

# Annual Report

## 2014

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# Introduction

The year 2014 was very good for Industriens Pension, with advances and positive developments in many areas.

After some years with falling numbers of contributing members, favourable developments in employment mean that the number of active members is on the way up again.

At the start of the year, there were about 396,000 members paying contributions, and during 2014 this figure rose by more than 3,000.

## Positive returns across the board

All members have a market-rate pension scheme, except for pensioned members who continued with an average rate when the scheme was changed to a market-rate pension scheme.

Members with a market rate received a return of up to 11.4% on their savings in 2014, while those with an average rate received 6.0 %. This means that again in 2014 members were secured a significant return in real terms. The total return on investments for Industriens Pension reached DKK 12.3 bn. before tax in 2014. This corresponds to 11.0%. All asset classes contributed positively to the return on investments.

Industriens Pension has invested DKK 10.1 bn. in Danish shares and is Denmark's largest investor in Danish companies. The large holding in Danish shares returned 21.5%. This is 4.3% more than the benchmark. In relative terms, Danish shares gave the highest returns of all classes of shares.

## More alternative investments

In 2014, growth continued in investments within infrastructure, PPP (public-private partnerships) and property. Among the largest investments in this area during the year was the purchase of an equity interest of 10.5% in the new DKK 9 bn. North Sea offshore wind farm; Gode Wind II.

The Danish real estate portfolio was also increased significantly in 2014, and it is planned to expand Danish property investments even further in the years to come.

Total alternative investments at the end of 2014 amounted to DKK 24.7 bn. The aim is to increase these investments in the years to come because they enable a stable, long-term return that is higher than returns expected on mortgage-credit bonds and government bonds. Alternative investments also contribute to risk diversification.

## More options for members

Members are offered a range of options to adapt their pension savings and insurance cover to their own needs. For example, members can change their insurance cover, pay additional contributions, and make payments to a retirement savings scheme which is redeemed as a lump sum on retirement.

In 2014, these possibilities were expanded with the introduction of an optional guarantee period for payments of lifelong pensions. This means that members can now secure their surviving relatives even better.

New options are always introduced with focus on retaining the simple and easy-to-understand design of the pension scheme, while at the same time ensuring that options can be integrated into the existing IT solution in order to maintain the low administration costs of the scheme.

## Better insurance for critical illness

In addition to introducing the option for better death cover, in 2014 it was decided to improve cover for critical illness and loss of ability to work, with effect from 1 January 2015.

Previously, members struck by critical illnesses were paid a large tax-free lump sum. After this the insurance cover was lost. Members who were unfortunate enough to be diagnosed with a second serious illness some years after have therefore not been entitled to further insurance cover. This has now been changed. Since 1 January 2015, members have been entitled to receive insurance payments for specific critical illnesses more than once.

### **Disability pension increased**

Members who permanently lose at least two-thirds of their ability to work can receive a monthly disability pension. The pension is independent of state disability pensions.

The monthly disability pension has been increased to DKK 6,000 for by far the majority of members who lose their ability to work after 1 January 2015.

Single members who have previously had an annual salary of around DKK 300,000 can now look forward to cover of about 80% of their income, if they are also awarded a state disability pension.

### **Fewer applying for disability pensions**

Since introduction of the new rules for disability pensions and flex-job schemes (light jobs for the disabled) in 2012, significantly fewer have applied for a disability pension from the pension scheme.

The drop is probably because many members are not aware that their entitlement to a disability pension from the Industriens Pension scheme does not depend on them being awarded a state disability pension.

Because of the falling numbers applying for a disability pension, information initiatives to members, enterprises and trade unions have been intensified in order to ensure that everyone who permanently loses their ability to work receives the money to which they are entitled.

### **Growing satisfaction**

A major independent survey of 4,600 Danish pension members has shown that members of Industriens Pension are among the most satisfied with their pension company. The survey also shows that the growing satisfaction with Industriens Pension continued in 2014.

This improvement aligns well with the results of an analysis made at the initiative of Industriens Pension itself. In addition to growing member satisfaction, it shows that enterprises, union representatives and local union branches are also extremely satisfied and that many would recommend Industriens Pension to others.

Members' and enterprises' satisfaction with the pension scheme is a strategic indicator for development of the pension scheme. In the years to come, Industriens Pension will strive to increase satisfaction with the scheme even more.

Mads Andersen  
Chairman

Kim Graugaard  
Deputy Chairman

# Financial and operating data, summary of financial statements

**Table 1 Financial and operating data**

DKK mill.	2010	2011	2012	2013	2014
<b>Income statement items</b>					
Premiums	6,206	6,485	6,624	6,528	6,737
Investment return	13,254	3,635	12,176	7,006	12,329
Tax on yields of certain pension-scheme assets	-1,948	-556	-1,853	-1,060	-1,862
Insurance benefits	-2,151	-1,994	-1,638	-4,708	-5,280
Changes in insurance provisions	-14,473	-7,360	-14,477	-7,712	-10,949
Insurance operating costs	-138	-131	-136	-128	-113
Result of accident and sickness insurance	13	-259	25	30	30
Other items	-374	8	-364	73	-686
Comprehensive income for the year	389	-172	357	29	206
<b>Assets</b>					
Investment assets	92,584	19,566	23,859	21,771	23,780
Investment assets attached to unit-linked contracts	92	80,783	95,768	102,450	114,952
Other assets	1,297	849	3,396	4,240	3,554
Total assets	93,973	101,198	123,023	128,461	142,286
<b>Equity and liabilities</b>					
Equity	4,051	3,880	4,237	4,266	4,472
Provisions for insurance and investment contracts	82,285	90,015	105,234	113,283	125,215
Other liabilities	7,638	7,303	13,551	10,912	12,598
Total equity and liabilities	93,973	101,198	123,023	128,461	142,286
Capital base	6,966	6,904	7,748	7,975	8,487
Adequate capital base (individual solvency need)	2,143	1,348	1,260	1,223	1,413
<b>Key figures</b>					
Return before tax on yields of certain pension-scheme assets	18.9%	4.2%	12.9%	6.7%	11.0%
Ratio of bonus potential to provisions	25.0%	21.0%	39.2%	37.7%	46.8%
Costs as a percentage of premiums	2.2%	2.0%	2.0%	1.9%	1.7%
Expenses per insured party	DKK 316	DKK 307	DKK 311	DKK 288	DKK 261
<b>Number of members carried forward</b>	<b>396,374</b>	<b>391,967</b>	<b>399,784</b>	<b>404,631</b>	<b>396,403</b>

## Income statement

Premium income (excluding premiums for accident and sickness insurance) increased by DKK 0.2 bn. to DKK 6.7 bn. in 2014. This is an increase of 3.2% and is primarily attributable to a simultaneous increase of 3,040 in the number of contribution paying members.

The year 2014 was good for investments, with positive returns on all asset categories. As a result, investment returns before tax were DKK 12.3 bn. compared with DKK 7.0 bn. in 2013. This corresponds to a total return on investments of 11.0% for 2014.

Returns on investments are taxed with a tax on yields of certain pension-scheme assets at a current rate of 15.3%. Tax on yields of certain pension-scheme assets increased therefore from DKK 1.1 bn. in 2013 to DKK 1.9 bn. in 2014.

Total insurance benefits amounted to DKK 5.3 bn. in 2014 against DKK 4.7 bn. in 2013 and DKK 1.6 bn. in 2012. Payments in both 2014 and 2013 were affected by extraordinary conditions.

In 2014, pension savings of DKK 3.6 bn. were transferred to other pension institutes, against DKK 0.3 bn. in the previous year, while an accelerated tax correction of capital pensions resulted in an extraordinary payment of DKK 2.8 bn. in 2013. The large increase in transfers in 2014 is because many previous members had postponed their pension transfers, in connection with changing jobs etc., until the tax situation regarding re-electing market rate in 2011 had been fully clarified.

Administration costs for life business fell for the second successive year and totalled DKK 113 million in 2014. This corresponds to DKK 261 per member compared with DKK 288 in 2013. In addition there are costs of accident and sickness insurance of DKK 41 per member.

Comprehensive income for the year was DKK 206 million against DKK 29 mill. in 2013.

Comprehensive income comprises the result for the year of DKK 204 million, plus other comprehensive income of DKK 2 million. The latter is the equity share of the revaluation to fair value of tangible non-current assets (currently offshore wind turbines) in linked and associated companies which, according to current accounting regulations, must be transferred directly to equity and disclosed as other comprehensive income in the income statement.

### Balance sheet

Total assets increased by DKK 13.8 bn. from DKK 128.5 bn. in 2013 to DKK 142.3 bn. at the end of 2014. Over the past five years, the total assets of the company have risen by more than DKK 68 bn.

With the good investment returns, there was a significant increase in total provisions for insurance and investment contracts, which at the end of 2014 amounted to DKK 125.2 bn. Of this figure, provisions for the market-rate scheme (unit-linked contracts) amounted to DKK 106.8 bn., while provisions for the average-rate environment, which only includes pensioned members, amounted to DKK 5.6 bn. In addition to this are provisions for accident and sickness insurance as well as special and collective bonus provisions etc. Returns on the market-rate scheme are allocated in full to members in the year they are earned, while members' savings on average rates are allocated an account rate; set in 2014 at 6%. When market returns are higher than the account rate, as in 2014, the collective bonus provisions used to allocate bonuses in future years also grow.

Equity grew in 2014 to DKK 4.5 bn. The capital base, which in addition to equity includes the special bonus provisions, also grew to DKK 8.5 bn. Adequate capital base, which corresponds to the individual solvency need, amounted to DKK 1.4 bn. Therefore, Industriens Pension had significant solvency liquidity buffers of DKK 7.1 bn. at the end of 2014.

### Net profit and comprehensive income

The results for the year are detailed in table 2. As can be seen, the largest contribution is from interest on equity.

DKK mill.	
Return on equity	226
Share of return on risk for the period	0
Share of result of sickness and accident ins.	17
Share of result of market rate (unit-linked)	0
Share of result of health care scheme	
Share of change in capital requirement re. group life	2
Payment of unguaranteed pensioner's bonus	-4
<b>Profit/loss before tax on yields of certain pension-scheme assets</b>	<b>241</b>
Equity share of tax on yields of certain pension-scheme assets	-34
<b>Comprehensive income for the year</b>	<b>206</b>

As mentioned above, the return on the market-rate scheme is allocated to members in the year it is earned, while the return on the average-rate scheme is split between equity and bonus provisions on the one side, and members' savings on the other side. This split is made in accordance with agreed principles on allocation of the realised profit or loss, i.e. the result relating to the average-rate scheme before bonus allotment and before tax on yields of certain pension-scheme assets. The composition of the realised result for 2014 is shown in table 3.

DKK mill.	
Technical result of life assurance	-15
Percentage excluded from the result (group life, unit-linked, etc.)	-4
Tax on yields of certain pension-scheme assets	358
Transferred from investment return on life 190 Bonus allocated	124
Change in special bonus provisions	300
Interest on special bonus provision, type A	-8
Change in collective bonus potential	364
Change in applied bonus potential on paid-up policy benefits	
Distribution of special bonus provision	233
<b>Result realised</b>	<b>1,541</b>

### Events after the end of the financial year

From the reporting date and up to today's date, no matters have occurred which affect the view given in the financial statements.

## Members

### Members

The number of members paying into the pension scheme via their employers increased by 3,040, and the number of pensioners drawing a pension increased by 12% in 2014.

The growth in the number of contributing members comes after a period of slightly falling numbers. The progress is linked to the favourable developments in employment within industry.

The number of pensioners also increased. This growth is because more members have managed to save such large amounts that they receive regular pensions.

In total, however, the number of members of the pension scheme fell slightly in 2014 because an extraordinary number of passive members transferred their savings to other pension companies.

**Table 4** Number of members at the end of the year

	2010	2011	2012	2013	2014
Members who pay via their employer	155,706	162,019	158,992	157,982	161,022
Self-paying members	11,714	12,606	12,836	11,001	9,511
Apprentices and trainees	0	4,216	3,542	2,699	2,195
Members exempt from making contributions	34,668	30,325	30,602	29,881	30,974
Total active members	202,088	209,166	205,972	201,563	203,702
Passive members	170,034	154,881	162,066	167,669	154,126
Old-age pensions	13,892	16,824	20,299	23,882	26,823
Monthly disability pension	10,360	11,096	11,447	11,517	11,752
<b>Total</b>	<b>396,374</b>	<b>391,967</b>	<b>399,784</b>	<b>404,631</b>	<b>396,403</b>

### PENSIONS IN THE SPOTLIGHT

In 2014, Industriens Pension conducted more than 200 information meetings for members.



The working day at Interroll Joki in Hvidovre just west of Copenhagen is more about making good drum motors for conveyor belts than the company pension.

“We pay a great deal of money into Industriens Pension, but our employees aren’t interested in their pension scheme. Therefore, a visit from Industriens Pension was a really good idea; a good reminder about what the money is being spent on and when we can use our insurance,” said Anders Staf Hansen, CEO at Interroll Joki.

## The pension scheme

Pension-scheme members are offered a number of different options to adapt their pension scheme to their own individual needs.

In 2014, these options were expanded with the option to purchase a ten-year period of guaranteed payments from a life-long pension. This means that members can now secure their surviving relatives even better. Members do not have to make a decision about this option until they retire. Members who decide to secure their surviving relatives in this way will receive a lower life-long pension.

In 2014, it was decided to increase the highest monthly disability pension from DKK 5,000 to DKK 6,000 for members who lose at least two-thirds of their ability to work after 1 January 2015.

Despite the increase to DKK 6,000 a month, single people still do not have to set off against a possible early retirement pension. It is also important to note that award of a disability pension is independent of state disability pensions.

Members struck by certain critical illnesses are paid a large tax-free lump sum. Previously, the insurance cover has then been lost. In 2014 it was decided that members who receive a second serious diagnosis after at least six months should be entitled to receive the lump-sum insurance payment again. The change applies from 1 January 2015.

The table below shows the contents of the pension scheme as at 1 January 2015.

**Table 5 Contents of the pension scheme**

	Standard	Options
<b>Critical illness</b>		
Lump sum payment	DKK 100,000	DKK 0 - 150,000
<b>Loss of ability to work</b>		
Lump sum payment	DKK 100,000	DKK 150,000
Monthly disability pension	DKK 6,000	
Payment exemption	✓	
<b>Death</b>		
Lump sum payment	DKK 300,000	DKK 0 - 600,000
Instalment insurance	✓	
Savings for lump sum payment		✓
Lifelong pension (guarantee period)		✓
<b>Pension</b>		
Lump sum payment	✓	✓
Annuity pension	✓	
Lifelong pension	✓	
Additional pension		✓
<b>Healthcare scheme</b>	✓	✓

Note: The lump-sum payment on retirement only applies for members with a retirement savings scheme or capital pension.

The healthcare scheme is only part of the pension scheme in the specific collective agreement areas in which this has been decided and at the workplaces which have enrolled on the scheme.



### Savings for lump sum payment

Due to the changes in the tax rules in 2013, contributions can no longer be made to capital pensions. By far the majority of our pension-scheme members have transferred their capital pension savings to the new retirement savings scheme, where contributions are not tax-deductible.

Contributions to the retirement savings scheme are not automatic, but members may choose to allocate 5% of their pension contributions to the retirement savings scheme. Even though there have been extensive information campaigns about this, only a few members have chosen this option. This type of savings for old age can be particularly attractive because, under the current rules, payment is not set off against public benefits.

Members can also choose to supplement their compulsory payments and save up extra for their retirement pension, but so far this option has also only been taken up by a few members.

### Prevention

The healthcare scheme is part of the pension scheme for individual collective agreements.

Companies can purchase a healthcare scheme and thereby offer their employees treatment for pains and other problems in their joints, muscles and veins.

The healthcare scheme also includes counselling by phone from a psychiatrist, substance abuse therapist and a nurse.

### Changes in legislation

The option to convert a capital pension to a retirement savings scheme with the consequential tax benefits should have been withdrawn at the end of 2014. However, just before the end of 2014, the Danish Parliament (the Folketing) decided to extend the option until the end of 2015. Most people with capital pensions with Industriens Pension have already converted to the retirement savings scheme, but there are still a few members with a capital pension, for example because they have transferred their bank scheme to Industriens Pension.

As a result, Industriens Pension has decided to wait with the final offer to convert until the end of 2015. This means that as many as possible will make the conversion.

There is no charge, fees or loss of entitlements to have Industriens Pension convert a capital pension to the retirement savings scheme.

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## BETTER THAN THE BANK

Vagn Elkjær Nielsen from Hørve has been paying contributions to Industriens Pension for more than 20 years, but he originally wanted to start even earlier.



Vagn Elkjær Nielsen retired after almost 50 years on the labour market in 2014 and payments from Industriens Pension started in the same year.

“The money I receive is a good supplement to my state pension. I wanted to make more contributions, but Industriens Pension was not part of our collective agreement until '93. Fortunately, the return has been much better than the bank,” said Vagn, who often logs on to the Industriens Pension website to see how his savings are doing.

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**Table 6 Contributions**

DKK mill.	2010	2011	2012	2013	2014
Contributions, life assurance	6,326	6,237	5,981	5,877	6,224
Deposits and transfers	386	756	1,121	1,178	1,054
Contributions, accident and sickness insurance.	212	454	657	670	511
Contributions, investment contracts	36	47	54	72	99
<b>Total contributions</b>	<b>6,960</b>	<b>7,494</b>	<b>7,813</b>	<b>7,797</b>	<b>7,888</b>

### Contributions

Total contributions amounted to DKK 7.9 bn.; a slight increase on 2013.

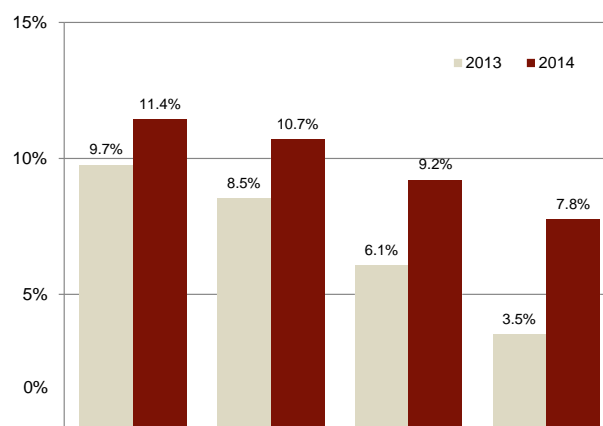
Deposits and transfers from other pension companies were maintained at the high level from 2012.

### Return

In 2012, Industriens Pension introduced a lifecycle product which, from the beginning, did not comprise all non-retired members. The scheme is a market-interest-rate scheme, with higher investment risk for young members.

This risk lessens as the member approaches retirement age.

In 2014, as well as in 2013, the more risky assets (shares, etc.) achieved the highest returns. Therefore, the youngest members have received the highest returns in the two most recent years.



## ANALYSIS FOR ELDERLY EMPLOYEES

Consultancy for elderly employees ensures members higher benefits from their pension scheme.



Bjarne Christensen has always taken an interest in his pension. Despite this, he was surprised to hear that he could get more out of his savings by organising payments from his pension scheme more favourably.

“I rang Industriens Pension with another query, but they asked me whether I’d been offered an analysis for elderly employees. I’d never heard of this before, but it was about looking at the pensions of everyone in my household at the same time. More specifically, it meant that by withdrawing money in another sequence we could get DKK 276,000 more, and that’s a lot of money,” said Bjarne.

All members who are 55 or older can have a free analysis for elderly employees, with a review of their full financial situation.

**Table 7 Benefits paid**

DKK mill.	2010	2011	2012	2013	2014
Payments for old-age pensions	541	514	779	958	821
Payments for loss of ability to work	394	489	519	503	571
Payments on death	175	259	266	283	325
Lump sum for critical illnesses	104	107	109	111	124
Transfers on change of job	1,147	747	153	294	3,591
Other payments	33	171	61	75	87
Tax correction of old-age lump sum				2,765	112
<b>Total payments</b>	<b>2,394</b>	<b>2,287</b>	<b>1,887</b>	<b>4,988</b>	<b>5,631</b>

### Payments

In 2014, benefits paid increased by DKK 0.6 bn. to DKK 5.6 bn. However, payments in both 2014 and 2013 were affected by extraordinary circumstances. In 2013 because a tax correction of capital pensions of DKK 2.8 bn. was brought forward, and in 2014 because of deferred transfers of DKK 3.6 bn. from previous years in connection with changes of job.

Each year, new payments are approved for a large number of members or their surviving relatives, either as regular benefits or as lump sums.

In 2014 new payments were made to 9,350; a drop compared with the 10,537 in 2013. These payments are detailed in table 8.

### Danish Insurance Complaints Board

Industriens Pension is attached to the Danish Insurance Complaints Board. In 2014, there were 14 appeals against decisions. This is seven fewer than in the previous year.

The Complaints Board settled 15 of Industriens Pension's cases in 2014. Our decisions were upheld in 13 of the cases. Industriens Pension lost one case and in one cases, the member's claim was wholly or partly satisfied before being heard by the Danish Insurance Complaints Board.

About one-third of the appeals were about payments for certain critical illnesses. The other appeals had different themes, with only very few relating to the degree of disability.

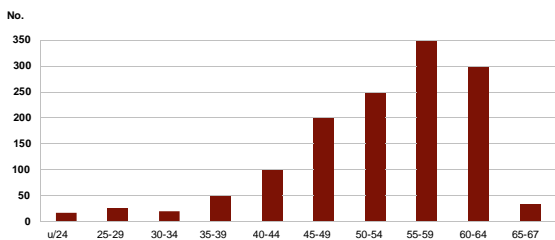
**Table 8 Number of new recipients of pensions**

	2013	2014
Payment due to certain critical illnesses	1,113	1,237
Payment due to degree of disability of between 50-67%	262	184
New disability pensions (degree of disability more than 67%)	671	910
Payment to surviving relative(s)	1,012	1,124
Old-age insurance paid out, but member not retired	592	552
Pension where pension is paid as a lump sum	2,971	1,901
New old-age pensioners	3,916	3,442

In 2014, Industriens Pension paid a total of 1,237 insurance lump sums for critical illnesses.

This is an increase of 11% compared with payments for 2013.

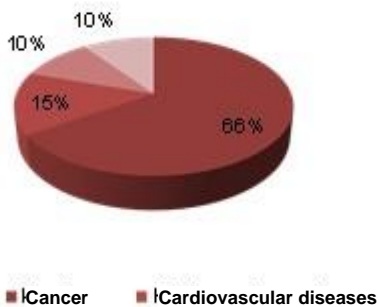
**Figure 2 Age distribution for payment of lump sums in the event of critical illness**



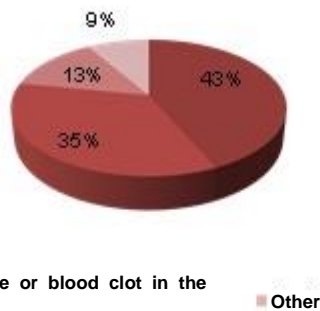
The most frequent reason for payment of an insurance sum for critical illnesses continues to be various types of cancer.

However, in relation to men, insurance sums are also often paid as a result of cardiovascular diseases.

**Women**



**Men**



**A VALUABLE TIP**



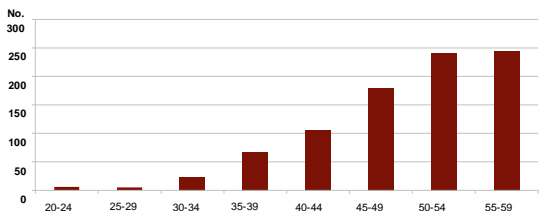
The HR department encouraged an employee to contact Industriens Pension after a bypass operation.

Hans Conrad Kalk was an electrician at Danfoss when he became ill and had to undergo a bypass operation.

“I was really surprised. I had no idea that a tip from our HR department could lead to DKK 100,000. I’ve already spent the money. I was sensible and spent some of the money on reducing debt, but there was also room for some fun, so I bought some antique furniture,” said Hans Conrad Kalk.

Hans Conrad Kalk was one of the 1,237 members who received a payment after a critical illness in 2014.

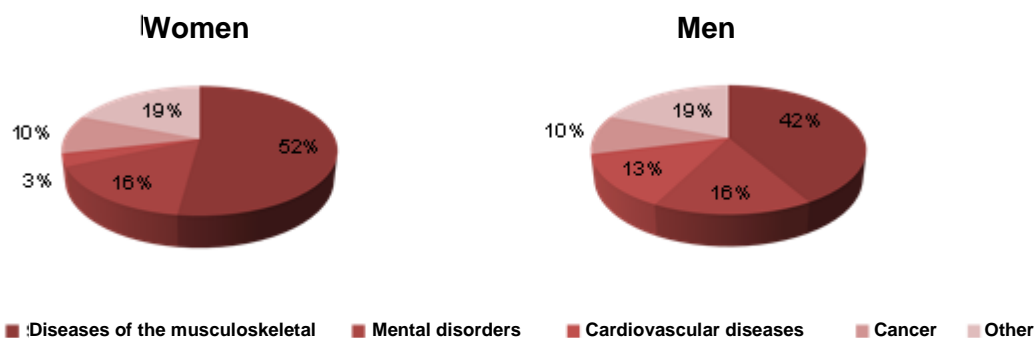
**Figure 4 Age distribution for payment of lump sums for loss of ability to work**



To women as well as men, diseases of the musculoskeletal system are the main cause for payment of insurance sums for loss of ability to work, whereas mental disorders make up almost one-sixth of payments.

In 2014, a total of 1,094 members lost at least half of their ability to work and were paid an insurance sum. Of these, 910 members with a loss of ability to work of at least two-thirds were awarded a monthly disability pension.

**Figure 5 Reason for payment of the insurance sum for loss of ability to work**



**A GREAT HELP**

Tenna Skjoldan never thought that she could receive money from Industriens Pension until she had been approved for an early retirement pension by the municipality.

A collapsed disc, hip dysplasia and psoriasis meant that Tenna Skjoldan from the town of Kalundborg could not continue working at the factory where she maintained welding equipment. “There was no way I could work because of the pain, and I had to accept that a disability pension was the next step. I’m still waiting for a decision from the municipality,” said Tenna Skjoldan, who is 36 years old and mother to a six-year-old daughter.



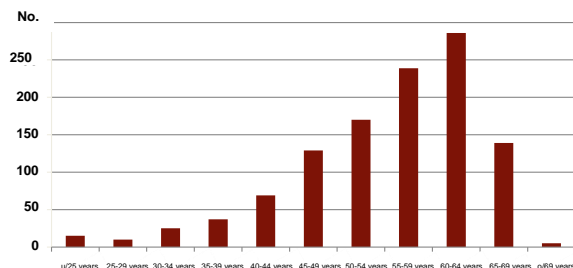
“I thought that I couldn’t get any money from Industriens Pension until the municipality had decided my case. Fortunately things were different. The money from Industriens Pension was a life-saver. Now I don’t have to think as much about what’s going to happen next month. We spent the money to pay payments that we were behind on,” said Tenna.

Tenna Skjoldan received DKK 100,000 as a lump sum and she receives DKK 5,000 every month.

A total of 910 members were awarded disability pensions in 2014.

In 2014, surviving relatives of more than 1,100 members received payments.

**Figure 6 Age at death**



**A GOOD INVESTMENT**



Even though it was hard to put aside DKK 3,400 every month, it turned out to be a good investment.

A road accident left Ole H. Kristensen with permanent injuries and he had to stop work.

“I didn’t think about whether my pension company could help. But I found out that they could from my advisor at the Danish Metal Workers’ Union. He also told me that it would be a good idea to make voluntary payments when my employer stopped paying. It was hard at first, because I had to put aside a lot of money, but it turned out to be a good investment. When I had to give up work, I received DKK 100,000 and I also get DKK 60,000 a year until I start receiving a pension,” said Ole.

Almost 10,000 members have decided to continue paying into the pension scheme after stopping work at the company that entitled them to enter the scheme.

# Investment activities

## RETURNS

The result of investment activities before tax on yields of certain pension-scheme assets and after investment costs was DKK 12.3 bn. in 2014. This corresponds to an overall return of 11.0% in 2014. The return before costs was 11.7%. The return was boosted in particular by Danish and unlisted shares as well as alternative investments. All asset classes contributed with positive returns.

### Large regional differences between stock markets

The return on global shares was 10.7%. However, there were large regional differences in the returns obtained by Industriens Pension. US shares had yet another good year, followed by Japan. Europe and emerging markets saw the weakest growth. Danish shares were again robust and, with returns of 21.5%, exceeded returns on foreign shares.

In general, stock markets on which companies delivered the largest increases in earnings were rewarded with the highest increases, while markets with weaker company earnings in 2014 saw weaker increases, including Europe and emerging markets. The reason for the large differences in company earnings is the macro-economic differences, where the US economy in particular is strong, while economies in emerging markets are weaker.

Economic growth in Europe has been very weak since 2008, and in 2014 the reasons were generally tight economic policies, weak inflation, and the conflict between Ukraine and Russia. The latter was the cause of economic uncertainty in Central Europe for most of the year.

### Weak markets for high-yield and emerging-market bonds

In contrast to 2013, in 2014 returns on global high-yield corporate bonds were rather weak. This market delivered total returns of 3.2%, which for Industriens Pension was primarily due to negative trends on the US high-yield market over the summer.

Returns on emerging-market bonds were also weak, but positive, at just above 3%.

### A good year for government and mortgage-credit bonds

The return on the portfolio of nominal government and mortgage-credit bonds was 7.8%. The reason for the high return is that both actual inflation and expected future inflation rates fell significantly in 2014, as well as interest rates.

The good climate for bonds was further underpinned when both Japanese and European central banks relaxed their monetary policies during the year. Moreover, fears that US monetary policy would normalise have proven unfounded, as the reductions in purchases of bonds by the Fed, and the complete stop on purchase activity in October, have caused no measurable increases in interest-rates on either US government bonds or mortgage-credit bonds.

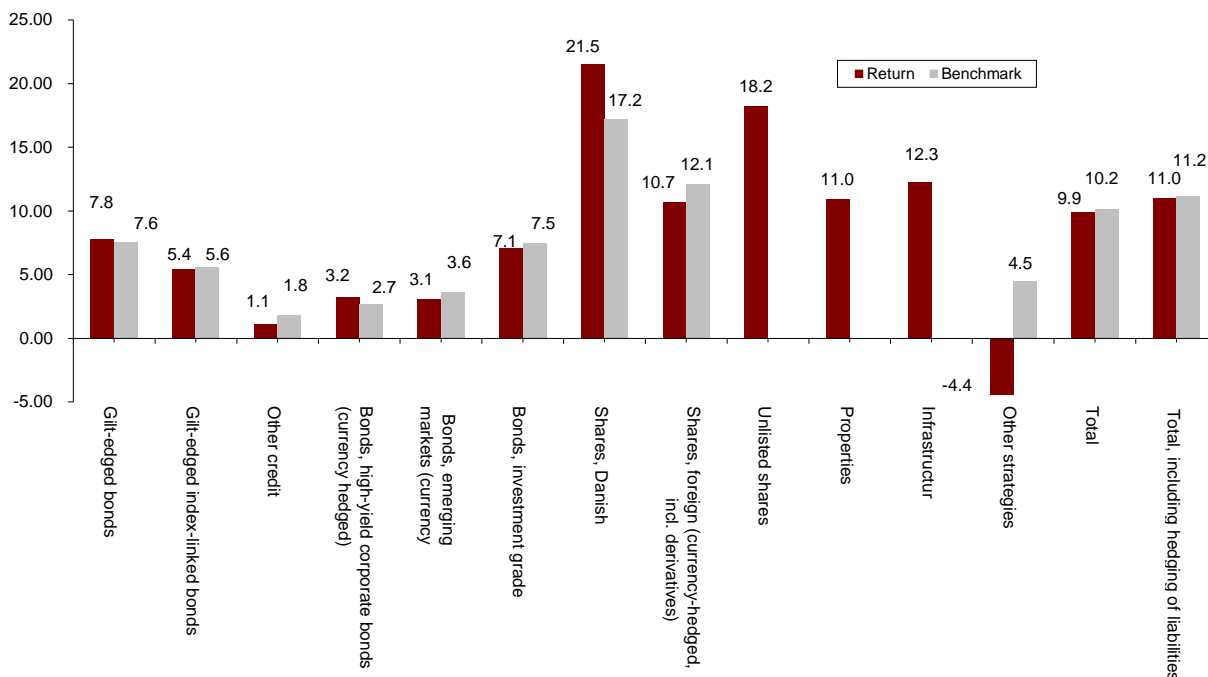
The holding of index-linked bonds yielded 5.4%, as the weak inflation rate reduced yields on these bonds significantly.

### Alternative investments

Alternative investments returned 15.4% in 2014. Investments in unlisted shares provided the highest returns at 18.2%, while returns on infrastructure were 12.3% and property saw returns of 11.0%. Investments in infrastructure and property are both through funds and through direct investments.

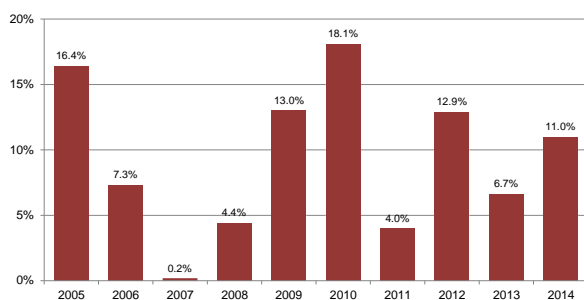
In 2014, Industriens Pension continued to increase investments in infrastructure, including through investment in the German Gode Wind II offshore wind farm currently under construction. Industriens Pension also increased its direct investments in Danish properties considerably in 2014. At the end of the year these investments amounted to almost DKK 2 bn.





Note: Calculated as time-weighted return, after hedging for exchange-rate fluctuations.

**Figure 8 Returns for the past 10 years**



Note: Official return ratios (N1) up to and including 2011. For 2012 and 2014, this includes returns on total investment assets.

**Returns in the market-rate environment**

By far the majority of members have their savings invested in a lifecycle product on market-interest-rate terms.

The lifecycle product means that the investment risk of the individual member is reduced in line with the member's age.

The overall return on the market-interest-rate product was 10.4% in 2014. Members with 25 years or more until retirement obtained a return of 11.4% in 2014. Members aged 60 obtained a return of 9.2%.

**Returns in the average-rate environment**

Members who were pensioners when Industriens Pension changed from average interest rate to market interest rate at the end of 2011 continue to have their savings invested in an average-interest-rate product.

The return on the average-interest-rate product was 15.0% in 2014. The primary reason for the high return was that the average-rate product is hedged for interest-rate risk. The drop in interest rates during the year benefitted this hedging.



**Table 9 Investment costs in 2014 by classes of assets**

Asset type	DKK mill.	%
Gilt-edged bonds	3.4	0.01
Gilt-edged index-linked bonds	0.7	0.01
Emerging-market bonds	49.2	0.49
High-yield corporate bonds	41.6	0.33
Investment-grade corporate bonds	29.4	0.36
Danish shares	26.9	0.28
Foreign shares	124.4	0.48
Unlisted shares	347.7	1.87*
Properties	63.5	1.03*
Properties (core)	2.3	0.01
Infrastructure	139.3	1.22*
Infrastructure (core)	7.0	0.93
Other strategies	5.1	3.56
Other credit	3.5	0.51
Unallocated costs	70.0	-
Ekstra Pension	0.0	0.00
<b>Total investment costs</b>	<b>914.1</b>	<b>0.75</b>

\* As a percentage of average investment commitments

### Investment costs

Investment costs represented 0.75% of assets in 2014. Investment costs comprise all types of expenses in connection with management of the investment assets such as fees for portfolio managers, costs of depository banks, commissions, wages for staff, etc.

Table 9 shows a great variation in investment costs across classes of assets.

The level of investment costs generally reflects the investment strategy selected. A low level of investment costs is therefore not a goal in itself. The Industriens Pension strategy, with active portfolio management and a high percentage of unlisted investments, generates relatively high costs, but should also result in higher returns than a passive strategy with passively managed, listed assets.

## INVESTMENT ASSETS

Investment assets increased from DKK 116 bn. at the end of 2013 to DKK 128 bn. at the end of 2014.

This increase is due to an increase in the market value of assets, as well as a net influx of members paying pension contributions.

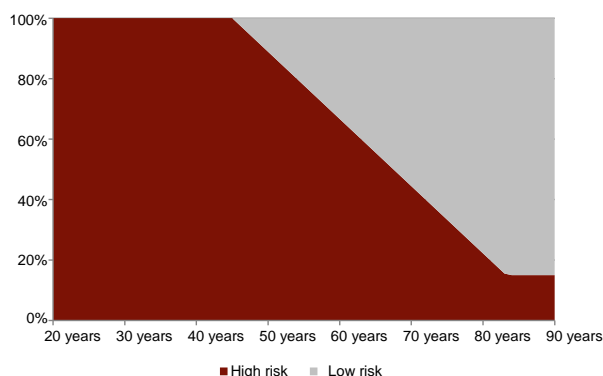
**Table 10 Distribution of asset types**

Asset type	Exposures carried forward 2013		Exposures carried forward 2014	
	DKK mill.	%	DKK mill.	%
Gilt-edged bonds	26,717	23.0	24,055	18.8
Gilt-edged index-linked bonds	8,806	7.6	9,220	7.2
Opportunistic credit	0	0.0	1,278	1.0
Emerging-market bonds	9,325	8.0	10,653	8.3
High-yield bonds	11,759	10.1	11,878	9.3
Investment-grade bonds	7,915	6.8	8,468	6.6
Danish shares	9,402	8.1	10,057	7.9
Foreign shares	20,847	18.0	25,856	20.2
Unlisted shares	8,774	7.6	10,974	8.6
Properties	2,767	2.4	5,345	4.2
Infrastructure	5,344	4.6	8,282	6.5
Other strategies	200	0.2	138	0.1
Money market	4,197	3.6	1,862	1.5
<b>Total</b>	<b>116,052</b>	<b>100.0</b>	<b>128,066</b>	<b>100.0</b>

## INVESTMENT STRATEGY

The investment strategy for the actively managed investment assets is based on an overall basic allocation between asset types but with a certain latitude. Within this latitude, the asset types may be overweighted or underweighted.

**Figure 9 Risk by age**



The investment assets are divided into two sub-portfolios with high or low risk, respectively. The two sub-portfolios each have their own principle framework.

Members' savings are placed in the two sub-portfolios. Members up to 45 have their entire savings placed in the high-risk portfolio. The percentage of the high-risk portfolio is reduced gradually as members become older such that an increasing percentage of their savings are placed in the low-risk portfolio.

However, the oldest members still have some of their savings placed in the high-risk portfolio.

**Table 11 Guidelines for the low-risk portfolio**

Asset type	Principle percent 2014	Latitude 2014	Principle percent 2015	Latitude 2015
	%	%	%	%
Nominal gilt-edged bonds	50	25-100	50	25-75
Indexed gilt-edged bonds	30	0-60	30	15-45
Investment-grade corporate bonds	8	0-20	5	0-10
Properties (core)	8	0-15	8	0-15
Infrastructure (core)	5	0-15	8	0-15
Cash	0	0-5	0	0-5
Financial instruments	0	-	0	-
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>

**Table 12 Guidelines for the high-risk portfolio**

<b>Asset type</b>	<b>Principle percent 2014</b>	<b>Latitude 2014</b>	<b>Principle percent 2015</b>	<b>Latitude 2015</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Nominal gilt-edged bonds	10	0-20	10	0-20
Indexed guilt-edged bonds	0	0-20	0	0-20
Investment-grade corporate bonds	8	0-20	8	0-20
High-yield corporate bonds	10	0-20	10	0-20
Emerging-market bonds	13	0-25	13	0-25
Danish listed shares	10	2.5-17.5	10	2.5-17.5
Foreign listed shares	25	5-45	28	5-45
Unlisted shares	13	5-20	10	5-20
Properties	3	0-10	3	0-10
Infrastructure	8	0-12.5	8	0-12.5
Other credit	3	0-10	3	0-10
Other strategies	0	0-5	0	0-5
Commodities	0	-5-5	0	-5-5
Cash	0	0-5	0	0-5
Financial instruments	0	-	0	-
<b>Total</b>	<b>100</b>	<b>-</b>	<b>100</b>	<b>-</b>

# Risk

Risk management has high priority at Industriens Pension, with systematic work on regular assessment and control of the company's current risks.

The Board of Directors is responsible for identifying and assessing risks and then stipulating the overall framework for Group's risks and risk management. This is through preparing risk and security policies, as well as guidelines for the Board of Management.

## Industriens Pension's view on risks

Industriens Pension's view on risks is to acknowledge that results desired are generated through controlled risk willingness and that risks should therefore be managed and controlled; and not necessarily eliminated.

Assessment of the significance of individual risks is made on the basis of an assessment of the consequences of a risk if it occurs, combined with the probability of this happening.

If the risk exceeds the acceptable level, initiatives are implemented in order to mitigate the risk to a lower, acceptable level. Such initiatives are implemented in policies and guidelines, as well as in establishment or expansion of internal controls.

Industriens Pension aims at promoting risk awareness among its employees and the overall view on risk is therefore integrated in the day-to-day management of the company's risk activities.

## Risk identification and assessment

The most important element of Industriens Pension's risk management is to ensure that all significant risks from the current business model and activities are identified, quantified, assessed, managed and reported.

The assessment of individual risks takes into account members' circumstances, as well as the size of the capital base to cover current capital requirements.

The majority of members have a market-interest-rate product, where each person carries the main part of the risks.

A key element of the risk assessment is to ensure that individual members are not subject to an inappropriate risk. This was carried out by introducing a lifecycle product for which the risk depends on the investment horizon of each member, determined on the basis of the age of the individual member.

For the remaining members with an average-interest-rate product, as well as the company's capital base, etc. the risk assessment takes into account the impacts of individual risks on the size of the individual solvency need to be covered by capital.

During 2014, the company conducted the risk assessment required by the Danish Financial Supervisory Authority, and further to this it updated relevant policies and guidelines.

The risk assessment has been finally approved by the Board of Directors and immediately after this it was submitted to Danish Financial Supervisory Authority and communicated to relevant employees.

## Risk management in practice

Practical work on implementing management of the individual risks is rooted with the staff responsible in the individual departments. They perform regular risk assessments and report to a common IT tool.

In 2014, risk management was developed, including work to secure optimal IT support to manage risks identified, internal controls and operational error incidents arising in the system.

An internal Risk and Finances Committee has been set up to ensure overall coordination of risk management. This Committee is also responsible for systematic and regular reporting to the Board of Management and the Board of Directors.

### Most significant risks for Industriens Pension

Current risks can be divided into market risks, business risks, as well as operational and strategic risks.

#### Market risks

Market risks include risks on investment assets, both in relation to losses on shares, interest rates, currency and properties. Furthermore, the risk of losses as a consequence of credit and counterparty risks, as well as concentration risks, are included.

The Board of Directors establishes the frameworks for risk levels in policies and guidelines which regulate investments in great detail.

The most important financial risks for members who still have a pension scheme with average interest rate are linked to the interaction between investment assets and current insurance obligations.

The risk relates to whether the return on investment assets is sufficient to cover liabilities on insurance contracts.

The most important risk is changes in interest rates. The interest-rate risk on liabilities is eliminated by hedging with interest-rate derivatives.

Similarly, a significant interest-rate risk is linked to the calculation of provisions for sickness and accident insurance, and fluctuations in the interest rate will therefore impact the accounting results. Such interest-rate risk is also eliminated by using interest-rate derivatives.

The risk of changes in exchange rates is mitigated by using derivatives.

The counterparty risk is generally mitigated by applying the "delivery versus payment" principle in connection with securities trading and by demanding collateralisation for positive fair values over a certain level on the derivatives used.

#### Insurance risks

Insurance risks cover the risk of losses because of changes in mortality rates, life expectancy, loss of ability to work as well as critical illness.

Disaster risks are also included, as a major catastrophe may cause considerable increases in benefits payments in the event of death and/or benefits in cases of loss of ability to work. Disaster risk is reduced by taking out reinsurance.

#### Operational and strategic risks

Operational risks comprise the risk of losses attributable to internal errors and errors in IT systems, incorrect procedures, inadequate internal controls, fraud, etc.

Strategic risks include reputation risks and other risks related to external events and factors.

#### Individual solvency need

As an insurance company, Industriens Pension must regularly calculate an individual solvency need. The scope of the individual solvency need depends on the current risk profile.

The Board of Directors approves the methods used to calculate the individual solvency need.

The individual solvency need at the end of 2014 was calculated in accordance with the model, parameters and buffers laid down in the Danish Financial Supervisory Authority Executive Order on Solvency and Operating Plans.

The auditors of the company perform an independent assessment of the calculation of solvency need and report the result of this assessment to the Board of Directors. The individual solvency need is reported to the Danish Financial Supervisory Authority.

At the end of 2014, the individual solvency need was calculated at DKK 1,413 mill. A break-down of the risks contributing to the scope of the solvency need is shown in table 13.

**Table 13 Individual solvency need**

<i>DKK mill.</i>	<b>31.12.2013</b>	<b>31.12.2014</b>
<b>Insurance</b>		
Longevity risk (risk of longer lifetime)	365	430
Invalidity risk	321	349
Disaster risk	52	80
Other insurance and cost risks	40	37
<b>Insurance and cost risks</b>	<b>778</b>	<b>896</b>
<b>Market risks</b>		
Interest-rate risk	567	530
Share-price risk	893	1,210
Other market and credit risks	735	1,013
<b>Total market risks</b>	<b>2,195</b>	<b>2,753</b>
<b>Counterparty risks</b>	<b>23</b>	<b>33</b>
<b>Total loss on basis risks</b>	<b>2,996</b>	<b>3,681</b>
Diversification	-1,264	-1,474
<b>Diversified loss on basis risks</b>	<b>1,732</b>	<b>2,207</b>
Covered by buffers	-756	-1,027
<b>Individual solvency need on basis risks</b>	<b>976</b>	<b>1,180</b>
<b>Operational risks</b>		
Operational risks	69	70
Strategic risks	178	163
<b>Total operational and strategic risks</b>	<b>247</b>	<b>233</b>
<b>Individual solvency need</b>	<b>1,223</b>	<b>1,413</b>

## Corporate social responsibility

Industriens Pension is committed to showing social responsibility in its investment strategy and ensuring that members, companies and society as a whole can feel secure about the investment of their pension funds.

### Systematic monitoring

Industriens Pension systematically monitors all companies in the investment portfolio, as well as companies included in its overall investment universe, as such companies may potentially be included in the portfolio.

The monitoring results in a focus list of companies which may be acting in contravention of Industriens Pension's guidelines on responsible investments.

Companies on the focus list are regularly monitored to follow developments and to be able to make decisions about active ownership, if this is deemed relevant. This takes place in close collaboration with external advisors, specialised in analysis of companies' environmental conditions and social responsibility.

Industriens Pension enters into a dialogue with companies that violate international standards and Industriens Pension's own guidelines. The aim of this dialogue is to change the behaviour of the companies.

Companies may be excluded from Industriens Pension's invest universe if this dialogue is unsuccessful. Companies can also be excluded if they willfully break the regulations laid down by the national authorities of the countries in which they work, or if they break regulations laid down by international organisations and acceded to by Denmark.

### Active ownership

Industriens Pension takes responsibility for its investments by requiring focus on the environment, social conditions, and good corporate governance from the companies in which it invests. Active ownership often provides better opportunities to encourage behaviour changes regarding unacceptable situations than discontinuing investments.

Industriens Pension exercises active ownership at several levels.

In confidence through

- Regular dialogue and discussion with management
- Written enquiries related to specific matters
- Meetings and discussions on specific matters

In public through

- Participation in general meetings
- Proposals for resolutions
- Voting at general meetings
- Convening extraordinary general meetings
- Press releases and briefings

In collaboration through

- Contact with other shareholders
- Collaboration with other shareholders on specific requirements or action

Initial dialogue between Industriens Pension and a company is usually confidential, possibly in cooperation with other investors.

Industriens Pension votes at general meetings, if deemed relevant. The overall guidelines for voting have been approved by the Board of Directors.

In situations where dialogue with the company and/or voting have had no effect or are assessed to be unlikely to have the desired effect, the company may be excluded from the investment universe of Industriens Pension.

It is important for Industriens Pension that external investment advisers use investment processes which take responsible investment into account.

Industriens Pension cooperates with like-minded investors to make initiatives within responsible investment more effective.

### Transparency

Industriens Pension publishes all initiatives relating to ethical guidelines and active ownership.

Industriens Pension practises full openness regarding its investments. Full lists of holdings of all listed assets, all direct investments and all unlisted funds are available at [www.industrienspension.dk](http://www.industrienspension.dk).

### Activities in 2014

In 2014, Industriens Pension assessed a number of companies which may potentially be involved in breaches of human rights, workers' rights, environmental protection or corruption. The companies are analysed on the basis of the UN Global Compact principles and focus is on systematic and serious violations of international standards (as well as violations which are not acknowledged by companies themselves). The selection of companies for investigation is based on different factors such as country, sector or a specific theme.

During 2014, Industriens Pension was in contact with 224 companies. The purpose of this contact was to gain insight into the initiatives taken by the companies to comply with the ethical and environmental requirements for inclusion in the investment universe of Industriens Pension.

Industriens Pension has been in contact with companies about environmental, social, as well as managerial conditions. Dialogue has differed in nature and severity. There has often been ongoing contact to understand how companies act, and not necessarily to encourage behavioural change.

### Development goals

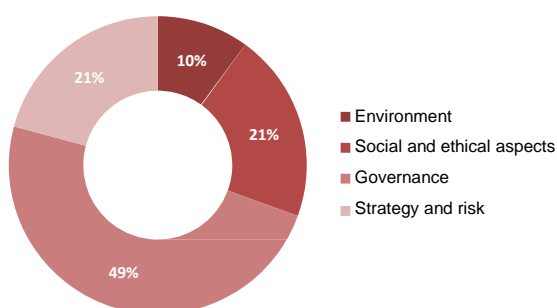
Industriens Pension wants to focus even more on the environment, social conditions and corporate governance in connection with investment. This will take place in the investment process itself, as well as through active ownership. Industriens Pension intends to increase the scope of dialogue with companies and make use of its voting rights in situations where Industriens Pension is in a position to influence corporate social responsibility.

### Gender mix in management

The Board of Directors has adopted target figures and policies for the gender mix in the Board of Directors and at other managerial levels.

The 14 members of the Board of Directors in Industriens Pension comprise three women and 11 men. This means that the share of the under-represented gender makes up just about 21% and thereby complies with the target gender mix stipulated for the Board.

**Figure 10 Reasons for dialogue**



For other managerial levels, executive directors, heads of department and team managers with managerial responsibility, a policy has been drawn up to increase the percentage of the under-represented gender, if the percentage of the under-represented gender is less than 40%. The current distribution in Industriens Pension is ten women and 12 men, corresponding to a relative distribution of 45%/55%.

The Board of Directors has adopted a policy according to which, if a person is recommended for employment at managerial level, a person from the under-represented gender must be recommended, unless another candidate is considered more qualified for the job.



## Value creation by the Board of Directors in 2014

At least once a year, the Board of Directors compares Industriens Pension with other companies' products to ensure that the pension scheme is the optimum choice for its members.

Among other things, this means that the Board has increased the regular disability pension and it has introduced an option for members to secure their surviving relatives by purchasing a 10-year guarantee period for a life-long pension.

At the board meeting after the summer holidays, the Board of Directors addressed an analysis of the members of Industriens Pension. The Board were pleased to note that members are generally satisfied with Industriens Pension.

The analysis also provides a better and clearer picture of who the members are and what they want. Therefore, the analysis will be the basis for future communication between Industriens Pension and its members.

In connection with preparation of the risk assessment, in 2014 the Board of Directors established a new, logical structure and division between risk policies and guidelines, which ensures compliance with the new solvency II regulations which enter into force in 2016.

In 2014, the Board of Directors continued discussions on investment costs paid by Industriens Pension due to the Board's decision to carry out an active investment policy. The Board plans to continue focus on this area in 2015.

Moreover, the Board discussed investments in alternative investments. Alternative investments can introduce special risks, for example because such investments can be less liquid than securities, and because the market is less transparent. Therefore, the Board had special focus on these investments in 2014, and this will continue in 2015.

The Board has resolved to set up a whistle-blower scheme for employees at Industriens Pension, who can now safely and anonymously report any breaches of financial legislation in Industriens Pension.

Furthermore, during the year, meetings were held of the Investment Committee, the Ethics Committee, the Accounting Committee and the Chairmanship.

These committees contribute to improving efficiency and enhancing the quality of the work carried out by the Board of Directors, and also have a preparation function prior to processing by the Board of Directors.

The Accounting Committee has tasks similar to those of an audit committee, and the Committee is responsible for monitoring the effectiveness of the accounting process and audit. The Committee is also tasked to monitor the effectiveness of controls.

The Investment Committee prepares matters on investments for processing by the Board of Directors, for example regarding investment policy and guidelines for investments and regarding large and/or extraordinary individual investments. The Committee also provides advice and conducts detailed checks on the investment area.

The Ethics Committee monitors developments within ethics and active ownership in the investment area. Work is carried out within the frameworks of the principles on social responsibility adopted by the Board of Directors, and the policies and guidelines adopted by the Board in this connection.

In all board committees at Industriens Pension, the Board of Directors has the full responsibility for all resolutions prepared by the board committees. The Board Of Directors regularly evaluates the performance of the committees and in 2014 the Board updated the rules of procedure for the committees.

### **Danish Financial Supervisory Authority on-site inspection**

In May and June, the Danish Financial Supervisory Authority conducted an ordinary on-site inspection in which all important areas at Industriens Pension were reviewed on the basis of a risk-based assessment, with most weight on areas with the highest risk. Inspection of the IT area has entailed enhanced procedures for internal access to systems and data.

The Danish Financial Supervisory Authority also had grounds to stress that the Board should continue its focus on alternative investments, as Industriens Pension has a relatively high exposure in this field.

The report from the Danish Financial Supervisory Authority is available on the Industriens Pension website.

### **Evaluation by the Board of Directors**

The Board again carried out a self-evaluation in 2014. This confirmed that the composition of the Board of Directors is correct in terms of the agreed business model.

A certified four-day board training course was also conducted in 2014. All resumes (CVs) for the individual members of the Board of Directors are available on the Industriens Pension website.

### **Good corporate governance**

The Board of Directors considers good corporate governance to be a fundamental element in Industriens Pension's long-term success. The Board of Directors also supports the majority of the recommendations for labour-market pension companies issued by the Committee on Corporate Governance.

The detailed view of the Board of Directors on the relevant recommendations is available on the Industriens Pension website.

# Ownership, management and pay policy

## OWNERSHIP

Industriens Pensionsforsikring A/S and Industriens Pension Service A/S are 100% owned by IndustriPension Holding A/S, and are part of the group together with other subsidiary undertakings wholly owned by Industriens Pensionsforsikring A/S.

Industriens Pension was established by the parties behind industrial collective agreements: The Confederation of Danish Industry and the unions under the Central Organisation of Industrial Employees. Together, they own the paid up the share capital of DKK 125 mill. in the parent company, IndustriPension Holding A/S.

The Confederation of Danish Industry owns 35% of the share capital.

The unions under the Central Organisation of Industrial Employees hold 65%, distributed as follows:

3F-United Fed. of Danish Workers	40.80%
Danish Metalworker's Union	21.96%
Danish Electrical Union	2.00%
Danish Union of House Painters	0.12%
Danish Union of Plumbers etc.	0.08%
Serviceforbundet	0.04%

## BOARD OF DIRECTORS

The Board of Directors is composed of 14 members appointed by the groups of shareholders behind the pension scheme.

The Chairman of the Board is Mads Andersen, who is also chairman of the manufacturing industries group at 3F and vice president of the Central Organisation of Industrial Employees

The Deputy Chairman is Kim Graugaard, who is also vice CEO at the Confederation of Danish Industry.

The management responsibilities of the Board of Directors as well as remuneration are described on page 53 and in note 28.

## BOARD OF MANAGEMENT AND DAY-TO-DAY MANAGEMENT

### Board of Management:

Laila Mortensen, CEO

The responsibilities of the Board of Management are described on page 55.

### The day-to-day management comprises:

Laila Mortensen, CEO

Joan Alsing, COO

Jan Østergaard, CIO

### The chief actuary is:

Rikke Sylow Francis, deputy director

### Corporate governance

For more information about corporate governance, please refer to our website: [www.industrienspension.dk](http://www.industrienspension.dk)

### Organisational links

Industriens Pension is a member of the Danish Insurance Association, the Danish Employers' Association for the Financial Sector, the Danish Insurance Complaints Board and PensionsInfo.

## PAY POLICY

The Board of Directors sets the pay policy each year to promote sound and effective risk management. In this connection it has been decided that no bonuses or any other form of performance pay or variable pay will be paid to

the Board of Management or other employees with significant influence at Industriens Pension.

The pay policy has been approved by the general meeting. More information on the pay policy can be found at [www.industrienspension.dk](http://www.industrienspension.dk).

## Outlook for 2015

### Members and contributions

The number of members of Industriens Pension who pay contributions through an employer is expected to remain unchanged in 2015.

The number of members with small, dormant pensions is expected to drop in 2015 as a result of expected establishment of a general agreement regarding management of such pensions.

It is expected that there will be 390,000 members of Industriens Pension at the end of 2015.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 7.9 bn. in 2015. Out of this, DKK 0.5 bn. is expected to be paid to the government by way of social security contributions.

### Costs

In 2015, Industriens Pension will continue to focus on the size of costs. In 2015, each member will pay a total of DKK 312 to cover administration costs. This is a drop of DKK 24 compared with 2014.

Investment costs which vary with the investment strategy selected are expected to increase in line with the increasing scope of investments. However, the cost rate compared with the investment assets is not expected to increase.

### Investment activities

The investment strategy for 2015 is structured on the basis of the principle investment framework adopted by the Board of Directors. Deviations from this fundamental framework within the agreed latitude will be made to increase returns.

For members not carrying a market interest rate, the interest-rate risk liabilities will generally continue to be hedged 100%. This hedging is to ensure that reserves are not affected inappropriately by significant fluctuations in interest rates.

In 2015, current expectations are that the return on the company's investment assets will amount to DKK 7.1 bn. before tax on yields of certain pension-scheme assets.

### Rate of interest on members' savings

The rate of interest on members' savings for those who are still in the average-interest-rate environment has initially been set at 8% per annum after tax on yields of certain pension-scheme assets in 2015. However, for members with savings from PNN PENSION and PHI pension, the rate of interest on members' savings has been set at 2.5% after tax on yields of certain pension-scheme assets.

### Expected result for 2015

Profit for the year depends greatly on the return achieved on the assets linked to equity. With the above assumptions regarding return, a profit of around DKK 100 to 150 mill. is expected for the financial year 2015.

## Statement by management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2014.

The annual report is presented in accordance with the Financial Business Act.

In our opinion, the annual financial statements give a fair presentation of the company's assets and liabilities, and financial position as well as its result.

Furthermore, in our opinion, the management commentary provides a true review of the development of the activities and financial situation of the company as well as a description of the most significant risks and uncertainty factors that may influence the company.

We recommend that the annual report be adopted at the General Meeting.

Copenhagen, 9 March 2015

Board of Management:

Laila Mortensen CEO

Board of Directors:

Mads Andersen  
Chairman

Kim Graugaard  
Deputy Chairman

Lars Andersen

Erik Bredholt

Claus Jensen

Heidi Jensen

Bjarne Graven Larsen

Nina Movin

Jens Due Olsen

Jukka Pertola

Rasmus Sejerup Rasmussen

Bo Stærmose

Berit Vinther

Ole Wehlast

# The independent auditor's report

## TO THE OWNERS OF THE CAPITAL OF INDUSTRIENS PENSIONSFORSIKRING A/S

### Endorsement of financial statements

We have audited the financial statements of Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2014 comprising accounting policies, income statement, comprehensive income statement, balance sheet, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Business Act.

### Management's responsibility for the annual financial statements

Management is responsible for the preparation of financial statements that provide a fair presentation which is in accordance with the Danish Financial Statements Act. Management is also responsible for the internal control deemed necessary by management in order to prepare financial statements without material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements on the basis of our audit. We conducted our audit in accordance with the international auditing standards and further requirements stipulated by Danish accounting legislation. These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit comprises performance of auditing procedures in order to obtain audit evidence of amounts and information in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of risks of material misstatement in the financial statements, whether due to fraud or error. In making risk assessments, the auditor considers

internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and the financial statements.

The purpose is to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### Conclusion

In our opinion, the financial statements give a fair presentation of the company's assets, liabilities and financial position as at 31 December 2014 and of the results of the company's activities for the financial year 1 January to 31 December 2014, in accordance with the Danish Financial Business Act.

### Statement on the management commentary

We have read through the management commentary in accordance with the Danish Financial Business Act. We have not acted further other than the audit carried out of the financial statements.

Furthermore, in our opinion, the information provided in the management commentary is in accordance with the financial statements.

Copenhagen, 9 March 2015

Deloitte

Statsautoriseret Revisionspartnerselskab

Anders O. Gjelstrup  
state-authorised public accountant

Jacques Peronard  
state-authorised public accountant

## Income statement and statement of comprehensive income

Note	DKK mill.	2014	2013
2	Gross premiums	6,737	6,528
	Insurance premiums ceded	-1	0
	<b>Total premium income net of reinsurance</b>	<b>6,736</b>	<b>6,527</b>
11	Income from group undertakings	4,481	1,012
12	Income from associated undertakings	2	6
	Interest income and dividends, etc.	3,437	2,886
3	Value adjustments	4,615	3,323
	Interest expenses	-2	0
6	Administrations costs in connection with investment activities	-204	-222
	<b>Total investment returns</b>	<b>12,329</b>	<b>7,006</b>
4	<b>Tax on yields of certain pension-scheme assets</b>	<b>-1,862</b>	<b>-1,060</b>
	<b>Investment return after tax on yields of certain pension-scheme</b>	<b>10,467</b>	<b>5,946</b>
5	Benefits paid	-5,180	-4,593
	Change in claims provisions	-4	3
	Transferred to other technical provisions	-96	-117
	<b>Total insurance benefits net of reinsurance</b>	<b>-5,280</b>	<b>-4,708</b>
13	<b>Total change in life-assurance provisions net of reinsurance</b>	<b>-229</b>	<b>304</b>
16	Change in bonus provisions for group life scheme	126	138
15	Change in collective bonus potential	-364	121
17	Change in special bonus provisions	-300	-177
	<b>Total bonus</b>	<b>-538</b>	<b>83</b>
18	<b>Change in provisions for unit-linked contracts</b>	<b>-10,182</b>	<b>-8,099</b>

## Income statement and statement of comprehensive income (cont.)

Note	DKK mill.	2014	2013
6	Administration costs	-113	-128
	<b>Total insurance operating costs net of reinsurance</b>	<b>-113</b>	<b>-128</b>
	<b>Investment returns transferred</b>	<b>-877</b>	<b>77</b>
	<b>TECHNICAL RESULT</b>	<b>-15</b>	<b>2</b>
7	<b>TECHNICAL RESULT OF ACCIDENT AND SICKNESS INSURANCE</b>	<b>30</b>	<b>30</b>
	Investment return on equity	224	-3
	<b>PROFIT/LOSS BEFORE TAX</b>	<b>238</b>	<b>29</b>
	Tax on yields of certain pension-scheme assets for equity capital	-34	0
	<b>PROFIT/LOSS FOR THE YEAR</b>	<b>204</b>	<b>29</b>
	Movements in capital (re-measurement) in group undertakings	103	-
	Of which, allocated to insurance and investment contracts	-101	-
	Tax on yields of certain pension-scheme assets on other comprehensive income	0	-
	<b>Other comprehensive income</b>	<b>2</b>	<b>-</b>
	<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>206</b>	<b>29</b>



## Balance sheet, assets

Note	DKK mill.	2014	2013
<b>8</b>	<b>INTANGIBLE ASSETS</b>	<b>6</b>	<b>9</b>
<b>9</b>	Equipment	1	0
<b>10</b>	Owner-occupied property	63	63
	<b>TOTAL TANGIBLE ASSETS</b>	<b>64</b>	<b>63</b>
<b>11</b>	Equity investments in group undertakings	3,021	1,235
	Loans to group undertakings	275	251
<b>12</b>	Holdings in associated undertakings	46	7
	Loans to associated undertakings	102	-
	<b>Total investments in group undertakings</b>	<b>3,444</b>	<b>1,492</b>
	Equity investments	2,046	1,497
	Investment association units	708	299
	Bonds	16,770	18,353
	Other loans	12	6
	Deposits with credit institutions	247	71
	Other financial investment assets	553	52
	<b>Total other financial investment assets</b>	<b>20,336</b>	<b>20,279</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>23,780</b>	<b>21,771</b>
<b>18</b>	<b>INV. ASSETS ATTACHED TO UNIT-LINKED CONTRACTS</b>	<b>114,952</b>	<b>102,450</b>
	Receivables from policy holders	592	566
	Receivables from group undertakings	8	0
	Other receivables	52	580
	<b>TOTAL RECEIVABLES</b>	<b>652</b>	<b>1,146</b>
	Current tax assets	11	9
	Deferred tax assets	2,080	2,273
	Cash at bank and in hand	108	102
	<b>TOTAL OTHER ASSETS</b>	<b>2,199</b>	<b>2,384</b>
	Interest receivable	576	584
	Other prepayments	58	54
	<b>TOTAL PREPAYMENTS</b>	<b>633</b>	<b>638</b>
	<b>TOTAL ASSETS</b>	<b>142,286</b>	<b>128,461</b>

## Balance sheet, equity and liabilities

Note	DKK mill.	2014	2013
	Share capital	110	110
	Reserve for tax-free retained earnings	3,832	3,625
	Retained earnings	531	531
	<b>TOTAL EQUITY</b>	<b>4,472</b>	<b>4,266</b>
	<b>Premium provisions</b>	<b>70</b>	<b>73</b>
	Guaranteed benefits	5,587	5,336
	Bonus potential on paid-up policies	3	25
13	<b>Total life-assurance provisions</b>	<b>5,590</b>	<b>5,361</b>
14	<b>Claims provisions</b>	<b>5,685</b>	<b>5,150</b>
15	<b>Collective bonus potential</b>	<b>2,088</b>	<b>1,724</b>
	<b>Provisions for bonus and premium rebates</b>	<b>685</b>	<b>408</b>
16	<b>Bonus provisions for group life scheme</b>	<b>262</b>	<b>388</b>
17	<b>Special bonus provisions</b>	<b>4,020</b>	<b>3,718</b>
18	<b>Provisions for unit-linked contracts</b>	<b>106,815</b>	<b>96,461</b>
	<b>TOTAL PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS</b>	<b>125,215</b>	<b>113,283</b>
	Creditors arising out of direct insurance operations.	6	5
	Current tax liabilities	1,697	1,426
19	Other debt	10,895	9,481
	<b>TOTAL DEBT</b>	<b>12,598</b>	<b>10,912</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>142,286</b>	<b>128,461</b>
20	<b>Collateral and contingent liabilities</b>		
21	<b>Related parties</b>		
22	<b>Derivative financial instruments</b>		
23	<b>Five-year summary and key figures</b>		
24	<b>Specifications for assets and returns on these</b>		
25	<b>Equity investments broken down by sectors and regions</b>		
26	<b>Sensitivity information and risks</b>		
27	<b>Risk disclosures</b>		
28	<b>Remuneration of board of directors</b>		

## Equity, capital base and solvency

EQUITY				
DKK mill.	Share capital	Retained earnings	Reserve*	Total
Equity as at 1 January 2014	110	531	3,625	4,266
Net profit for the year	-	-	204	204
Other comprehensive income	-	-	2	2
<b>Equity as at 31 December 2014</b>	<b>110</b>	<b>531</b>	<b>3,831</b>	<b>4,472</b>
Equity as at 1 January 2013	110	531	3,596	4,237
Net profit for the year	-	-	29	29
Other comprehensive income	-	-	-	-
<b>Equity as at 31 December 2013</b>	<b>110</b>	<b>531</b>	<b>3,625</b>	<b>4,266</b>

\*The reserve for tax-free retained earnings is subject to special limitations, see section 307 of the Danish Financial Business Act on labour-market-related life-assurance companies.

The company share capital of DKK 110 million is issued in shares each of DKK 1,000, or multiples thereof.

### CAPITAL BASE AND SOLVENCY REQUIREMENT

DKK mill.	2014	2013
Equity	4,472	4,266
Intangible assets	-6	-9
Special bonus provision type A	390	406
Special bonus provision type B	3,630	3,312
<b>Capital base</b>	<b>8,487</b>	<b>7,975</b>
Solvency requirement, life assurance	858	828
Solvency requirement, accident and sickness insurance.	177	177
<b>Total calculated solvency requirement</b>	<b>1,035</b>	<b>1,005</b>
<b>Individual solvency need (adequate capital base)</b>	<b>1,413</b>	<b>1,223</b>

# Notes

## Note

### 1 Accounting policies

#### GENERAL

This annual report has been prepared in accordance with the regulations of the Financial Business Act, as well as the Executive Order from the Danish Financial Supervisory Authority on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (Executive Order on the Presentation of Financial Statements).

The accounting policies used are unchanged compared with 2013.

All amounts in the financial statements are presented in whole million DKK. Each figure is rounded separately, which means that there may be differences between the totals stated and the total of the underlying figures.

Pursuant to section 134(1) of the Executive Order on Presentation of Financial Statements, no consolidated financial statements have been prepared for the company. The company and its subsidiaries, see note 11 of these financial statements, together with the affiliate Industriens Pension Service A/S, are included in the consolidated financial statements of IndustriPension Holding A/S (CVR no. 15 89 32 30).

**Accounting estimates and assessments** Preparation of the annual report requires that management make a number of estimates and assessments regarding future conditions which could significantly influence the accounting treatment of assets and liabilities, and thus the result in the current and coming years. The areas where these estimates and assessments have the most important effect on the financial statements are life-  
assurance provisions as well as the fair value of non-liquid unlisted financial investment assets.

#### **Life-*assurance provisions***

The calculation of life assurance provisions is based on actuarial calculations, which use assumptions on e.g. mortality and disability rates. Assumptions on mortality are based on benchmarks from the Danish Financial Supervisory Authority, while other assumptions are set using best estimates. Life assurance provisions are calculated as the present value of the future benefits. This means that the size of provisions is affected by the current interest-rate level which determines the discount rate.

#### **Fair value of financial investment assets**

There are no significant estimates connected with the valuation of financial investment assets with listed prices

In relation to financial instruments where valuation is based on observable market data to a lesser extent, valuation will be affected by estimates. This applies to e.g. unlisted equity investments and certain non-liquid bonds where there is no active market.

#### **Intragroup transactions**

Transactions between group undertakings are made on the basis of written agreements and settlement is on a cost-recovery basis or on commercial market terms.

#### **General principles for recognition and measurement**

The income statement recognises all income and expenses as they are earned and incurred. All value adjustments, both realised and unrealised, are therefore recognised in the net profit or loss for the year. However, revaluations following remeasurement of owner-occupied properties or other tangible non-current assets owned by the company or group or associated companies are recognised in other comprehensive income.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the company and the value of the asset can be measured reliably.

A liability is recognised in the balance sheet when it is probable that future financial benefits will not accrue to the company, and the value of the liability can be measured reliably.

At initial recognition assets are measured at cost. Measurements after initial recognition take place as described for each item below.

At recognition and measurement, unpredictable risks and losses that arise before the annual report is presented, and which confirm or disconfirm conditions that existed on the reporting date, must be taken into account.

#### **Foreign currency translation**

Transactions denominated in foreign currencies are translated at the exchange rate ruling at the transaction date. Gains and losses between the exchange rate at the transaction date and the settlement date are recognised in the income statement. On the reporting date, monetary assets and liabilities are translated into foreign currency at the exchange rate ruling on the reporting date. Similarly, currency adjustments arising between the date of the transaction and the reporting date are also recognised in the income statement under value adjustments.

## Notes (cont.)

### Note \_

#### 1 Accounting policies (cont.)

##### **INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

##### **Income from insurance activities**

##### ***Premiums income net of reinsurance***

Includes premiums and contributions due in the financial year. Premium relating to investment contracts without bonus entitlement and without a significant risk element, are recognised directly in the balance sheet. Social security contributions and reinsurance premiums are deducted in premium income.

##### **Investment returns**

##### ***Income from group undertakings and associated undertakings***

Includes the company's share of the result after tax in group and associated undertakings calculated in accordance with the company's accounting policies.

##### ***Interest income and dividends, etc.***

Includes the interest earned and dividends received on financial investment assets and liquid assets for the financial year, including index adjustments for index-linked bonds, and interest income on lending to group and associated undertakings.

##### ***Value adjustments***

Value adjustments contain both realised and unrealised gains and losses on investment assets, including foreign currency translation adjustments except for gains and losses on group undertakings and associated undertakings.

##### ***Administrations costs in connection with investment activities***

Includes costs in connection with trading in securities, depositary charges, remuneration for external management, as well as own costs for administration of investment assets.

##### ***Tax on yields of certain pension-scheme assets***

The tax on yields of certain pension-scheme assets for the financial year is recognised in the income statement. Tax includes tax on the return ascribed individually to members' deposits as well as tax on the return ascribed to collective reserves (equity and collective bonus potential, etc.).

Tax is calculated at 15.3% of the tax base, which is calculated on the basis of the annual investment return. Deferred tax on yields of certain pension-scheme assets is also provided at 15.3%.

##### **Expenses of insurance activities**

##### ***Insurance benefits paid net of reinsurance.***

Insurance benefits net of reinsurance include pension scheme benefits paid in the year, adjusted by the change in provisions for claims outstanding for the year and after deduction for the reinsurance cover. Insurance benefits concerning investment contracts without bonus entitlement are recognised directly in the balance sheet.

##### ***Change in life-assurance provisions***

Includes change in life-assurance provisions for the year.

##### ***Change in bonus provisions for the group life scheme***

Profit/loss for the year on the group life scheme is appropriated to bonus and is used to reduce future premiums.

##### ***Change in collective bonus potential***

Change in collective bonus potential is the part of the realised result accruing to the insurance portfolio beyond the bonus already allocated. In years with a negative realised result on the insurance portfolio after deduction of bonus already allocated, the collective bonus potential provided in previous years is applied for this item.

##### ***Change in special bonus provisions***

Change in special bonus provisions (type A and type B) includes interest and the net amounts which members have contributed during the year.

Change in special bonus provisions (type B) includes any risk return for the year and the previous year, and proportionate shares of the result of sickness and accident insurance as well as from the market-interest-rate scheme, etc. are added to the provisions.

***Change in provisions for unit-linked contracts*** Includes the change in provisions for unit-linked contracts (market-rate scheme), except for premiums and insurance benefits on investment contracts without bonus entitlement (ekstrapension) and a share of other comprehensive income.

## Notes (cont.)

### Note \_

#### 1 Accounting policies (cont.)

##### **Administration costs**

Administration costs include all costs for the year relating to life assurance activities including administration fees from group undertakings. Indirect costs are allocated pro-rata between life assurance and accident and sickness insurance on the basis of resource consumption by the two areas.

Audit fees are disclosed at group level in the annual report for the parent company IndustriPension Holding A/S.

##### **Investment returns transferred**

Investment return transferred makes up the part of the investment return not included in the insurance technical result. Investment returns transferred therefore comprises investment returns regarding sickness and accident insurance, as well as the investment return for equity.

##### **The technical result of accident and sickness insurance net of reinsurance**

The result of sickness and accident insurance has been calculated according to the accounting rules for sickness and accident insurance. In accordance with this, the result is detailed in the notes.

##### **Contribution and profit**

Appropriation of the realised profit is described in agreement with the members. Therefore, Industriens Pension is not subject to the Danish Financial Supervisory Authority's Contribution Executive Order and therefore, members with insurance policies entitled to a bonus are not divided into contribution classes.

The realised profit is calculated and appropriated in accordance with reported principles for appropriation of profits:

The return after tax on the part of the investment assets linked to the capital base is added to the capital base. The capital base can also be allocated interest for providing risk capital.

Special bonus provisions type B comprise the realised profit or positive sub-elements. The percentage corresponds to the percentage deduction in contributions, deposits and transfers, excluding unit supplement.

Equity includes payments of bonuses to pensioners, although these are expected to cease at the end of 2015. The remaining realised profit from insurance policies with a bonus entitlement, including returns on hedging instrument linked to insurance policies with a bonus entitlement accrue to the insured.

The composition of the realised profit is shown in the management commentary on page 4.

#### **BALANCE SHEET**

##### **Intangible assets**

Intangible assets includes the development of an IT platform, etc. measured at acquisition value with deduction of accumulated amortisation and impairment. Straight-line amortisation is made over the expected life of assets.

##### **Property, plant and equipment**

###### **Equipment**

Equipment is measured at acquisition value with deduction for accumulated depreciation and impairment. Straight-line depreciation is made over the expected life of assets.

###### **Owner-occupied property**

Owner-occupied property is measured at revalued amount, which is the fair value at the date of revaluation after deduction of accumulated depreciation and impairment. The revalued amount is calculated according to a returns model based on a market rent, costs of the property and a required return for the specific type of property. Increases in the revalued amount are recognised in other comprehensive income unless the increase corresponds to a drop which has previously been recognised in the income statement. Decreases in the revalued value of an owner-occupied property are recognised in the income statement unless the decrease corresponds to an increase that was previously recognised in other comprehensive income. Owner-occupied properties are depreciated over their expected useful lives to the estimated scrap value. Depreciation is calculated on the revalued amount and recognised in the income statement.

# Notes (cont.)

## Note

### 1 Accounting policies (cont.)

#### Investment assets

##### **Equity investments with group undertakings and associated undertakings**

Undertakings in which Industriens Pension exercises controlling influence are recognised as group undertakings (see note 11). Undertakings in which Industriens Pension holds between 20% and 50% of the voting rights and exercises significant influence are recognised as associated undertakings (see note 12). In certain situations, investments with an equity interest of more than 20% are recognised as equity investments in the balance sheet. These are situations in which a specific assessment shows that Industriens Pension has neither a controlling influence nor significant influence.

Equity investments in group undertakings and associated undertakings are measured at initial recognition at cost, and subsequently according to the equity method.

According to this method, equity investments are recognised as the proportionate share of the undertakings' result and equity, calculated according to the accounting policies of Industriens Pension. This means that tangible non-current assets (e.g. wind turbines) in group undertakings and associated undertakings are valued at cost in the construction phase and thereafter revalued to fair value. Increases in the revalued amount are recognised in other comprehensive income unless the increase corresponds to a drop which has previously been recognised in the income statement. Decreases in the revalued value of an owner-occupied property are recognised in the income statement unless the decrease corresponds to an increase that was previously recognised in other comprehensive income.

##### **Loans for group undertakings and associated undertakings**

Loans for group undertakings and associated undertakings are measured at amortised cost.

##### **Other financial investment assets**

Purchases and sales of financial investment assets are recognised on the trading day at fair value, which generally corresponds to the cost.

Listed equity investments and investment units are measured at fair value, calculated at the official closing prices on the reporting date. For equity investments and investment units that are not actively traded, a calculated rate is used. Unlisted equity investments and units in investment associations are measured at estimated fair value using recognised valuation methods.

Listed bonds are also measured at fair value, calculated at the official closing prices on the reporting date. For bonds that are not actively traded, a calculated rate is used.

Unlisted bonds are measured at an estimated fair value by means of recognised valuation methods. The fair value of called bonds is measured at present value.

Bonds that are sold and repurchased forward (genuine sale and repurchase transactions) are part of the bond portfolio. The fair value of these at the end of the financial year is shown in note 20 to the financial statements on collateral ceded.

Listed and unlisted derivative financial instruments are measured at fair value on the reporting date. Fair value is set at the mid-market prices on the reporting date. Positive fair values are recognised in the balance sheet under other financial investment assets, and negative values are recognised in the balance sheet under other debt. Value adjustments are recognised under value adjustments. Note 22 to the financial statements shows a summary of the derivative financial instruments with associated fair values.

Information on prices etc. appearing after the closing date of the financial statements will only be recognised if these are material to assessment of the annual financial statements.

##### **Investment assets linked to unit-linked contracts**

Investment assets linked to unit-linked contracts includes assets linked to the market-rate scheme, including assets linked to investment contracts without bonus entitlement (ekstrapension). Assets are measured according to the same principles as other investment assets.

##### **Receivables**

Receivables are measured at amortised cost, which usually corresponds to nominal amount. Deductions are made to account for any losses.

##### **Deferred tax assets**

Deferred tax on yields of certain pension-scheme assets calculated on the basis of a negative tax basis is recognised as an asset in the balance sheet for offsetting in positive tax on yields of certain pension-scheme assets in subsequent years, provided it is likely that such offset can be utilised in the years to come.

## Notes (cont.)

### Note \_

#### 1 Accounting policies (cont.)

The deferred tax asset has primarily arisen in connection with the distribution of collective reserves on transition to market interest rate in 2011. The part of this tax asset not utilised on offsetting in positive tax on yields of certain pension-scheme assets within five years after distribution will be repaid to the company by the Central Customs and Tax Administration (SKAT), including interest from 1 January 2013.

#### **Provisions for insurance and investment contracts**

##### ***Provision for unearned premiums***

Relates to accident and sickness insurance and covers provisions for risk on account of rising age deemed necessary to cover claims and costs in subsequent financial periods for insurance policies in effect on the balance-sheet date.

##### ***Life-assurance provisions***

Life-assurance provisions include insurance contracts entitled to bonuses. Provisions are calculated at market value by the company chief actuary based on the technical basis notified to the Danish Financial Supervisory Authority. Life-assurance provisions are calculated as the present value of the expected future insurance benefits linked to current insurance contracts, based on a discounting yield curve and assumptions on insurance risks (mortality rate and disability, etc.) and costs, fixed at best estimate. The statement of the life-assurance provisions includes an addition relating to the uncertainty of fixing best estimate on insurance risk. The yield curve defined in the Executive Order on Presentation of Financial Statements is applied as the discount rate. The Danish Financial Supervisory Authority calculates and publishes the yield curve on a daily basis.

Life-assurance provisions are divided between guaranteed benefits, bonus potential on future premiums, and bonus potential on paid-up policy benefits.

Guaranteed benefits include commitments to pay benefits attached to the pension scheme. Guaranteed benefits are calculated as the present value of the expected future benefits, as well as the present value of the expected future expenses for administration of the insurance policy, less the present value of the agreed future premiums. Guaranteed benefits are calculated taking into account conversion of contracts to paid-up policies and surrender.

Bonus potential on future premiums covers the present value of commitments to pay bonuses which, with the current discounting yield curve, are linked to agreed premiums not yet due.

The liabilities are calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of the guaranteed benefits where the guaranteed paid-up policy benefits are the benefits guaranteed on the insurance policy if the policy is converted to a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the present value of the guaranteed paid-up policy benefits plus the present value of the expected future expenses for administration of the paid-up policies.

Bonus potential on paid-up policy benefits covers the present value of commitments to pay bonuses, which, with the current discounting yield curve, are linked to premiums etc. already due. Bonus potentials on paid-up policy benefits are calculated as the value of policy holders' savings less the guaranteed benefits, bonus potentials on future premiums, and the present value of the future administration results.

##### ***Claims provisions***

These include insurance benefits due but not yet paid, including bonuses as well as other unpaid insurance benefits pertaining to events occurring in the financial year, or earlier. Claims provisions on sickness and accident insurance include amounts to cover claims arising before the end of the year but not yet paid.

Claims provisions on sickness and accident insurance settled by regular payments have been calculated at their present value in accordance with actuarial principles as the present value of the expected future payments applying the discounting yield curve as defined in the Executive Order on Presentation of Financial Statements.



## Notes (cont.)

### Note \_

#### 1 Accounting policies (cont.)

**Collective bonus potential**

Collective bonus potential covers the insurance portfolio share of realised results which are allocated collectively to future bonuses.

**Provisions for bonus and premium rebates** Provisions for bonus and premium rebates are amounts in sickness and accident insurance policies accruing to policy holders owing to a favourable result for the financial year.

**Provisions for group life scheme** Provisions for group life scheme for death, disability and critical illness denote saved up profits from the scheme for use in reducing future premiums.

**Special bonus provisions**

Special bonus provisions cover both type A and type B. The breakdown into the two types is shown in a note to the annual financial statements. Special bonus provisions are venture capital made available by members and constitute part of the insurance provisions. The provisions are recognised in the capital base, ranking equally with equity capital.

**Provision for unit-linked contracts**

This provision represents the market value of the assets linked to the market-rate scheme as well as investment contracts without bonus entitlement (ekstrapension).

The provisions also contain an estimated amount to cover benefits from insured events occurring in the financial year but not reported at the end of the financial year.

**Other debt**

Debt on repos and other derivative financial instruments is measured at fair value. Other amounts payable are measured at amortized cost, which normally corresponds to the nominal value.

**Contingent liabilities**

Commitments regarding guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report (see note 20).

## Notes (cont.)

Note	DKK mill.	2014	2013
<b>2</b>	<b>Gross premiums</b>		
	Current premiums	6,834	6,619
	Contributions incl. transfers	1,054	1,178
	<b>Gross premiums before taxes</b>	<b>7,888</b>	<b>7,797</b>
	Social security contributions	-541	-527
	<b>Total gross premiums</b>	<b>7,347</b>	<b>7,270</b>
	Of which, concerning accident and sickness insurance	-511	-670
	Of which, premiums concerning investment contracts without bonus entitlement	-99	-72
	<b>Total gross premiums on insurance contracts</b>	<b>6,737</b>	<b>6,528</b>
	<i>Premiums broken down according to how insurance was taken out:</i>		
	Insurance taken out as part of an employment relationship	7,248	7,198
	Investment contracts taken out individually	99	72
		<b>7,347</b>	<b>7,270</b>
	<i>Premiums concerning insurance:</i>		
	Insurance policies with a bonus entitlement	4	9
	Insurance policies without bonus entitlement	7,244	7,189
	Investment contracts without bonus entitlement	99	72
		<b>7,347</b>	<b>7,270</b>
	Members with collective agreement-based schemes	396,403	404,631
	Members with group life assurance	232,530	231,570
	Members with policies taken out individually	20,735	19,914
	All insurance policies have been taken based on collective agreements, agreements and similar under which the insurance is a compulsory part of the conditions for employment.		
	All insurance policies pertain to direct Danish business.		
<b>3</b>	<b>Value adjustments</b>		
	Loans to group undertakings	-1	0
	Equity investments	5,401	5,252
	Investment association units	644	-493
	Bonds	2,301	-2,330
	Deposits with credit institutions	32	-16
	Other financial investment assets	-3,761	910
	<b>Total value adjustments</b>	<b>4,615</b>	<b>3,323</b>

## Notes (cont.)

Note DKK mill.	2014	2013
<b>4 Tax on yields of certain pension-scheme assets</b>		
Tax on yields of certain pension-scheme assets payable for the year	1,862	1,432
Adjustment of deferred tax asset	17	-374
Adjustment for tax on yields of certain pension-scheme assets concerning previous years	-2	3
Tax on yields of certain pension-scheme assets concerning other comprehensive income	-16	0
<b>Total tax on yields of certain pension-scheme assets</b>	<b>1,862</b>	<b>1,060</b>

### 5 Benefits paid

Regular pension benefits	558	462
Lump sums on old age	300	529
Insurance lump sums on disability	94	68
Insurance lump sums on critical illness	124	111
Insurance lump sums on death	324	283
Transfers to other pension schemes	3,577	294
Surrender (disbursement of small dormant accounts)	83	72
Correction of old-age lump sum	112	2,765
Unguaranteed supplementary pension	4	7
Health-promotion costs	3	3
<b>Total benefits paid</b>	<b>5,180</b>	<b>4,593</b>

### 6 Administration costs

The staff expenses specified below have been recognised in the items for administration costs, administration costs in connection with investment activities, as well as result of sickness and accident insurance:

#### Staff expenses

Staff wages and salaries	106	105
Pension contributions	13	13
Other expenses for social security	2	2
Payroll tax	14	12
<b>Total staff expenses</b>	<b>135</b>	<b>132</b>

<b>Average number of full-time employees in the year</b>	<b>146</b>	<b>146</b>
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#### Staff expenses include salaries and remuneration for:

Board of Management, 1 person	3.7	3.5
Board of Directors, 14 persons	2.2	2.0
No. of employees whose activities significantly influence the risk profile, 6 persons (5 in 2013)	11.9	9.3

No bonus schemes or performance-related pay agreements are linked to the employment of either the board of management or other employees with significant influence on the risk profile. No allowances for new employment or resignation were paid in 2014. Remuneration is not paid to members of the Board of Management for board positions in other companies of the group.

Salaries and other remuneration for individual members of the Board of Directors are disclosed in note 28.

## Notes (cont.)

Note DKK mill.	2014	2013
<b>7 Technical profit/loss on sickness and accident insurance</b>		
Current premiums	511	670
Transferred from provisions for provisions for insurance and investment contracts	96	117
<b>Total gross premiums</b>	<b>606</b>	<b>787</b>
Reinsurance premiums ceded	-1	-1
Change in premium provisions	3	3
<b>Premium income net of reinsurance</b>	<b>608</b>	<b>789</b>
<b>Technical interest</b>	<b>-12</b>	<b>9</b>
Benefits paid	-440	-395
Change in gross claims provisions net of reinsurance	-131	-87
<b>Costs of claims net of reinsurance</b>	<b>-572</b>	<b>-482</b>
<b>Change in bonus and premium rebates</b>	<b>-277</b>	<b>-243</b>
<b>Insurance operating costs net of reinsurance</b>	<b>-17</b>	<b>-19</b>
<b>Technical result</b>	<b>-270</b>	<b>54</b>
Investment return	353	40
Return on insurance provisions	-53	-64
<b>Investment return after technical interest</b>	<b>300</b>	<b>-24</b>
<b>TECHNICAL RESULT OF ACCIDENT AND SICKNESS INSURANCE</b>	<b>30</b>	<b>30</b>
With a claims rate of 0.45% (0.30%) in 2014, a total of 830 (595) claims have been paid with an average amount of DKK 793,000 (DKK 749,000). The figures shown in brackets are the corresponding figures for 2013.		
<b>8 Intangible assets</b>		
Accumulated cost 1 January	33	33
Accumulated cost 31 December	33	33
Accumulated amortisation 1 January	24	2
Amortisation for the year	4	22
Accumulated amortisation 31 December	28	24
<b>Carrying amount 31 December</b>	<b>6</b>	<b>9</b>

## Notes (cont.)

Note DKK mill.	2014	2013
<b>9 Equipment</b>		
Accumulated cost 1 January	1	1
Acquisitions during the year	1	-
Disposals	-1	-
Accumulated cost 31 December	1	1
Accumulated depreciation 1 January	1	1
Depreciation for the year	0	0
Reversed depreciation at the end of the year	-1	-
Accumulated depreciation 31 December	0	1
<b>Carrying amount 31 December</b>	<b>1</b>	<b>0</b>
<b>10 Owner-occupied property</b>		
Revalued fair value 1 January	63	63
Depreciation for the year	0	0
Value adjustment for the year	0	0
<b>Revalued fair value 31 December</b>	<b>63</b>	<b>63</b>
Rate of return with fair value valuation	5.50	5.50

No external experts have been involved in measuring the owner-occupied properties.

## Notes (cont.)

Note DKK mill.	2014	2013
<b>11 Equity investments in group undertakings</b>		
Carrying amount 1 January	28,424	13,484
Additions/issues during the year	2,532	14,432
Capital reductions/redemptions during the year	-2,507	-504
Share of profit/loss for the year	4,481	1,012
Share of movements in capital for the year	103	0
<b>Carrying amount 31 December</b>	<b>33,033</b>	<b>28,424</b>

### Equity investments are disclosed in the balance sheet items:

Equity investments in group undertakings	3,021	1,235
Investment assets attached to unit-linked contracts, see note 18	30,012	27,189

### Equity investments in group undertakings consist of:

Name interest	Registered office	Equity	Result	Equity
Kapitalforeningen Industriens Pension Portfolio	Copenhagen	100%	4,612	31,123
IP Alternative Investments Komplementar ApS	Copenhagen	100%	0	0
IP Finans 1 ApS	Copenhagen	100%	0	4
IP Butendiek Wind K/S	Copenhagen	100%	-131	98
IP Gode Wind II K/S	Copenhagen	100%	0	328
IP Ejendomme 2013 P/S	Copenhagen	100%	1	1,479
IP Komplementar ApS	Copenhagen	100%	0	0
IP Infrastruktur P/S	Copenhagen	100%	0	1
IP Infrastruktur Komplementar ApS	Copenhagen	100%	0	0
IP OPP P/S	Copenhagen	100%	0	0

Industriens Pension Portfolio f.m.b.a. invests in shares and bonds etc. while other group undertakings are involved in property, infrastructure and wind turbine activities.

## 12 Equity investments in associated undertakings

Carrying amount 1 January	166	160
Additions/issues during the year	153	0
Capital reductions/redemptions during the year	-167	0
Distributions during the year	0	6
Share of profit for the year	2	0
<b>Carrying amount 31 December</b>	<b>155</b>	<b>166</b>

### The equity investments are disclosed in the balance sheet items:

Equity investments in associated undertakings	46	7
Investment assets attached to unit-linked contracts, see note 18	109	159

### Equity investments in associated undertakings consist of:

Name interest	Registered office	Equity	Result	Equity
EjendomsSelskabet Norden IV K/S	Copenhagen	32.4%	13	210
Axel Torv 2 P/S	Copenhagen	33.3%	-3	258
Axel Torv 2 Komplementar ApS	Copenhagen	33.3%	0	0
Gode Wind II Joint FinCo ApS	Copenhagen	21.0%	0	3

EjendomsSelskabet Norden IV K/S and the two companies concerning Axel Torv have activities within the property area, while Gode Wind II Joint FinCo ApS conducts financing activities.

## Notes (cont.)

Note	DKK mill.	2014	2013
<b>13</b>	<b>Life-assurance provisions</b>		
	<b>Life-assurance provisions 1 January</b>	<b>5,361</b>	<b>5,665</b>
	Accumulated value adjustments brought forward	-784	-954
	<b>Retrospective provisions 1 January</b>	<b>4,577</b>	<b>4,711</b>
	Gross premiums	4	9
	Addition of interest	234	238
	Insurance benefits	-406	-408
	Costs supplement after addition of costs bonus	-5	-5
	Risk result after addition of risk bonus	27	5
	Transferred to other technical provisions	0	0
	Transferred to/from provisions for unit-linked contracts	24	27
	Distribution from special bonus provision	2	1
	<b>Retrospective provisions 31 December</b>	<b>4,457</b>	<b>4,577</b>
	Accumulated value adjustment carried forward	1,133	784
	<b>Gross life-assurance provisions 31 December</b>	<b>5,590</b>	<b>5,361</b>

### *Break down of life-assurance provisions between the original technical interest rates carried forward 2014*

	1.00%	2.50%	Total
Guaranteed benefits	349	5,238	5,587
Bonus potential on paid-up policy benefits	3	0	3
<b>Gross life-assurance provisions 31 December 2014</b>	<b>352</b>	<b>5,238</b>	<b>5,590</b>

### *Break down of life-assurance provisions between the original technical interest rates carried forward 2013*

	1.00%	2.50%	Total
Guaranteed benefits	338	4,998	5,336
Bonus potential on paid-up policy benefits	11	14	25
<b>Gross life-assurance provisions 31 December 2013</b>	<b>349</b>	<b>5,012</b>	<b>5,361</b>

DKK mill.	2014	2013
The bonus potential on paid-up policy benefits has been raised by	1,038	710
<b>Change in life-assurance provisions in income statement</b>		
Change in guaranteed benefits	251	-317
Change in bonus potential on paid-up policy benefits	-22	13
<b>Total change in life-assurance provisions</b>	<b>229</b>	<b>-304</b>

## Notes (cont.)

Note	DKK mill.	2014	2013
<b>14</b>	<b>Claims provisions</b>		
	Provisions for insurance sums on death	148	148
	Provisions for insurance sums on disability	111	112
	Provisions for insurance sums on critical illness	85	79
	<b>Claims provisions net of reinsurance re. life-assurance activities</b>	<b>344</b>	<b>340</b>
	<b>Claims provisions net of reinsurance re. accident and sickness insurance</b>	<b>5,341</b>	<b>4,811</b>
	<b>Total provisions for claims net of reinsurance</b>	<b>5,685</b>	<b>5,150</b>
<b>15</b>	<b>Collective bonus potential</b>		
	Collective bonus potential 1 January	1,724	1,845
	Change in collective bonus potential	364	-121
	<b>Collective bonus potential 31 December</b>	<b>2,088</b>	<b>1,724</b>
<b>16</b>	<b>Bonus provisions for group life scheme</b>		
	Bonus provisions for group life scheme 1 January	388	526
	Change in bonus provisions for group life scheme	-126	-138
	<b>Bonus provisions for group life scheme 31 December</b>	<b>262</b>	<b>388</b>
<b>17</b>	<b>Special bonus provisions</b>		
	Special bonus provisions 1 January	3,718	3,542
	Change in special bonus provisions	300	177
	Share in other comprehensive income	1	-
	<b>Special bonus provisions 31 December</b>	<b>4,020</b>	<b>3,718</b>
	<i>Breakdown of special bonus provisions</i>		
	Special bonus provisions type A	390	406
	Special bonus provisions type B	3,630	3,312
	<b>Special bonus provisions 31 December</b>	<b>4,020</b>	<b>3,718</b>



## Notes (cont.)

Note	DKK mill.	2014	2013
<b>18</b>	<b>Provisions for unit-linked contracts</b>		
	<b>Provisions for unit-linked contracts 1 January</b>	<b>96,461</b>	<b>88,291</b>
	Gross premiums	6,828	6,587
	Return after tax on yields of certain pension-scheme assets	8,514	6,072
	Insurance benefits	-4,402	-3,852
	Costs supplement	-470	-498
	Risk gain	-1	-1
	Distribution from special bonus provision	226	218
	Transferred to/from life-assurance provisions	-24	-27
	Transferred to sickness and accident insurance	-91	-117
	Transferred to group scheme	-227	-213
	<b>Provisions for unit-linked contracts 31 December</b>	<b>106,815</b>	<b>96,461</b>
	<b>Change in provisions for unit-linked contracts</b>		
	Recognised in the income statement	10,182	8,099
	Share recognised in other comprehensive income	84	-
	Recognised directly in the balance sheet	88	70
	<b>Change in provisions for unit-linked contracts</b>	<b>10,354</b>	<b>8,169</b>
	<b>Investment assets attached to unit-linked contracts</b>		
	Equity investments in group undertakings	30,012	27,189
	Loans to group undertakings	285	311
	Equity investments in associated undertakings	109	159
	Loans to associated undertakings	106	-
	Equity investments	40,715	33,258
	Investment association units	8,060	6,635
	Bonds	32,307	32,534
	Other loans	18	8
	Deposits with credit institutions	1,368	1,473
	Other financial investment assets	1,973	882
	<b>Total investment assets attached to unit-linked contracts</b>	<b>114,952</b>	<b>102,450</b>
	Other receivables concerning unit-linked contracts	40	342
	Receivable interest concerning unit-linked contracts	389	383
	Tax on yields of certain pension-scheme assets due concerning unit-linked contracts	-1,507	-1,083
	Other debt concerning unit-linked contracts	-7,060	-5,631
	<b>Net assets linked to unit-linked contracts</b>	<b>106,815</b>	<b>96,461</b>

## Notes (cont.)

Note	DKK mill.	2014	2013
<b>19</b>	<b>Other debt</b>		
	Liabilities concerning sales and repurchase transactions	7,925	8,364
	Negative market value of other derivative financial instruments	2,889	532
	Debt concerning unsettled transactions	5	503
	Other debt	76	81
	<b>Total other debt</b>	<b>10,895</b>	<b>9,481</b>

### 20 Collateral and contingent liabilities

As collateral for the technical provisions, assets have been registered at a carrying amount of:

Properties	1,479	-
Equity investments	42,063	33,893
Investment association units	39,787	35,226
Bonds	40,286	42,449
Deposits with credit institutions	2,348	2,388
<b>Total registered assets</b>	<b>125,964</b>	<b>113,955</b>

Bonds for collateral for loans after standard repurchase contracts	7,925	8,364
Bonds issued as collateral for fair value of derivative financial instruments	903	479
Bonds received as collateral for fair value of derivative financial instruments	804	997
Leasing liabilities	1	1
Pledges to invest in property, infrastructure and unlisted equity investments etc. incl. warranties for pledges in associated undertakings.	18,242	13,270

The company has joint VAT (moms) registration with a number of group companies. The joint registration entails joint and several liability for VAT and payroll tax.

The Central Customs and Tax Administration (SKAT) has asked about the tax treatment by the company of relief for foreign withholding taxes and tax treatment in connection with conversion of old-age pensions. If SKAT's interpretations in these areas are upheld, there will be further tax due for the period 2010-2014 of a maximum of DKK 43 mill.

## Notes (cont.)

### Note

#### 21 Related parties

Industriens Pensionsforsikring A/S has a number of fully owned undertakings. IndustriPension Holding A/S, with its registered office in Copenhagen, is the parent company.

Transactions with related parties are entered into and settled on market terms or on a cost-recovery basis. In 2014, the company had the following transactions and balances with group undertakings:

- Supply of administrative services for the parent, IndustriPension Holding A/S, as well as to the fellow subsidiary, Industriens Pension Service A/S, and the fully owned subsidiaries. Fees for these services are fixed on a cost-recovery basis.
- Provision of loans (about EUR 75 mill.) and guarantees for a loan framework (about EUR 83 mill.) for the subsidiary undertaking IP Finans ApS and provision of loans (EUR 44 mill.) and guarantees for a loan framework (about EUR 129 mill.) for the associated undertaking Gode Wind II Joint FinCo ApS. Payment in the form of interest and guarantee commission is fixed on market terms.

#### 22 Derivative financial instruments

	Principal amount	Positive value	Negative value
Int.-rate contracts, swaps			
Term 0-10 years	-11,706	946	-871
Term 10-20 years	4,724	1,035	-151
Term >20 years	573	233	-11
<b>Total</b>	<b>-6,408</b>	<b>2,214</b>	<b>-1,033</b>
Repo			
Term 0-10 yrs.	-6,983	74	-28
<b>Total</b>	<b>-6,983</b>	<b>74</b>	<b>-28</b>
Futures (shares and bonds)			
Term 0-10 years	-10,363	203	-204
<b>Total</b>	<b>-10,363</b>	<b>203</b>	<b>-204</b>
Forward foreign-exchange contracts	-38,879	110	-1,653
<b>Balance as at 31 December 2014</b>	<b>-62,633</b>	<b>2,601</b>	<b>-2,917</b>

All interest-rate contracts are in DKK and EUR. Forward foreign-exchange contracts all have a term of less than one year. Positive fair values are included in other financial investment assets, and negative fair values are included in liabilities under other debt. However, the net value of repo transactions is recognised in liabilities regarding sale and repurchase transactions under other debt.

## Notes (cont.)

Note	2010	2011	2012	2013	2014
<b>23 Five-year summary of key figures and financial ratios</b>					
<b>Key figures (DKK mill.)</b>					
Premiums	6,206	6,485	6,624	6,528	6,737
Insurance benefits	2,151	1,994	1,638	4,708	5,280
Investment return	13,254	3,635	12,176	7,006	12,329
Insurance operating costs	138	131	136	128	113
Profit/loss on reinsurance	-3	-2	-2	-1	-2
Technical result	-5	97	45	2	-15
Technical result of sickness and accident insurance	13	-259	25	30	30
Profit/loss for the year	389	-172	357	29	204
Provisions for insurance and investment contracts	82,285	90,015	105,234	113,283	125,215
Equity	4,051	3,880	4,237	4,266	4,472
Assets	93,973	101,198	123,023	128,461	142,286
<b>Financial ratios for sickness and accident insurance</b>					
Gross claims ratio	132.7%	111.6%	88.0%	88.7%	173.8%
Gross expenses ratio	3.7%	2.6%	3.0%	3.5%	5.3%
Combined ratio	136.6%	114.3%	91.2%	92.3%	179.3%
Operating ratio	115.4%	102.0%	81.9%	82.4%	154.1%
Relative run-off results	5.3%	3.9%	2.7%	12.5%	2.2%
<b>Return ratios</b>					
Return before tax on yields of certain pension-scheme assets (N1)	18.1%	4.0%	11.6%	-0.8%	12.1%
Return before tax on yields of certain pension-scheme assets, market rate	-	4.6%	13.0%	7.8%	10.4%
Return before tax on yields of certain pension-scheme assets, average rate	19.0%	4.6%	15.9%	-1.0%	15.0%
<b>Cost ratios</b>					
Costs as a percentage of premiums (N3)	2.2%	2.0%	2.0%	1.9%	1.7%
Costs as a percentage of provisions (N4)	0.2%	0.2%	0.2%	0.1%	0.1%
Costs per insured party (N5)	DKK 316	DKK 307	DKK 311	DKK 288	DKK 261
Expense result (N6)	0.56%	0.49%	0.42%	0.39%	0.34%
<b>Risk figures</b>					
Insurance risk result (N7)	0.04%	0.13%	0.10%	0.00%	-0.02%
<b>Consolidating financial ratios</b>					
Ratio of bonus potential to provisions (N8)	25.0%	21.0%	39.2%	37.7%	46.8%
Ratio of members' funds to provisions (N9)	5.0%	70.5%	75.2%	81.2%	90.2%
Ratio of equity to provisions (N10)	6.9%	90.4%	89.9%	93.2%	100.3%
Ratio of excess solvency to provisions (N11)	8.2%	136.3%	143.6%	152.3%	167.2%
Solvency ratio (N12)	325%	511%	768%	793%	820%
<b>Return on equity ratios</b>					
Return on equity before tax (N13)	11.8%	-4.4%	10.1%	0.7%	5.5%
Return on equity after tax (N14)	10.1%	-4.3%	8.8%	0.7%	4.7%
Return on insurance provisions (N15)	16.9%	4.8%	17.3%	-0.9%	16.5%
Return on special bonus provisions type A (N18)	4.0%	3.6%	2.3%	2.4%	2.1%
Return on special bonus provisions type B (N19)	12.4%	-4.1%	10.4%	0.8%	5.7%

The change in the consolidating financial ratios from 2010 to 2011 reflects the transition from average interest rate to market interest rate. The statutory financial ratios as laid down by the Danish FSA are entitled N1-N19.

## Notes (cont.)

### Note

#### 24 Schedule of assets and returns on these

DKK mill.	Market value		Net invest- ments	Return as % before PAL
	31.12.2013	31.12.2014		
1.1 Land and buildings directly owned	63	63	0	6.9%
1.2 Property companies	370	1,369	867	9.5%
<b>1. Total land and buildings</b>	<b>433</b>	<b>1,432</b>	<b>867</b>	<b>9.2%</b>
<b>2. Other subsidiaries</b>	<b>8</b>	<b>212</b>	<b>161</b>	<b>-13.7%</b>
3.1 Listed Danish shares	412	457	-40	21.5%
3.2 Unlisted Danish shares	39	26	-18	14.5%
3.3 Listed foreign equity investments	1,044	1,281	31	19.1%
3.4 Unlisted foreign equity investments	358	481	28	22.7%
<b>3 Total other equity investments</b>	<b>1,853</b>	<b>2,244</b>	<b>1</b>	<b>19.0%</b>
4.1 Government bonds (Zone A)	5,814	5,479	-497	7.6%
4.2 Mortgage-credit bonds	7,007	6,719	-190	3.4%
4.3 Index-linked bonds	4,378	4,315	-79	5.4%
4.4 Credit bonds, investment grade	1,273	1,358	-4	6.7%
4.5 Credit bonds, non-investment grade	916	1,010	-49	14.9%
4.6 Other bonds	0	58	58	1.7%
<b>4. Total bonds</b>	<b>19,388</b>	<b>18,939</b>	<b>-761</b>	<b>5.8%</b>
<b>5. Loans secured by mortgages</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>6. Other financial investment assets</b>	<b>308</b>	<b>605</b>	<b>19</b>	<b>5.9%</b>
<b>7. Derivative financial instruments</b>	<b>45</b>	<b>98</b>	<b>-</b>	<b>-</b>

\*The returns on individual investment assets as well as total investment assets have been calculated using the time-weighted method, i.e. daily return calculations are made throughout the year.

#### 25 Equity investments broken down by sectors and regions

	Denmark	Rest of Europe	N. Amer.	S. Amer.	Japan	Far East	Other coun- tries	Not allocat- ed	Total
Energy	0.0%	0.8%	2.3%	0.1%	0.0%	0.2%	0.0%	0.2%	3.6%
Materials	1.7%	0.6%	1.4%	0.1%	0.2%	0.2%	0.0%	0.1%	4.3%
Industry	6.1%	0.8%	4.3%	0.3%	0.7%	0.3%	0.0%	0.2%	12.8%
Consumption goods	1.4%	0.9%	3.7%	0.2%	0.8%	0.6%	0.1%	0.1%	7.8%
Consumer goods	1.1%	1.7%	2.6%	0.3%	0.2%	0.4%	0.2%	0.2%	6.7%
Health	5.3%	1.4%	4.7%	0.0%	0.2%	0.1%	0.0%	0.1%	11.9%
Finance	4.1%	3.0%	5.1%	0.6%	0.8%	2.5%	0.1%	0.7%	16.8%
ICT	0.1%	0.8%	6.3%	0.3%	0.4%	1.2%	0.0%	0.1%	9.2%
Telecommunications	0.5%	0.5%	0.3%	0.0%	0.2%	0.4%	0.1%	0.0%	1.9%
Supply	0.0%	0.5%	1.1%	0.0%	0.1%	0.0%	0.0%	0.1%	1.7%
Not allocated	1.1%	8.5%	12.6%	0.0%	0.0%	0.1%	0.0%	0.9%	23.2%
<b>Total</b>	<b>21.5%</b>	<b>19.4%</b>	<b>44.2%</b>	<b>2.1%</b>	<b>3.8%</b>	<b>5.9%</b>	<b>0.5%</b>	<b>2.6%</b>	<b>100.0%</b>

## Notes (cont.)

### Note

#### 26 Sensitivity information

DKK mill.	Maximum effect on capital base	Maximum effect on collective bonus potential	Maximum effect of bonus potential on paid-up policy benefits before change in applied bonus potential on paid-up policy benefits	Maximum effect on applied bonus potential on paid-up policy benefits
Event				
Interest-rate increase of 0.7 percentage points	-257	-381	9	0
Interest rate drop of 0.7 percentage points	263	419	-3	0
Country spread (interest-rate increase)	9	-51	0	0
Country spread (interest-rate drop)	9	-56	0	0
Fall in share prices of 12%	-171	-138	0	0
Fall in property prices of 8%	-44	-27	0	0
Exchange-rate risk (VaR 99%)	-20	-17	0	0
Loss on counterparties of 8%	-118	-82	0	0
Mortality intensity:				
- drop of 10%	0	-182	-3	0
- increase of 10%	0	163	4	0
Disability intensity:				
- increase of 10%	0	0	0	0

Note: Positive figures mean that the company benefits from the risk event mentioned whereas negative figures means the company's reserves are eroded.

#### 27 Risk information

See the section on risk on pages 18-20.

#### 28 Emoluments paid to the board of directors

The chairman and deputy chairman received annual remuneration of DKK 222,508 in 2014. This remuneration is for participation in committees in Industriens Pensionsforsikring A/S. Other members of the board of directors received remuneration in 2014 of DKK 111,254 kr. Other members of the board of directors who are also members of the Investment Committee or the Accounting Committee also received remuneration of DKK 60,684 in 2014, while the chairman of the Accounting Committee received remuneration of DKK 80,912.

Mads Andersen, chairman	DKK 222,508	Nina Movin	DKK 171,938
Kim Graugaard, deputy chairman	DKK 222,508	Jens Due Olsen	DKK 171,938
Lars Andersen	DKK 252,850	Jukka Pertola	DKK 111,254
Erik Bredholt	DKK 111,254	Rasmus Sejerup Rasmussen	DKK 111,254
Claus Jensen	DKK 111,254	Bo Stærmosé	DKK 111,254
Heidi Jensen	DKK 111,254	Berit Vinther	DKK 171,938
Bjarne Graven Larsen	DKK 171,938	Ole Wehlast	DKK 111,254

# Management positions held by the board of management and the board of directors

## BOARD OF MANAGEMENT

**Laila Mortensen** (born 1965)

CEO of IndustriPension Holding A/S and the fully owned subsidiary Industriens Pensionsforsikring A/S.

### *Intra-group positions*

Industriens Pension Service A/S	Chief executive
Kapitalforeningen Industriens Pension Portfolio	Member of the board of directors
IP Alternative Investments Komplementar ApS	Chairman of the board of directors
IP Finans 1 Aps	Chairman of the board of directors
IP Komplementar ApS	Chairman of the board of directors
IP Ejendomme 2013 P/S	Chairman of the board of directors
IP Infrastruktur P/S	Chairman of the board of directors
IP Infrastruktur Komplementar ApS	Chairman of the board of directors
IP OPP P/S	Chairman of the board of directors

### *Other positions:*

Forsikring & Pension	Member of the board of directors
Spar Nord Bank A/S	Member of the board of directors
Danish Society for Education and Business, DSEB	Deputy chairman

The above positions have been approved by the board of directors, cf. section 80(1) of the Danish Financial Business Act.

## BOARD OF DIRECTORS

**Mads Andersen, chairman** (born 1969)

Group chairman of Industrigruppen 3F and deputy chairman of the Central Organisation of Industrial Employees (CO-industri). Appointed 21 April 2010  
Appointed by the CO-industri unions.

### *Intra-group positions*

IndustriPension Holding A/S	Chairman of the board of directors
Industriens Pension Service A/S	Chairman of the board of directors
Investment and Ethics Committee of Industriens Pensionsforsikring A/S.	Chairman

### *Other positions:*

Industriens Kompetenceudviklingsfond	Member of the board of directors
Industriens Uddannelses- og Samarbejdsfond	Member of the board of directors
Laugesens Have, Kursuscenter A/S	Member of the board of directors
Confederation of Danish Trade Unions	Member of the executive committee
Nordsøenheden S.O.V.	Member of the board of directors
Congress of the United Federation of Danish Workers	Member of the Congress

## Management positions held by the board of management and the board of directors (cont.)

### BOARD OF DIRECTORS

#### **Kim Graugaard, deputy chairman** (born 1961)

Deputy director general of the Confederation of Danish Industry.  
Appointed 28 April 2005 by the Confederation of Danish Industry.

#### **Intra-group positions:**

IndustriPension Holding A/S	Deputy chairman
Industriens Pension Service A/S	Deputy chairman
Investment and Ethics Committee of Industriens Pensionsforsikring A/S.	Deputy chairman

#### **Other positions:**

ATP	Member of the board of directors and committee of representatives
Confederation of Danish Employers (DA)	Member of the board of directors
Industriens Kompetenceudviklingsfond	Member of the board of directors
Industriens Uddannelses- og Samarbejdsfond	Member of the board of directors
Teksam	Member of the board of directors
ESS, European Spallation Source	Member of the board of directors

#### **Lars Andersen** (born 1958)

Executive director of Arbejderbevægelsens Erhvervsråd.  
Appointed 28 April 2005 by the CO-industri unions.

#### **Intra-group positions:**

IndustriPension Holding A/S	Member of the board of directors
Investment Committee of Industriens Pensionsforsikring A/S	Member
Accounting Committee in Industriens Pensionsforsikring A/S	Chairman

#### **Other positions:**

Arbejdernes Landsbank A/S	Member of the board of directors and chairman of the Audit Committee
DSB	Member of the board of directors
IFU/IØ funds	Member of the board of directors

#### **Erik Bredholt** (born 1966)

Executive director of Livlande Holding A/S.  
Appointed 30 November 2009. Appointed by employers in the merged pension funds PNN PENSION and PHI pension.

#### **Other positions:**

Danish Crown A/S	Chairman of the Board of Directors
Board of the Confederation of Danish Industry	Member of the board
Friland A/S	Member of the board of directors
Danish Agriculture & Food Council	Member of the executive board
Leverandørselskabet Danish Crown Amba	Chairman of the board of directors
Livlande Holding A/S	Member of the board of directors
Plumrose Inc. (USA)	Member fo the Board of directors
Slagteriernes Arbejdsgiverforening	Chairman of the board of directors
Sokolow S.A. (Polen)	Member of the board of directors
Tulip Ltd. (UK)	Member of the board of directors



## Management positions held by the board of management and the board of directors (cont.)

### BOARD OF DIRECTORS

#### **Claus Jensen** (born 1964)

Union chairman of the Danish Metalworkers' Union and  
Chairman of CO-industri  
Appointed 25 April 2013 by the CO-industri unions.

#### **Intra-group positions:**

IndustriPension Holding A/S	Member of the board of directors
Industriens Pension Service A/S	Member of the board of directors

#### **Other positions:**

Economic Council of Labour Movement (AE) member	Member of the board and council
Arbejderbevægelsens Kooperative Finansieringsfond	Member of the board
Arbejdernes Landsbank A/S	Member of the board of directors
A/S A-Pressen	Member of the board of directors
Arbejdsmarkedets Tillægspension	Member of cttee. of representatives
Danish Economic Council	Member
Femern A/S	Member of the board of directors
Industriens Uddannelses- og Samarbejdsfond	Member of the board
Industriens Kompetenceudviklingsfond	Chairman of the board
Innovation Fund Denmark	Member of the board
Interforcekomiteen	Member of the board
Confederation of Danish Trade Unions	Member of the day-to-day management and executive committee
Lindø Industripark A/S	Member of the board of directors
Sampension KP Livsforsikring A/S	Member of the board of directors
Ulandssekretariatet	Member of the board

#### **Heidi Jensen** (born 1973)

Trade union representative at Struers A/S.  
Appointed 28 April 2011 by the CO-industri unions.

#### **Other positions:**

3F Storkøbenhavn	Member of the executive committee
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#### **Bjarne Graven Larsen** (born 1964)

Member of the board of management  
Appointed 25 April 2013 by the Confederation of Danish Industry

#### **Intra-group positions:**

Investment Committee of Industriens Pensionsforsikring A/S	Member
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#### **Nina Movin** (born 1959)

Regional sales director at Threadneedle Investment  
Appointed 25 April 2013 Appointed by the CO-industri unions.

#### **Intra-group positions:**

Investment Committee of Industriens Pensionsforsikring A/S	Member
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## Management positions held by the board of management and the board of directors (cont.)

### BOARD OF DIRECTORS

**Jens Due Olsen** (born 1963)

Member of the board of management

Appointed 28 May 2002 by the Confederation of Danish Industry

***Intra-group positions:***

Investment Committee of Industriens Pensionsforsikring A/S

Member

***Other positions:***

Amrop A/S

Chairman of the board of directors

AtchikRealtime A/S

Chairman of the board of directors

Auriga Industries A/S

Chairman of the board of directors

Bladt Industries A/S

Deputy chairman and chairman of the audit committee

Cryptomatic A/S

Member of the board of directors

Gyldendal A/S

Member of the board of directors

Heptagon Advanced Micro Optics Inc.

Member of the board and chairman of the audit cttee.

LD Invest 2

Member of the investment cttee

NKT Holding A/S

Chairman of the board of directors

Pierre.dk A/S

Chairman of the board of directors

Royal Unibrew A/S

Member of the board of directors

**Jukka Pertola** (born 1960)

CEO of Siemens A/S

Appointed 22 February 2012 by the Confederation of Danish Industry

***Other positions:***

Danish Academy of Technical Sciences

Member

Baltic Development Forum

Member of the board

Copenhagen Capacity

Member of the board

CLEAN

Member of the board

DELTA Dansk Elektronik, Lys & Akustik

Deputy chairman

Executive Committee of the Danish Confederation of Trade Unions

Member

Industriens Arbejdsgivere i København

Member of the board

Karl Pedersen og Hustrus Industrifond

Member of the board

LEO Pharma A/S

Member of the board of directors

Siemens A/S

Member of the board of directors

Siemens Høreapparater A/S

Chairman of the board of directors

Siemens Wind Power A/S

Chairman of the board of directors

**Rasmus Sejerup Rasmussen** (born 1974)

Union representative at Babcock & Wilcox Vølund A/S

Appointed 25 April 2013. Appointed by the CO-industri unions.

***Other positions:***

Babcock & Wilcox Vølund A/S

Member of the board of directors

Metal Vest

Member of the board

## Management positions held by the board of management and the board of directors (cont.)

### BOARD OF DIRECTORS

**Bo Stærmose** (born 1948)

CEO of Juliana A/S

Appointed 27 February 2006 by the Confederation of Danish Industry

***Intra-group positions:***

IndustriPension Holding A/S

Member of the board of directors

***Other positions:***

Board of the Confederation of Danish Industry

Member of the board

Fionia Fond

Chairman of the board

Fremstillingsindustrien

Chairman of the board

Juliana Holding A/S

Chairman of the board of directors

Juliana A/S

Member of the board of directors

Juliana Ejendomme A/S

Chairman of the board of directors

Otto Mønstedes Fond

Member of the board

Otto Mønsted A/S

Member of the board of directors

Ghe growth forum for regional business development and employment

Member

**Berit Vinther** (born 1961)

Director at the Confederation of Danish Industry

Appointed 22 April 2009 by the Confederation of Danish Industry

***Intra-group positions:***

IndustriPension Holding A/S

Member of the board of directors

Industriens Pension Service A/S

Member of the board of directors

Accounting Committee in Industriens Pensionsforsikring A/S

Member

***Other positions:***

Arbejdsmarkedets Tillægspension

Member of committee of reps.

Foreningen Pension for Funktionærer

Member of the board

Industriens Kompetenceudviklingsfond

Deputy chairman

Industriens Uddannelses- og samarbejdsfond

Chairman

Customer council of PFA

Member

**Ole Wehlast** (born 1959)

Trade Union President at Fødevareforbundet NNF

Appointed 30 November 2009. Appointed by employees in the merged pension funds PNN PENSION and PHI pension.

***Other positions:***

AOF Danmark

Chairman of the board

Arbejdsmarkedets Tillægspension

Member of committee of reps.

ALKA

Member of the board of directors

Economic Council of Labour Movement (AE)

Member of the board

Arbejdernes Landsbank A/S

Member of the board of reps.

Dansk Folkeferie Fonden

Member of the board

Københavns Bagerafdeling's Fond

Member of the board

Confederation of Danish Trade Unions

Member of the management and executive cttee.

Ulandssekretariatet

Member of the board