



CORPORATE SOCIAL RESPONSIBILITY REPORT 2021

CONTENTS

INTRODUCTION 5

Letter from the CEO.....	5
2021 in numbers	6
Business model	8
Attuning our business to our support base....	11
Reporting promotes social responsibility	12
PensionDanmark's climate footprint	15
New sustainability reporting requirements ...	16
Strong partnerships add value	18

OUR MEMBERS 20

Digital upgrades future-proof member services	22
Digital solutions drive accessibility	25
Security for all.....	26
A typical PensionDanmark member	27
Flexibility and personalised advice	28
Health begins with prevention	30
Morten received online medical assistance ...	33

THEME 34

Our contribution to qualified labour	34
Easier access to motivated employees	36
Ticket to a better future	38
Mona increased her value as an employee	40

OUR WORLD 42

Contributing positively to Danish society	44
Returns must be responsible	47
Next generation of green investments	48
Investing in the poorest countries in the world	50
Active ownership is an important tool.....	52
Developing active ownerships	54
Real estate generating stable sustainable returns.....	57
Innovating the properties of tomorrow.....	59
Fælledby – the first urban wooden district	61
New opportunities for the elderly in Herlev ...	62

OUR EMPLOYEES 65

Reporting on our own footprint	67
Flat organisation with room for individuality	68
Our efforts in 2020 and our focus in 2022	70

APPENDIX 72

Key figures and financial ratios	74
Relevant comparatives	74
ESG key figures and ratios.....	76
Declaration on article 8 product.....	81
Accounting policies.....	82
Statement by the Management and Board of Directors.....	88
Independent auditor's report.....	89

Steffen from MS Mandskab at the construction site of DFDS' future domicile



Torben Möger Pedersen, PensionDanmark's CEO, turning the first sod for 500 sustainable housing units at Køge Kyst



“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

Partnerships drive sustainability

Like 2020, 2021 was marked by the global COVID-19 pandemic. As opposed to 2020, however, we were prepared this time, and widespread vaccination programmes, extensive testing and sensible conduct allowed societies to reopen. We are getting used to this unwelcome guest.

In spite of the pandemic, most of PensionDanmark's member companies experienced growth and increased employment in 2021. This resulted in increased contributions, while the positive response by the financial markets to economic growth and persistently low interest rates meant PensionDanmark generated a record DKK 35 billion investment return on our members' savings.

In 2021, we took the next step towards version 2.0. of the green transition by deciding to invest in Power-to-X plants, which use renewable energy to produce green fuels for industries where electrification is difficult.

In 2021, we also developed innovative and sustainable homes and care facilities for both young and elderly people. We are committed to helping ensure a secure retirement for our members, and our sustainable housing model can be scaled and rolled out to municipalities across the country.

Our long commitment to leveraging the potential offered by modern digital technologies meant we were able to migrate our entire insurance administration to a new cloud-based IT platform in the autumn. This will enable us to continually customise our products and services to the situation and needs of our individual members.

We aim to ensure that the state of health of our members at least matches that of the rest of the population. Among

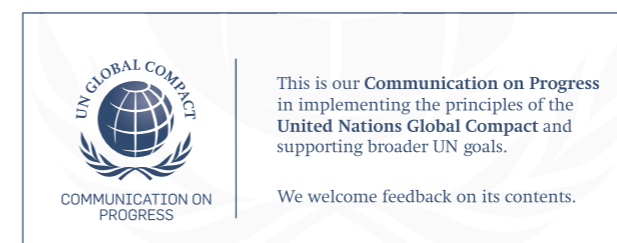
the newest tools to achieve this is the introduction of online consultations with a psychologist for our members. If the need arises, an online consultation with a psychologist can be set up within just a few minutes.

We ticked off several milestones in the supplementary training field as well. This year's theme is the lack of competent labour. This social agenda will have a profound impact on growth in the years ahead, and we at PensionDanmark have decided to do our bit towards overcoming this challenge.

In order to ensure that PensionDanmark continues to move in a greener and more sustainable direction, we started reporting on our climate impact back in 2019. This year, we have added infrastructure and private debt to our carbon emission measurements, so they now encompass 60% of our total investments against just under 50% in 2020 and 25% in 2019. We have also incorporated Insurance & Pension Denmark's industry recommendations for climate reporting, the new EU taxonomy rules and the EU Disclosure Regulation. Our ambition is to be a leader on reporting.

Our efforts won us the Pension Fund of the Year award at the Sustainable Investment Awards 2021. At the Digital Finans Awards 2021, we won the Best Digital Customer Solutions award in the pension fund category, and in December we were named Best Danish Pension Fund – for the fourth consecutive year – at the IPE Awards 2021.

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
tmp@pension.dk

2021 IN NUMBERS



PensionDanmark has **401,000** active members employed in **21,100** companies



A typical 45-year-old member received a return of **16%** on his or her savings



Our members received total benefits of **DKK 9.5** billion, of which retired members accounted for DKK 3.8 billion



1.9 million member logins to pension.dk – 61% of which were app-based



95% of members treated by a physiotherapist or a chiropractor were either satisfied or very satisfied



2,800 members used our online medical consultation service, including 400 of our members' children



35,800 members completed a supplementary training programme, the lowest number in five years due to the economic boom



Next-generation green investments to promote the development of green technologies totalling **DKK 1.8** billion



Carbon emission measurements covering **60%** of the investment portfolio against just under 50% last year



780 sustainable student housing units accommodating 800 students were completed



341,400 square metres of our total real estate portfolio sustainability certified – an increase of more than 150% in just five years



PensionDanmark received **nine** awards, including the IPE Award for best Danish pension fund

BUSINESS MODEL

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

PRODUCTS

VALUES

RESULTS

GOALS



PENSION



Members are ensured a **financially secure retirement**. Savings are invested responsibly and in alignment with a member's age.

Our members received **solid returns** despite uncertainty and considerable financial market volatility. The 45-year pool produced a return of 16%, while the 67-year pool yielded a return of 10.3%.

PensionDanmark's investments are competitive and produce high risk-adjusted returns at low investment costs.



INSURANCE



Insurance policies provide security for members during their working lives. Members can raise or reduce insurance amounts to **align them with their current life situation**. Through integration with public registers, we ensure our members always receive what they are entitled to.

850 members awarded supplementary anticipatory disability pension, 740 members senior pension, 3,000 members received a lump sum for critical illness, and 3,100 beneficiaries a lump sum on the death of a member. **Members received insurance benefits of DKK 4.5 billion in all.**

Our members' savings and insurance products cover their individual needs.



HEALTHCARE PROGRAMME



The healthcare programme helps **prevent repetitive strain injuries and potential disability** and assists members in combating health problems and returning to the labour market faster.

51,200 members received 422,000 preventive treatments. 22,500 members contacted our healthcare team, and **78,500 contacted our treatment advisory team**. 12,500 members received a Prompt Diagnosis, a year-on-year increase of 22%.

The state of health of our members matches that of the rest of the Danish population.



LIFELONG LEARNING



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

1,800 member companies received supplementary training funding through the funds managed by PensionDanmark for **35,800 training programmes**. Grants totalling DKK 52.9 million were paid out.

Our members are well integrated into the labour market – they stay because they want to and upgrade their skills continually through relevant partnerships.

COUNSELLING



Members receive **proactive, personalised advice** aligned with their current life situation through their preferred platform of communication, such as e-mail, text messages, e-Boks (secure digital postbox), website or telephone.

Our members received 1.4 million personalised advice messages. Our members logged in to pension.dk 1.9 million times, **a year-on-year increase of 21%**. Our advisers conducted 261,700 phone consultations with our members.

Our members receive relevant advice in connection with various life situations when they need it. PensionDanmark retains its position as the most cost-efficient labour-market pension fund.



PensionDanmark's senior management meets every week

Attuning our business to our support base

PensionDanmark is owned by ten labour organisations and 15 employer organisations, which are represented on PensionDanmark's Board of Directors. Our sustainability and ESG efforts are integrated into the business and are attuned with our support base.



PensionDanmark manages pension schemes provided for by collective agreements that ensure all entitled employees the right to pension contributions paid to PensionDanmark. The Board of Directors consists of 15 members plus three special experts. The organisations behind PensionDanmark attach great importance to a broad representation on the Board of Directors from the parties to the collective agreement in order to ensure ownership, insights and influence.

For purposes of the efficient management of the pension fund, PensionDanmark's approach is based on corporate governance legislation and recommendations. PensionDanmark's management and development of activities must reflect our members' interests, and activities and risks must be managed and monitored.

Six industry boards have been set up. They lay down the schedule of benefits for their respective sectors within the framework defined by the Board of Directors. The industry boards consist of representatives appointed by the parties to the agreements for the respective sectors and a number of union representatives elected by the members of PensionDanmark's shop steward forum.



Sustainability is our starting point

Sustainability is part of PensionDanmark's DNA and is embedded in our business model. Hence, our way of doing business and of developing products for our members is imbued with sustainability.

Our social responsibility guidelines are updated once a year and presented to the Board of Directors, who then discuss PensionDanmark's CSR efforts.

In order to ensure the continuous development of ESG (Environment, Social, Governance) and sustainability efforts, the area is anchored in a team segregated from the investment department.

PensionDanmark is committed to transparency and good business conduct. This commitment extends to the preparation and continuous monitoring of ESG data, which are collected from across the business via defined processes

and checked by the finance department prior to quarterly discussions with management that focus on the goals set and their related actions. The Internal Audit function assesses the data collection control environment on an ongoing basis.

The Board lays down the principles

Our responsible investment policy is integrated into PensionDanmark's investment strategy and based on generally accepted standards for social, environmental and governance matters. The Board of Directors updates the investment strategy once a year in order to ensure that PensionDanmark stays aligned with social developments.

Our efforts in relation to responsible investment are anchored in the ESG Committee, which consists of the CEO and representatives from across the business. The ESG Committee makes decisions concerning the implementation of PensionDanmark's policy on responsible investment and the further development of this area in PensionDanmark.

Investments in real estate, unlisted shares, private equity funds, etc. are subject to a particularly thorough due diligence process. The ESG function is always consulted before an investment is made, and an analysis is performed to establish whether a potential investment complies with the tax code of conduct which PensionDanmark has developed together with other leading Danish investors.

For more information about PensionDanmark's management of sustainability risks, go to p. 16 and PensionDanmark's website: www.pensiondanmark.com/en/



Target 16.7

Ensure responsive, inclusive, participatory and representative decision-making at all levels.

At PensionDanmark, we are committed to ensuring that the management and development of the company's activities reflect the interests of our shareholders and members. Accordingly, we seek to ensure a broad representation on the Board of Directors from the parties to the collective agreements in order to ensure ownership, insight and influence. Moreover, the six industry boards consist of representatives appointed by the parties to the agreements for the respective sectors and a number of union representatives elected by the members of PensionDanmark's shop steward forum.

Reporting promotes social responsibility

The purpose of this report on Corporate Social Responsibility is to document the sustainability impact of our business by means of measurements, cases and dilemmas. In order to better target our efforts, we focus on impact rather than activity.

PensionDanmark's key mission is to enable our members to remain active members of the workforce until retirement and then to give them a financially secure retirement. This implies a responsibility for investing our members' savings in a way that adds value and at the same time contributes to a more sustainable world. Accordingly, we continually strive to make our reporting as accurate, specific and transparent as possible, as this creates the best basis for improving performance and raising ambitions.



We have embraced the 17 UN Sustainable Development Goals (SDGs) as the fundamental values on which we base our business, as they provide a framework for our CSR efforts. The reporting sets out the contribution of the business towards the SDGs. In addition we have implemented the Danish indicators defined by Statistics Denmark and the 2030 Panel as a tool to translate the goals into a Danish context. This year, we report on six Danish indicators that are affected by our activities.

Ongoing development

In the course of the past few years, the focus of our reporting has changed from the scope of our activities to measurable impacts. Impact measurement enables us to assess whether individual actions make a positive contribution or not. While it is not possible at this stage to measure the impact of all PensionDanmark's activities, we constantly strive to report as specifically as possible and to improve and develop our reporting.

This year, we have added infrastructure and private debt to our carbon emission measurements, so they now encompass 60% of our total investments against just under 50% in 2020 and 25% in 2019. We have also incorporated Insurance & Pension Denmark's industry recommendations for climate reporting, the new EU taxonomy rules and the EU Disclosure Regulation. We remain committed to being an

industry leader in terms of reporting and therefore report on all the indicators included in the recommendations and on some Disclosure Regulation indicators that are not yet mandatory. For information about the stricter requirements on sustainability reporting, go to p. 15 and to p. 82 for Pension Denmark's Accounting policies

Dilemma:

Measuring the impact of our core business

Not all SDGs have a standard unit of measure, such as CO₂, that enables the measurement of both impact and progress. Measurements or standard calculations have still not been developed for some of Pension-Danmark's activities targeted directly at our members, which means that their impact cannot be measured. For example, the level of activity in our healthcare programme can be quantified as the number of members who have received preventive treatment in the course of a year, but qualifying the impact for individual members is much more difficult.

Openness on dilemmas

At PensionDanmark, we are aware of the challenges that come with social responsibility, and we wish to be transparent about both our inclusion and our exclusion decisions. PensionDanmark has committed to reporting on the ten principles of the UN Global Compact for ethical business conduct as regards human rights, labour rights, the environment and anti-corruption. Potential negative effects and challenges are described in the report in the form of dilemmas.



Target 17.19

By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacitybuilding in developing countries.

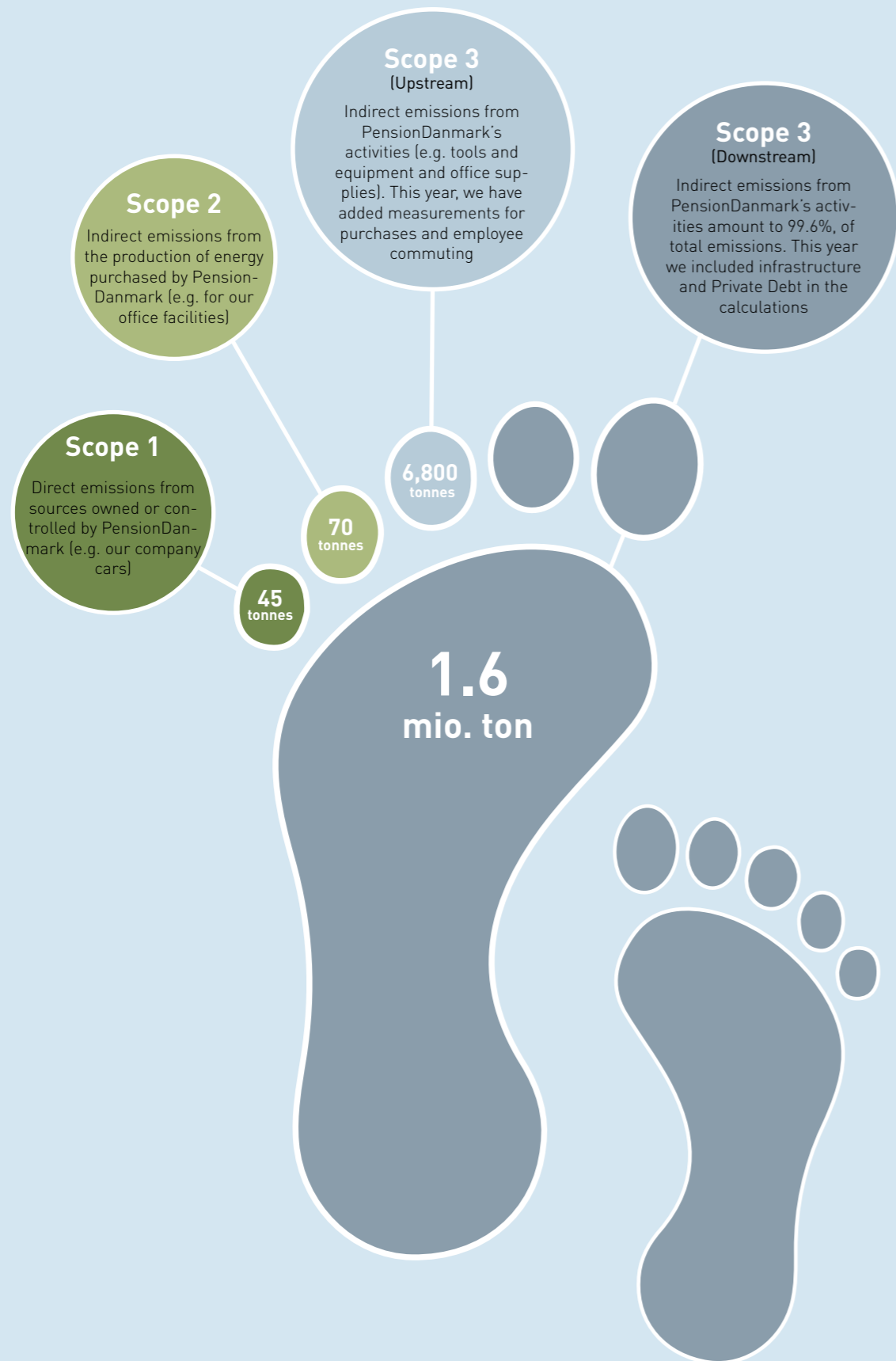
We aim to provide CO₂ calculations for as large a part of our investment portfolio as possible. By participating in international partnerships, we help develop and set the standard for new measurements. This year, we have added infrastructure and private debt.

2021 RESULTS

- > PensionDanmark reports on 18 SDG targets and 6 Danish indicators.
- > This report discusses 6 dilemmas.

SELECTED SDGs		2021	2020	2019
OUR MEMBERS	Target 1.3: Benefits paid to retired members (DKKbn)	3.8	3.7	3.4
	Target 3.8: Preventive treatments under the healthcare programme	422,134	265,657	369,763
	Target 3.8: Prompt Diagnosis cases opened via the healthcare programme	12,459	10,192	6,471
	Danish indicator 4.4ii: Number of supplementary training programmes completed	35,765	47,906	45,102
	Danish indicator 4.4ii: Supplementary training grants provided by funds (DKKkm)	52,945	71,724	58,909
	Target 8.10: Number of member portal logins (millions)	1,939	1,461	1,154
OUR WORLD	Danish indicator 7.2.ii: Investments in green infrastructure (DKKkm)	12,139	15,303	13,664
	Danish indicator 7.2ii: Avoided emissions from ownership of green infrastructure, estimated (tonnes of CO ₂)	1,511,358	1,902,220	2,297,000
	Danish indicator 7a.i: Investments in new green solutions (DKKkm)	1,793	0	0
	Target 11.1 Number of student accommodation units built	777	0	0
	Danish indicator 11.3.i: Properties meeting the EU taxonomy for sustainable finance (%)	38.6	0	0
	Danish indicator 11.3.i: Number of square metres obtaining sustainability certification during the year	7,841	31,420	68,513
	Danish indicator 11.3.i: Carbon footprint of real estate portfolio [kg/m ²]	8.9	11.6	11.8
	Target 13.3: Total carbon footprint of investment portfolio (tonnes/DKKkm)	7.9	7.7	8.8
OUR EMPLOYEES	Target 11.6: Employee commuting (tonnes)	132.7	121.2	
	Danish indicator 12.5.i: Reused waste (kg)	32.7	26.0	

Pension Danmark's CO₂ emissions in 2021, tonnes of CO₂



PensionDanmark's climate footprint

We want to help ensure that our members can retire in a sustainable world – which is why our climate footprint is an important part of our corporate social responsibility reporting.

Our choice of investments affects our surrounding world in the form of carbon emissions that impact adversely on the climate, but also in the form of investments in sustainable solutions and visionary companies helping to drive the transition towards a more sustainable society.



In order to ensure that PensionDanmark continues to move in a greener and more sustainable direction, we started reporting on our climate impact back in 2019, disclosing ESG ratios based on the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society. Since then, we have added more investment portfolios, guidelines and goals for selected ESG ratios in order to continuously improve our reporting and make it more specific.

Climate reporting in the pension industry

In order to strengthen credibility and render the various climate and environmental targets comparable, Insurance & Pension Denmark in 2021 issued industry recommendations containing concrete climate pledge measurements.



Target 13.3

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

PensionDanmark supports and works actively towards the goals of the Paris Agreement. In September 2019, PensionDanmark co-founded the Net-Zero Asset Owner Alliance, committing, along with insurance and pension companies from around the world, to making our investment portfolios carbon neutral by 2050. Last year, we decided to set 2025 targets for selected ESG ratios. Since 2019, the carbon footprint of our listed equity portfolio has been reduced by 18%.

These recommendations were based on the recommendations issued by the climate partnership for the financial sector, which is chaired by Torben Möger Pedersen, PensionDanmark's CEO.

At PensionDanmark, we have decided to report on all the indicators and strongly support the inclusion of the industry's active commitment to climate action in the reporting. This enables investors to genuinely and significantly contribute to minimising climate change.

Consistent climate reporting defining clear, common activity measurements is critical to achieving the climate ambitions of the Danish parliament of reducing greenhouse gas emissions by 70% by 2030.

Dilemma:

How do we ensure transparent reduction targets?

Ambitious targets for the reduction of greenhouse gas emissions to avert the serious consequences of the climate crisis are crucial. However, targets are difficult to compare if they are based on different benchmarks.

In 2021, PensionDanmark redefined the reduction targets we set last year with 2019 as our benchmark. This after the Net-Zero Asset Owner Alliance recommended members should set reduction targets that do not cast doubt that the Paris Agreement's 1.5°C scenario with no or limited overshoot will be met.

At PensionDanmark, we have worked actively since 2018 to reduce the carbon footprint of our portfolios, and our carbon emissions in 2018 differ significantly from those of the subsequent years. Based on the low 2019 level, our original reduction target was 20% for the period to 2024, but based on the 2018 level, the same reduction target for equities and corporate bonds is now 45%.

2021 RESULTS

- > The total carbon footprint of PensionDanmark's investment portfolio has increased from 7.7 tons / mio. DKK to 7.9. The increase is partly because CO₂ calculations for infrastructure are included in 2021.
- > The carbon footprint for listed equity has declined by almost 40 pct. since the first measurements in 2017. However, in 2021 the footprint has risen from 6.3 to 6.9, due to increased fund allocated to raw material companies
- > A trend towards reduced climate footprints among the companies included in the corporate bond portfolio in 2021, has reduced the overall carbon footprint of the portfolio from 24.1 to 22.6.

New sustainability reporting requirements

The requirements on sustainability reporting are increasing and becoming more complex. The focus of attention is initially on the climate but will extend to more and more sustainability areas in the years ahead.

The EU member states have committed to ambitious 2030 climate and energy targets and have mobilised the financial sector in order to reach them. Measures include the adoption of a ten-point green action plan on sustainable growth, including the taxonomy and the Disclosure Regulation, which introduced new disclosure obligations for the financial sector.

The EU green taxonomy



In June 2020, the EU published its green taxonomy, which sets out to create a common understanding of sustainable investment and what is green. The taxonomy lays out six climate and environmental objectives to which investments must make a substantial contribution in order to be classified as sustainable. The first two objectives will apply from 2022, which means that companies must report on their sustainability and the extent to which their investments may be classified as sustainable in terms of climate change mitigation and adaptation.

The taxonomy lays down technical screening criteria and requirements that new and existing buildings, respectively, must comply with in order to be classified as sustainable in terms of climate change adaptation. It also defines when a building's energy renovation is sufficient to contribute positively to climate change mitigation. The requirements are stricter for new buildings than for existing ones. In addition to meeting certain energy consumption requirements, new buildings must do no significant harm to the taxonomy's other climate and environmental objectives.

Disclosure Regulation requirements

The Disclosure Regulation imposes new disclosure obligations on investment products, the purpose being to provide greater insights into and transparency on financial product sustainability. The Regulation introduces a sharper focus on the disclosure of adverse sustainability impacts. The first requirements of the Regulation took effect in

March 2021. PensionDanmark has taken the necessary steps to comply with these requirements, which includes disclosing information about the integration of sustainability risks into investment decisions and products.

Other Regulation requirements will take effect in 2023, according to which financial businesses must measure the impact of investments based on mandatory and voluntary sustainability indicators. Even though we are not yet required to disclose these measurements, we have already begun the process.

We have decided to classify our investment product as an article 8 product, as we believe we contribute to sustainable development by also investing in some of the more energy-intensive sectors.

For more information on PensionDanmark's reporting on the EU taxonomy and Disclosure Regulation see p. 80.

Dilemma:

Is the Disclosure Regulation impeding sustainable development?

The Regulation distinguishes between two categories of sustainable investment products: article 8, where sustainability is considered in part of the investment process, and article 9, which have sustainable investment as their objective.

There is a risk that this classification could impede global sustainable developments if striving towards the highest standard and pure article 9 products means that investments in the poorest countries in the world are excluded. Admittedly, employees in companies and activities in developing countries typically work under less favourable terms and conditions, but a relatively low wage in a poor country will often lead to a better standard of living compared with a job in the local agricultural industry or the informal economy. Similarly, article 9 products may not include investments in companies engaging in, for example, mining or materials, although these sectors help provide infrastructure for renewable energy, batteries for electric vehicles, materials for wind turbines, etc.

2021 RESULTS

- > 38.6 pct. of PensionDanmark's real estate investments are aligned with EU sustainability criteria
- > The average proportion of women on the boards of the companies in PensionDanmark's equity portfolio is 30.6%, according to reporting under Article 7 of the Disclosure Regulation



The EU green action plan imposes disclosure requirements on the financial sector

Strong partnerships add value

PensionDanmark is a member of a variety of partnerships. Through our collaboration with private and public partners, we serve the interests of our members and deliver on global agendas.

PensionDanmark was created by the social partners as a part of the Danish model. Collective solutions are part of our DNA and define our business. Partnerships are forged across industries, business partners and frontiers where we find the most attractive investment opportunities and where we can deliver the biggest impact on our members' returns and savings and on key global agendas.

Over the past few years, we have extended our partnerships to new industries, creating scalable solutions in collaboration with competent partners. By way of example, we have teamed up with Odense Maritime Technology and Terma to establish a consortium that is preparing for the invitation to tender for patrol vessels for the Danish Navy. We are targeting a "one-stop supplier model", under which the consortium will supply vessels at a fixed price and with a design customised to the requirements of the Danish Navy.



Denmark's climate partnerships make us a frontrunner on the global scene

The government's 14 climate partnerships were established for the purpose of developing proposals for how the business community can contribute towards reaching the Danish parliament's climate goals. The climate partnership for the financial sector presented its recommendations in March 2020, most of which have already been translated into initiatives and concrete action. By way of example, a plan has been adopted to establish an energy island in the North Sea, which has fuelled ambitions for massive renewable energy expansion. Several of these initiatives entail opportunities for PensionDanmark to contribute towards establishing socially critical infrastructure and renewable energy solutions, while at the same future-proofing our members' savings.

Climate partnerships are a unique way of forming partnerships between the Danish parliament and the business community and make Denmark a frontrunner on the global scene in terms of how partnerships can contribute to solving global challenges.

Torben Møger Pedersen, CEO of PensionDanmark, Kåre Groes Christiansen, CEO of Odense Maritime Technology, and Jes Munk-Hansen, CEO of Terma.

Sustainable training in focus

In 2021, PensionDanmark established a new green partnership with the Jutland Craftsmen School (DjH), the intention being to ensure that more young people enrol in skills training programmes focused on sustainability and the circular economy. Initially, the partnership is intended to result in the construction of new sustainable training facilities to enable DjH to train more carpenters, electricians, refrigeration service engineers and plastics specialists in the coming years. In addition, we will work more closely together on developing the professional content of DjH's vocational, adult and supplementary training programmes with the aim of developing the school into a green transition power and knowledge centre in Jutland.



The eldercare centre of tomorrow

The population of older people will continue to grow in the years ahead. This means that we must build more homes for the elderly and develop new types of dwellings matching the needs of elderly people and enabling them to lead a good senior life. In 2021, PensionDanmark formed a public-private partnership with the Municipality of Herlev, combining the municipality's eldercare expertise with private-sector healthcare competencies.



The new urban area contains 192 residential care units and 32 ordinary housing units for the municipality's elderly people. In addition, 100 lifestyle homes designed for families and 50+ communities will be built, along with an extended care centre combining public facilities such as a healthcare clinic, rehabilitation facilities and town hall functions in a new multi-purpose house. The new urban area will enhance the quality of life for senior citizens.

Better healthcare

In 2021, PensionDanmark formed a partnership with 3F and the Danish Cancer Society concerning an employment retention project for members with cancer, as cancer patients performing hard physical work are exposed to a particular risk of losing their jobs. The project offers coordinated efforts and support from a broad range of professionals as well as the development of a coherent, targeted and personalised plan for job retention and a return to the labour market.

Our aim is for our members to have a good and financially secure post-cancer life that includes a job and continued independence.



International change

PensionDanmark is a founding member of the UN-convened Net-Zero Asset Owner Alliance. Consisting of investors from Europe, North America and Asia, the Alliance is committed to providing concrete tools to fulfil the Paris Agreement. Committed to making a positive impact on the world, the Alliance works actively to enhance mandatory reporting tools, exercise active ownership and boost investments in the green transition.

In two years, the Alliance has grown from 12 to 65 members with a total investment portfolio of DKK 66,000 billion. PensionDanmark contributed actively to the Alliance's work in 2021, the results of which include the release of a target-setting protocol to guide its members in setting science-based climate targets. Through this partnership, PensionDanmark helps raise the standards for the reporting and achievement of climate goals.





OUR MEMBERS

Digital upgrades future-proof member services

The launch of a new IT platform has placed PensionDanmark in an even better position to provide our members with the best possible service at the lowest possible price.

Ever since PensionDanmark was established, digitalisation and new technologies have been instrumental in providing better products and services for our members. In 2021, we completed a digital upgrade in the form of a new cloud-based IT platform that will smooth our way into a future offering even more opportunities.

With our new platform, we are taking an important step into a future of accelerating digital innovation. As one of the first in the European pension industry, we now have a fully cloud-based technology setup with new cloud-based applications.

For members and companies, the new platform means that PensionDanmark's digital universe is being future-proofed. Existing solutions are being upgraded to provide an even better overview, new services are being added, and the design is being adjusted to make allowance for the

large proportion of logins being made from telephones and tablets rather than from computers.

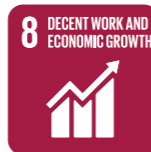
The new platform will make it easier, faster and cheaper for PensionDanmark to develop solutions that derive maximum advantage from future systems and solutions, which will also be based on cloud technologies.

On the new IT platform, the core system is segregated from individual business systems and applications, which can therefore easily be replaced if they become outdated.

With cloud technology, all data are stored in a "cloud" operated by a network of external servers. This makes the system dynamic, meaning that PensionDanmark only pays for the computing power actually used, which is an advantage in times of fluctuating capacity requirements. For example, capacity is turned up when we send out pension overviews, which makes many members log on to the system. Similarly, we can turn down capacity during low-activity periods, for example at night. This was not possible with the old system, which operated on local servers.

Best Digital Customer Solutions

In 2021, PensionDanmark's digital member solutions won us the Best Digital Customer Solutions award in the pension fund category at the Digital Finans Awards 2021, hosted by industry media FinansWatch and research institute Wilke. The award is given on assessments by experts and users of pension funds' self-service solutions, websites, digital communication, social media and innovation.

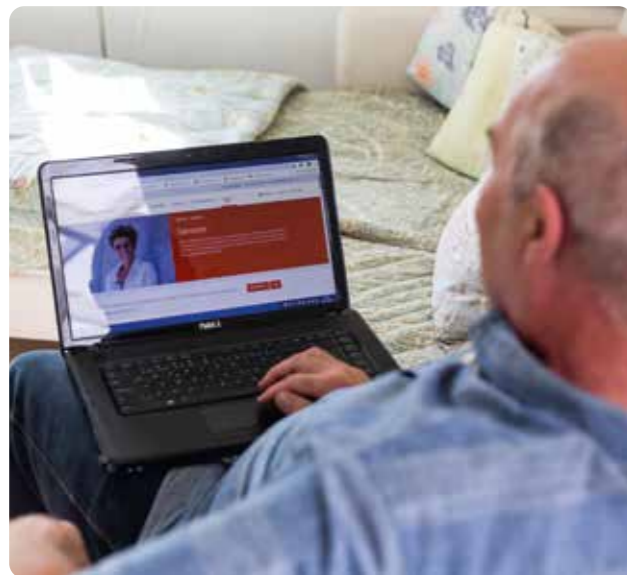


Target 8.10

Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

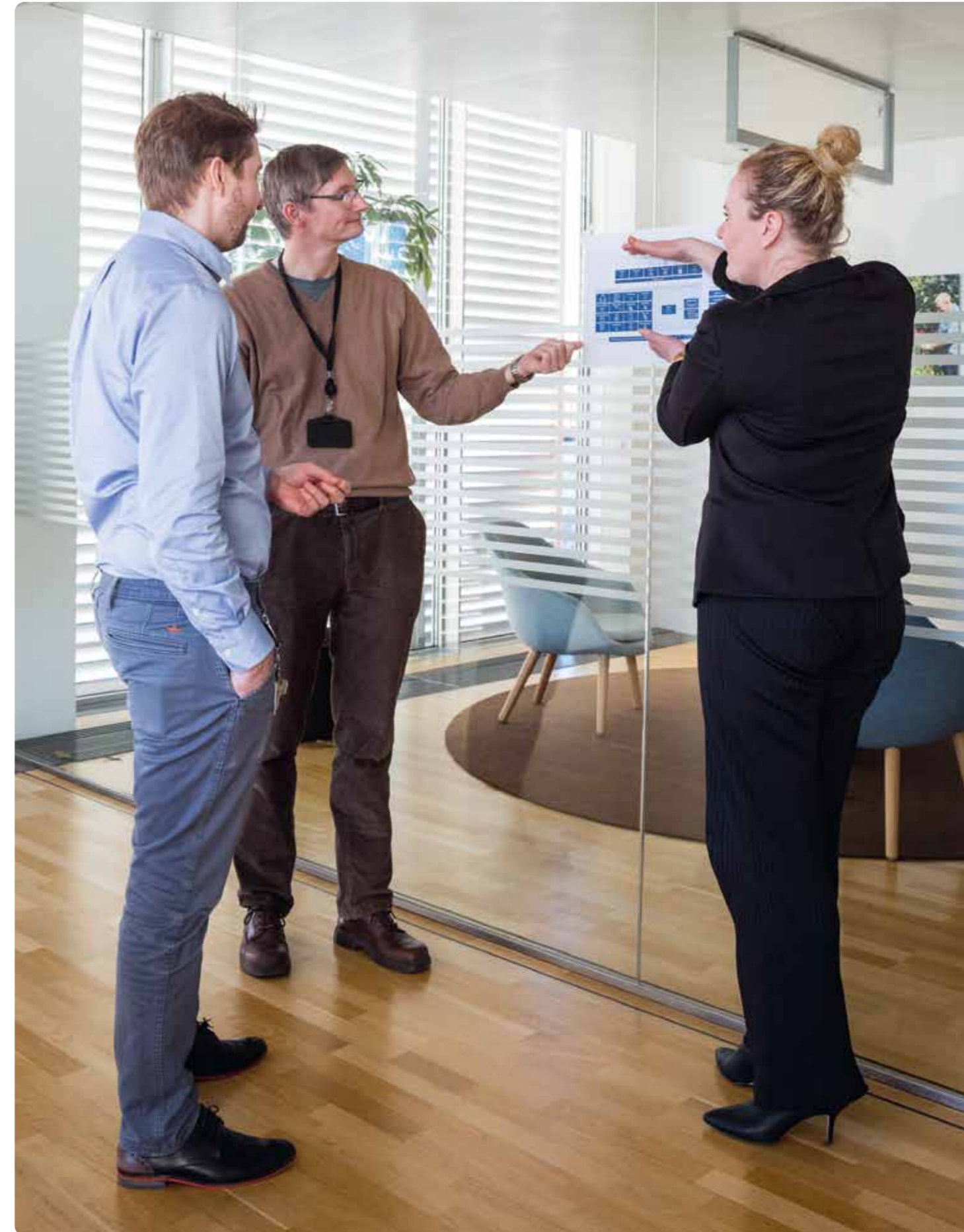
Between 2017 and 2021, the number of logins to our member portal increased by more than 200%, and the number of logins via our app increased more than six-fold during the same period. More than 61% of all logins are currently app-based.

Captain Peter from DanPilot is a member of PensionDanmark



2021 RESULTS

- > 1.9 million logins to pension.dk, a year-on-year increase of 21%
- > Almost 1.2 million logins, or 61% of all logins, were performed via the app



Joonas and Morten from IT discussing the new IT platform with Mette from Project Management



Brian works at Sirius, PensionDanmark's construction site at Islands Brygge and is a member of PensionDanmark



Members can easily access an overview of their pension scheme

Digital solutions drive accessibility

Expansion of PensionDanmark's digital self-service offering is driving more logins and high member satisfaction.



PensionDanmark has a comprehensive self-service universe enabling our members to project future pension benefits, adjust insurance covers and change investment profiles via pension.dk or PensionDanmark's app. Our self-service solutions provide members with easy access to an overview of their pension schemes and are very popular. Between 2017 and 2021, the number of logins to our member portal increased by 200%, and the number of logins via our app increased more than five-fold during the same period. 61% of all logins are now app-based.

Digital use of our healthcare programme is also gaining popularity. Members can book an appointment directly with a local physiotherapist or chiropractor, test their state of health and receive suggestions for exercises or advice. They can also book a video consultation with a doctor or a psychologist at short notice. Making it easy to use the many services provided by the programme, these measures contribute to giving our members a long and productive working life.

New personalised overview

PensionDanmark's training site provides members with personalised proposals for specific training and skills

upgrading programmes based on their competences, experience and previous training.

Integrating PensionDanmark's data with public registers, this tool helps members find relevant training programmes and obtain an overview of their skills upgrading options. A member may share website data with his or her employer or local trade union to provide them with the best basis for supporting the member's supplementary training.

Speedy processing increase satisfaction

Digital innovation results in flexible and personalised member services, which in turn translate into a high level of user satisfaction. 19 out of 20 members and companies say they are satisfied or very satisfied with PensionDanmark's solutions.

Digitalisation also serves to keep case processing times and administrative expenses down. By means of software robots, PensionDanmark has reduced the average case processing time for critical illness cases to ten days.

Thus, digitalisation also plays a key role in keeping PensionDanmark's administrative expenses among the very lowest in the industry so that the greatest possible share of our members' contributions can be allocated to their savings for a financially secure retirement.

Security for all

PensionDanmark manages and develops occupational pension and insurance schemes with a view to ensuring that our members derive maximum benefit from their monthly pension contributions.

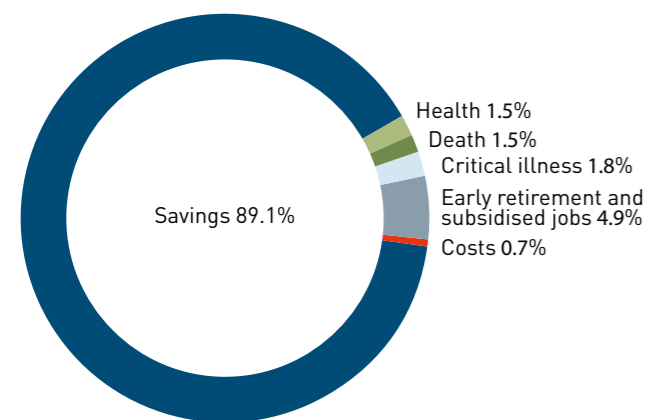
PensionDanmark's members have pension schemes via their collective agreements, and PensionDanmark is owned by the social partners. This means that each member is a co-owner of PensionDanmark. We have no shareholders looking to make a profit on our members' pension savings.



Our pension and insurance schemes are a supplement to public benefits and are designed so as to minimise offsetting against these benefits. Insurance policies provide financial security for our members during their working lives. PensionDanmark works with various public authorities to ensure that our members are automatically notified if they become entitled to insurance benefits under their pension schemes.

Our insurance schemes are designed to match our members' needs within the various collective agreement sectors, where rates are determined by the respective industry boards. Members also have the option of adjusting insurance amounts to align them with their current 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.

How contributions are allocated



We want as much as possible of a member's contributions to be allocated to his or her pension savings. In 2021, each member paid an administration fee of DKK 297, which was one of the lowest administration fees among Danish pensions funds.

Meeting members where they are

Pensions are traditionally an area of little interest to members, and not all members know what is included in their pension scheme. We therefore proactively reach out to our members and provide them with personalised advice through various channels (e-mail, text messages, e-Boks, pension.dk and by phone). We do this on an ongoing and automated basis using member data – such as age, address, job, employment history, insurance schemes and use of our healthcare programme.

Our proactive approach adds value for our members. According to a satisfaction survey, the more channels our members can access us through, the more pleased they are.

In addition to communicating digitally, we also make a point of meeting our members face to face, via our team of account managers, who visit companies and local trade unions across the country, and via our advisory bus, from which pension advisers and nurses provide pension and healthcare advice to our members.



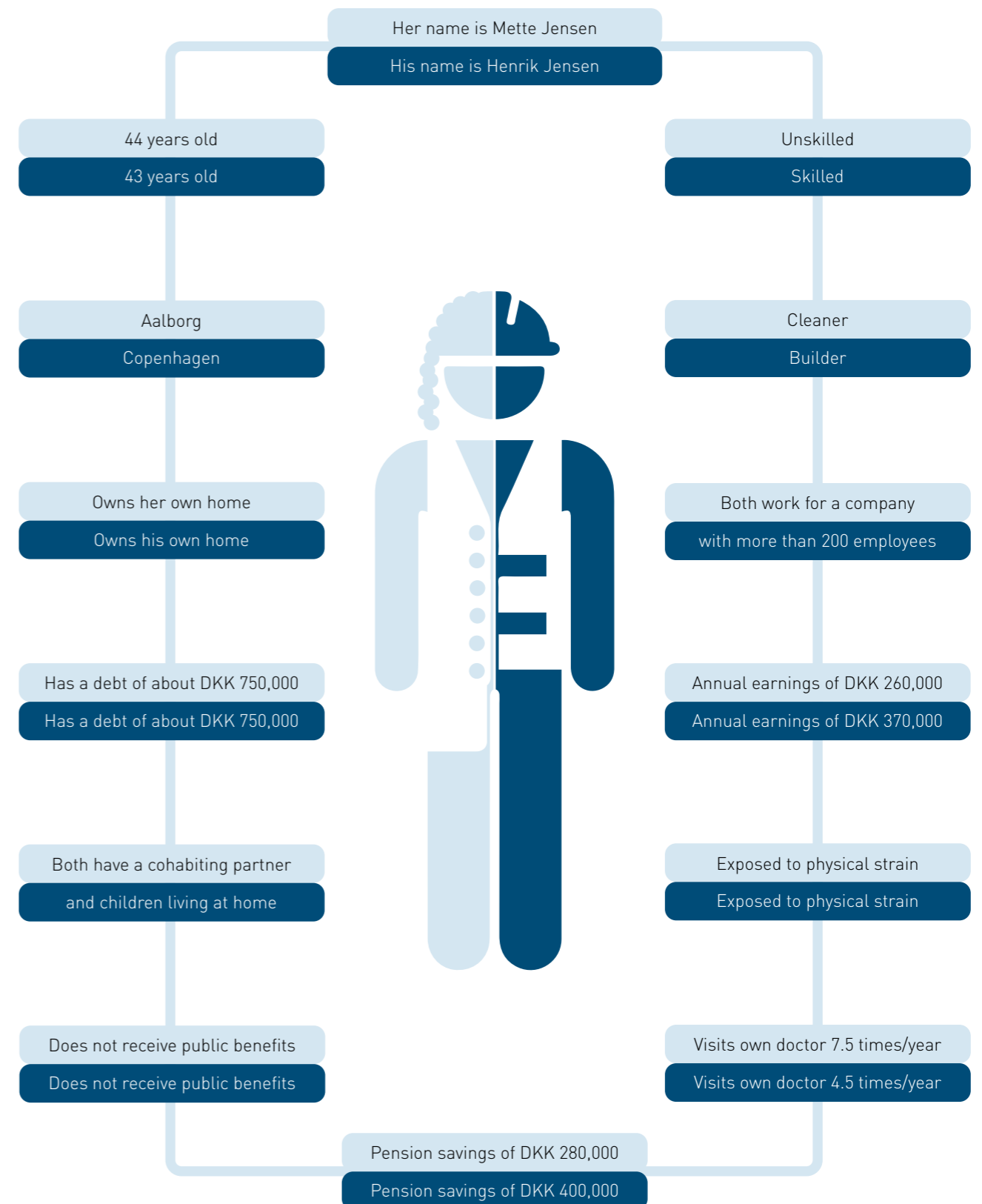
Target 1.3
Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.

Our members' savings with PensionDanmark are an important supplement to state pension benefits, and savings help build the foundation for a high quality of life in retirement. Prior to the introduction of labour-market pensions, the rate of compensation for retired LO-unionised workers was typically about 45% of their wages. In 2021, the rate was about 60%. In 2021, we paid total benefits of DKK 9.5 billion to our members, of which retired members accounted for DKK 3.8 billion.

2021 RESULTS

- > A typical 45-year-old member received a return of 16%, while at typical 67-year-old member received 10.3%.
- > Our members received total benefits of DKK 9.5 billion, of which retired members accounted for DKK 3.8 billion


A typical PensionDanmark member



Flexibility and personalised advice

We want our members to feel that their pension schemes with PensionDanmark are aligned with their life situation and provide them with financial security – during their working lives as well as in retirement.

Our members have very different needs when they approach retirement, and we have therefore designed our scheme so that we can accommodate them all. Worn-out members are supported via the healthcare programme and various insurance benefits. Members who wish to keep working after they have reached retirement age are entitled to have part of their pension savings paid out as it suits them.

 Pension schemes should match the needs of our members. Not the other way around. Our member services team stands ready to guide each individual member when big decisions need to be made, and members may have their pension paid out as it suits them – whether they have retired or are still working.

Poul receives pension benefits but keeps working

Several options are open to members who are fit and willing to keep working – even after they reach their state retirement age. One such member is 70-year-old Poul Laursen, who still works 24 hours a week as a plumber with Amstrup VVS in Skive.



Poul has taken advantage of PensionDanmark's flexible pension payout scheme, which enables our members to have their pension paid out as it suits them. Poul has opted for a part-time pension model, under which his employer only pays 2% to his pension scheme with PensionDanmark, while the remaining 10% is paid out as pay.

Part-time retirement was not Poul's idea, though. His doctor ordered him to reduce his weekly working hours to 24. Four years ago, Poul suffered severe shoulder pain, and his shoulder turned out to be so damaged that he needed an artificial one. But when Poul's doctor learned that Poul (66 years old at the time) worked a 50-hour week, he declared that he would only approve the surgery if Poul reduced his weekly working hours to 24.

"I had to accept that. I love my profession, and I love working. I'm always busy – even at our holiday home, where something always needs fixing," says Poul, who calls himself a "troubleshooter" and is sent around the country to fix problems with water and gas installations.

"When I worked for Carl Bro, I travelled around the world and at one point helped get the heating system up and running in a block of flats in Nuuk in Greenland. At my age, my experience is both long and broad, so the boss is happy to have me on board and also takes care that my shoulder doesn't get strained. It's a really good arrangement," says Poul, a qualified plumber since 1971.

Hugo receives supplementary senior pension

In 2019, Hugo Holmelin, now 62, suffered a cerebral thrombosis. After three weeks in hospital, he joined a municipal rehabilitation programme and was subsequently signed up with the municipal job centre. However, as time went on, it became clear that Hugo's working capacity had been permanently damaged and was very limited. Hugo's memory is fine, but he suffers from constant headaches and muscle weakness in his right arm and left leg. As a consequence, he was awarded public senior pension, in which connection he was made aware that he might be covered by insurance under his pension scheme with PensionDanmark.



"I talked to a really nice young woman at the member service desk. She told me that I was entitled not only to a lump sum of DKK 100,000 because I had suffered a critical illness, but also to a monthly amount as a supplement to my senior pension," recalls Hugo, a former builder at H.C. Entreprenøren A/S who joined the labour market at the age of 16.

The benefits paid by PensionDanmark equal the amount paid out for anticipatory disability pension, and Hugo therefore receives a monthly amount of just under DKK 7,000 before tax – on top of his public senior pension benefits of a little more than DKK 16,000.

"This may not seem like much, but when you go from ordinary wages to senior pension, that extra money means a whole lot. It means, for example, that my wife and I can still afford to have a car and that we can buy a bottle of wine and a steak from time to time."

Providing members with clear advice

Another form of early retirement due to attrition, "early pension" (also known as "Arne pension"), was introduced on 1 January 2022. The scheme entitles citizens who have been in the labour market for many years to retire one, two or three years before they reach their state retirement age, provided they meet a number of conditions. Some 2,000 PensionDanmark members will qualify for this new pension from 2022.



But what is the more advantageous option for members qualifying for the so-called Arne pension: early retirement or Arne pension? Determining this requires an individual assessment, which PensionDanmark can perform by means of a new calculation tool. Many factors need to be considered: The amount of the member's pension savings, the member's plans for continued employment and, not least, the special rules applying under the early retirement scheme. The new tool enables the adviser to calculate the member's expected income on either early retirement or Arne pension.

Mogens Petersen, a brick layer, is one of the members who have sought PensionDanmark's advice. Soon to reach 64, he wanted to know what was the better option for him. Mogens booked an advisory meeting via pension.dk and uploaded his Pensionsinfo statement prior to the meeting. This helps the adviser gain a complete overview of a member's financial situation in retirement.

"All my questions were soon answered, and the adviser provided me with a clear overview of my options. My best option depends on whether I retire completely or continue working a little after retirement. So it was a good experience," Mogens recalls.



Health begins with prevention

Prevention, prompt action and accessibility are key elements of PensionDanmark's healthcare programme, which has been continuously expanded since its introduction in 2005 to include a broad range of options for our members.

PensionDanmark's members have access to treatment by a network of more than 3,100 physiotherapists and chiropractors at 770 clinics across Denmark. When and where it suits them. Now they also have access to online consultations with a doctor via mobile phone, tablet or PC.

Helping members to help themselves

Our members lead busy lives, and many forget the options available to them under their healthcare scheme. We therefore proactively reach out to our members by means of, for example, personalised messages when a member has not had any physical treatments for a long period of time.

PensionDanmark's objective is to assist our members, many of whom perform physically demanding work, in taking active responsibility for their own health. We encourage our members to prevent repetitive strain injuries and potential disability by means of preventive exercises and working posture tips from the physiotherapist. Prevention is both in the clear interest of our members and also their responsibility. Exercises can alleviate pain and prevent injuries from getting worse and ultimately leading to anticipatory disability pension.



The preventive options under PensionDanmark's healthcare programme are, like all our other efforts, based on solidarity and a long-term approach. The many offers included in the healthcare programme contribute to improving our members' quality of life and to enabling them to remain in the labour market longer, thus benefiting their finances during their working lives and during retirement.

The healthcare programme includes access to a health test. Based on their test answers, members get an over-

view of their physical and mental state of health as well as a personal exercise programme with instructions, illustrations and video clips. They can also have a phone consultation with a nurse from PensionDanmark's healthcare team.

Online psychologist

Demand for psychological treatment has increased over the past few years. The number of cases has grown, therapy duration has increased, and cases have become more complex. This puts pressure on psychological resources and has given rise to long waiting times in the public healthcare system. In the autumn of 2021, online consultations with a psychologist were added as a service under PensionDanmark's healthcare programme, giving our members easy access to psychological treatment. The general feedback from our members on the new service has invariably been very positive.

Dilemma:

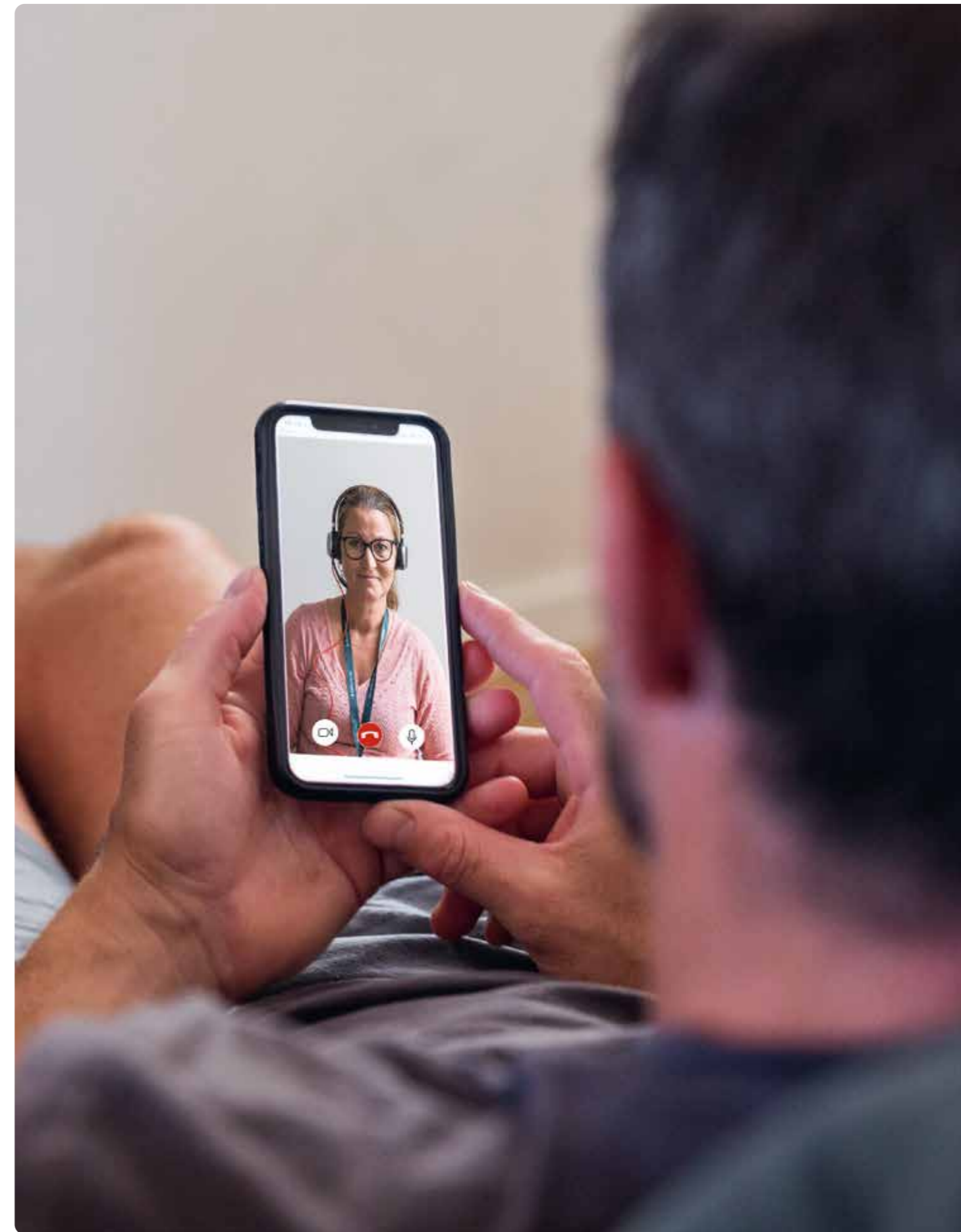
Members' health – who is responsible?

Denmark is one of the most affluent and equal societies in the world. Even so, there is social inequality in health and growing pressure on the healthcare system. Public healthcare expenditure has risen dramatically over the past 20 years, driven primarily by the oldest section of the population – which will continue to increase in the years ahead.

The greater the pressure on the healthcare system, the more society will need those citizens who can take care of themselves. When local healthcare services, whose core tasks include prevention and early detection of diseases, are neglected, others need to step in and take responsibility. Accordingly, the purpose of PensionDanmark's healthcare programme is to offer our members access to preventive treatment and prompt action and thus to assist them in taking responsibility for their own health when the public healthcare system is not up for the task. We want to help solve social tasks of importance to our members.

2021 RESULTS

- > 51,200 members received 422,000 preventive treatments, a year-on-year increase in the number of treated members of 32%
- > 12,500 cases of Prompt Diagnosis. Just over 8.5% state they would be on medical leave if they had not received prompt diagnosis assistance. The average triage time is 18 days
- > 2,800 members used our online medical consultation service, including 400 of our members' children



Thomas talking to one of PensionDanmark's online psychologists



Morten suffered from lower back pain and received online medical assistance from one of PensionDanmark's online doctors



Morten received online medical assistance

Morten Holmes Jensen, 35, is a refuse collector with refuse collection company Urbaser. He benefited from PensionDanmark's online medical consultation service when he suffered lower back pain.

"I suffered from lower back pain and eventually also experienced radiating pain in my leg. In the end, the pain was so unbearable that I had to seek medical assistance," Morten recalls.

As waiting times at Morten's GP were very long, he turned to our online medical consultation service.

"I talked to a very competent doctor, who was very thorough. He asked me to show him where the pain was located and to do some exercises so that he could assess whether I suffered from a slipped disc. Fortunately, he was able to rule that out, so he prescribed some anti-inflammatory drugs that proved very effective."

Morten feels he got the right help and finds the video consultation concept effective.

"It worked just as well as if I'd gone to see my own doctor. We sat face to face – only by video link. It was a really good experience, and I got the help I needed. I wouldn't hesitate to do that again. There's often a long wait at my own doctor, so this is a really good supplement."

Satisfied members

Satisfaction surveys show that 94% of respondents are either satisfied or very satisfied with our online medical consultation service. Among those treated by a physiotherapist or a chiropractor, 96% are either satisfied or very satisfied.



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.

PensionDanmark's members have access to our healthcare programme, and in 2021, 51,200 members received 422,000 preventive treatments. This was an increase in the number of treated members of 32% on 2020. In addition, 12,500 members received Prompt Diagnosis assistance, a year-on-year increase of 22%.

SUPPLEMENTARY TRAINING DRIVES GREEN TRANSITION

Our contribution to qualified labour

The lack of competent labour may slow down Denmark's contribution to the green transition. Supplementary training is therefore crucial. PensionDanmark helps provide an overview of the options available to both members and companies.

In order to reach global climate targets, the world community must invest DKK 90,000 billion in the green transition over the next ten years. Global competition will increase in the years ahead, and if Denmark is to maintain its leading global position, we must develop, demonstrate and implement the green solutions that the world needs.

If we fail to adapt the Danish employment and education system to the green transition, it may threaten Denmark's traditional strongholds and challenge our ability to supply the solutions that will be needed when the green transition needs to be scaled, in Denmark and globally, to include, for example, energy islands, Power-to-X plants and floating offshore wind turbines.

The transition requires new skills. It is estimated that Denmark will be short of up to 100,000 employees for

green jobs by 2030. Without sufficient labour with the right skills, Danish companies will face difficulties developing, manufacturing, selling and implementing their products and services. In other words, we are facing a challenge that makes it imperative that we adapt the skills of our employees to the green labour market of tomorrow.

” **The world will need to invest DKK 90,000 billion in green transition**

Mapping future needs

Together with the Novo Nordisk Foundation, the Danish Industry Foundation and think tanks CONCITO and Mandag-Morgen, PensionDanmark has launched a two-year project to accommodate the growing demand for relevant green skills by creating a better framework for supplementary training. As PensionDanmark's members play an important role in realising Denmark's ambitious green targets, PensionDanmark plays a key role in the partnership.

At PensionDanmark, we assume responsibility for ensuring that retraining, skills upgrading and supplementary training

initiatives are aligned with current and future labour market needs. To that end, we need to identify the skills that will be needed in the green labour market of tomorrow. Supported by the skills development funds managed by PensionDanmark, we can make sure that supplementary training programmes are designed to match the new green job opportunities, thereby helping to future-proof Danish jobs.

The project will analyse and present proposals for how to equip the government, the business community, the public sector and educational institutions to handle the reorganisation of the labour market that is required to succeed in the green future. Kicked off in August 2021, the project will focus on research and analysis in the first year, and in year two on developing concrete action-oriented initiatives based on the knowledge obtained.

Rethinking supplementary training

A core element of the green transition is that it is a "fair transition" that leaves no person behind. Actively integrating educational and labour market policies with climate policy is therefore important.

If our members are not provided with the right skills, bottlenecks will arise that will ultimately slow down the transition and make it more expensive. We therefore need to rethink supplementary training efforts and ensure that more members choose subjects related to the green transition.

Several adult vocational training courses are focused on sustainability, and in concert with the boards of the various skills development funds and the supplementary training committees of the various parties, efforts are being made to give prominence to sustainable adult vocational training courses on PensionDanmark's supplementary training site.

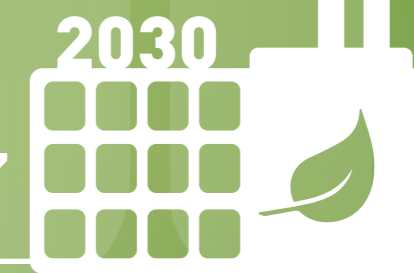
The Danish labour force has been the subject of strategic reorganisation in the past, so a major transition of both the labour market and the labour force is not a journey into the unknown for the Danish labour market or Danish trade and industry. On the contrary, the Danish flexicurity model can contribute significantly to ensuring that the labour force is on board when we have to accelerate the green transition to achieve a 70% reduction in greenhouse gas emissions by 2030.

Flexicurity model

The Danish model is characterised by a special combination of flexibility and security: Flexicurity.

Compared with the setups of most other countries, it is easy for employers to hire and fire employees in Denmark. On the other hand, employees are supported by a safety net in the form of unemployment insurance funds and active employment policies. In addition, employees have access to training through their entire working lives. This drives flexibility in the labour market. Employees do not get stuck in their jobs but continue to seek new challenges, thus making room for newly qualified employees and others. In the same way, employers can adjust staff levels to reflect fluctuations in the company's production and the need for new skills.

THEME



SUPPLEMENTARY TRAINING DRIVES GREEN TRANSITION

Easier access to motivated employees

Landscape gardening and climate engineering company OKNygaard A/S relies on supplementary training to retain the right employees so they can be frontrunners in the green transition.

OKNygaard's more than 500 employees are green transition frontrunners, whether carrying through major climate projects in residential neighbourhoods, establishing bio-diverse urban open spaces or using pesticide-free herbicides. Supplementary training plays a key role in this.

"Supplementary training is vital if we want to retain and upgrade the skills of our employees in order to maintain our competitive edge in the market by offering our customers the newest and most climate-friendly solutions," explains Jakob Arler, HR Partner at OKNygaard A/S.

The formula for more qualified employees is not just mandatory courses in handling the newest tools or more complex methods for reducing environmental impacts. It is also about preparing the employees for supplementary training. About 20% of OKNygaard's hourly paid workers are dyslexic, so reading and writing courses are a necessary first step before moving on to other supplementary training programmes.

According to Jakob Arler, upgrading employee skills benefits all parties.

"Our keenness to upgrade the skills of our employees by enrolling them on a course is clearly motivational," he explains.

OKNygaard has launched a major supplementary training project to accommodate customer demand for green solutions. In each of the coming three years, OKNygaard will train 35 climate gardeners, and all employees must attend green transition workshops by the summer of 2022.

But planning supplementary training and applying for grants takes time. At OKNygaard, they are therefore very pleased that PensionDanmark, via automated and digital solutions, has made it much easier to get an overview of relevant courses and receive grants from the skills development fund for landscape gardeners.

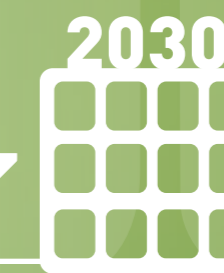
"We would like our investment in skills upgrading to pay off. For us as a business, having an overview of the options available to each individual employee and having a smooth disbursement of grants is therefore important," says Jakob Arler.



"Supplementary training is vital if we want to retain and upgrade the skills of our employees in order to maintain our competitive edge in the market"

Jakob Arler, HR Partner at OKNygaard A/S

THEME



SUPPLEMENTARY TRAINING DRIVES GREEN TRANSITION

Ticket to a better future

PensionDanmark's complimentary training site provides members an overview of education opportunities. That helps to ensure both members' ties to the labour market and the labour markets' need for more skilled workers in the future.

Supplementary training and skills upgrading are important for maintaining our members' ties to the labour market. Forecasts show that Denmark will be short of up to 70,000 skilled workers and 10,000 employees with short-cycle further education by 2025. It is estimated that these labour shortfalls will cost Denmark up to DKK 100 billion in lost earnings and growth. PensionDanmark is committed to contributing towards solving this social challenge.

“ Forecasts show that by 2025 Denmark will be short of up to **90,000** skilled workers.

Managing 20 skills development funds established under collective agreements, PensionDanmark is committed to providing our members with favourable supplementary training opportunities. Several studies have documented that adult vocational and supplementary training helps reduce sickness absence, enhance job security, raise pay levels and support labour market mobility.

PensionDanmark has taken the lead by developing a supplementary training site that provides members and employers with a clear overview of relevant courses. By integrating our data with those of our business partners, we have created a 360-degree overview of completed training programmes, work experience and the many supplementary training options. By means of intelligent solutions and algorithms, members are ultimately provided with an overview of courses that are relevant to them. The sharing of information on completed training programmes makes it easy for companies and local trade unions to plan supplementary training programmes for employees. At the same time, automatically generated applications ensure the smooth and straightforward distribution of grants.

A certain win

It is a widespread view among the Danish working age population that they need to continually upgrade their skills by means of supplementary training if they wish to remain in the labour market until retirement. That is the result of a survey conducted by Epinion on behalf of PensionDanmark, in which six out of ten respondents find supplementary training important to keeping a job right up to retirement. Only one in five of the respondents has participated in supplementary training during the past year, although almost 90% are able to point to one or more specific benefits they could themselves obtain through supplementary training, such as better chances of changing jobs or getting a promotion, enhanced job security, greater job satisfaction and higher wages.

Dilemma:

Inequality in education leads to unequal opportunities for education

In spite of decades of political attention and good intentions of creating equality through education and training, there is still significant social inequality in education. While social mobility in education has increased in recent decades, social background still plays an overly dominant role in determining who gets which education.

We need to take action earlier if our members' children are to experience more equality in education. We do all in our power to provide the best possible framework for supplementary training by increasing accessibility and providing a better overview.



Target 4.4

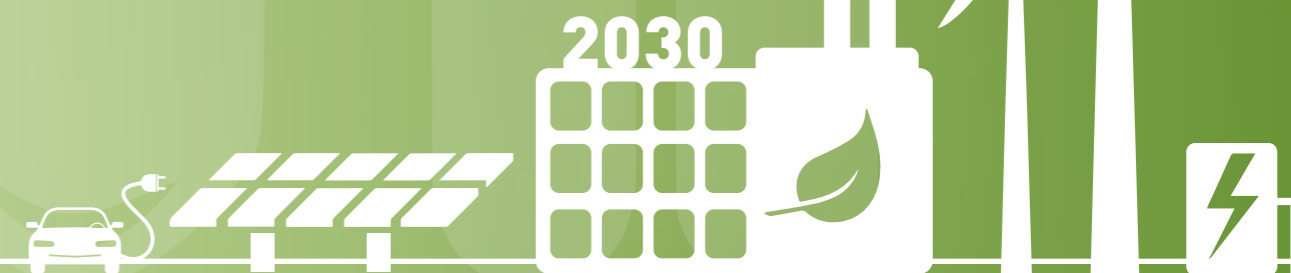
By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Danish indicator 4.4.ii: Number of course participants and full-time students in adult and continuing education.

In 2021, 9,700 members and 500 companies logged in to PensionDanmark's supplementary training site, which was fewer than in 2020. Since its launch in May 2019, 30,600 unique members and more than 1,000 companies have logged in to the supplementary training site.

Total grants from the skills development funds managed by PensionDanmark fell from DKK 71.7 million in 2020 to DKK 52.9 million in 2021. In 2021, grants were disbursed for 35,800 training programmes compared with 48,000 training programmes in 2020, a decline of 26%. Companies' demand for supplementary training declines in boom times, which translates into a decline in grants from skills development funds.

THEME



SUPPLEMENTARY TRAINING DRIVES GREEN TRANSITION

Mona increased her value as an employee

Supplementary training benefits both members and companies. In the case of Mona Møller, supplementary training helped upgrade her skills and gave her a solid foundation to build on.

Mona Møller, a plant operator at Nørager Dairy and a member of PensionDanmark, has made use of her opportunities for supplementary training. This has improved her working life and also increased her value as an employee.

"I'm a trained social and health care assistant but worked as an unskilled worker at Nørager Dairy. While I was attending a course ["Operator Maintenance"], someone told me about the plant operator training programme. That sounded like just the thing for me, so I asked my manager for permission," Mona recalls.

She got the go-ahead to enrol in the programme, and Nørager Dairy received a grant from the skills development fund for the dairy industry.

The programme has given Mona a broad knowledge of the mechanics, chemistry and powering of the plant used at Nørager Dairy. In addition to now being a qualified plant operator, Mona is in no doubt that the programme has given her a general boost.

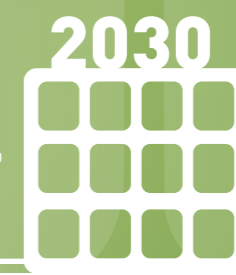
"Professionally, I've upgraded my skills and am now able to help localise faults when our machines are being serviced, for example. And personally, getting better at what you do is very satisfying. You increase your value as an employee, and that gives you something to build on".

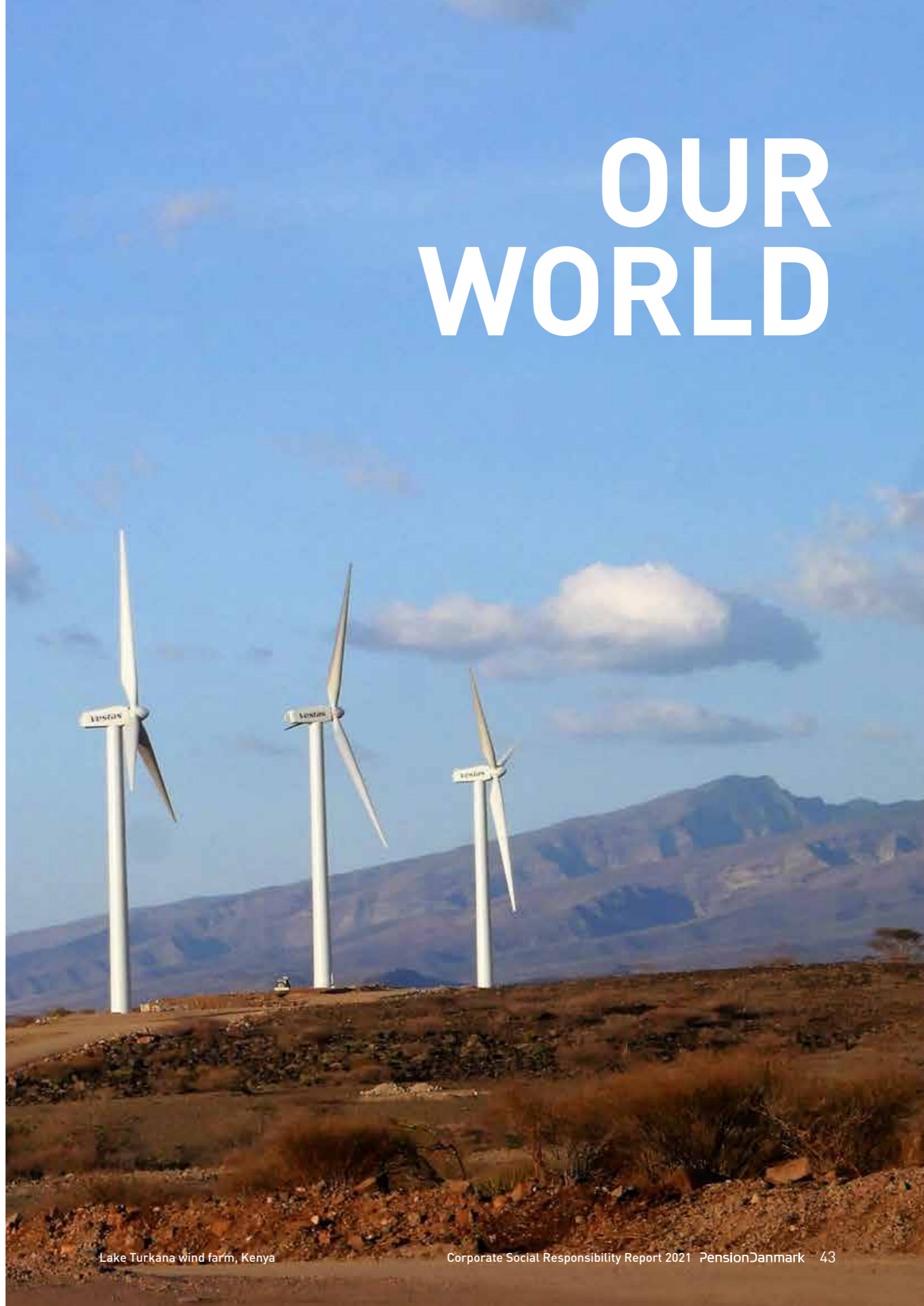


"Personally, getting better at what you do is very satisfying. You increase your value as an employee"

**Mona Møller
Plant operator at Nørager Dairy**

THEME





OUR WORLD

Contributing positively to Danish society

PensionDanmark's investments generate solid returns for our members, while at the same time contributing towards developing Danish society and meeting parliament's target of a 70% reduction in CO₂ emissions by 2030.

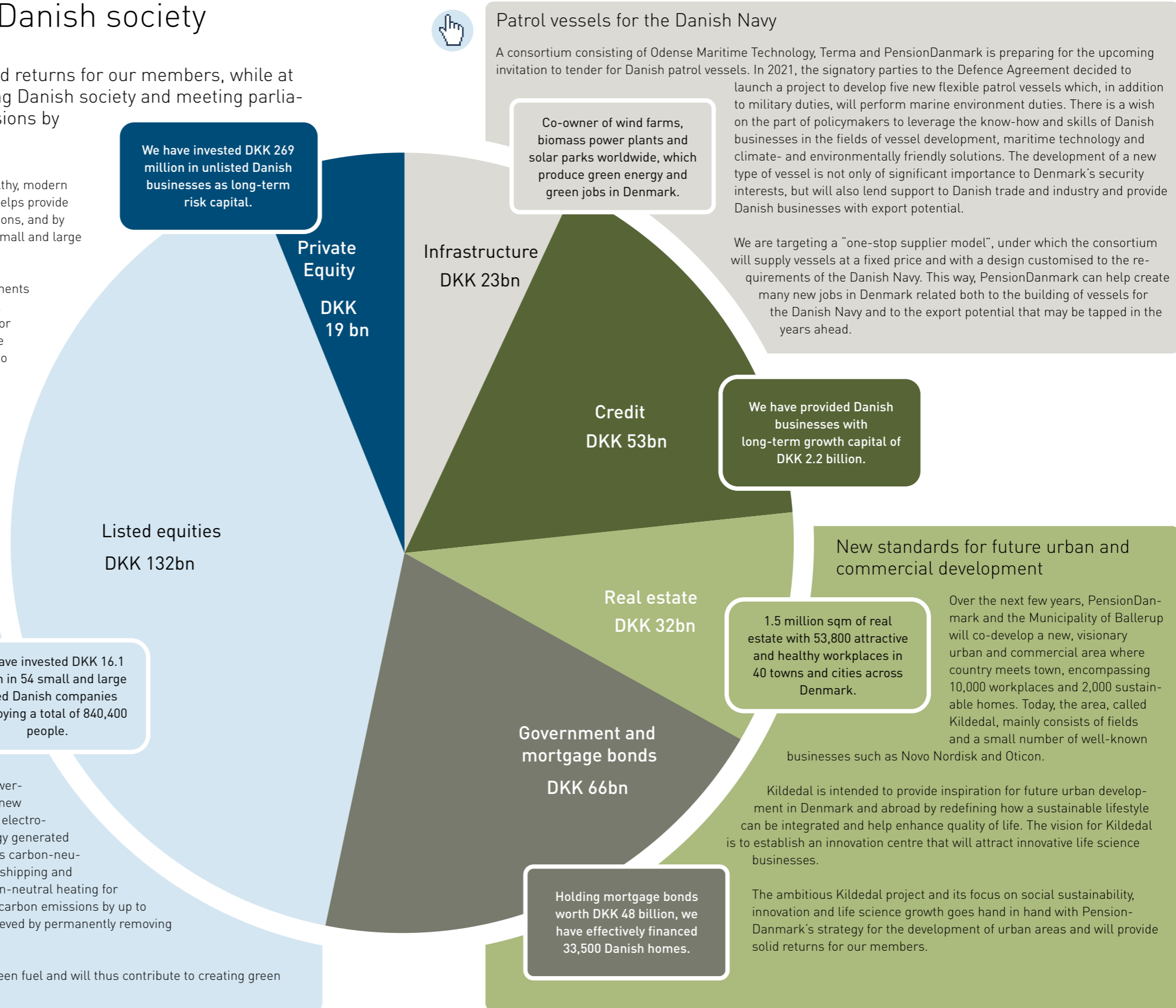
Real estate investments create construction jobs and provide healthy, modern workplaces and homes. By purchasing bonds, PensionDanmark helps provide loans for Danish businesses, homeowners and housing organisations, and by investing in equities and direct loans, we help provide capital for small and large businesses, enabling them to evolve and create growth and jobs.

Over the past few years, we have expanded our portfolio of investments through partnerships that can help solve the challenges Denmark will face in the future: Green energy shortages, growing demand for sustainable buildings and the need for new types of vessels for the Danish Navy and Danish island ferry services. That makes sense to us, our members and society at large.

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's real estate investments create an estimated 1,000 construction jobs for each billion DKK invested.



Patrol vessels for the Danish Navy

A consortium consisting of Odense Maritime Technology, Terma and PensionDanmark is preparing for the upcoming invitation to tender for Danish patrol vessels. In 2021, the signatory parties to the Defence Agreement decided to launch a project to develop five new flexible patrol vessels which, in addition to military duties, will perform marine environment duties. There is a wish on the part of policymakers to leverage the know-how and skills of Danish businesses in the fields of vessel development, maritime technology and climate- and environmentally friendly solutions. The development of a new type of vessel is not only of significant importance to Denmark's security interests, but will also lend support to Danish trade and industry and provide Danish businesses with export potential.

We are targeting a "one-stop supplier model", under which the consortium will supply vessels at a fixed price and with a design customised to the requirements of the Danish Navy. This way, PensionDanmark can help create many new jobs in Denmark related both to the building of vessels for the Danish Navy and to the export potential that may be tapped in the years ahead.

Jobs and green solutions

PensionDanmark invests in Danish companies that create jobs and develop green solutions. In addition to investing in their equities, we also engage in dialogue with companies, for example through the climate partnership, and in projects that contribute to solving social challenges and generating solid returns for our members.

In 2021, PensionDanmark committed to invest in the Danish Power-to-X project Høst through Copenhagen Infrastructure Partner's new fund, CI Energy Transition Fund I. Project Høst concerns a 1 GW electrolysis system on the west coast of Jutland that will convert energy generated by offshore wind turbines into ammonia that can be used both as carbon-neutral fertilizer in the agricultural sector and as green fuel for the shipping and transport sectors. Surplus heat from the plant will supply carbon-neutral heating for some 50,000 homes in Esbjerg. The plant is expected to reduce carbon emissions by up to 1.5 million tonnes a year, the same reduction that would be achieved by permanently removing 730,000 cars from the roads.

DSV and A.P. Møller Mærsk have both signed up as buyers of green fuel and will thus contribute to creating green jobs and reaching the government's climate targets.

New standards for future urban and commercial development

Over the next few years, PensionDanmark and the Municipality of Ballerup will co-develop a new, visionary urban and commercial area where country meets town, encompassing 10,000 workplaces and 2,000 sustainable homes. Today, the area, called Kildedal, mainly consists of fields and a small number of well-known businesses such as Novo Nordisk and Oticon.

Kildedal is intended to provide inspiration for future urban development in Denmark and abroad by redefining how a sustainable lifestyle can be integrated and help enhance quality of life. The vision for Kildedal is to establish an innovation centre that will attract innovative life science businesses.

The ambitious Kildedal project and its focus on social sustainability, innovation and life science growth goes hand in hand with PensionDanmark's strategy for the development of urban areas and will provide solid returns for our members.



Søren, Head of Equities at PensionDanmark

Returns must be responsible

PensionDanmark is committed to generating the best possible returns for our members, while at the same time acting as a responsible investor. Accordingly, investees' business conduct and impacts on the environment and society are key elements of investment decisions.

PensionDanmark's mission is to deliver solid returns for our members. To that end, we seek out investments that promote social agendas as we believe they provide the best long-term returns.



To invest responsibly, we need data on companies' business conduct and impacts on society and the environment. This is collectively referred to as ESG (Environmental, Social and Governance), and ESG data support investors in assessing how companies run their business in relation to environmental, social and governance aspects and are an integral part of our investment decisions.

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



Exclusion is a balancing act

As a general rule, PensionDanmark does not exclude companies for product-related reasons. We support the international political agreements to which the Danish government is a signatory and do not invest in companies involved in the production of cluster munitions, chemical weapons or landmines. Moreover, we do not invest in tobacco production. A number of companies with significant activities in thermal coal production and oil companies with substantial revenues from tar sand have also been excluded as these sectors are believed to be winding down due to their highly polluting and climate adverse production methods.

We have not excluded fossil fuels from our investment universe. As a general rule, PensionDanmark invests in visionary and progressive companies that support the green transition, including companies in the fossil fuel industry. For the past 12 years, PensionDanmark has invested in renewable energy as renewable energy sources contribute to reducing carbon emissions and making the world independent of fossil energy.



Target 7.2

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

Danish indicator 7.2.ii: Share of total energy consumption from renewable energy sources, by purpose.

In 2021, PensionDanmark owned DKK 12.1 billion in green energy production based on wind, biomass and solar cells. Avoided emissions for 2021 amounted to 1.5 million tonnes against 1.9 million tonnes in 2020. The decline was attributable to lower wind speeds in 2021, while at the same time ownership interests in offshore wind farms have been sold to other investors and several large projects are still under development.

Dilemma:

Climate protection or investment returns?

Under the so-called Prudent Person Principle (PPP), pension funds must invest their assets in such a way as to best serve the interests of their members – i.e. members' returns. At the same time, pension funds must demonstrate social responsibility and invest to promote the green transition. These two objectives may seem contradictory, and some might say that PPP prevents Danish pension funds from taking climate responsibility and disposing of assets in fossil energy companies. We believe that an investment can be green and profitable at the same time. We call this approach "do good and do well".

2021 RESULTS

- > PensionDanmark has invested DKK 12.1 billion in green energy production and committed to invest an additional DKK 11.3 billion
- > At 31 December 2021, PensionDanmark has invested DKK 1.5 billion in new green solutions

Next generation of green investments

PensionDanmark's first renewable energy investment was Nysted Offshore Wind Park, which at the time of its construction was the largest offshore wind park in the world. Since then, more investments, in recent years focused on new green technologies, have been added.



Over the past 12 years, PensionDanmark has invested massively in renewable energy and green infrastructure, mainly through Copenhagen Infrastructure Partners (CIP), the world-leading renewable energy infrastructure investor co-founded by PensionDanmark in 2012. Generating solid returns for our members, this has turned out to be a profitable investment. In recent years, our focus has mainly been on the next generation of green technologies that will hopefully provide new solutions to the global climate crisis.



Target 7.a

By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

Danish indicator 7a.i: Private funds used for climate and energy research

By investing in funds and companies focusing on the next generation of green investments, we help promote the development of new green technologies and facilitate access to research in that area. In 2021, PensionDanmark has reserved DKK 1.8 billion for investments in the development of the next generation of green technologies, including DKK 1.5 billion in CIP's new fund, CI Energy Transition Fund

New green investment fund

In 2021, PensionDanmark committed to invest a total amount of DKK 1.5 billion in CIP's new fund, CI Energy Transition Fund I (CI ETF I), which invests in projects that develop carbon-neutral green fuels and raw materials for industries for which transition is difficult. The projects are located in Denmark, Norway, Sweden, Spain, Japan and South Korea. Through our investment in CI ETF I, PensionDanmark participates directly in the next phase of the green transition and provides capital to help industrial businesses and countries reach their carbon neutrality targets. This is a natural next step for PensionDanmark.

New standardised island ferries

Denmark consists of a large number of islands of varying sizes, populations and geographies. This diversity is characteristic not only of the islands themselves, but just as much of their ferries, which play a key role in island communities.

In a partnership with Odense Maritime Technology and in collaboration with the Danish Ferry Secretariat, PensionDanmark has co-developed a new standardised ferry solution for Denmark's small islands and short crossings with a view to optimising ferry operations and aligning them with passenger needs. The collaboration offers greater flexibility and protection against potential operational risks and, not least, a future-proof and sustainable ferry solution, given that the new ferries will be powered by electricity and are thus a more climate-friendly solution than the current diesel-powered ferries.

This way, the Danish island municipalities contribute to reducing carbon emissions. At 31 December 2021, nine Danish municipalities had signed an agreement to buy a new standard ferry.

Claus Jensen, Chairman of the Danish Metalworkers' Union: "Standardised island ferries are a golden opportunity for us to create a concept that will ensure innovation, flexibility, jobs and on the long run also export opportunities for Denmark."



Innovative green solutions

In 2021, PensionDanmark acquired a 20% interest in Danish cleantech business Stiesdal, which is engaged in the development of four different climate technologies: Floating offshore wind foundations, energy storage technology, Power-to-X technology and pyrolysis plants for atmospheric carbon capture and storage and biofuel production for the airline industry.

PensionDanmark's investment in Stiesdal offers considerable return potential, while at the same time all four of Stiesdal's technologies have the potential to contribute towards achieving global climate goals and creating green jobs in Denmark. The company's floating foundations enable the installation of offshore wind turbines irrespective of water depth, which may multiply the already huge global offshore wind potential.



1. Floating offshore wind foundation

2. Illustration of Projekt HØST at the port of Esbjerg

3. Ærø has bought two new standardised electric ferries

Investing in the poorest countries in the world

The populations of at-risk developing countries are paying heavily for the damage caused by climate change, and the COVID-19 pandemic is jeopardising the progress achieved through the past many years. PensionDanmark's investment strategy assumes a long, steady haul, and we invest in funds focused on sustainable growth and job creation in developing countries.

Investing in developing countries is a long-term commitment where development, testing and scaling require patience and a willingness to take risks. Since 2014, PensionDanmark has helped raise private capital for direct investments in developing countries through our investments in three funds managed by the Investment Fund for Developing Countries (IFU) – Danish Climate Investment Fund (DCIF), Danish Agribusiness Fund (DAF) and Danish SDG Investment Fund (the SDG Fund).

These funds are examples of "blended finance", meaning that public and private capital are combined.

In 2017, PensionDanmark co-founded the Africa Infrastructure Fund I (AIF I), managed by A.P. Møller Capital, the purpose of which is to invest in transport and energy infrastructure in Africa that promotes sustainable economic growth and job creation.



Target 17.3
Mobilize additional financial resources for developing countries from multiple sources.

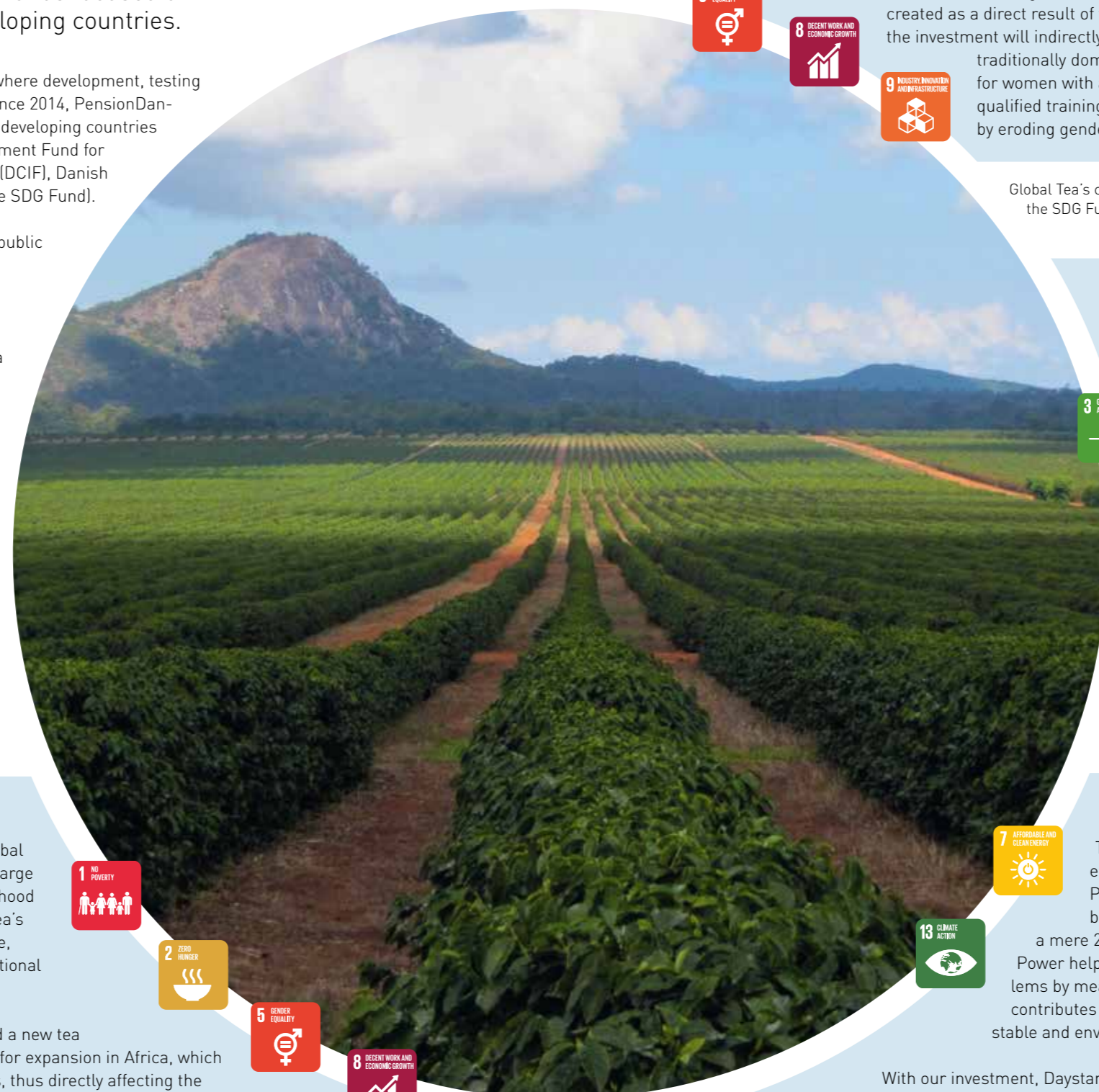
Danish indicator 17.3.i: Foreign direct investment in developing countries and least developed countries as a share of total foreign direct investment.

Since 2014, PensionDanmark has invested DKK 1.7 billion in funds where developing countries are their primary focus. PensionDanmark has committed to invest almost DKK 1 billion in AIF I and has invested a total amount of DKK 712 million in IFU's three funds. Most recently, PensionDanmark has committed to invest DKK 400 million in the SDG Fund.

Decent jobs in Kenya and Malawi

Through the SDG Fund, PensionDanmark has invested in Global Tea, a tea, coffee and macadamia nut business employing a large number of women in Kenya and Malawi and providing a livelihood for thousands of small farmers all over East Africa. Global Tea's products are certified under Fairtrade and Rainforest Alliance, and the company is the preferred supplier of several multinational businesses.

PensionDanmark's investment will enable Global Tea to build a new tea packing plant in Mombasa and support the company's plans for expansion in Africa, which will lead to new decent jobs and support more small farmers, thus directly affecting the lives of many people. Moreover, the investment will help support sustainable African food businesses.



Port infrastructure in Gabon with positive spillover effects

Through AIF, PensionDanmark has invested in Arise, a developer of port infrastructure in Gabon aiming to facilitate trade by reducing transport costs and building efficient transport terminals. By improving transport terminals, the company helps create jobs and support national and regional economic development by making it easier to export crops and minerals to the global market.

Our investment will generate significant positive spillover effects. In addition to the jobs created as a direct result of the development of port infrastructure, it is estimated that the investment will indirectly lead to the creation of some 72,000 jobs. The port industry is traditionally dominated by men, so Arise has focused on training programmes for women with a view to dismantling barriers for women by offering access to qualified training, introducing qualified female labour and changing the industry by eroding gender bias.



Global Tea's coffee plantation in Malawi, in which PensionDanmark is invested through the SDG Fund

Dialysis treatment in India

More than one million people in India suffer from severe kidney disease necessitating dialysis treatment, and the number is growing. With a view to facilitating access to dialysis treatment, the Indian government has launched a national dialysis programme to establish dialysis clinics all over India in collaboration with private providers. PensionDanmark's contribution to the SDG Fund's investments in DCD Kidney Care, a leading provider of dialysis treatment in India, will help provide vital treatment for financially challenged people with life-threatening disease.

DCD Kidney Care operates more than 100 dialysis clinics across India, and the investment will enable the company to double the number of clinics by 2025, thus enhancing access to dialysis treatment at affordable prices close to the patient's home.



Solar energy solutions in West Africa

Through the SDG Fund, PensionDanmark invests in renewable energy in Africa. Our most recent investment was in Daystar Power, a leading supplier of hybrid solar energy solutions for businesses in West Africa. In many countries in West Africa, a mere 20% of power is supplied by the national power grid. Daystar Power helps companies and factories overcome their power supply problems by means of ready-made solar energy solutions. The solution also contributes to reducing electricity costs and making power supply more stable and environmentally friendly.

With our investment, Daystar Power is on track to expand installed capacity to more than 100 megawatts, which will enable them to meet demand from customers in the financial, production, agricultural and raw materials sectors.



Active ownership is an important tool

As active owners, PensionDanmark can drive positive change, even on difficult issues, through constructive dialogue on challenges and objectionable conditions.

Active ownership is an important tool for PensionDanmark. By exercising active ownership, we work to ensure that the more than 1,000 companies in which PensionDanmark is invested act responsibly and move in a positive direction. This provides the best conditions for generating solid, long-term returns for our members.

Active ownership includes engaging in dialogue with companies' managements as well as voting at their general meetings. In 2021, our main focus was on corporate governance, labour rights, diversity and the companies' environmental, climate and social impacts. We also took additional steps in engaging with Danish companies, sending a letter of notification ahead of the Annual General Meeting (AGM) informing management of PensionDanmark's focus areas and positions.

We vote based on our own voting policy, which reflects the norms and declarations to which PensionDanmark is a signatory and stipulates that the companies must be run in the best interests of the shareholders and society at large.

Active ownership in foreign companies

We are in direct contact with Danish companies ourselves, while we often work with a number of other responsible investors at international level. Our international adviser, Federated Hermes, facilitates dialogue with the companies and collects input from us and other investors, which is reflected in the dialogue. Ahead of a vote at an AGM, Federated Hermes will formulate a common position, which gives

us more clout in relation to the individual companies. They also assist us by issuing voting instructions at the AGMs of foreign companies in accordance with our policy. However, we can always deviate from a position if desired.

On PensionDanmark's website, we disclose how we voted at all AGMs, the purpose being to enhance active ownership transparency.

Measuring the impact of dialogue

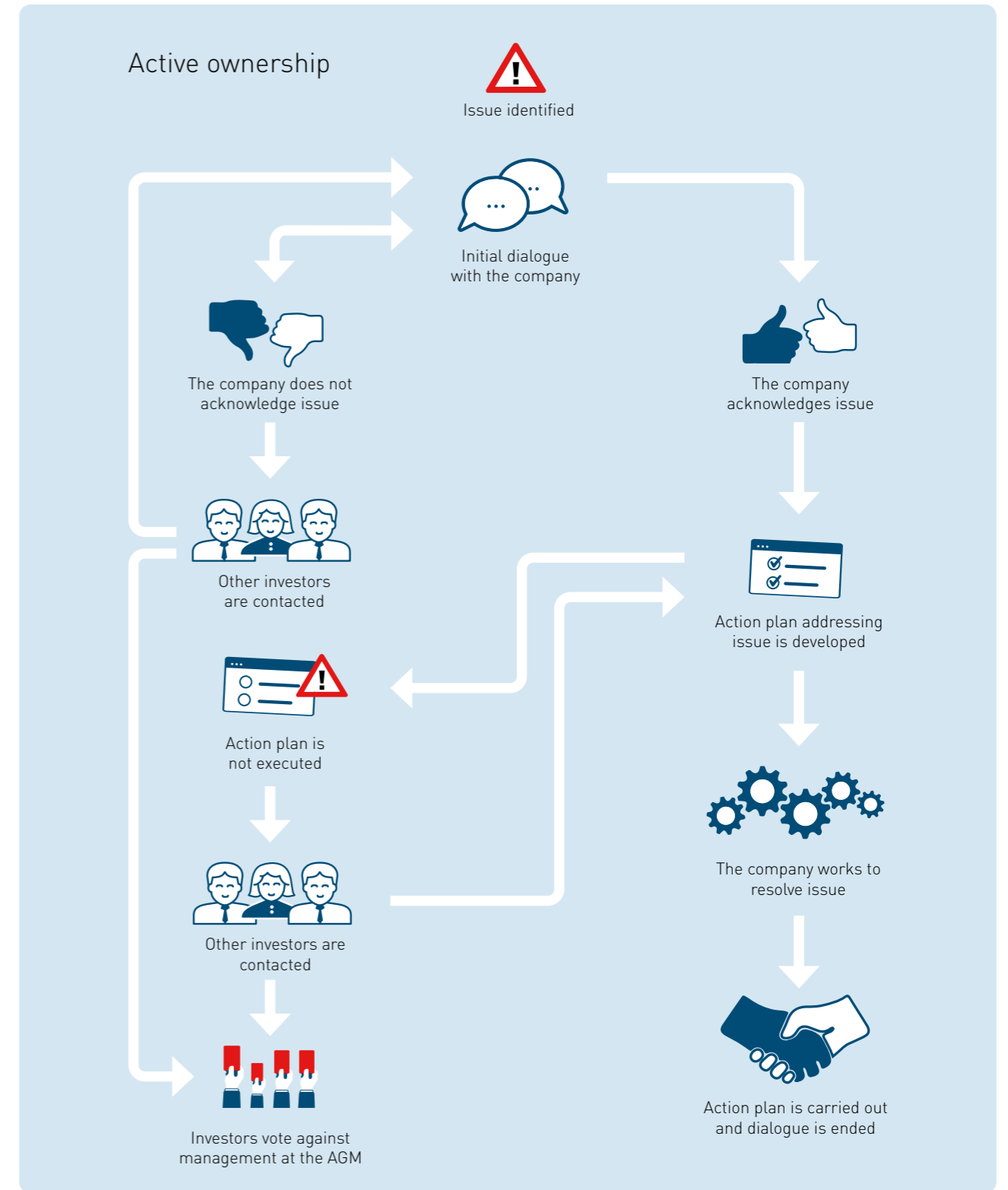
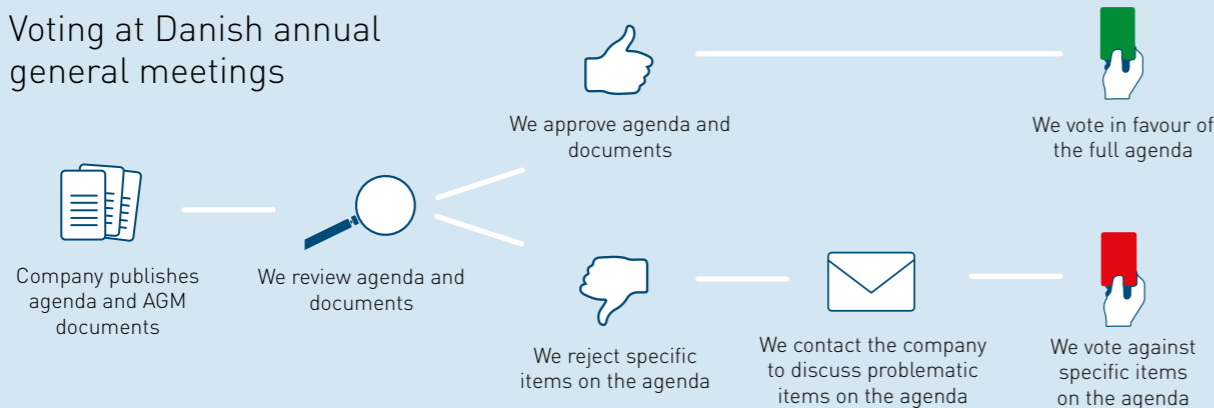
Typically through Federated Hermes, PensionDanmark engages in several hundred dialogues every year alongside other investors in an effort to drive positive change in the companies in which we are invested.

The purpose of these dialogues is to generate returns for shareholders by pointing out and remedying objectionable conditions, but they also serve to give us greater insight into a company's business model, including how it contributes positively to its customers and society at large. This is what ultimately decides whether an investment is attractive for PensionDanmark and our members.

In order to measure our work, we set specific milestones for our dialogues with companies. These milestones may concern increased transparency through reporting of climate risks or the definition of targets for better conditions for employees.

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

Voting at Danish annual general meetings



2021 RESULTS

- > Progress on 340 milestones through PensionDanmark's active ownership, compared with 307 milestones in 2020
- > PensionDanmark engaged in 686 dialogues with 560 companies in 2021
- > For more details on PensionDanmark's voting and milestones, go to p. 79

Developing active ownership

In 2021, PensionDanmark refined its active ownership model with a view to making it more structured. When engaging in dialogue with companies, our areas of priority are climate change adaptation, green transition, diversity and biodiversity.

Through our membership of the Net-Zero Asset Owner Alliance, we work with other investors to strengthen active ownership and to promote engagement in public policies and climate adjustment. We optimised our approach to active ownership in 2021, implementing tools and initiatives designed to systematise the approach to dialogue and voting and make it more structured. In other words, we assumed a more active role in relation to our ownership.

Interacting with carbon emission heavyweights

Climate Action 100+ (CA100+) is an investor-led initiative consisting of 615 investors with combined assets of more than DKK 400,000 billion. The initiative sets out to induce the world's 167 largest corporate greenhouse gas emitters to take necessary action on climate change.



It is PensionDanmark's policy to vote in favour of shareholder proposals flagged by CA100+. Accordingly, in 2021, we voted in favour of proposals to commit Delta Air Lines to report on their climate lobbying and to commit General Motors to link climate target metrics to the remuneration of its management. The CA100+ initiative has developed a net-zero benchmark to assist investors in evaluating focus companies' ambitions and actions in terms of climate change mitigation.

Clearly pinpointing areas where companies can improve their climate performance, the tool is an important company dialogue facilitator.

Stepping up diversity efforts



The financial sector plays a key role in shaping the future in terms of inclusion and diversity. Diversity is a resource that can help drive companies' development, success and growth by unlocking and utilising different skills for the benefit of the business and the individual employee. PensionDanmark expects investee companies to target the same degree of diversity as represented by their stakeholders. That is in the best interest of the companies and their shareholders.

In 2021, we intensified our efforts to drive diversity in our investees, initially focusing on gender distribution. Studies show that the underrepresented gender must make up at least 30% in order to have any real influence on the board. Through Federated Hermes, we support initiatives that promote an equal gender distribution on boards of directors.

Focus on green transition initiatives

Transition Pathway Initiative (TPI) is a global asset owner-led initiative that was launched in 2017. It is a recognised tool for assessing companies' preparedness for the green transition and their efforts towards meeting the goals of the Paris Agreement. Based on information disclosed by the companies, their planned or expected greenhouse gas emissions are benchmarked against international targets and national pledges. The tool is thus a forward-looking indicator, and focus is generally on high-emission companies such as utility companies, oil and gas companies and cement and steel manufacturers.

PensionDanmark uses the tool for its own analysis of portfolio companies and to assess their preparedness for and progress towards the transition to a low carbon economy. Most recently, we used the TPI tool to assess a number of oil and gas companies. We have also used the tool for our investor dialogue with US power company Nextera, which we encouraged to enhance transparency and data reporting to TPI.



We wish to continue using this tool as it enables comparable and standardised analysis of companies in which PensionDanmark is a shareholder as well as prospective investments that we find attractive based on their green transition efforts.

Rikke from PensionDanmark's investment team

Prioritising biodiversity is a must

Studies show that around one million of the world's eight million animal species are threatened with extinction within decades unless drastic measures are implemented to bring the negative trends to a halt. The pace of agricultural expansion and growth of urban areas has put massive pressure on ecosystems and biological diversity over many years. Because of the loss of biodiversity, wild animals have moved closer to domestic animals and humans, increasing the risk of virus transmission from animals to humans and, by extension, the risk of future epidemics.

In 2021, PensionDanmark signed the Finance for Biodiversity Pledge committing institutional investors to protect and restore biodiversity through their financing activities and investments by 2024. Specifically, signatories commit to collaborate and share knowledge on assessment methodologies, biodiversity-related metrics, targets and financing approaches for positive impact on biodiversity and to incorporate criteria for biodiversity into their ESG policies. In addition, they commit to assess their financing activities and investments for significant positive and negative impacts on biodiversity and identify drivers of its loss and set targets based on the best available science. Lastly, they pledge to report annually and be transparent about the significant positive and negative contribution to global biodiversity goals linked to their financing activities and investments in their portfolios.





Skibet, PensionDanmark's sustainability certified property at Køge Kyst

Real estate generating stable sustainable returns

Real estate investments generate stable returns for PensionDanmark's members and point the way for the sustainable homes and workplaces of tomorrow.

PensionDanmark invests in real estate for the purpose of obtaining stable and less cyclically sensitive returns on our members' savings. At 31 December 2021, our real estate portfolio amounted to DKK 32 billion, or 10.5% of the total investment portfolio.

The building and construction industry accounts for about 35% of Denmark's waste production, and Danish buildings account for some 40% of Denmark's energy consumption. This calls for greater attention to future and existing buildings if we want to reach Denmark's emission reduction targets by 2030.

Sustainability certification

In addition to favourable investment returns, sustainable real estate brings long-term energy and operational savings and reduced carbon emissions and also offers an improved indoor climate and working environment, which is beneficial to health, well-being and productivity. PensionDanmark therefore requires all new buildings to be certified according to sustainability standards. At PensionDanmark, we use the DGNB certification system, according to which all elements of the construction process are measured before, during and after construction. We require all new buildings to obtain DGNB gold certification as a minimum.

We aim for most of our properties to be classified as green under the EU taxonomy. To that end, we energy-optimize existing properties on an ongoing basis and only build new properties with a low energy consumption.

Long-term public partnerships

As one of Denmark's largest builders, PensionDanmark has a strategic focus on partnerships with the public sector – the government, regions and municipalities alike. In the context of public-private partnerships (PPP), we offer to design, build, operate and fund a project on a long-term basis for the public sector. This enables us to make large-

scale real estate investments that will provide solid long-term returns for our members.

PPPs entail benefits for the public sector as well insofar as PensionDanmark, being a private builder, has a financial incentive to deliver at the agreed time and price and to design efficient long-term solutions that can be profitably run and maintained for many years to come. Combining construction and operations, PPP projects thus offer better quality and an improved overall economy in the long run.

Award-winning PensionDanmark

In September, PensionDanmark won international recognition at the IPE Real Estate Global Awards for our results in integrating sustainability into commercial leases and student accommodation, winning the Nordic Investor of the Year and the Value-added Strategy awards.

In November, at the Building Awards 2021, given by Licitationen – Byggeriets Dagblad, PensionDanmark and Boligfonden DTU won the Project Development Award for PensionDanmark's sustainable student accommodation in Lundtofte and Ballerup.



Target 11.3

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

Danish indicator 11.3.i: Number of DGNB-certified buildings and urban areas in Denmark by property type.

38.6% of PensionDanmark's properties meet the criteria for classification as green under the EU taxonomy for sustainable finance. An additional 7,850 sqm of PensionDanmark's real estate portfolio was certified according to sustainability standards in 2021, a 2.4% increase on 2020.

2021 RESULTS

- > PensionDanmark owns or co-owns 157 properties, equivalent to 1.5 million sqm, in Denmark
- > In 2021, 30% of PensionDanmark's real estate portfolio was certified or pre-certified according to sustainability standards, an increase of 5% on 2020
- > Total carbon footprint per sqm from our Danish properties were reduced to 8.9 kg in 2021 from 11.6 kg in 2020



1. Trælåsten, Aarhus
 2. Student accommodation concept Studio[Home], Lundtofte
 3. Henrik, an electrician from Høyrup & Clemmensen

Innovating the properties of tomorrow

When we erect new buildings, we aim to leave the smallest possible climate footprint. This requires us to employ new solutions in terms of materials for construction and fittings and to minimise the energy consumption of our buildings.

As a property developer, PensionDanmark has a say at all the stages of construction and is therefore in a position to integrate sustainability from start to finish – from reusing materials and building elements, which reduces the impact on the environment, to using near-finished modules, which reduces construction time and thus also inconvenience for neighbours. We also think innovatively in terms of optimising property operations through new digital solutions.

It is estimated that Denmark’s consumption of electricity must double going forward to 2030 if we are to meet parliament’s target of a 70% reduction in carbon emissions. Successfully transitioning the Danish energy system will require that Danish consumers do not consume more energy than is produced. This implies that the homes and buildings in which the Danish population lives and works must be energy-efficient. Energy upgrading of existing buildings is therefore a key element of PensionDanmark’s sustainability approach to real estate investment.

Reuse rather than demolish

Our innovative way of thinking finds expression through all stages of a building’s construction and life. In Aarhus, where PensionDanmark is establishing a new urban area called Trælåsten, the usual approach of tearing down and removing existing buildings before building new ones using new materials has been abandoned. Instead, PensionDanmark is pursuing the approach that the most sustainable solutions are those created using materials already produced so that the environment is spared the impact from making new materials. Accordingly, everything from bricks and tiles to entire building elements from the existing buildings at the site is reused.

The carbon emission reductions obtained by reusing materials and employing wooden structures have helped win Trælåsten platinum DGNB urban area pre-certification. Trælåsten is a manifestation of pioneering sustainable urban area development.

Modular buildings with pre-installed furniture

During the construction phase, PensionDanmark seeks to work as efficiently as possible and with the smallest possible impact on the environment, which is exemplified by the Studio[Home] concept developed in collaboration with Boligfonden DTU. The student accommodation units are constructed using room modules manufactured at ScandiByg’s factory at Løgstør and delivered to the construction site 80% completed, which reduces the construction period and, by extension, inconvenience for neighbours.

To date, the concept has resulted in some 800 student accommodation units in Lundtofte and Ballerup, where the students have also benefited from an innovative furniture solution. Where, traditionally, you would have to bring or buy necessary items such as a bed, dining table and storage furniture, these student accommodation units have already been fitted out with furniture designed by Danish design and technology business Stykka. The furniture consists of easily separable components born with a digital twin, which makes it easy to reprint damaged parts and thus to prolong the life of a product. If damage occurs, spare parts can be ordered by scanning the furniture using an app. This not only entails a significant carbon emission reduction, it also results in less waste and less wear and tear when moving in and out as well as homes built with high quality standards and still affordable to students living on student grants.

Efficiency through digital solutions

Innovation does not stop when a property has been completed and the tenants have moved in. PensionDanmark has an unwavering focus on smart and efficient property operations with a view to reducing climate impact and maintenance costs.

Measures include IoT solutions involving the mounting of a digital telltale mechanism in a property’s concealed installations, from where it reports errors and deviations that can subsequently be examined and fixed before potentially causing serious damage.

Such digital solutions facilitate efficient operations and the monitoring of a building’s indoor climate and energy consumption.

Plan, Fælledby, Copenhagen



Fælledby and the political process

In the 1990s, a broad group of the parties represented at the Copenhagen City Hall resolved to take steps to accommodate the increasing demand for housing in Copenhagen and at the same time sell off land to fund the city's metro. This resulted in the adoption of the act to develop Ørestad and the construction of the Copenhagen metro. This laid the foundation for the currently four Ørestad districts located along the Amager Vest metro line and housing 20,000 people and a similar number of workplaces. Fælledby is the fifth and last district of the Ørestad project.

The location of Fælledby on the old dumping ground in Amager Fælled represents a dilemma that calls for extraordinary attention. Special consideration needs to

be shown to the surrounding countryside, while at the same time the housing units must be of high quality and public services such as schools, care homes and social housing must match policymakers' requirements. This harmonises with PensionDanmark's approach to sustainable building and development of entire urban areas.

The location of Fælledby on Amager Fælled, an area of natural beauty in Copenhagen, seized the headlines in 2021, especially after two complaints boards put a temporary stop to the preliminary works on the site until in December, following careful consideration, complaints board experts found the project to be satisfactory in terms of natural protection and initial municipal planning and gave the go-ahead.



Visualisation of Fælledby, Copenhagen

Fælledby – the first urban wooden district

Fælledby is Denmark's first urban area to have all buildings predominantly made from wood. Wood construction as a technology has evolved immensely over the past few years and today offers high-quality buildings with a significantly reduced carbon footprint compared with concrete buildings. Sustainability will thus be given top priority during the construction phase, ongoing efforts will be made to minimise the consumption of resources and in everyday life in the district, in the shape of barter centres, solar panels on roofs, bike paths right to the door and proximity to public transport.

The vision for Fælledby is that it will be a diverse district where choosing sustainable solutions is easy. The ambition is to establish an urban area offering affordable housing for families, single persons, elderly people and students. The proximity to nature should make its mark on the local communities that drive social cohesion in the district. One third of the area will be laid out as wild, semi-urban nature. Animals and plants will be able to pass freely from the surrounding commons through Fælledby's natural areas. The interaction between buildings and semi-urban nature is a key focal point for the project developers involved. Architects, urban developers, biologists and engineers have therefore been charged with placing the 2,000 housing units in the area while paying due regard to nature.

Fælledby will have a total floor area of 219,000 square metres distributed across 2,000 housing units, 500 of which will be social housing units. To this should be added a school accommodating some 750 pupils, two

day-care institutions, an elderly care centre, housing for socially vulnerable people and shops.

Fælledby will be located in the southern part of Amager Fælled, covering 18 of the common's 223 hectares [one hectare roughly corresponds to one football pitch]. Nine of the 18 hectares will comprise buildings and roads, six will be semi-urban nature, and three will be courtyards and a town square.

The project is a partnership between PensionDanmark, which will own most of the housing units and the retail premises, the City of Copenhagen, which will provide school and care facilities, and social housing organisations, which will build and operate social housing units. The project company is owned 50/50 by PensionDanmark and By & Havn.



Target 11.7

By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities.

About 50% of the Fælledby area will be semi-urban nature, courtyards and town squares, benefiting residents, students and senior citizens. The interaction between green and public spaces and good traffic conditions will enhance safety for all.



Visualisation of the care centre of tomorrow, Herlev

New opportunities for the elderly in Herlev

Herlev will be the first municipality to build a state-of-the-art, innovative urban area where eldercare, housing, public services and shops are combined in accordance with PensionDanmark's new residential care concept.

In August 2021, the city council of the Municipality of Herlev decided to establish 192 residential care units and 32 temporary housing units for the municipality's elderly people in a partnership with PensionDanmark. In addition to the residential care units, lifestyle homes totalling 10,000 square metres, distributed over 100 apartments designed for families and 50+ communities, and a small shopping area will be established.

The new area will house an extended care centre combining public facilities such as a healthcare clinic, rehabilitation facilities and town hall functions in a new multi-purpose house.

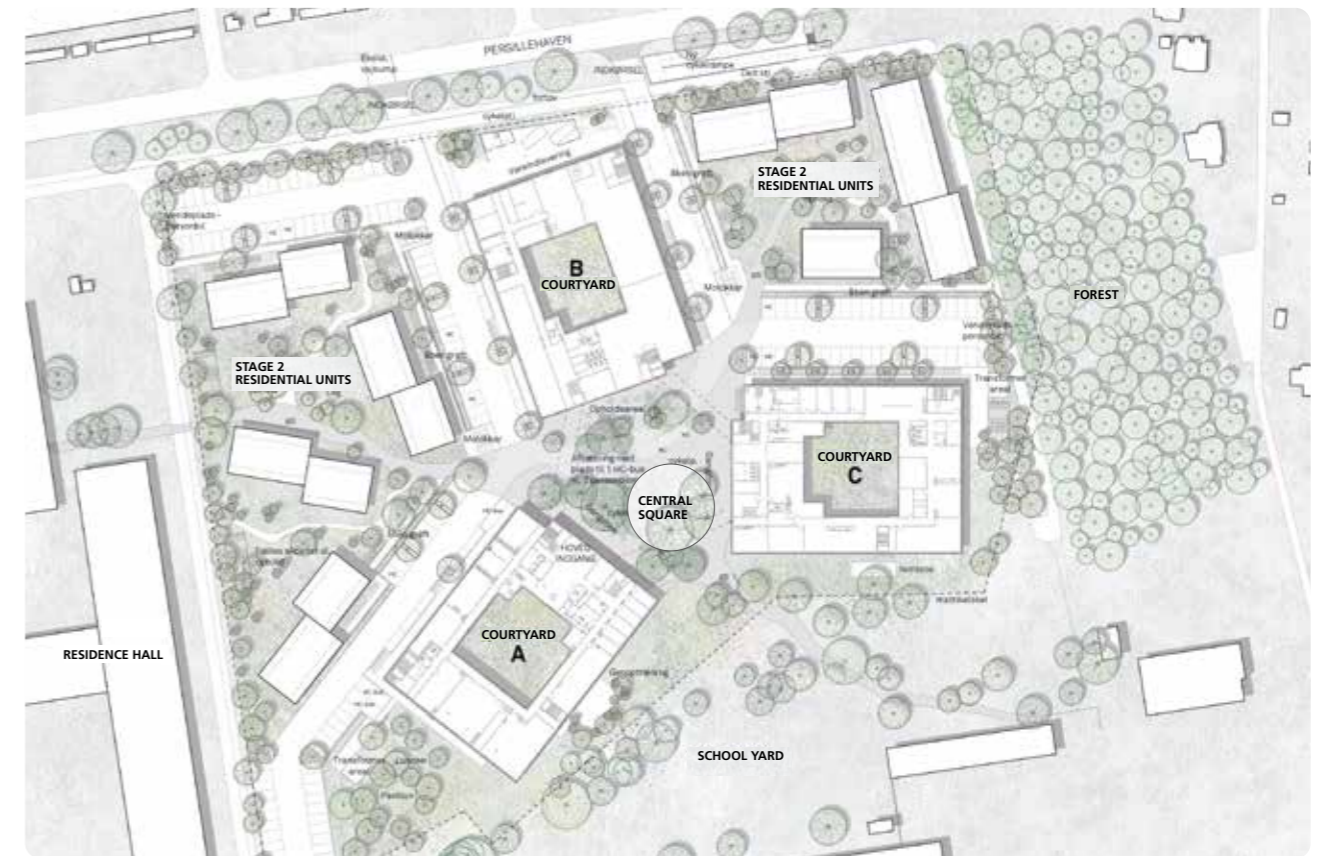
The innovative care centre and private housing units to be established in Herlev have been developed in a public-private partnership between the Municipality of Herlev and PensionDanmark, with the municipality's

eldercare experts working together with private-sector healthcare specialists.

With a view to creating the best possible care centre, staff, tenants' representatives, relatives, neighbours, a professional project team and a steering committee are all involved in the development of the centre. To promote interaction between the care centre, the school, the residence hall and housing units, there will also be focus on creating a convivial outdoor atmosphere.

Construction is scheduled for completion in 2025 and will be carried out so as to qualify for DGNB Gold sustainability certification.

"The new urban area at Hjortespring will provide a better quality of life for the senior citizens of Herlev. At the same time, it will create new and attractive opportunities for the local community. In order to achieve the best possible result, we will involve citizens and employees in the design of the project," explains Thomas Gyldal Petersen, Mayor of Herlev.



Plan, Hammergården health centre, Herlev

New residential care concept

When PensionDanmark is the builder, sustainability and clear concepts are the key to a good investment. For several years, PensionDanmark has worked according to a sustainability programme that covers the certification of buildings, urban areas and recreational areas and sets requirements for real estate projects.

In 2021, PensionDanmark launched a new Lifestyle Home Care concept. In light of the rapidly growing number of older people, Danish municipalities are faced with the challenge of having to establish up to 20,000 new residential care units by 2030. PensionDanmark's residential care concept sets the framework for how to build attractive community-focused homes and high-quality care centres at the same time. By means of high architectural quality, attractive local environments and communities with practical and social content, we create the most value for residents and employees.

At PensionDanmark, we are committed to giving our members a secure retirement, and we expect our new concept to be scaled and rolled out to municipalities across the country. Establishing residential care units is a complex process involving several sets of laws and a variety of collaboration partners, so PensionDanmark's concept therefore offers a high degree of flexibility

enabling it to be aligned with the input of municipalities, private operators and advisers.

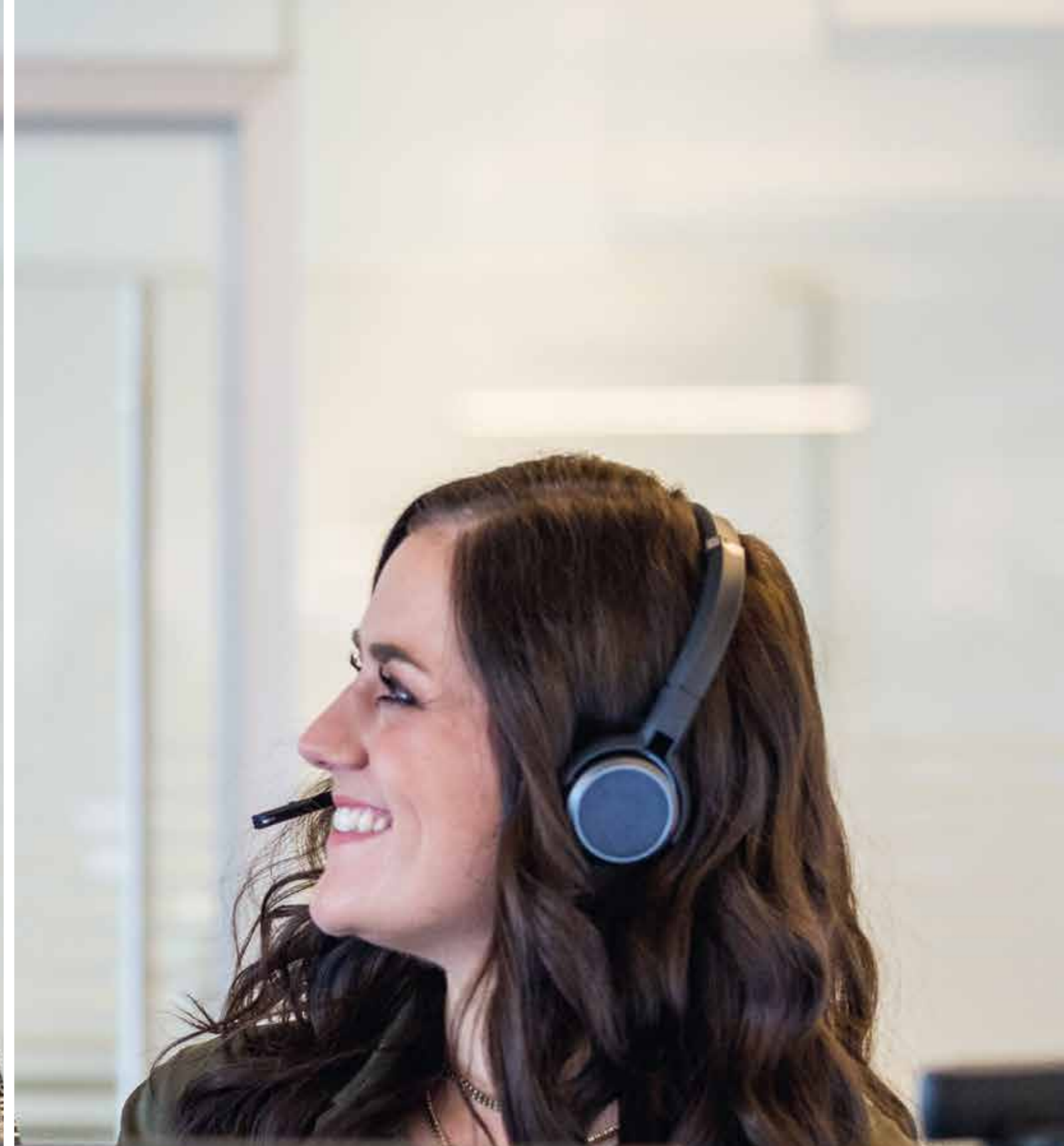
Our sustainability ambitions are high for all the projects we invest in, and all Lifestyle Home Care buildings will be certified according to the DGNB Gold standard.



Target 11.1

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

PensionDanmark's new Lifestyle Home Care concept ensures construction of high-quality care centres that accommodate the increasing demand for nursing homes in the future. The first sod is taken in Herlev, where PensionDanmark is establishing 190 residential care units in Herlev, scheduled for completion in 2025. In 2021, we completed the construction of 780 student accommodation units in Lundtofte and Ballerup. By 2026, more than 300 student accommodation units will be established in Fælledby and the new district to be established adjacent to Copenhagen Hospitality College in Valby.



OUR EMPLOYEES

Christine and Frederikke from PensionDanmark's healthcare team



Head of HR Mia and Finance Business Partner Julius discussing PensionDanmark's ESG reporting



Target 11.6
By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.

Employee commuting became a part of PensionDanmark's CO₂ accounts in 2021. With estimates based on attendance at our domicile on Langelinie Allé, emissions from employee commuting amounted to 85 tonnes at 31 December 2021, an increase of 7 tonnes compared with 2020. The increase was attributable mainly to a higher headcount.



Target 12.5
By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Danish indicator 12.5i: Waste generated, by sectors.

In 2021, PensionDanmark generated 55 tonnes of waste, an increase of 10.6% compared with 2020. The share of waste recycled rose by 24%, which means 32% of our total waste was recycled.

Reporting on our own footprint

As a member-owned, collective agreement-based labour-market pension fund, we hold ourselves to high standards – when investing our members' savings and when interacting with our suppliers in general.

At PensionDanmark, we hold all suppliers to clearly defined standards, and our in-house policies and requirements comply with the ten principles of the UN Global Compact. If we find that a supplier fails to live up to our requirements, 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.

All our suppliers must respect the right of their employees to unionise and must pay wages in accordance with applicable collective agreements. They must also comply with legislation prohibiting discrimination on the grounds of gender, ethnicity, sexual preference or age as well as with environmental and climate impact requirements.

Knowledge drives sustainable change

PensionDanmark's employees are part of a corporate culture that makes them personal ambassadors for a sustainable climate strategy. This means, for example, that all company cars are electric.

Most of PensionDanmark's carbon emissions are generated by our investments, but we are aware that carbon

emissions are also affected by our suppliers and the conduct of our employees – for example whether they go to work by car, public transport or bike.

The first step towards reducing carbon emissions is to measure them, which we do. In 2021, we measured carbon emissions in connection with commuting, distance working and purchases from our suppliers. This knowledge enables us to gradually reduce our carbon footprint.

For example, by estimating carbon emissions from our purchases, we get an indication as to where we should prioritise our efforts and take action. Such action could be choosing the right collaboration partners or nudging suppliers in a more sustainable direction. Our knowledge contributes to engaging our employees and our suppliers in a mutually beneficial dialogue on sustainability.

Our employees take responsibility

Pandemic-induced lockdowns affected parts of 2021. In that situation, PensionDanmark benefited from a strong culture among our employees, who took responsibility for IT security and GDPR compliance. When working from home, it is essential that our employees have the required respect for and ability to protect sensitive member data. For this reason, we welcome the new statutory requirement obliging us to account for our data ethics policy in our annual report from 2021.



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.

It is important to PensionDanmark that the right to collective bargaining and freedom of association are respected by our suppliers.

Handling COVID-19 at Langelinie Alle

The COVID-19 crisis inevitably left its mark on 2021. At PensionDanmark, we have generally followed the authorities' recommendations and, where business permitted, have widely worked from home for periods of time.

Throughout 2021, we tested all office-based employees twice a week, and all our employees and their families were also offered vaccinations at Langelinie Alle.

2021 RESULTS

- > The recycled share of our total waste volume rose by 6 percentage points compared with 2020, to 32%
- > We reduced our paper consumption by 0.8 tonnes, or 9.7% since 2020
- > The gender pay gap, measured by median salaries, narrowed by 2 percentage points. The median salary for men is 30% higher than the median salary for women

Flat organisation with room for individuality

PensionDanmark is a modern, healthy and environmentally conscious workplace committed to taking the lead when it comes to enhancing diversity and ensuring healthy working conditions. Working at PensionDanmark should be exciting and stimulating.

Our organisational structure is flat and focused and has room for individuality. All PensionDanmark's employees are highly professional and committed. The distance between employees and their immediate superiors is short. This ensures a high level of information and constructive dialogue and, not least, a short chain of command with focus on getting the job done – whether day-to-day tasks or major projects.

Our flat structure confers responsibility as well as influence on each individual employee. That is how we deliver on our projects, big and small, for the benefit of our members.



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 building 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.

Morten raises the bar for sustainability

Morten Kristensen is head of real estate investment at PensionDanmark Ejendomme and part of a 25-strong team managing total real estate investments of DKK 32 billion. This makes PensionDanmark one of Denmark's largest builders. As head of real estate investment, Morten's job is to find and buy commercial and residential projects, and his mandate is wide.



"I have a great deal of freedom when it comes to spotting attractive investments with the potential to produce solid long-term returns for our members. Our current ambition is to invest DKK 3-4 billion per year. A large portion of that money is allocated to our urban development projects, but we're also chasing other major investment projects – as long as they exceed DKK 250 million. It's a big responsibility, but it's also super exciting," explains Morten.

With projects of that magnitude, PensionDanmark is able to make a difference in relation to the green transition, and that is of great importance to the department's collaboration partners.

"They really appreciate that we're raising the bar and thinking differently in terms of sustainable building. We have to. If we don't build sustainably, the property's long-term value will be affected. We quite simply can't afford not to."

Mette's Everest

In the autumn of 2021, after two years of stagnant project activity, PensionDanmark launched its new cloud-based IT platform, which is designed to let us manage the pension schemes of our members in the best possible way, also in the future. Project manager Mette Lund Madsen was in charge of the platform lift (in PensionDanmark lingo: PFL) and found it both a huge task and a great work experience.



"PFL is PensionDanmark's largest IT project to date and no doubt the largest project I'll ever get to be involved in. Knowing that I was involved all the way from initial idea to product launch is very special. This is "my Everest."

According to Mette, we are no longer limited by a physical, humming mainframe now that we have a cloud-based IT platform. "Everything's in the cloud, which means we can scale the system depending on how much engine power we need. We've also established a simpler core system with an architecture that enables us to easily replace the surrounding subsystems as the market evolves," Mette explains.

Scalability is important given that PensionDanmark's members have full 24/7 self-service access for all elements of their pension schemes.

"The cloud solution enables us to continually adjust capacity to the system load and thereby avoid downtime or long response times in servicing our members. This means we can continue our digital customer journey, focusing on a high level of customer service and low costs."

PensionDanmark's domicile at Langelinie Allé



Brian fires up the strategy

The governing principle behind PensionDanmark's strategy process going forward to 2025 is that we must support our products digitally to ensure our members make the most of their pension schemes.



Brian Krogh Larsen, Head of Digital at PensionDanmark, focuses on the use of technology as part of the strategy process and expects this to drive greater value for members in the future. "It's an exciting process to be a part of, and the projects we're working on are good examples of how we always put our members first," explains Brian.

One particular initiative aims to make more members actually do the exercises provided to them by the physiotherapists operating under our healthcare programme. "Some of our members are not so keen on doing the exercises, but we know they play a key role in ensuring the effectiveness of a treatment programme. These members may benefit from a digital training universe, where a course of treatment with a physiotherapist is combined with a video-based training universe designed to address the specific pain felt by the member concerned and to monitor whether they do their exercises."

According to Brian, the strategy process was driven by data. We have extensive knowledge of our members, both through our own data and via Statistics Denmark. This gives us a good foundation for providing even better proactive services to our members.

Our efforts in 2021 and our focus in 2022

For PensionDanmark, 2021 was characterised by excellent returns for our members and new partnerships that will extend far into 2022. Our focus in the next year will be on sustainable investments that can generate strong returns and on new products that are aligned with our members' challenges and needs.

With a view to ensuring future returns for our members, our investment portfolio is diverse. In 2021, we increasingly turned our focus to the next generation of green technologies that will hopefully provide new solutions to the global climate crisis, and we will maintain that focus for the next many years. At PensionDanmark, we believe that an investment can easily be green and profitable at the same time. We call this approach "do good and do well".

Our efforts in 2021 were supported by new partnerships. We believe strong partnerships make us better and ensure the best solutions and products, for the benefit of our members and society at large. Our partnerships with competent partners on new types of ferries for Danish island communities, patrol vessels for the Danish Navy, urban and commercial development and housing for youth and the elderly will continue in 2022, creating jobs and contributing towards reaching the target of a 70% reduction of carbon emissions by 2030.

We will be on the lookout for new partnerships across industries in the coming year too.

In 2021, PensionDanmark launched a strategy process to develop products, existing and new, based on the challenges faced by our members. We continually develop our products, services and investments to help equip our members to deal with these challenges. Going forward, our products will therefore be supported digitally by our new cloud-based IT platform to ensure our members make the most of their pension schemes.

We have set a high level of ambition for our next steps in addressing the ongoing changes to the global, European and national agendas on which PensionDanmark's business model is based. The global COVID-19 crisis was a dramatic manifestation of these changes and will speed up several processes of change. Partnerships for health and eldercare will therefore play an important role in our efforts in the coming year. Our focus will be on enhancing the health and wellbeing of our members and their families.

"You get what you measure" was the theme of PensionDanmark's CSR report for 2020. Those efforts were continued at full throttle in 2021 and will be carried on into 2022.

The EU taxonomy and the Disclosure Regulation set a common ESG language and enable the surrounding world to better understand the sustainability impacts of financial market participants. In the coming year, we will work to become ready to report on all 18 mandatory and two optional adverse impact indicators of the Disclosure Regulation for as large a part of our investment portfolio as possible. We will also define 2030 targets for the carbon footprint of our investment portfolio.

Lastly, we will continue our efforts to measure the impact of our core business. We aim to provide measurements for all our products by 2025.



To the right, Polaris and Castor on Islands Brygge - two buildings PensionDanmark has constructed



Monika is a supervisor at an Elis laundry and a member of PensionDanmark



APPENDIX

Appendix

Key figures and financial ratios

	2021	2020	2019	2018	2017
Contributions, DKKbn ¹	14.7	14.0	13.5	13.0	13.6
Benefits paid, DKKbn	9.5	7.2	7.5	8.2	7.8
Return on investment assets before tax, DKKbn	36.5	16.1	28.8	-3.2	16.6
Total assets, DKKbn	326.8	289.7	271.1	235.9	233.2
Equity, DKKbn	5.0	4.8	4.6	4.3	4.2
Administration fee per member, DKK	297	297	297	297	297
No. of members, year-end	799,200	765,300	752,500	732,000	713,000

¹ Incl. contributions relating to health and accident insurance

Relevant comparatives

	Unit	2021	2020	2019	2018	2017
OUR MEMBERS						
Pension scheme						
Logins to pension.dk	Number	1,938,805	1,461,348	1,154,140	807,747	634,048
Logins to pension.dk via app	Number	1,186,868	962,592	679,820	321,209	156,554
Return for 45-year-old member ¹	%	16.0	7.6	16.1	-2.6	9.9
Benefits paid to members	DKKbn	9,474	7,159	7,540	8,248	7,845
Benefits paid to retired members	DKKbn	3,789	3,672	3,447	3,130	2,828
Health programme						
Preventive treatments	Number	422,134	265,657	369,763	340,088	288,946
Prompt Diagnosis cases opened	Number	12,459	10,192 ²	6,471	4,992	4,083
Online medical consultations ³	Number	2,839	515	-	-	-
Supplementary training						
Grants paid by supplementary training funds	DKK	52,944,758	71,723,531	58,908,779	56,643,852	64,586,722
Supplementary training programmes	Number	35,765	47,906	45,102	44,256	48,226
OUR WORLD						
Investments						
Investments in green infrastructure	DKKbn	12,139	15,303	13,664	14,853	12,541
Investments in new green solutions	DKKbn	1,793	0	0	0	0
PensionDanmark's total carbon footprint	Tonnes/DKKbn	7.9	7.7	8.8	12.6	11.4
Active ownership						
Active ownership dialogues	Number	686	632	488	436	556
Progress on milestones in companies in which PensionDanmark is invested	Number	340	307	253	197	213
Real estate						
Sqm owned or partially owned by PensionDanmark	sqm	1,476,285	1,443,602	1,308,569	1,185,916	924,296
Sqm obtaining sustainability certification during the year	sqm	7,841	31,420	68,513	84,637	8,138
Real estate portfolio CO ₂ intensity	kg/sqm	8.9	11.6	11.8	-	-
Properties aligned with EU sustainability criteria ⁴ %	%	38.6	-	-	-	-

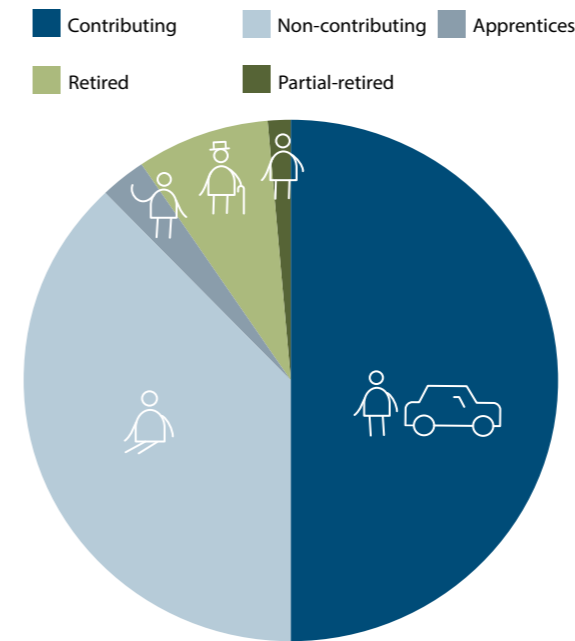
¹ Numbers for 2017 and 2018 for a 40-year-old member

² Revised from 7,687 in Corporate Social Responsibility Report 2020

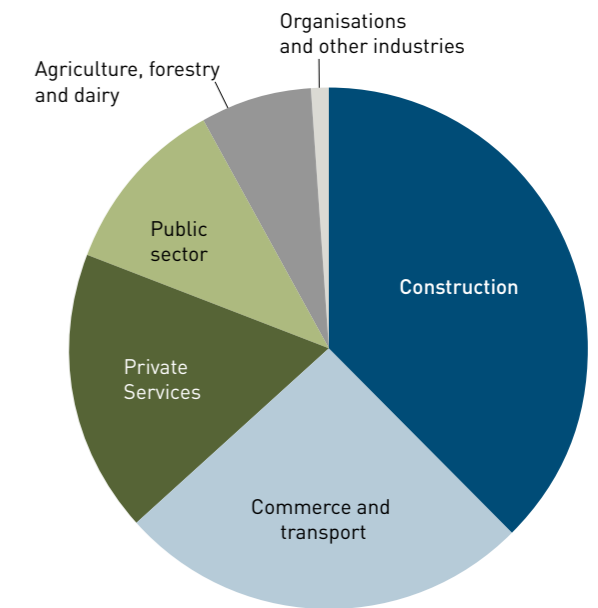
³ The online medical consultation service was launched in November 2020

⁴ Disclosure not required before 2021

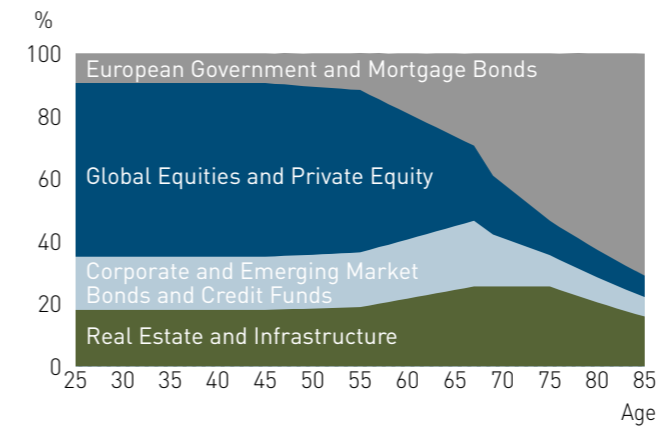
Member distribution



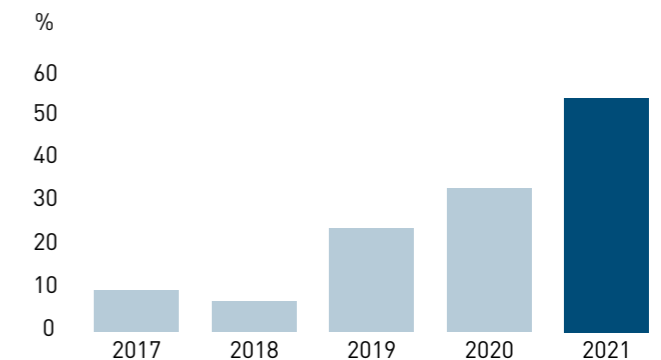
Industry distribution



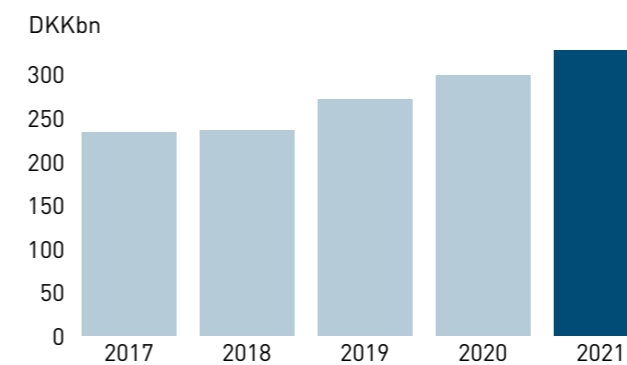
Age pool tapering profile



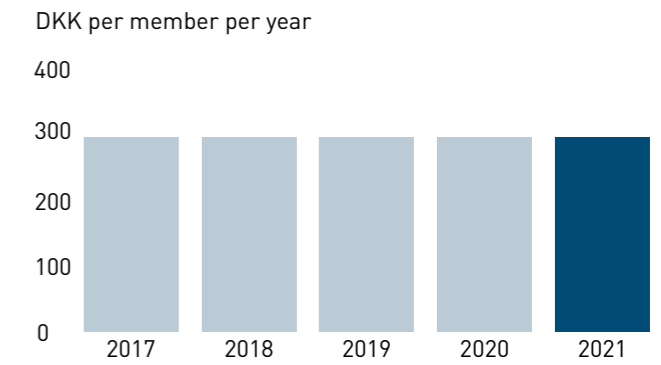
Accumulated return, 2017-21, 50-year-old model member



Total assets



Administrative expenses



ESG key figures and ratios

		Target 2025	2021	2020	2019	2018	2017
Environmental data							
CO₂e emissions from company:	Unit						
CO ₂ , scope 1 ¹	Tonnes	20.3	45	42	79	-	-
Including transportation by zero-emission cars	%		4.2	5.6	5.9	-	-
Including transportation by low-emission cars	%		8.2	4.8	3.6	-	-
CO ₂ e, scope 2 (market-based)	Tonnes	61.5	71	56	66	448	489
CO ₂ e, scope 2 (location-based)	Tonnes		455	386	412	448	489
Energy consumption (scope 1 + scope 2) ²	GJ		9,154	7,247	8,458	7,634	7,659
Renewable energy share (scope 2)	%		82.2	78.2	73.3	42.7	40.1
Purchased ¹	%		78.5	73.4	69.1	-	-
Self-produced ¹	%		3.7	4.8	7.2	-	-
Energy consumption	GJ		9,154	7,247	8,458	7,634	7,659
CO₂e, scope 3, estimated							
C1: Purchased goods and services ¹	Tonnes		6,674	6,229	5,420	-	-
C5: Waste ¹	Tonnes		1.2	1.1	1.2	-	-
C6: Business travel ¹	Tonnes		15.4	44.2	117.6	-	-
C7: Employee commuting ³	Tonnes		132.7	121.2	-	-	-
C15: Investments	Tonnes of CO ₂ e		1,558,168	1,099,284	966,996	540,980	575,430
CO ₂ e, scope 3, total	Tonnes		1,564,992	1,105,680	972,535	540,980	575,430
Other company-related environmental data:							
Water consumption	m ³	2,363	2,769	2,552	3,150	3,040	2,952

¹ Data were not available for the computation of ratios for 2017-2018.

² Energy consumption and renewable energy share are calculated based on scope 2 market-based.

³ Data were not available for the computation of ratios for 2017-2019.

In 2021, we significantly improved the ESG ratio data basis by including measurements for additional activities (purchases, commuting and remote working). While this leads to higher reported emissions, it also enhances transparency on and insights into PensionDanmark's climate footprint.

In 2021, PensionDanmark's scope 1 emissions were up by some 3 tonnes of CO₂ year on year, which was attributable to the pension and healthcare advisory bus making more journeys compared with 2020, which was affected by coronavirus lockdowns. Scope 2 emissions were also up year on year. The 25% increase was driven by PensionDanmark's lease of additional space at the domicile on Langelinie Allé and of additional facilities at Midtermolen in connection with the roll-out of the new digitalisation platform. Scope 3 emissions (excl. investments) were up by 11% in 2021 due to the inclusion of emissions from purchasing, commuting and remote working.

As expected, energy consumption increased year on year as a result of the additional space leased at Langelinie Allé and the additional facilities leased at Midtermolen. Water consumption and waste volumes increased due to a higher headcount and a larger number of open office days compared with 2020. On the other hand, the recycled share of our total waste volume rose by 6 percentage points compared with 2020, to 32%.

In 2021, Scope 3 emissions (excl. Investments) have gone up with 11% because of the inclusion of emissions from purchased goods and services, employee commuting and remote working.

ESG key figures and ratios

		Target 2025	2021	2020	2019	2018	2017
Environmental data – carbon footprint of investments:							
CO₂ emissions from listed equity portfolio:	Unit						
Total emissions	Tonnes of CO ₂ e		727,640	529,224	536,994	540,980	575,430
CO ₂ footprint	Tonnes/EURm	<47.0	51.2	47.0	62.6	94.3	85.4
CO ₂ intensity	Tonnes/EURm		148.8	141.0	153.9	166.9	167.5
Weighted average carbon intensity	Tonnes/EURm		137.9	144.8	137.3	165.2	163.0
CO₂ emissions from corporate bond portfolio¹:							
Total emissions	Tonnes of CO ₂ e		551,281	428,185	372,108	-	-
CO ₂ footprint	Tonnes/EURm	<154.0	168.5	179.8	178.3	-	-
CO ₂ footprint, excl. green bonds	Tonnes/EURm	<134.0	156.1	165.6	170.8	-	-
CO₂ emissions from private equity portfolio¹:							
Total emissions	Tonnes of CO ₂ e		57,096	40,896	47,863	-	-
CO ₂ footprint	Tonnes/EURm	<30.0	27.3	30.8	43.7	-	-
CO₂ emissions from private debt portfolio²:							
Total emissions	Tonnes of CO ₂ e		92,263	90,827	-	-	-
CO ₂ footprint	Tonnes/EURm	<48.0	54.5	68.6	-	-	-
CO₂ emissions from infrastructure portfolio³:							
Total emissions	Tonnes of CO ₂ e		121,968	-	-	-	-
CO ₂ footprint	Tonnes/EURm	<67.0	78.4	-	-	-	-
CO₂ emissions from real estate portfolio¹:							
Total emissions	Tonnes of CO ₂ e		7,920	10,152	10,031	-	-
CO ₂ footprint	Tonnes/EURm	<2.6	2.2	3.46	3.44	-	-
CO ₂ intensity	kg/sqm	< 8.0	8.9	11.6	11.8	-	-
Total CO ₂ footprint of equities and corporate bonds	Tonnes/EURm	<66.0 ⁴	73.1	70.1	85.0	-	-
Total CO ₂ footprint of equities and corporate bonds, excl. emissions from green bonds	Tonnes/EURm	<64.0 ⁴	70.9	67.9	83.6	-	-
Total CO ₂ footprint of investment portfolio	Tonnes/EURm		58.9	57.4	65.6	94.0	85.0
Ownership of green infrastructure, capacity¹:	MW	1,300	893	1,108	961	-	-
Avoided CO ₂ emissions from ownership of green infrastructure, estimated ¹	Tonnes of CO ₂ >2,000,000		1,511,358	1,902,220	2,297,000	-	-

¹ Data were not available for the computation of ratios for 2017-2018.

² Data were not available for the computation of ratios for 2017-2019.

³ Data were not available for the computation of ratios for 2017-2020.

⁴ Asset Owner Alliance goals relating to 2024.

PensionDanmark's absolute emissions will increase over the next five to ten years because of growing investments as a result of contributions outpacing benefits paid. The aim is to reduce our carbon footprint going forward to 2025.

The carbon footprint of PensionDanmark's largest investment portfolio, listed equities, increased in 2021 compared with 2020. This was the result of increased funds being allocated to raw materials companies, not least cement companies. Moreover, PensionDanmark's ownership interest in A.P. Møller Mærsk, the portfolio's greatest emitter, has increased by more than 50%.

Data coverage for our corporate bonds improved in 2021 in terms of both quantity and quality. A trend towards reduced climate footprints among the companies included in the

corporate bond portfolio has reduced the overall carbon footprint of the portfolio.

The real estate portfolio has reduced its footprint, reaching its 2025 target. The reduction was the result of greener production of power and heating for residential and commercial properties and of more low-energy properties being taken into use in 2021.

Emissions avoided for 2021 thus amounted to 1.5 million tonnes against 1.9 million tonnes in 2020. The decline was attributable to lower wind speeds in 2021, while at the same time ownership interests in offshore wind farms have been sold to other investors and several large projects are still under development.

ESG key figures and ratios

	Unit	Target 2025	2021	2020	2019	2018	2017
Social data							
Full-time staff	FTE		321	291	261	246	224
Gender diversity	%	50.0	43.8	43.7	44.0	43.3	46.5
Gender diversity, other management tiers	%	50.0	43.9	44.3	45.2	41.6	41.4
Gender pay gap	Times		1.3	1.3	1.3	1.4	1.4
Staff turnover	%		18.1	12.0	15.7	17.9	18.8
Sickness absence	Days/FTE	4.5	6.8	4.7	6.6	7.0	9.7
Taxes paid	DKKkm		2,362	3,565	298	2,826	1,741
Governance data							
Gender diversity, Board of Directors (17 members)	%	30.0	27.8	23.5	23.5	18.8	23.5
Board meeting attendance	%	95.0	95.0	85.0	82.0	88.0	85.0
Salary gap between CEO and employees	Times		8.9	8.7	8.6	8.5	8.5

The number of employees increased by a net 30 compared with last year. The rate of staff turnover rose to 18.8%, a 6 percentage point increase over 2020, when turnover was exceptionally low due to the coronavirus lockdown. Gender diversity for other management tiers fell by 0.4 percentage points compared with 2020, while the gender pay gap, measured by median salaries, narrowed by approximately 2

percentage points, which means that the median salary for men is 30% higher than the median salary for women.

The target for gender diversity in the board of directors is increased to 30% since that is the standard and also a primary focus for PensionDanmark's active ownership.

Climate reporting

	Unit	2021	2020	2019	2018	2017
Active commitment to climate action						
Active ownership¹						
Climate change dialogues	Number	240	190	134	108	111
Total dialogues	Number	686	632	488	436	556
Properties aligned with EU sustainability criteria^{2,6}						
Existing buildings	%	32.2	-	-	-	-
New buildings (until commencement of use)	%	100.0	-	-	-	-
Total real estate portfolio	%	38.6	-	-	-	-
Sustainability certified properties						
Existing buildings	%	20.0	17.8	19.6	18.4	18.4
New buildings (until commencement of use) ³	%	97.1	89.4	100.0	87.5	85.3
Sustainability of business models²						
Investments aligned with EU sustainability criteria						
Equity portfolio ⁴	%	5.6	-	-	-	-
Corporate bonds ⁵	%	7.9	-	-	-	-
Real estate portfolio ⁶	%	38.6	-	-	-	-
Infrastructure ⁷	%	54.0	-	-	-	-

¹ A response must have been received to the company's inquiry to qualify as dialogue.

² Data were not available for the computation of ratios for 2017-2020.

³ The assessment of whether PensionDanmark's new buildings are sustainability certified is based on pre-certifications.

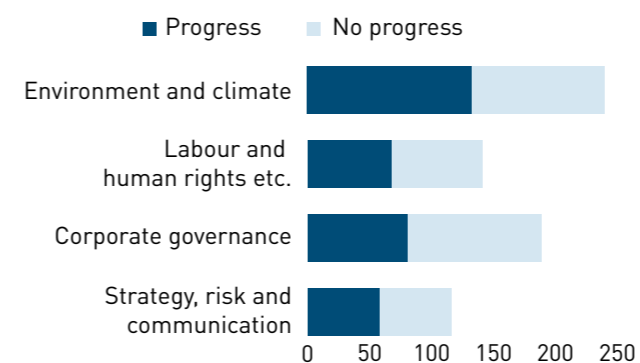
⁴ Aligned with the EU taxonomy, in terms of revenue, according to the MSCI.

⁵ Stated as green bonds certified by third parties.

⁶ For purposes of assessing whether PensionDanmark's buildings meet the EU sustainability criteria, only the buildings' energy efficiency has been considered, not the 'Do no significant harm' or Minimum social safeguards' criteria.

⁷ Stated as ownership of green energy infrastructure.

Milestones in 2021

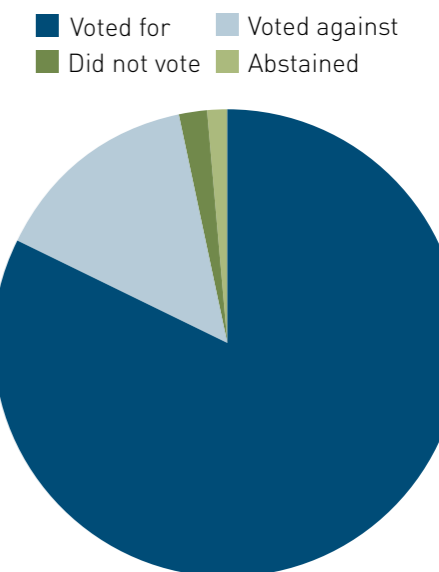


In 2021, the greatest progress was achieved on company dialogues concerning the environment and climate, and these dialogues also accounted for most of the dialogues conducted.

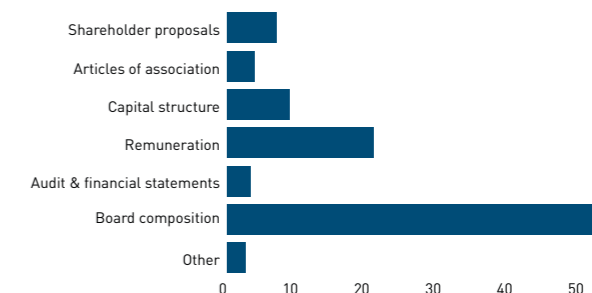
In 2021, PensionDanmark voted for the board's recommendations at 82% of the annual general meetings at which we voted. In most of the cases where we vote against a board recommendation, the recommendation concerns the composition of the board. We may vote against the board if, for instance, the company's CEO is also chairman of the board, or we are concerned about the lack of diversity on the board. Similarly, we may support shareholder proposals which the board recommends voting against, such as proposals for enhanced ESG reporting.

On pensiondanmark.com, we disclose how we voted at all annual general meetings.

Annual General Meetings, 2021



Distribution of votes against board recommendations, %, 2021



Henrik, gardener at Jysk Planteservice, is a member of PensionDanmark

Disclosure data

	Unit	2021
Indicator for adverse sustainability impact¹		
1 Scope 1	Tonnes	620,516
Scope 2	Tonnes	107,124
Total	Tonnes	727,640
2 CO ₂ footprint	Tonnes/EURm	51.2
3 CO ₂ intensity	Tonnes/EURm	148.8
4 Companies active in the fossil industry	%	6.3
5 Share of non-renewable energy	%	77.2
6 Energy consumption intensity, high-emission industries		
Agriculture, forestry and fishing	GWh/EURm	0.2
Raw material extraction	GWh/EURm	2.1
Industry	GWh/EURm	0.7
Power, gas and heating supply	GWh/EURm	5.1
Building and construction	GWh/EURm	0.6
Trade and repair industry	GWh/EURm	0.1
Hotel and restaurant operations	GWh/EURm	1.3
Transport	GWh/EURm	1.6
Real estate, rental and business services	GWh/EURm	0.3
7 Activities in sensitive biodiversity areas ²	%	8.1
8 Water emissions	Tonnes/EURm	7.6
9 Hazardous waste	Tonnes/EURm	28.3
10 Violation of the ten principles of the UN Global Compact	%	0.8
11 Lack of processes and mechanisms for monitoring compliance with the ten principles of the UN Global Compact	%	49.8
12 Average gender pay gap	%	12.2
13 Average share of women on boards	%	30.6
14 Exposure to controversial weapons	%	0.0

¹ The table only discloses available data. ² Two companies with an adverse impact on sensitive biodiversity areas have been identified, which corresponds to 0.05% of the listed equity portfolio.

This year, PensionDanmark reports in accordance with article 7 of the Disclosure Regulation on Principal Adverse Impact (PAI) indicators for the first time. Disclosures are based on MSCI data.

Our disclosures show the climate, environmental and social impacts of the companies in PensionDanmark's equity portfolio. As this is our first time reporting in accordance with article 7, a meaningful comparison is difficult to make, both against previous years and against other financial players. However, measuring companies' impacts and actions creates a basis for improving our performance and reducing our sustainability impacts. For example, this is the first time we have reported on the impact of our equity portfolio on biodiversity, and the results give cause for examining in more detail how 8.1% of the companies' activities impact adversely on biodiversity.

In interpreting the results, allowance should be made for the inconsistent quality of both data and data coverage.

For example, the majority of the companies disclose the proportion of women on the board. The average proportion of women on the boards of the companies in PensionDanmark's equity portfolio is 30.6%. This is significantly higher than the average for Denmark, which is 19.3%. PensionDanmark's efforts over an extended period of time to enhance diversity on the boards of our investees through active ownership may be one of the reasons for this.

On the other hand, data on water emissions are only available for about 8% of the portfolio value, while data on gender pay gaps are available for about 22%. This limited data coverage means that valid conclusions cannot immediately be drawn for a number of the indicators. However, the lack of data is a concern in itself, and through our active ownership, we intend to investigate the reasons why so many companies do not disclose gender pay gaps.

Declaration on article 8 product

The social and environmental characteristics of the product

PensionDanmark promotes environmental and social characteristics by identifying and addressing sustainability factors throughout the investment process. This means that we incorporate significant ESG factors into our investment research and investment decisions, when we exercise active ownership, and when we select external managers to invest on PensionDanmark's behalf.

The purpose of our due diligence procedures is to identify, prevent, mitigate and explain any potential negative impacts of an investment on society and/or the environment and to consider how the investment may be monitored on an ongoing basis. A significant negative impact could be a violation of labour rights or pollution.

Companies engaging in the production of tobacco or controversial weapons and countries subject to sanctions are completely banned from PensionDanmark's investment universe. We also exclude companies which derive 5% or more of their revenues from thermal coal production or extraction of oil from tar sand and companies involved in new thermal coal mines. Similarly, repeated and/or serious violations of, for example, labour rights or human rights may also lead to the exclusion of specific companies if repeated efforts to resolve the issue prove unsuccessful.

We exercise active ownership by engaging in dialogue with our investees and by voting at their general meetings, by which measures we attempt to drive positive change in a number of sustainability-related areas, including on ESG issues.

All investment portfolios are screened on an ongoing basis for violation of PensionDanmark's ethical guidelines and are updated to reflect any new data on the investments. If any non-compliance with the investment strategy comes to our attention, we will open a dialogue for purposes of inducing the company to take necessary measures to prevent a similar violation in the future. If efforts to drive positive change are not successful, we may divest our investment.

PensionDanmark's contribution towards the environmental objectives of the EU taxonomy

PensionDanmark's green investments primarily contribute towards the taxonomy's climate change mitigation objective. PensionDanmark is massively invested in energy infrastructure, such as wind farms, solar parks, biomass power plants and Power-to-X plants. Just over half of PensionDanmark's infrastructure investments contribute towards phasing out fossil energy sources from the global energy mix.

In addition, we build and invest in sustainable buildings, setting strict requirements for the building's energy consumption and the materials used to build it. Our buildings are certified according to internationally recognised standards, including DGNB, LEED and BREEAM, which focus on the environmental, economic and social qualities of buildings. About 33% of PensionDanmark's existing buildings have "A" energy ratings, which, according to the technical screening criteria of the taxonomy, is sufficient for classification as a green building, as these buildings are among the 15% most energy-efficient buildings in Denmark.

In addition, a number of our investees are engaged in the development of solutions to mitigate climate change.

Based on our general requirements regarding the sustainability of our investments, the exercise of active ownership and our substantial investments in green and sustainable activities, we believe that our main product, the pension scheme, meets the definition of a so-called light green product under article 8 of the Disclosure Regulation.

It should be noted that the taxonomy's do-no-significant-harm principle applies only to those investments underlying the financial product that are aligned with the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of the financial product are not aligned with the EU criteria for environmentally sustainable economic activities.

Accounting policies



Accounting policies

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

The method applied for estimating CO₂ emissions from the corporate bond portfolio was changed in 2021 to reflect the availability of improved emission data. Based on the improved data basis, management has found it relevant to restate historical comparatives. The new data have also given rise to an adjustment of the 2024 target.



As regards scope 3, we have chosen to include radiative forcing in air travel emissions for purposes of our disclosures on (C6) business travel and have restated historical ratios accordingly. Moreover, the calculation of (C1) purchases of goods and services is no longer limited to paper consumption. We now measure our total emissions associated with purchased goods and services that are not already reported through other ratios. Historical ratios have been restated accordingly. Lastly, a new ratio for employee commuting, including emissions from remote working, has been added to our scope 3 disclosures.

Effects of changes to accounting policies:	Unit	2020	2019
C1: Purchases of goods and services	Tonnes of CO ₂ e	+6,077	+5,075
C6: Business travel	Tonnes of CO ₂ e	+21	+55
C15: Investments of which corporate bonds	Tonnes of CO ₂ e	+121,563	+105,563

Other than as set out above, the accounting policies are consistent with those applied last year.



Environmental data

Much of the environmental data is related to CO₂e emissions, which are calculated in accordance with the Greenhouse Gas (GHG) Protocol unless otherwise stated. For reporting purposes, emissions are divided into scopes according to the source of emission:

Scope 1 reflects direct emissions from own office buildings and vehicles.

Scope 2 reflects emissions (at the energy producer) from purchased power, district heating and cooling.

Scope 3 reflects all other indirect emissions from, e.g., sub-contractors and, for financial undertakings, CO₂e emissions from investment portfolios.

CO₂e emissions for the three scopes are stated as follows:

Scope 1

Direct emissions generated by the reporting company's own combustion of fuels and materials. Emissions are measured in tonnes of CO₂e and comprise all transportation subject to the tax rules on mileage allowance, all company transportation in company cars and all journeys made by the pension and healthcare advisory buses. Total mileage is converted according to a standard CO₂e emission per kilometre driven in a standard car or bus, as the case may be.

Scope 2

For purposes of calculating scope 2 CO₂e emissions, the conversion of power and district heating into CO₂e emissions is based on the general declaration of Energi Danmark and HOFOR. The market-based principle also takes purchases of sustainable energy into account. By comparison, location-based CO₂e emissions are calculated using average emission factors. The renewable energy share is the sum of renewable energy, as defined by the general declaration of EnergiDanmark and HOFOR, and energy produced by means of own solar cells. Power supplied by EnergiDanmark is 100% renewable as the company has purchased green energy.

Scope 3

Scope 3 CO₂e emissions are disclosed as a supplement to the guidelines issued by FSR – Danish Auditors, Nasdaq and the Danish Finance Society. Under the GHG Protocol, scope 3 CO₂e emissions are divided into 15 sub-categories (C1-C15). PensionDanmark does not disclose data for all those categories, which is due either to a lack of data or to the fact that the sub-category in question is not relevant to PensionDanmark's activities.

PensionDanmark discloses CO₂e emissions for C1: Purchased goods and services, C5: Waste, C6: Business travel (aircraft and taxi), C7: Employee commuting and C15: Investments.

Accounting policies

C1: Purchased goods and services (paper)

PensionDanmark's emissions from purchased goods and services are calculated using a combined activity and purchase-based approach. The first method calculates emissions from activities for which emissions can be measured based on volumes used, while the second converts, on a discretionary basis, purchases (DKK) of goods and services that are not already reflected, directly or indirectly, in the ESG ratios, primarily by means of EXIOBASE conversion factors. In calculating the ratio, we have excluded insignificant purchases of goods and services as, combined, they constitute only a minor proportion (<1%) of scope 3 emissions. The ratio is measured in tonnes of CO₂e.

C5: Waste

The weight of waste disposed of is converted into CO₂e emissions.

C6: Business travel (aircraft and taxi)

Business travel comprises air travel and transportation by taxi. Emissions are measured in tonnes of CO₂e and comprise PensionDanmark's consumption of air travel and transportation by taxi based on supplier statements of CO₂e emissions. Air travel emission measurements include radiative forcing and the effects of upper air fuel consumption having a greater impact on the climate than ground emissions.

C7: Employee commuting to and from work

Our total emissions from employee commuting to and from work are calculated based on internally collected data and standard factors for commuting by car and train. For workdays on which the employees did not commute, home office emissions are estimated based on an eight-hour working day and the related power consumption for work equipment. The ratio is measured in tonnes of CO₂e.

C15: Investments

CO₂e emissions are estimated for PensionDanmark's investments in listed equities, corporate bonds, private equity and private debt (unlisted equities and debt), real estate and infrastructure. In 2021, this was 60% of PensionDanmark's total investment portfolio. CO₂e emissions are stated in so-called CO₂ equivalents – CO₂e – and measured in tonnes.

CO₂e emissions from the investment portfolio

For purposes of measuring CO₂e emissions from the investment portfolios of financial businesses, up to four metrics may be used, as per the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Metric 1: Total CO₂e emissions:

The ratio shows the portfolio's total estimated CO₂e scope 1 and scope 2 emissions, see the GHG Protocol. Emissions are measured on the basis of the value of the amount invested, the companies' Enterprise Value Including Cash (EVIC), in accordance with the recommendations of the EU and the Partnership for Carbon Accounting Financials (PCAF), and the companies' CO₂e emissions. For the financial sector, CO₂e emissions are calculated based on market value (MV). The ratio is computed according to the following formula:

$$\text{Total CO}_2\text{e emissions} = \sum_n \text{PensionDanmark's ownership relative to EVIC}_i * \text{scopes 1 and 2 CO}_2\text{e emissions from the investment } n_i$$

Metric 2: CO₂e footprint (carbon footprint):

The measurement builds on metric 1, normalising the CO₂e footprint based on the value of PensionDanmark's holdings in the asset classes included. The ratio is computed according to the following formula:

$$\text{CO}_2\text{e footprint} = \text{Total CO}_2\text{e emissions (metric 1)} / \text{The value of PensionDanmark's holding}$$

Metric 3: CO₂e intensity (carbon intensity):

The measurement builds on metric 1, normalising the CO₂e footprint based on the reporting company's revenue. The carbon intensity method illustrates the portfolio's efficiency in generating revenue relative to the emission of CO₂e. The ratio is computed according to the following formula:

$$\text{CO}_2\text{ intensity} = \text{Total CO}_2\text{e emissions (metric 1)} / \sum_n \text{PensionDanmark's ownership share}_i \text{ relative to EVIC} * \text{Revenue of investment } n_i$$

Metric 4: Weighted average carbon intensity:

The ratio shows the portfolio's exposure to CO₂e-intense companies and thus to potential climate-related financial risks. The ratio is computed according to the following formula:

Accounting policies (continued)

Weighted avg. carbon intensity = $\sum_i \text{in} (\text{Value of ownership share in investment}_i \text{ relative to EVIC} / \text{value of PensionDanmark's holding}) * (\text{scopes 1 and 2 CO}_2\text{e emissions from the investment}_i / \text{Revenue of investment}_i)$

Calculations of estimated CO₂e emissions from the corporate bond and equity portfolios are based on MSCI and Bloomberg data. Reported emission data are collected from both MSCI and Bloomberg, while emission estimates are sourced from MSCI. Company EVICs are collected from Bloomberg.

CO₂e emissions from the equity portfolio

CO₂e emissions from the equity portfolio are measured on the basis of metrics 1, 2, 3 and 4. Data are available for 98.5% of the listed equity investments. CO₂e emissions from the remaining 1.5% of the total investment in listed equities are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry

Classification Standard) using the data available. It is assumed that the climate footprint (CO₂e/DKKm) is the same, on average, for all equities within the same sector and geography. This average is applied for that part of the portfolio for which observations are not available. The distribution is made based on 11 sectors (Real Estate, Energy, Consumer Durables, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and two geographical segments (OECD countries and non-OECD countries). Columbia, Chile and Mexico are categorised as non-OECD countries. Portfolio CO₂e emissions are stated at 31 December 2021.

CO₂e emissions from the corporate bond portfolio

CO₂e emissions from the corporate bond portfolio are measured based on metrics 1 and 2. Metric 2 is calculated for both the total corporate bond portfolio and for the total corporate bond portfolio exclusive of CO₂e emissions from green bonds, the latter being due to the fact that green bonds are dedicated to specific projects that will reduce the reporting company's greenhouse gas emissions through, for instance, transition to renewable energy. At the present time, unambiguous standards have not been adopted for how the CO₂e footprint from green bonds should be calculated. For this reason, PensionDanmark calculates the CO₂e footprint both inclusive and exclusive of emissions from green bonds.

Data are available for 80.7% of the corporate bond investments. CO₂e emissions from the remaining 19.3% of the total investment are estimated based on the climate footprint distributed by geography and sector (according to the Global Industry Classification Standard) based on the data available. It is assumed that the climate footprint (CO₂e/DKKm) is the same, on average, for all corporate bonds within the same sector and geography. This average is applied for that part of the portfolio for which observations are not available. The distribution is made based on 12 sectors (Real Estate, Energy, Consumer Durables, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare, Telecommunication Services and Government) and two geographical segments (OECD countries and non-OECD countries). Columbia, Chile and Mexico are categorised as non-OECD countries. Portfolio CO₂e emissions are stated at 31 December 2021.

CO₂e emissions from the private equity and private debt portfolios

CO₂e emissions from the private equity and private debt portfolios are measured based on metrics 1 and 2.

As data are not available for CO₂e emissions from private equity and private debt investments, emissions for the portfolios are estimated on the basis of the MSCI AC World index according to 11 sectors (Real Estate, Energy, Consumer Discretionary, Utilities, Industrials, Information Technology, Consumer Staples, Materials, Financials, Healthcare and Telecommunication Services) and six geographical areas (Asia (excl. China), OECD Asia, Europe and Oceania, China, North America and other Emerging Markets).

CO₂e emissions from the real estate portfolio

CO₂e emissions from the real estate portfolio are measured on the basis of total CO₂e emissions and two metrics for footprint and carbon intensity, respectively. Data are available for 93% of the real estate portfolio. Data are supplied by property managers. The remaining 7% of the real estate portfolio is still under construction and is therefore not included. A property's energy consumption is calculated based on its energy certificate and energy area and subsequently multiplied by a weighted emission factor for power and district heating in order to estimate its CO₂e emissions.

Metric 1: Total CO₂e emissions from real estate:

The ratio shows the properties' total estimated CO₂e emissions. The ratio is computed according to the following formula:
Total CO₂e emissions = \sum_n scopes 1 and 2 CO₂e emissions from real estate_i

Partially owned properties are included based on PensionDanmark's ownership share.

Accounting policies

Metric 2: CO₂e footprint (carbon footprint) of real estate:

The measurement builds on metric 1, normalising the CO₂e footprint based on the value of PensionDanmark's properties. Property values are calculated according to the same principles as those applied in the financial statements. The ratio is computed according to the following formula:

CO₂e footprint = Total CO₂e emissions (metric 1) / Property values

Metric 3: CO₂e intensity (carbon intensity) of real estate:

The ratio shows CO₂e emissions relative to the size of the property. The carbon intensity method illustrates the portfolio's efficiency per sqm relative to the emission of CO₂e. The ratio is computed according to the following formula:

CO₂e intensity = \sum_n kgCO₂e / sqm

CO₂e emissions from the infrastructure portfolio

CO₂e emissions from the infrastructure portfolio are measured based on metrics 1 and 2.

An infrastructure investment is defined as an investment that derives most (i.e. more than two-thirds) of its payments and returns from owning, funding, developing or operating infrastructure assets. Infrastructure assets comprise physical assets, structures or facilities, systems and networks supplying or supporting publicly regulated supplies of power, heating, transport, data and communications.

Data are available for 56.9% of the infrastructure portfolio.

Avoided emissions from ownership of green infrastructure

Avoided emissions from ownership of green infrastructure are calculated as the volume of CO₂e avoided by investing in renewable energy and comprise PensionDanmark's investments in renewable energy infrastructure assets. Power generated by means of energy infrastructure assets is converted into the volume of CO₂e that would have been emitted if the same volume of power had been supplied by the local energy mix.

Avoided emissions are calculated based on the actual power production and statistics on the current mix of fossil fuels in local and national power grids. This enables the calculation of the displaced fossil-based power production and the related avoided emissions.

Other ratios

For purposes of measuring gender diversity for other management tiers, a manager is defined as a person with personnel responsibilities. The CEO is not included in the calculation of the ratio.

Customer retention ratios are not disclosed as they would not appropriately represent customer satisfaction due to the high rate of job mobility among PensionDanmark's members and the fact that existing pension schemes are generally transferred in connection with a change of jobs.

Taxes paid, which are not included in the guidelines, are stated as tax on pension returns, VAT, payroll tax, tax at source and corporation tax paid in the year.

ESG-related estimates and judgments

A number of assumptions and judgments, as set out under the individual ratios, are used for purposes of calculating CO₂e emissions from the investment portfolio and other scope 3 ratios. A number of assumptions are used for purposes of calculating avoided emissions from ownership of green infrastructure. The numbers are therefore subject to some uncertainty. We are continually working to improve the completeness and accuracy of the data basis and to – as far as possible – implement changes to calculation methods retrospectively in order to ensure the comparability of individual years where possible.

Accounting policies for disclosure data

Accounting policies

This year, PensionDanmark reports in accordance with article 7 of the Disclosure Regulation on principal adverse impacts of investments for the first time. The disclosures are based on data sourced from MSCI.

This year, we report on all 14 mandatory indicators for the listed equity portfolio. In interpreting the results, allowance should be made for the inconsistent quality of data and the limited data coverage for some indicators. As regards water emissions, for example, data are only available for about 8% of the portfolio. The data basis is expected to improve in the years ahead.

We only report on available data as meaningful estimates are impossible to make. As the MSCI did not begin to collect and structure mandatory indicator data until 2021, comparatives for 2020 are not available.

CO₂e emissions from the equity portfolio

For total scopes 1 and 2 CO₂ footprint and CO₂ intensity, reference is made to the sections on 'CO₂e emissions from the investment portfolio' and 'CO₂e emissions from the equity portfolio'. Total CO₂e emissions are the sum of scope 1 and scope 2 emissions.

Companies active in the fossil industry

The ratio indicates the share of companies which are exposed to activities related to fossil fuels, including extraction, processing, storage and transportation of oil products, natural gas and thermal and metallurgical coal. The share is calculated as the sum of the portfolio weights of companies exposed to fossil fuels.

Share of non-renewable energy

The ratio indicates the share of non-renewable energy consumption and production. The ratio is calculated as a weighted average of the percentage shares of non-renewable energy consumption and production for the companies in the portfolio.

Energy consumption intensity in high-emission industries

The ratio indicates energy consumption in terms of GWh per million euros of revenue for companies in industries with substantial CO₂e emissions. The ratio is calculated as a weighted average of the energy consumption intensity of portfolio companies with NACE codes A, B, C, D, E, F, G, H or L.

Activities in sensitive biodiversity areas

The ratio indicates the share of investments in companies which own, lease, manage or are adjacent to protected areas or areas of high biodiversity value outside protected areas, whether or not the company's activities are harming biodiversity. The share is calculated as the sum of the weights of the companies in the listed equity portfolio that have activities in sensitive biodiversity areas. The number in the note to the ratio is calculated according to the same method.

Water emissions

The ratio indicates the volume of waste water emitted by the reporting company as a result of its production activities. The ratio is calculated according to the same method as CO₂e emissions, adjusted to show water emissions in tonnes for each million euros invested in the portfolio.

Hazardous waste

The ratio indicates the company's reported volume of hazardous waste in tonnes. The ratio is calculated according to the same method as CO₂e emissions, adjusted to show hazardous waste volumes in tonnes for each million euros invested in the portfolio.

Violation of the principles of the UN Global Compact

The ratio indicates whether a controversy regarding a company indicates violation of the principles of the UN Global Compact. The ratio is stated as a share and is calculated as the sum of the weights in the portfolio of companies which do not comply with the principles of the UN Global Compact.

Lack of processes and mechanisms for monitoring compliance with the principles of the UN Global Compact

The ratio indicates the share of companies which are not signatories to the UN Global Compact and are therefore not required to monitor and disclose compliance with the principles of the UN Global Compact. The share is calculated as stated above.

Accounting policies for disclosure data

Average gender pay gap

The ratio indicates the difference between average hourly gross earnings for male and female employees as a percentage relative to male employees' gross earnings. The difference is calculated as a weighted average of gender pay gaps in portfolio companies.

Average share of women on boards

The ratio indicates the share of women on boards of directors. The ratio is calculated as a portfolio-weighted average.

Exposure to controversial weapons

The ratio indicates the share of companies exposed to anti-personnel landmines, cluster munitions and chemical or biological weapons. Exposure means ownership, production or investment. The share is calculated as the sum of the weights in the portfolio of companies exposed to controversial weapons.



Construction of underground car parks at PensionDanmark's Kronløbsøen construction project

Statement by the Management and Board of Directors

We have today presented the Corporate Social Responsibility Report of PensionDanmark Pensionsforsikringsaktieselskab for the period 1 January to 31 December 2021.

to 31 December 2021. Furthermore, it is our opinion that the information in the report is consistent with PensionDanmark's accounting policies.

In our opinion, the report gives a true and fair view of PensionDanmark's impact on society for the period 1 January

We recommend the Corporate Social Responsibility Report 2021 for adoption at the annual general meeting.

Copenhagen, 2 March 2022

Management

Torben Møger Pedersen
Adm. direktør

Board of Directors

Lars Sandahl Sørensen
Vice Chairman

Morten Andersen

Lydia Callesen

Kirstine Damkjær

Troels Blicher Danielsen

Claus von Elling

Peter Kaae Holm

Peter Engberg Jensen

Gert Rinaldo Jonassen

Camilla Khokhar

Brian Mikkelsen

John Nielsen

Henrik Werner Petersen

Jørgen Juul Rasmussen

Jan Villadsen

Pia Voss

Independent auditor's report

To the stakeholders of PensionDanmark

We have been engaged by PensionDanmark to perform a limited assurance engagement as defined by the international standard on assurance engagements other than audits or reviews of historical economic information for purposes of reporting on PensionDanmark's corporate social responsibility report ("the corporate social responsibility report") for the year ended 31 December 2021. In preparing the corporate social responsibility report, PensionDanmark applied the criteria ("Accounting policies") described on pages 82-87.

Management's responsibilities

PensionDanmark's Management is responsible for selecting the accounting policies and for, in all material respects, preparing the corporate social responsibility report in accordance with those accounting policies. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates relevant to the preparation of a corporate social responsibility report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the corporate social responsibility report based on our procedures and the evidence obtained. We performed the engagement in accordance with ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Economic Information and additional requirements under Danish audit regulation. Those standards require that we plan and perform our procedures to obtain limited assurance about whether, in all material respects, the corporate social responsibility report has been prepared in accordance with the accounting policies and to express a conclusion thereon.

Procedures performed in a limited assurance engagement vary in nature and timing from, and are significantly less in scope than for a reasonable assurance engagement. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the corporate social responsibility report and related disclosures, and applying analytical and other relevant procedures. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures

were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Our independence and quality control

We maintained our independence and confirm that we have met the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which incorporates the basic principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and have the required competencies and experience to conduct this assurance engagement.

EY Godkendt Revisionspartnerselskab also applies the international standard on quality control, ISQC 1, and, accordingly, maintains a comprehensive quality control system, including documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures performed

Our procedures included:

- Assessing PensionDanmark's procedures for preparing and presenting the corporate social responsibility report to understand the organisation's reporting process
- Conducting interviews with the employees responsible for the corporate social responsibility report to understand the process for the preparation of the corporate social responsibility report
- Performing analytical review procedures to validate the reasonableness of the data
- Making inquiries about significant developments in the reported data
- Performing sample testing of the information disclosed in the corporate social responsibility report in relation to data source and other information prepared by the responsible employees
- Checking whether the information disclosed in the corporate social responsibility report and its presentation are consistent with the accounting policies.
- In addition, we performed such other procedures as we found necessary in the circumstances.

Independent auditor's report

continued

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the corporate social responsibility report for the period 1 January – 31 December 2021 has not in all material respects been prepared in accordance with the accounting policies set out on pages 82-87.

Copenhagen, 2 March 2022

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

Lars Rhod Søndergaard
State Authorised Public Accountant
mne28632

Carina Ohm
Head of Climate Change
and Sustainability Services

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 2022 by GSB Grafisk, an ecolabelled printing house

Paper: MultiDesign Original White

Photos: Ursula Bach
iStock (pp. 17, 34), Kasper Kamuk (pp. 18-19), Claus Bonnerup (p. 28), Christian Thellefsen (p. 29), Jakob Boserup (pp. 32-33), OK Nygaard (p. 37), Annette Boe Østergaard (p. 41), Jesper Heldgaard (pp. 42-43), Dansk Metal (p. 48), Stiesdal, CIP, Lasse Hjort (p. 49), IFU/Global Tea (pp. 50-51), Gehl Architects (p. 58), Henning Larsen Architects (pp. 60-61), ERIK Arkitekter (pp. 62-63).


Front page: Mads is a carpenter with ACA Team Entreprise and a member of PensionDanmark
Lake Turkana wind farm, Kenya (photo Jesper Heldgaard)
Frederikke from PensionDanmark's health service team

Back page: Water reflections


PensionDanmark A/S

Langelinie Allé 43

DK-2100 København Ø

 +45 3374 8000

@ info@pension.dk

 pensiondanmark.com

PensionDanmark

