. The 2022 annual report guided for administrative expenses in the order of DKK 250 million, and the difference relative to the guidance primarily concerns severance payment to the former CEO. The administrative fee of DKK 305 per member is

not affected by the severance payment, which is covered by equity. Administrative expenses accounted for 0.1% of total member savings, which was in line with 2022.

Investment return

Totalling DKK 23.0 billion, our investment returns produced a positive return for our younger members (under the age of 46) of 8.7%, while our older members (67 years) received a positive return of 7.2%. For a more detailed description of developments in these items, reference is made to the "Investments" section.

Technical result

The technical result of health and accident insurance was a loss of DKK 22 million, which is explained by more extensive use of the programme than anticipated. See note 9 for a specification of the results.

Tax

As a labour market-related life insurance company, PensionDanmark is not subject to corporation tax. This special corporate form means that PensionDanmark may not distribute dividends to its shareholders. The entire profit eventually goes to policyholders (members).

Balance sheet

Total assets amounted to DKK 330 billion, up DKK 23 billion on the year before. Liabilities mainly consist of technical provisions and equity. Provisions for insurance and investment contracts totalled DKK 309 billion, and were DKK 25 billion higher than in 2022. The increase was attributable mainly to the positive investment return in 2023.

It was expected that total assets would reach DKK 320 billion during 2023. Preconditions at that time were somewhat different than actual developments, and PensionDanmark achieved a positive return that was higher than anticipated at the time. Due to the positive investment performance for 2023, total assets rose to DKK 330 billion at 31 December 2023.

Profit and appropriation of profit

The profit for the year (which has been added to equity) was DKK 353 million.

The vast majority of PensionDanmark's pension schemes are unit-linked schemes, under which the entire investment return after costs accrues to members' accounts. Savings with guaranteed benefits make up a negligible proportion of total assets.

Profits on these schemes are distributed between equity and the collective bonus potential in accordance with the profit policy reported to the Danish FSA. The realised result and its allocation are set out in note 12 to the financial statements.

Events after the balance sheet date

No events have occurred since the balance sheet date which could materially affect the company's financial position.



View from PensionDanmark's construction of Sirius in Copenhagen.

Environmental data

The total CO₂ footprint of PensionDanmark's investment portfolio rose from 6.6 in 2022 to 7.1 in 2023, despite the fact that the CO₂ footprint has been reduced for the vast majority of asset classes. The increase was mainly driven by the fact that PensionDanmark in 2023 included shipping in the infrastructure portfolio; specifically the investments in Maritime Investment Fund I & II and Copenhagen Shipholding. As a result, the CO₂ emissions rose by a little over 300,000 tonnes CO₂e from 2022 to 2023, nearly doubling the CO₂ footprint for this portfolio.

Listed equities and corporate bonds account for most of the CO₂ emissions from PensionDanmark's investment portfolio (61% in 2023), and the two portfolios are some of the biggest emitters among the eight asset classes for which PensionDanmark makes CO₂ calculations. The combined climate footprint of the two asset classes fell from 11.4 tonnes of CO₂ per million kroner invested in 2019 to 9.2 tonnes in 2023, which means PensionDanmark is close to achieving our short-term target of 9.1 tonnes of CO₂ per million kroner invested by 2025. In the longer term, we aim to reduce the climate footprint from the two asset classes even further, to below 6.4 tonnes of CO₂ per million kroner overall by 2030.

Social data

At year-end 2023, PensionDanmark had a full-time staff of 363, which is a net increase of 27 staff compared with 2022. The staff turnover rate fell by 6.6 percentage points to 12.1%.

For the entire organisation, gender diversity was on a level with 2022, while for managers with HR responsibilities it fell by 3.5 percentage points to 39.9%. There was a marginal increase in the gender pay gap compared with last year, which means that the median salary for men is 1.3 times higher than the median salary for women.

Governance data

The gender diversity on the Board of Directors was 22.2% in 2023, which was in line with the year before. Board meeting attendance was 92.3% in 2023, which was 1.8 percentage points higher than in 2022.

Accounting estimates

The preparation of the financial statements requires the use of estimates and judgments by Management concerning future events that may significantly affect the carrying amounts of assets and liabilities. The Executive Board estimates and judgments that are deemed to be most critical to the financial statements are:

- > Measurement of liabilities under insurance contracts
- > Fair value measurement of unlisted investment assets

The estimates and judgements used are based on assumptions that Management considers to be reasonable but which may be subject to uncertainty. Estimates are based on the knowledge available at the balance sheet date. As estimates are based on forecasts, they are subject to change.

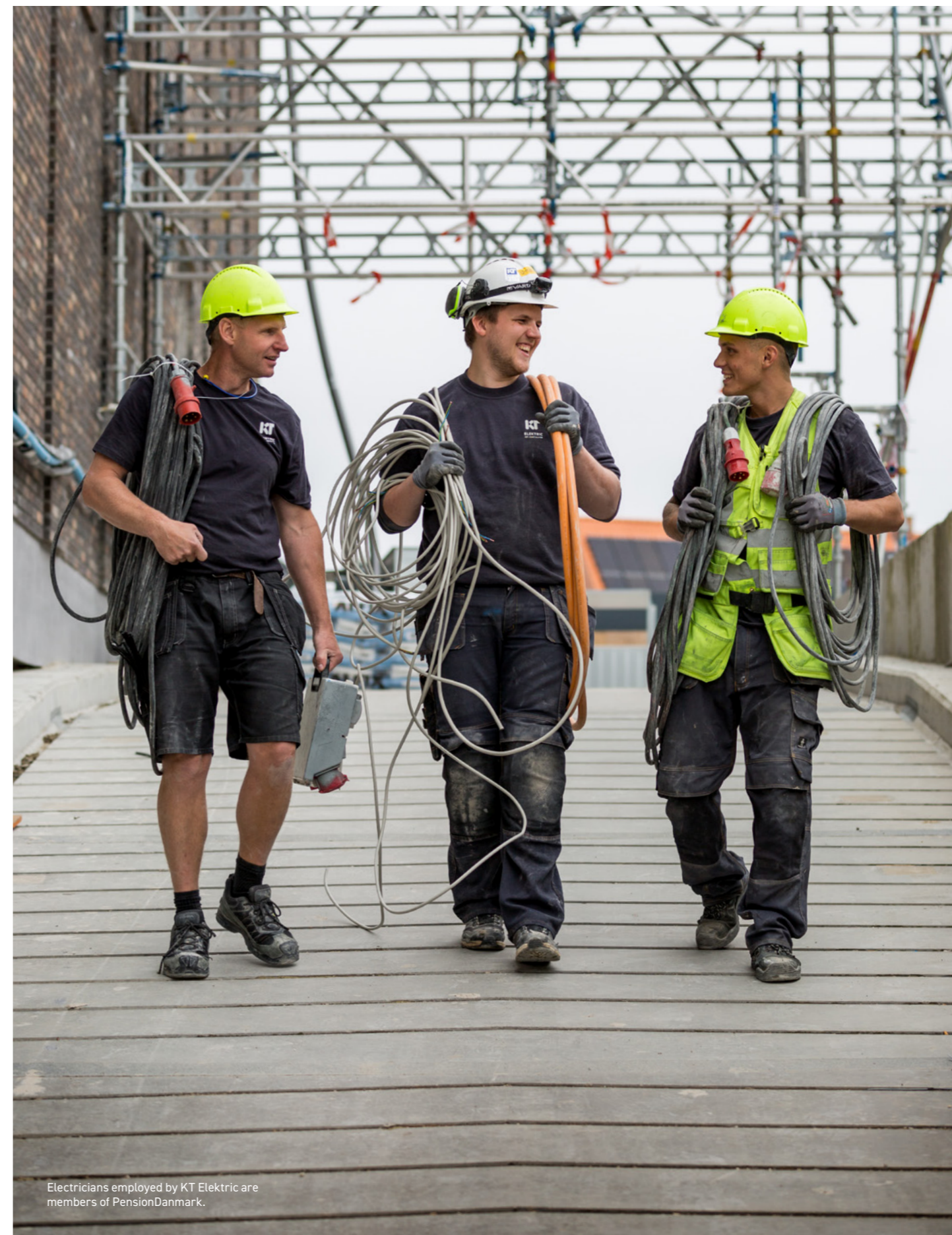
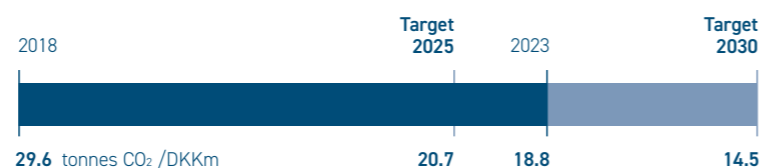
2.9%

Reduced CO₂ footprint of listed equities from 2022 to 2023.



18.0%

Reduced CO₂ footprint of corporate bonds from 2022 to 2023.



Electricians employed by KT Elektrik are members of PensionDanmark.



Janusz and Marek are casting the foundation at PensionDanmark's Kronløbsøen project.

FINANCIAL STATEMENTS

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Keepers at the Copenhagen ZOO are members of PensionDanmark.

Statement of income and comprehensive income

Statement of income and comprehensive income		2023	2022
Note	DKKm		
	Regular premiums before tax	14,925	14,234
	Transfers from pension schemes etc.	2,939	2,228
	Gross premiums before tax	17,864	16,462
	A tax on retirement savings	-2,417	-1,587
4	Total premiums, net of reinsurance	15,447	14,875
15	Income from group enterprises	57	687
	Income from associates	-674	1,534
	Interest income and dividends etc.	10,937*	9,882*
	Value adjustments	13,629	-29,456
	Interest expenses	-299	-85
6	Administrative expenses related to investment activities	-630	-664
5	Total investment return	23,020	-18,102
7	Tax on pension returns	-941	286
	Investment return after tax on pension returns	22,079	-17,815
8	Benefits paid	-12,022	-11,159
	Total premiums, net of reinsurance	-12,022	-11,159
21-24	Change in life insurance provisions	-24,805	14,194
	Total change in life insurance provisions, net of reinsurance	-24,805	14,194
6	Total insurance operating expenses, net of reinsurance	-265	-247
5	Transferred investment return	-406	205
	Technical result	28	53
9	TECHNICAL RESULT, HEALTH AND ACCIDENT INSURANCE	-22	-3
	Investment return allocated to equity	365	-251
10	Other income	21	31
11	Other expenses	-77	-37
	PROFIT/LOSS BEFORE TAX	315	-207
	Tax	39	48
12	PROFIT/LOSS FOR THE YEAR	353	-159
13	Other comprehensive income	-	-
	TOTAL COMPREHENSIVE INCOME	353	-159

Balance sheet

Balance sheet – assets				
Note	DKKm		2023	2022
28	INTANGIBLE ASSETS		243	231
	Equipment		3	2
28	TOTAL PROPERTY, PLANT AND EQUIPMENT		3	2
	Investments in group enterprises		1,240	1,266
	Investments in associates		223	271
15	Total investments in group enterprises and associates		1,464	1,537
	Equity investments		2,775	2,620
	Mutual fund investments		0	18
	Bonds		6,429	5,810
	Other loans		879	1,019
17	Derivative financial instruments		253	421
	Other		60	116
	Total other financial investment assets		10,396	10,004
14	TOTAL INVESTMENT ASSETS		11,859	11,541
14	INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS		309,853	286,657
	Receivables from group enterprises		140	83
	Other receivables		515	698
29	TOTAL RECEIVABLES		655	781
7	Deferred tax assets		316	38
16	Cash and cash equivalents		5,237	5,766
	TOTAL OTHER ASSETS		5,553	6,149
	Accrued interest and rent earned		1,356	1,057
30	Other prepayments		285	248
	TOTAL PREPAYMENTS		1,640	1,305
	TOTAL ASSETS		329,807	306,664

Balance sheet – equity and liabilities				
Note	DKKm		2023	2022
25	Share capital		8	8
	Retained earnings		5,203	4,849
	TOTAL EQUITY		5,210	4,857
21	Group life bonus provision		3,241	3,101
22	Life insurance provisions, average interest rate products		2,785	2,901
23	Life insurance provisions, unit-linked products		302,712	277,798
	Total life insurance provisions		308,738	283,801
9	Claims provisions for health and accident insurance		28	31
	Risk margin on health and accident insurance		7	6
	TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS		308,773	283,838
16	Amounts owed to credit institutions		5,745	10,173
	Payables to group enterprises		5,481	4,880
7	Current tax liabilities		877	11
17, 31	Other payables		3,721	2,906
	TOTAL PAYABLES		15,824	17,970
	TOTAL LIABILITIES AND EQUITY		329,807	306,664



PensionDanmark A/S

Langelinie Allé 43
DK-2100 Copenhagen Ø
+45 3374 8000
info@pension.dk
pensiondanmark.com