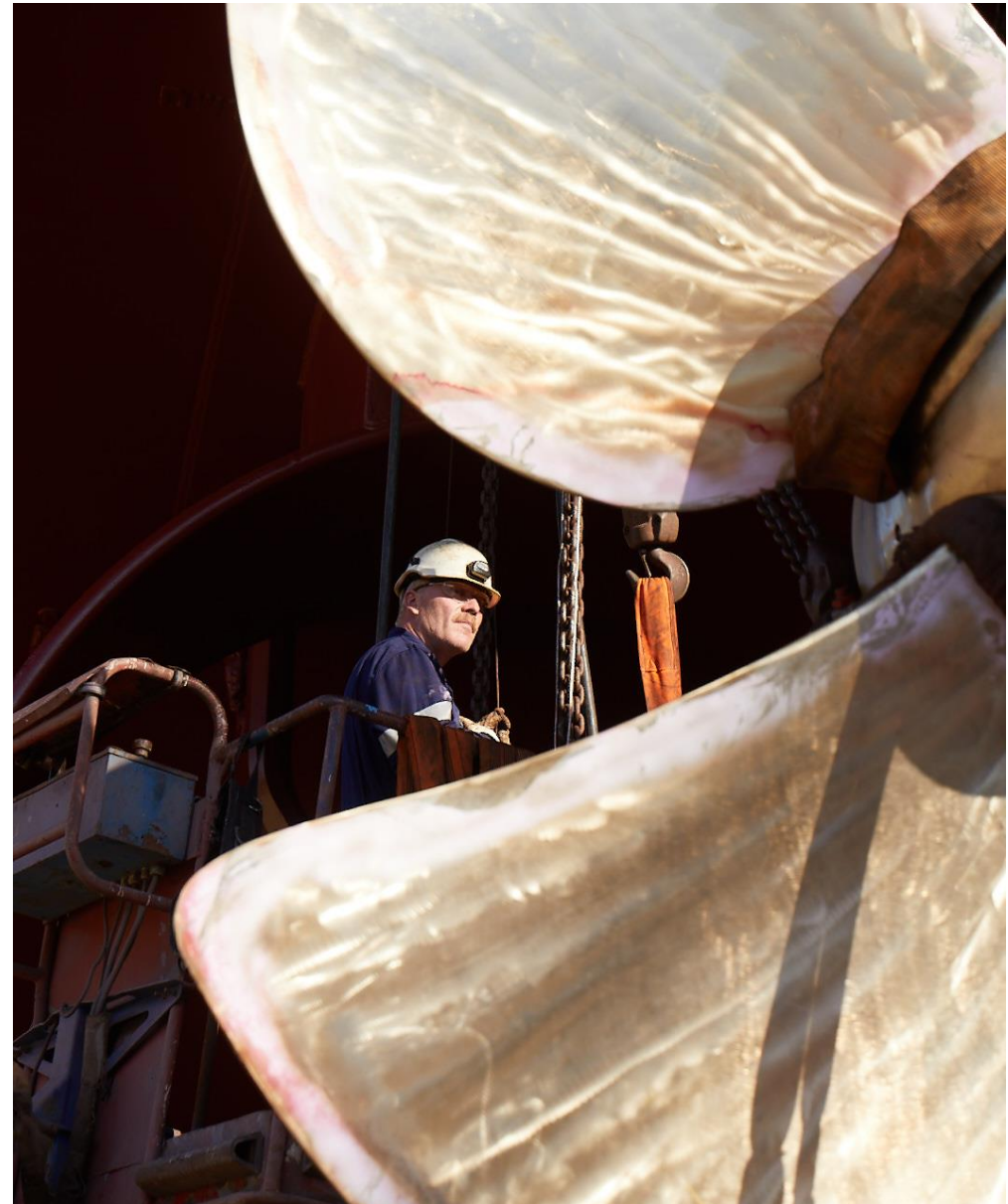




# Annual report 2020

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# Solid results in an exceptional year

Most people will forever remember 2020 as an extreme and unusual year full of changes and dramatic events that no one could have ever imagined. Throughout the world, the COVID-19 pandemic was a challenge for companies and investors alike. The pandemic also dominated at Industriens Pension in many ways.

Like almost all other investors, Industriens Pension was marked by major declines in the values of shares and other assets in February and March 2020. However, since April, developments have been more favourable than most had dared to hope during the dramatic days of March, and overall, 2020 provided satisfactory returns for all age groups.

At Industriens Pension, we have a well-diversified and robust portfolio and it has always provided good long-term results for members through highly changeable market situations. It is important to add that the COVID-19 pandemic has not changed our expectations for continued solid returns in the long term.

## Swift transition

The COVID-19 pandemic also had a strong impact on the other parts of the organisation in 2020. When the pandemic escalated in March, the organisation adapted quickly, and in the spring and at the end of the year, most

employees were working from home. With many employees working from home, changes were necessary in many areas, but the transitions have been feasible, without any significant loss of productivity. Consequently, throughout the year, we have been able to maintain normal operations and service our members and companies as usual.

Furthermore, in 2020, we focussed on improving our advisory services by developing a chatbot - continuing our development of digital solutions and providing even more targeted information about the pension scheme.

## Investing in the green transition

2020 also saw significant investments in the green transition. For a number of years, Industriens Pension has focussed on investing in renewable energy and green technology, and in 2020, we made an unprecedented investment in solar farms in partnership with the company Better Energy. Industriens Pension and Better Energy have 50/50 ownership of the fully constructed solar farms, and the investment includes new solar farms in Denmark and Poland, with total construction costs of up to DKK 4 bn., making this the largest Danish solar cell investment ever.

Moreover, we changed our largest external investment mandate to a mandate focussing on particularly sustainable corporate bonds. The investment mandate of DKK 8.9 bn. is with PIMCO, a capital manager focusing particularly on corporate bonds from companies that have a relatively low environmental impact, that take significant social responsibility, and that have a sound governance culture. There are plans to increase investments in the green transition significantly in the coming years.

## High degree of satisfaction

Finally, we are pleased that, again in 2020, Industriens Pension topped the sector in leading satisfaction surveys. In November, based on responses from more than 5,000 Danes, FinansWatch, a financial news media, and Wilke, a market research firm, lauded Industriens Pension as the company with the best reputation in the pension sector in 2020. The survey included a total of 69 major financial undertakings, including the 15 largest pension companies. We will do our utmost to live up to the confidence we have been shown.

# Financial and operating data, summary of financial statements

## Income statement

Total premium contributions amounted to DKK 9.5 bn., which is DKK 0.2 bn. less than in 2019 due to fewer active members. Following transfers of premiums to sickness and accident insurance, and after withholding income tax (A

tax) and labour-market contributions, net contributions amounted to DKK 8.1 bn.

The number of active members fell by approximately 4,900 in 2020, and at the end of

the year, there were approximately 204,000 active members.

2020 yielded a satisfactory result from investment activities in light of the uncertainty in the financial markets.

Not least investments in listed shares made positive contributions to investment returns. Total investment returns ended at DKK 9.7 bn. after costs, compared with DKK 20.1 bn. in 2019. This corresponds to a total return on investment assets of 5.1% in 2020 (12.0% in 2019). Over the past 10 years, the average return after costs has amounted to 7.3% per annum.

As a result of the positive investment returns for the year, tax on yields of certain pension-scheme assets was DKK 1.5 bn.

Insurance benefits amounted to DKK 5.1 bn. and were 5.8% lower than the benefits for 2019, when they amounted to DKK 5.4 bn. This is primarily due to a decrease in transfers on change of job.

At DKK 119 mill., administration costs for life-assurance activities were slightly higher than the level in 2019. Thereby, costs per member increased to DKK 256 (DKK 243 in 2019). To this should be added the costs of sickness and accident insurance of DKK 46 per member (DKK 46 in 2019). Costs per member therefore remain at a low level.

Comprehensive income for the year was DKK 195 mill. against DKK 417 mill. in 2019, and against an expected profit for the year of DKK 150-200 mill. The fall compared with 2019 is due to the lower investment returns in 2020.

The results for 2020 are detailed in table 1. The gross profit on life assurance is composed of an interest, expense and risk result as well as the changes for the year in market-value adjustments of life-assurance provisions. The gross result on life-assurance activities was DKK -225 mill. against DKK 1,041 mill. in 2019. The fall is essentially due to a negative interest result caused partly by accrual of interest on members' savings of 9%, which exceeded investment returns, and partly by allotment of an extraordinary bonus of 15% for members in the average interest rate scheme, which was used to enhance the bases of calculation.

Furthermore, the risk result fell from DKK 89 mill. in 2019 to DKK -116 mill. in 2020 as a consequence of higher bonus allotments in the group life scheme in 2020, combined with a reduction of the premium.

In 2020, sickness and accident insurance contributed a gross result of DKK 16 mill. against DKK 240 mill. in 2019. This development is due to a decline in the investment result. The total gross loss of DKK -209 mill. with the consumption of collective bonus potential and premium rebates in sickness and accident insurance has been posted to special bonus provisions (DKK 208 mill.) and transferred to equity (DKK 195 mill.).

**Table 1** Comprehensive income for the year

DKK mill.	2019	2020
Interest result after tax	954	-435
Expense result	90	88
Risk result	89	-116
Change in market-value adjustments	-92	239
Gross profit on life assurance	1,041	-225
Gross profit on sickness and accident insurance	240	16
Total gross profit	1,281	-209
Consumption of bonus for group life	-113	103
Consumption of collective bonus potential	-209	527
Consumption of premium rebates in sickness and accident insurance	-192	-17
Transferred to special bonus provisions	-350	-208
Comprehensive income for the year	417	195

**Table 2** Financial and operating data in the financial statements

DKK mill.	2016	2017	2018	2019	2020
Premiums	7,206	8,046	8,429	8,215	8,075
Investment returns	11,033	12,161	-1,699	20,054	9,685
Tax on yields of certain pension-scheme assets	-1,686	-1,683	329	-3,020	-1,457
Insurance benefits	-4,682	-4,657	-5,321	-5,437	-5,121
Insurance operating costs	-113	-124	-124	-112	-119
Result of accident and sickness insurance	41	40	47	48	-2
Comprehensive income for the year	204	388	111	417	195
<b>Assets</b>					
Investment assets	22,588	23,319	23,774	27,808	28,269
Investment assets attached to market-rate products	130,930	141,743	145,593	163,839	175,487
Other assets	3,848	5,078	2,647	1,948	1,909
Total assets	157,366	170,140	172,013	193,595	205,665
<b>Equity and liabilities</b>					
Equity	4,794	5,182	5,293	5,710	5,906
Subordinated loan capital (special bonus provisions)	4,057	4,111	4,019	4,185	4,219
Provisions for insurance and investment contracts	143,297	156,748	158,596	178,021	189,071
Other equity and liabilities	5,217	4,099	4,105	5,679	6,469
Total equity and liabilities	157,366	170,140	172,013	193,595	205,665
Accepted own funds	8,851	9,293	9,312	9,895	10,125
Solvency capital requirement	2,116	2,459	2,709	3,112	2,544
<b>Key figures and financial ratios</b>					
Return before tax on yields of certain pension-scheme assets	8.2%	8.2%	-1.0%	12.0%	5.1%
Costs per member	250 kr.	278 kr.	272 kr.	243 kr.	256 kr.
Solvency ratio *	418%	378%	344%	318%	398%
Number of members carried forward	402,205	406,514	410,801	412,079	413,888

\* Accepted own funds as % of the solvency capital requirement

### Balance sheet

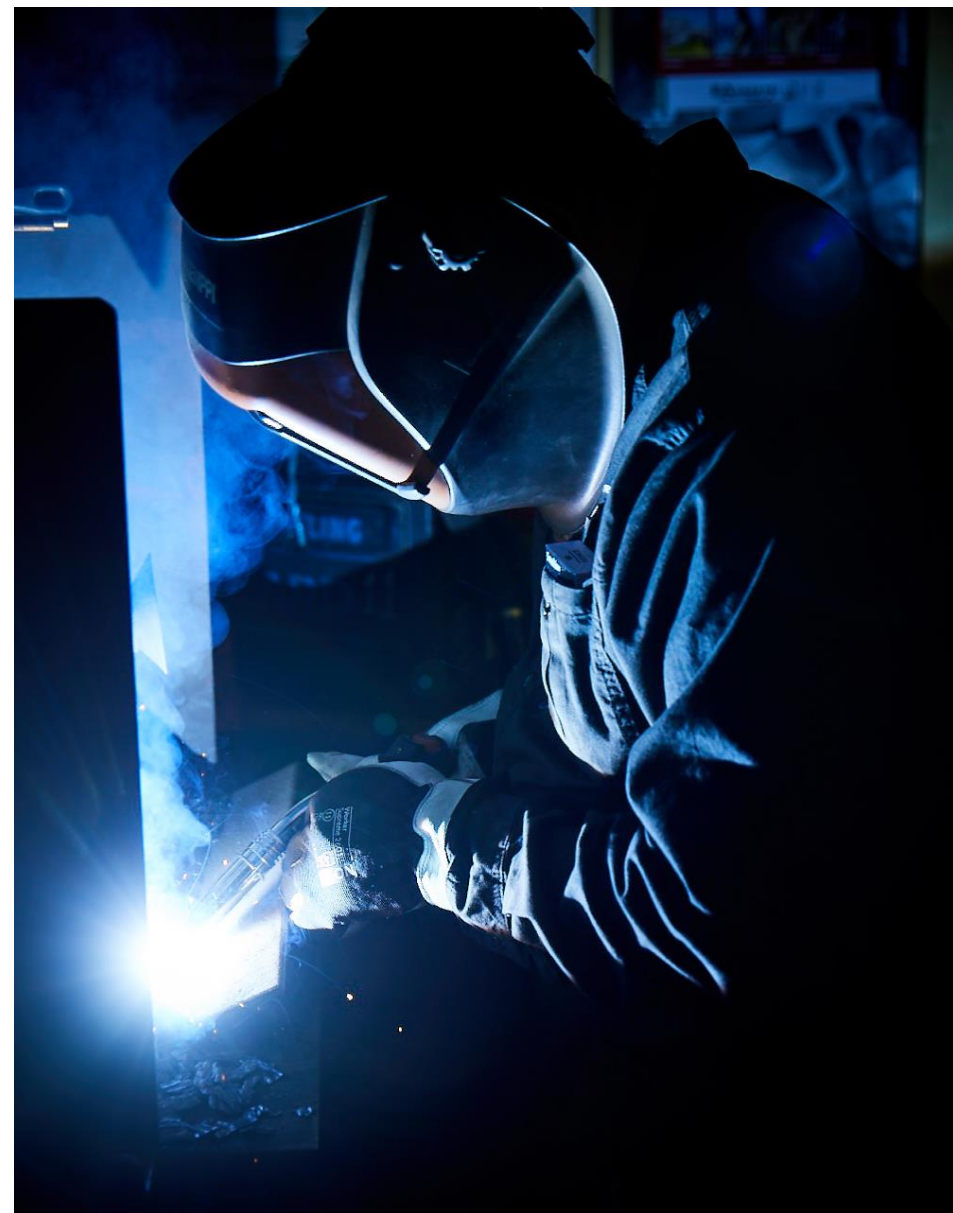
Total assets increased by DKK 12.1 bn. from DKK 193.6 bn. in 2019 to DKK 205.7 bn. at the end of 2020. In the past five years, the company's total assets have grown by DKK 56 bn.

Total provisions for insurance and investment contracts amounted to DKK 189.1 bn. at the end of 2020. Of this amount, provisions for the market-rate scheme totalled DKK 172.8 bn. while provisions in the average-rate environment, which only includes pensioned members, amounted to DKK 7.5 bn., including individual as well as collective bonus potentials. Furthermore, there are provisions for sickness and accident insurance of DKK 8.9 bn. In the market-rate scheme, returns are allocated to members in full in the year they are earned, while members on average rate are allocated a specific rate of interest on their savings, which in 2020 was set at 9% (after tax). Furthermore, in December, members in the average rate scheme received an extraordinary bonus of 15%. The rate of interest on members' savings has been set at 3.5% after tax for 2021.

Equity rose in 2020 to DKK 5.9 bn., and total own funds thus amounted to DKK 10.1 bn. at the end of the year.

### 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 and the pension scheme

## Members

The number of active members fell in 2020 by 4,916 to 203,877. Moreover, the number of old-age pensioners rose by 2,329 to 45,505 members.

Overall, there was a net influx of 1,809 members in 2020, and Industriens Pension thus had 413,888 members at the end of the year.

## Contributions

Total contributions amounted to DKK 9,538 mill. (before withholding income tax (A tax) and labour-market contributions), which is slightly below 2019 due to a decline in the number of active members.



**Table 3** Number of members at the end of the year

	2019	2020
Members who pay via their employer	168,327	164,669
Self-paying members	6,442	6,360
Apprentices and trainees who only have insurance cover	1,329	500
Members exempt from making contributions	32,695	32,348
Total active members	208,793	203,877
Passive members	147,250	151,266
Old-age pensioners	43,176	45,505
Disability pensioners	12,860	13,240
Total	412,079	413,888

**Table 4** Contributions

DKK mill.	2019	2020
Contributions, life assurance	6,746	6,664
Deposits and transfers	1,935	1,849
Contributions, accident and sickness insurance	766	705
Contributions, contracts taken out individually	300	320
Total contributions	9,747	9,538

### Payments

Total payments decreased by DKK 279 mill. compared with 2019. This is primarily due to a decline in transfers on change of job, while payments for old-age pensions increased due to a higher number of old-age pensioners.

### Continued low administration costs

The “Costs per member” key figure was DKK 256 in 2020, which is slightly higher than in 2019, when the annual costs were DKK 243.

For 2020, the monthly contribution for administration has been set at DKK 24 per member, corresponding to DKK 288 annually. This keeps the administration contribution at a level that maintains Industriens Pension's position as one of the very cheapest pension companies in the sector.

### Several prizes in 2020

In November, in a survey based on responses from more than 5,000 Danes, FinansWatch, a financial news media, and Wilke, a market research firm, lauded Industriens Pension as the company with the best reputation in the pension sector in 2020.

At the annual IPE Conference and Awards in December 2020, Industriens Pension won the prize for best bond investor among pension companies across Europe. The assessment panel stated that the prize was awarded because of a consistent and balanced investment strategy contributing to positive results both in the short term and in the long term.

Over the years, Industriens Pension has won a large number of IPE prizes, including the prize for Denmark's best pension company four times,

and the prize for the best labour-market pension company in Europe four times.

Finally, the annual loyalty survey carried out in December 2020 by Loyalty Group, a consultancy firm, confirmed that member satisfaction and loyalty at Industriens Pension is one of the highest in the pension sector.

**Table 5** Benefits paid

DKK mill.	2019	2020
Payments for old-age pensions	1,579	1,775
Payments for loss of ability to work	746	788
Payments on death	589	586
Lump sum for critical illnesses	147	144
Transfers on change of job	2,648	2,136
Other payments	166	168
Tax correction of old-age lump sum	0	0
Total payments	5,875	5,597
Transferred to other insurance provisions	146	136
Total benefits	6,021	5,733

**Table 6** New recipients of pensions

Number	2019	2020
Payment due to certain critical illnesses	1,470	1,438
Payment due to degree of disability of between 50-67%	215	242
New disability pensions (degree of disability more than 67%)	1,092	1,155
Payments to surviving relatives after death	1,558	1,518
Retirement savings scheme paid out, but member not retired	1,699	1,700
Old-age pension paid as a lump sum	1,899	1,981
New old-age pensioners	3,152	3,441





### Increasing interest in monitoring pension savings

Once again, Industriens Pension saw considerable interest from members in monitoring their pension savings. Use of our digital services set new records and reached the highest levels ever in 2020.

In 2020, more than 1.46 mill. sessions were conducted through the Industriens Pension app, and our website had 16.8 million page views for information about the pension scheme. This is an increase of 10% in the number of sessions and 14% in the number of page views compared with the previous year, which also saw record numbers. Traffic is thus moving rapidly towards mobile devices. In 2020, more than 82% of all sessions were on mobile devices.

Personal contact was also given high priority in 2020. The member and business services team was in contact by telephone with members and companies more than 267,000 times.

Furthermore, we held numerous meetings with members and companies, although the framework for face-to-face meetings had to be adjusted substantially due to the COVID-19 situation. In 2020, Industriens Pension held more than 2,200 meetings to provide members and companies with direct information on the pension scheme. In particular, there has been considerable growth in the number of online meetings and individual meetings.

### Danish Insurance Complaints Board

Industriens Pension is a member of the Danish Insurance Complaints Board, which takes the place of the Consumer Complaints Board in the insurance area. In 2020, there were six complaints against Industriens Pension, and this

is considerably less than the previous two years, when we had nine-12 complaints.

The Danish Insurance Complaints Board completed six of our cases in 2020. In five of these cases, our decisions were upheld, and in one case, we agreed with the complainant before the case came before the Danish Insurance Complaints Board. We have not lost any cases decided by the Danish Insurance Complaints Board.

# Investment activities

## RETURN FOR THE YEAR

The result on investment activities was DKK 9.7 bn. after costs and before tax in 2020. This corresponds to a total investment return for the year of 5.1%. The return before costs was 5.8%.

Listed and unlisted shares had a particularly positive effect on returns, with Danish shares delivering the highest returns. Other unlisted investments, particularly in infrastructure, could not keep up with developments in the share market.

Following substantial COVID-19-related falls in spring, stock markets generally rose in 2020 due to extensive real-economic aid packages in the US and Europe, rapid decisions to cut interest rates in the US, extended bond purchase programmes by central banks, expectations for successful roll-out of vaccination programmes, and the election of President Biden and the Democratic Party.

Listed shares and credit bolstered returns On the listed share markets, in which Industriens Pension has invested DKK 57 bn., returns on Danish shares were 23%, while foreign shares saw returns of 12%.

Investment-grade bonds (DKK 11 bn.), and high-yield bonds (DKK 11 bn.) were positively affected

by interest-rate cuts and central bank purchasing and yielded a return of 5.7% and 5.0%, respectively, while the return from emerging-markets bonds (DKK 16 bn.) was -1.4%. The negative return was due to continued uncertainty as to how lower growth will affect countries with poorer credit ratings in a situation when activity is still affected by COVID-19.

Gilt-edged bonds (DKK 40 bn.) yielded a positive return of 2.4%.

Strategic hedging of the inflation risk had a negative impact on returns for the year due to expectations of lower inflation in Europe. This had an impact of -0.5% on total returns for the year.

Relevant benchmarks are used for listed assets, and these are stated in the table. With regard to unlisted investments, for which there are no similar benchmarks, returns earned are applied. The performance of listed Danish shares was lower than the benchmark, while other listed assets performed better than the benchmark. For unlisted investments, a number of other references are used to assess the returns on the individual classes of assets. Overall, the performance of investment assets followed the benchmark.

## Major differences in returns on unlisted assets

The total portfolio of unlisted investments amounts to DKK 59 bn. Investments are in unlisted companies, infrastructure, property and credit. The majority are unlisted companies (DKK 22 bn.) and infrastructure assets (DKK 17 bn.).

There were major differences in returns on unlisted assets in 2020. Private equity (unlisted companies) and Danish properties delivered reasonable positive returns of 10.0% and 3.8%, respectively, while investments in infrastructure and foreign property came out with negative returns of -3.1% and -8.5%, respectively. The negative returns were triggered by the COVID-19-crisis, which led to impairment of a number of

assets in the oil and gas transmission industry, the transport sector and office and commercial premises.

Total property investments in Denmark and abroad (10 bn.) delivered a return of -2.9% due to negative returns on foreign property. The portfolio of Danish properties is still being developed and it currently amounts DKK 5.5 bn.

Other credit (DKK 9 bn.) is investments through funds that primarily focus on variable-interest unlisted corporate loans. These investments delivered a return of 2.9% in 2020.

The majority of the unlisted investments are made through funds and co-investments with

**Table 7** Returns on assets 2020

	Return (%)	Benchmark
Gilt-edged bonds	2.4	2.2
Other credit	2.9	-
Corporate bonds, high yield	5.0	4.1
Bonds, emerging markets	-1.4	-1.4
Bonds, investment grade	5.7	5.5
Shares, Danish	23.2	29.3
Shares, foreign	11.6	10.2
Unlisted shares	10.0	-
Properties	-2.9	-
Infrastructure	-2.9	-
Total	4.8	4.9
Total, including hedging of liabilities	5.1	5.1

these. However, investments in Danish properties are direct investments. The same applies for long-term investments in a number of infrastructure assets with stable and predictable cash flows. Investments of this type are carried out in collaboration with local partners who help identify, measure, monitor, and manage current risks in the investments.

**High returns over 10 years**

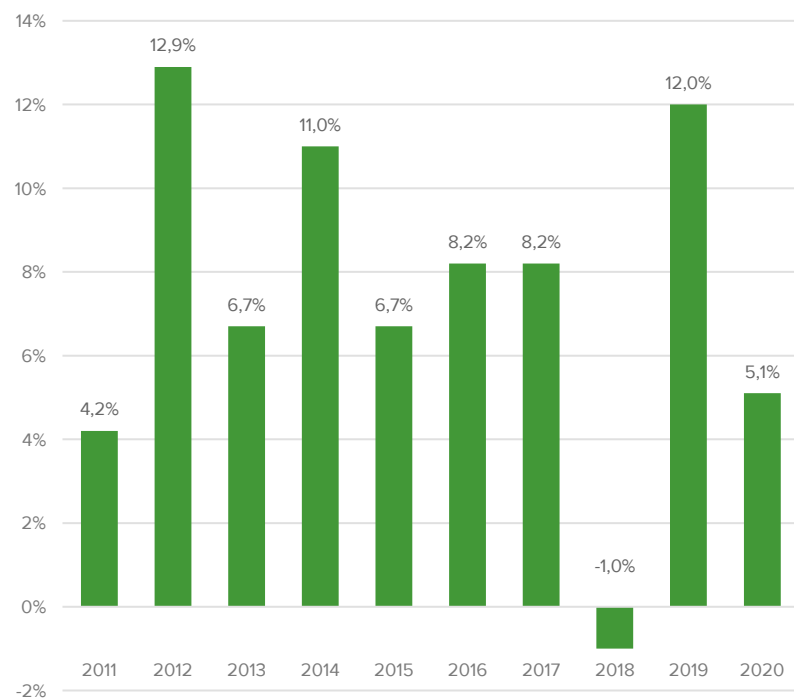
With a return of 5.1% in 2020, Industriens Pension succeeded in maintaining its objective

of long-term stable high returns. Over the past 10 years, investment assets have yielded an average annual return of 7.3% after costs. Historically, this has secured members some of the highest returns in the sector, despite very different developments in the financial markets, with significant rises and falls. Lower returns are expected in the years to come.

**Investment costs**

Investment costs represented 0.70% of assets in 2020. This is slightly lower than in 2019.

**Figure 1 Returns before tax for the past 10 years**



**Table 8 Investment costs in 2020 by types of assets**

Asset type	DKK mill.	%
Gilt-edged bonds	30.0	0.08
Other credit	72.0	1.00
Investment-grade corporate bonds	33.1	0.32
High-yield corporate bonds	36.4	0.36
Emerging-market bonds	71.9	0.49
Danish shares	36.2	0.29
Foreign shares	153.8	0.41
Unlisted shares	489.4	2.38
Properties (core)	10.3	0.23
Properties	52.2	1.07
Infrastructure (core)	21.2	0.39
Infrastructure	254.0	1.90
Other strategies	0.1	0.07
Unallocated costs*	16.6	-
<b>Total investment costs</b>	<b>1,277.2</b>	<b>0.70</b>

\* Unallocated costs include rent, costs of liquidity and derivatives, including TAA and SAA

Investment costs vary considerably across asset classes and they are highest for unlisted investments. Investment costs have been deducted in the 5.1% return for the year.

this strategy has historically resulted in high and relatively stable returns.

Industriens Pension has active portfolio management with a high proportion of unlisted investments. This strategy entails relatively higher costs than a strategy with passively managed, listed assets. For Industriens Pension,



**Table 9** Distribution of asset types

Asset type	Exposures carried forward 2019		Exposures carried forward 2020	
	DKK mill.	%	DKK mill.	%
Gilt-edged bonds	37,055	19.6	39,699	19.9
Other credit	6,099	3.2	8,685	4.4
Emerging-market bonds	15,226	8.1	15,918	8.0
High-yield bonds	10,499	5.6	10,885	5.5
Investment-grade bonds	9,756	5.2	10,659	5.3
Danish shares	12,506	6.6	15,062	7.6
Foreign shares	37,515	19.9	42,840	21.5
Unlisted shares	20,552	10.9	21,766	10.9
Properties	9,523	5.0	9,967	5.0
Infrastructure	20,392	10.8	17,279	8.7
Other strategies	86	0.0	102	0.1
Money market *	8,417	4.5	4,620	2.3
Strategic hedging	1,297	0.7	1,928	1.0
<b>Total</b>	<b>188,921</b>	<b>100.0</b>	<b>199,409</b>	<b>100.0</b>

\* Calculated as funds at bank plus counter-value of financial instruments plus market value of financial instruments.

#### Investment assets

Investment assets valued for accounting purposes rose from DKK 192 bn. at the end of 2019 to DKK 204 bn. at the end of 2020. If derivative financial instruments with a negative value are included, the net exposures to investment assets amounted to DKK 199 bn. at the end of 2020, against exposures of DKK 189 bn. at the end of 2019.

On [www.industrienspension.dk](http://www.industrienspension.dk) there is a list of investments made by Industriens Pension.





**Returns for members**

All members who were not receiving a pension on 1 June 2012 have their savings placed in a lifecycle product on market-rate terms.

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

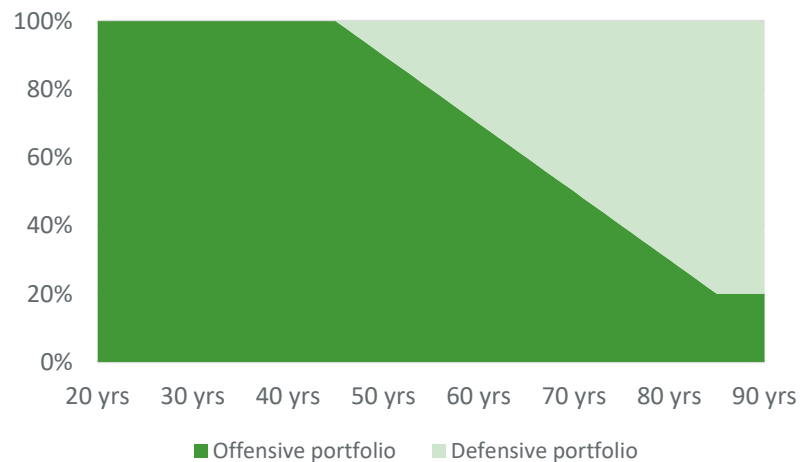
Investment assets are split into two sub-portfolios: an offensive portfolio and a defensive portfolio, and the percentage for the individual member depends on the age of the member. Members up to 45 have their entire savings placed in the offensive portfolio with higher risk. After this, the percentage is reduced gradually as the members becomes older.

In 2020, the return on the offensive portfolio was 5.9%, while the defensive portfolio yielded a

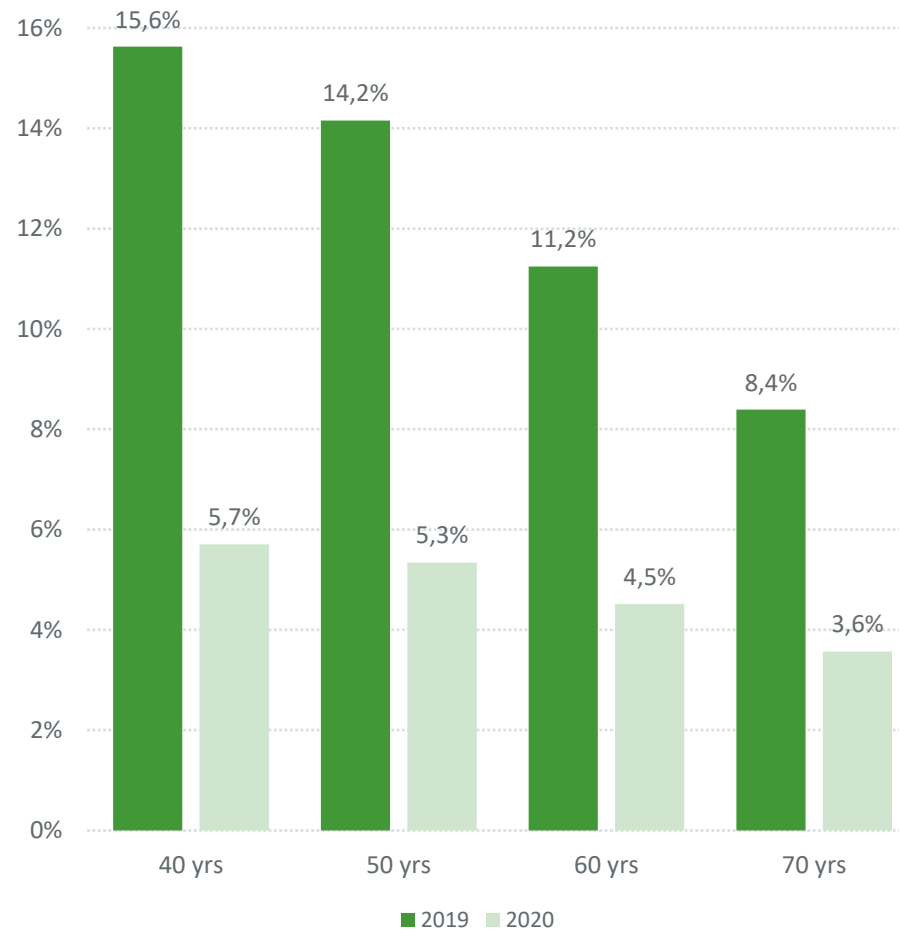
return of DKK 1.4%. The total return before tax for members in the lifecycle product was 5.3%.

The total return on the average-rate product, which only includes members who had retired on transition to market rate was 6.2% before tax. In 2020, individual savings were allotted an interest rate of 9% after tax, as well an extraordinary bonus of 15%. The difference between the interest accrued and the return achieved is deducted from the collective bonus potentials.

**Figure 2 Risk by age**



**Figure 3 Returns by age**



# Risk and solvency

## Solvency capital requirement and own funds

There are common solvency regulations in the EU. The aim of the regulations is to ensure effective risk management and uniform calculation of solvency capital requirements and own funds for EU insurance and pension companies. Provisions for insurance contracts are calculated on the basis of a discounting yield curve which is published by the common EU supervisory authority, EIOPA, and a so-called risk margin is recognised to cover the uncertainty in the cash flows included in calculation of the provisions.

Industriens Pension has decided to calculate the solvency capital requirement according to the Solvency II standard model (standard formula) and to calculate provisions on the basis of the EIOPA yield curve without volatility adjustments. Insurance contracts in Industriens Pension do not contain earnings for equity, and thus provisions do not contain a profit margin.

The solvency capital requirement is calculated on the basis of a quantification and a weighting of the different types of risk according to the regulations stipulated in the Solvency II standard model (standard formula). Overall, the different risks are categorised as insurance risks, market risks, counterparty risks and operational risks.

The insurance risks category primarily includes the consequences of members living longer than anticipated, an increase in the number of disabilities, and a possible disaster situation with extraordinary increases in the number of deaths and disabilities within a short period.

The market risks category includes the consequences of negative changes in financial markets primarily resulting from interest-rate changes, a fall in share prices and currencies as well as drops in property prices.

The solvency capital requirement amounted to DKK 2.5 bn. at the end of 2020, and thereby decreased by DKK 0.6 bn. compared with last year. Total own funds of DKK 10.1 bn. have been accepted to cover this. This corresponds to excess liquidity of DKK 7.6 bn. and Industriens Pension is thus particularly well consolidated.

**Table 10** Solvency capital requirement and own funds

DKK mill.	2019	2020
Insurance risk, life	513	556
Insurance risk, sickness-accident	129	134
Market risk	4,277	4,172
Counterparty risks	61	21
Effect of diversification	-493	-494
Operational risks	98	101
Covered by provisions	-1,473	-1,946
Total solvency capital requirement	3,112	2,544
Own funds	9,895	10,125
Accepted own funds	9,895	10,125
Solvency ratio	318%	398%

Solvency capital requirement

**2.5**

DKK BN.

Own funds

**10.1**

DKK BN.

Excess liquidity

**7.6**

DKK BN.

Pursuant to the solvency regulations, a group 1 insurance company must analyse the effect of changes in significant risks on the company's own funds and solvency. The results of the analysis must be reported quarterly to the Danish FSA. The method of conducting the sensitivity analysis, including the risk categories to be stressed in the analysis, has been implemented in a separate Executive Order from the Danish FSA. The results of the most recent analysis are detailed in the table.

As a point of departure, for each risk category, the analysis must specify the stress lowering the current solvency ratio (see table 11) to 125% and 100%, respectively, including a statement of the related reduced own funds, see the two scenarios "SCR 125%" and "SCR 100%".

If, even with maximum stress, the solvency ratio cannot be lowered to 125% or 100%, the maximum stress must be stated with the related effect on solvency ratio and own funds.

This is why the table states the maximum stress for the individual risk categories.

Life-expectancy risk must specify the life-expectancy stress that reduces the solvency ratio to 125% and 100%. For Industriens Pension, a life-expectancy stress of more than 80% will result in life expectancies that are so high that a model uncertainty will arise. Therefore, Industriens Pension uses a life-expectancy stress of 80% in the two scenarios.

See note 24 on risk management as well as 'Rapport om solvens og finansiel situation for 2020' (Report on the solvency and financial situation for 2017 - only in Danish) on the company website ([www.industrienspension.dk](http://www.industrienspension.dk)) for a more detailed description of risk management in Industriens Pension, including

work on identifying individual risks and determining acceptable risk levels etc.

**Table 11** Sensitivity information

	SCR 125%			SCR 100%		
	Stress	Own funds (DKK bn.)	Solvency ratio *	Stress	Own funds (DKK bn.)	Solvency ratio *
<i>Risk category:</i>						
Interest-rate risk	200 bp	9,831	351%	200 bp	9,831	351%
Share-price risk	100%	3,281	200%	100%	3,281	200%
Property risk	100%	9,423	306%	100%	9,423	306%
<i>Credit spread risk</i>						
Danish government bonds, etc.	100%	5,885	149%	100%	5,885	149%
Others government bonds, etc.	100%	8,905	266%	100%	8,905	266%
Other bonds	100%	6,507	162%	100%	6,507	162%
<i>Currency spread risk **</i>						
USD	100%	9,263	348%	100%	9,263	348%
HKD	100%	10,057	397%	100%	10,057	397%
BRL	100%	10,095	397%	100%	10,095	397%
Counterparty risks		10,125	373%			
Life expectancy risk	80%	10,125	209%	80%	10,125	209%

\* Accepted own funds as % of the solvency capital requirement

\*\* Sensitivity calculations are made for the three currencies with the largest net exposure

# Corporate social responsibility

At Industriens Pension, we have a special corporate social responsibility because industrial employees save up for their pensions with us. Investing members' pension assets is one of our key tasks. Our job is to take care of our members' money and make sure their savings grow - responsibly.

Industriens Pension has drawn up a policy for corporate social responsibility that sets out the overall framework for our corporate social responsibility.

As a long-term investor, our policy for responsible investment and active ownership is based on the ten general corporate sustainability principles under the UN Global Compact. Industriens Pension is committed to ensuring an attractive risk-adjusted return, while at the same time taking responsibility for promoting positive developments in society.

Our corporate social responsibility includes the climate, and, as an investor, we support the Paris Agreement and Denmark's ambition to reduce

**"We have a fundamental belief that being a responsible investor and taking active ownership offers great value. Our experience clearly shows that, with the right cooperation partners, we have great opportunities to combine investments that contribute to sustainable development of society with solid long-term returns."**

Laila Mortensen, CEO at Industriens Pension.

carbon emissions by 70% in 2030. Our responsibility also includes the companies in which we invest, and we actively engage in dialogue when common ESG standards are not complied with. Moreover, our corporate social responsibility includes preventing aggressive tax planning causing gaps in the economies of countries across the world, and it includes human rights and aspects related to employees at Industriens Pension, as well as other social aspects.

## Investments

Industriens Pension's policy on responsible investment and active ownership ensures that we take account of human rights, employee rights, the environment and climate, anti-corruption and taxation when we invest, and that our investments do not contribute to activities associated with sanctioned countries or with weapons that contravene conventions.

In our "Corporate social responsibility report", Industriens Pension reports on work on responsible investment and active ownership. The report is available on [www.industrienspension.dk](http://www.industrienspension.dk).

Below is a summary of the key content of the report.

In 2020, the Board of Directors adopted an updated version of Industriens Pension's policy on responsible investment and active ownership to exclude countries with a particularly low degree of respect for human rights, climate issues and efficient and stable governance.

The green transition and climate-related financial risks remain important focus areas for

Industriens Pension. Among other things, in 2020 we have:

- Analysed the climate and environmental footprint of our portfolio, including calculations of the CO<sub>2</sub> displacement effects of our investments in wind and solar farms.
- Decided that, as a point of departure, newly built properties must be certified under DGNB, and we have joined the Green Building Council Denmark, which manages the DGNB certification scheme.
- Contributed investments totalling DKK 14 bn. to the conditional commitment to invest up to DKK 350 bn. in the green transition together with the rest of the Danish pension sector up to 2030.

In 2021, Industriens Pension will continue to focus on sustainable investments and on reducing the carbon footprint of our portfolio. The latter will be achieved partly by identifying more green investments, which will also yield an attractive risk-adjusted return.

Respect for human rights and employee rights, anti-corruption and taxation will also continue to be focus areas in 2021, and we will investigate opportunities to set goals for our work on climate and social aspects.

Increasing debate on tax payments and the ambition to ensure that companies contribute their fair share of tax have increased our focus on these issues in recent years. Together with three other Danish pension companies, Industriens Pension has taken the initiative to draw up a tax code of conduct for unlisted investments, and a number of other professional investors have joined this initiative.



Work on the tax code of conduct was also a key task in 2020. Internal resources have been allocated to the area, and additional work has been carried out to establish procedures and routines ensuring that our investments in unlisted assets are responsible from a tax perspective.

#### Active ownership

Industriens Pension exercises active ownership through ongoing monitoring and dialogue with companies in our portfolio. Active ownership is also through voting at general meetings of companies in which we hold voting rights and in which we have the largest exposures. We meet the active ownership requirements of the Shareholder Rights Directive and we publish on our website how we vote in companies in which we have invested.

Moreover, it has been planned to further strengthen active ownership and dialogue on relevant ESG aspects with Danish portfolio companies.

#### Our own climate footprint

As a company, we support efforts in society to reduce the impact of climate change.

We acknowledge that, as a company, we also play a role in actively supporting these efforts ourselves. Consequently, we are working to reduce our own negative impact on the environment and on increasing the environmental awareness of our employees.

In order to establish a framework for these efforts, and to be able to measure improvements later on, we have been working on calculating our climate footprint for 2018-2020.

As part of this work, a number of areas were identified for focus in 2020. This work will continue in the coming years.

#### Report on corporate social responsibility

Industriens Pension's work on corporate social responsibility is described in more detail in our report on corporate social responsibility for 2020. The report is available on our website.

# Ownership, management and remuneration 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 wholly owned subsidiary undertakings.

IndustriPension Holding A/S is owned by the collective-agreement partners in the industrial area, and the share capital of DKK 125 mill. is distributed between employee organisations and employer organisations as follows:

Table 12 Shareholders

	Ownership interest (%)
United Federation of Danish Workers 3F	40.80
Confederation of Danish Industry (DI)	35.00
Danish Metalworkers' Union	21.96
Danish Union of Electricians	2.00
Painters' Union in Denmark	0.12
Plumber and Pipeline Union in Denmark	0.08
Serviceforbundet	0.04
Total	100.00



### Board of Directors

The Board of Directors is composed of 14 members. Of these, 12 members are appointed by the shareholder groups behind the pension scheme, and two are appointed by the merged pension funds PNN PENSION and PHI pension.

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 the vice CEO at the Confederation of Danish Industry. The Board of Directors has set up an audit committee, an investment committee, a remuneration committee and a committee for responsible investment. The management responsibilities of the Board of Directors, including representation on these committees is described on page 53.

### 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 52.

The day-to-day management comprises:

Laila Mortensen, CEO

Joan Alsing, COO

Peter Lindegaard, CIO.

The chief actuary is:

Rikke Sylow Francis, deputy director

### Gender mix

The Board of Directors has adopted target figures and policies for the gender mix in the Board of Directors and at other managerial levels. Target figures have been set so that a gender is considered to be underrepresented in the Board of Directors if it is represented by less than 20%. For other management levels, the target figure has been set at 40%.

The current 13 members of the Board of Directors of Industriens Pension comprise 2 women and 11 men. Consequently, the share of the underrepresented gender does not meet the target gender mix stipulated for the Board of Directors.

When recommending future members for election to the Board of Directors, the Board of Directors will therefore recommend a person of the under-represented gender, unless another candidate is considered to be more qualified for nomination for election to the Board of Directors.

The Board of Directors will strive to achieve the target figure by no later than 30 June 2022.

With regard to other management levels - executive directors, heads of department and team leaders with management responsibility - the mix at the end of 2020 was eight women and 15 men, which means women are underrepresented. Future recruitments will take this into account as one of the aspects determining the final choice.

### Remuneration policy

The Board of Directors sets the pay policy each year to promote sound and effective risk management.

According to the pay policy, no pay agreements that include variable pay elements will be entered into with the Board of Directors, the Board of Management or other employees whose activities significantly influence the risk profile of Industriens Pension.

The pay policy has been approved by the general meeting.

More information is available in Industriens Pension's remuneration report for 2020 on the company website.

#### Corporate governance

For more information about corporate governance, see [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.

# Outlook for 2021

## Members and contributions

In 2021, the number of members of Industriens Pension paying via their employer is expected to remain unchanged and the number of members at the end of 2021 is expected to total around 410,000.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 9.5 bn. in 2021.

The number of members and the size of contributions depend largely on the employment rate in society and are therefore affected by the current COVID-19 crisis and the spill-over effect on the economy. Consequently, the figures are associated with considerable uncertainty.

## Costs

Industriens Pension will continue its focus on ensuring efficient administration of the pension scheme in order to keep costs low. For 2021, each member will pay DKK 24 per month to cover administration costs.

Investment costs vary with the investment strategy selected and are expected to increase in line with the increasing market value of investments. The cost rate compared with the investment assets is expected to increase

slightly as a result of a small change in the composition of investment assets in the portfolio.

## Investment activities

Every year, the Board of Directors revisits the investment strategy in order to secure the highest possible long-term real rate of return for members, after taking risk into account. The Board of Directors thus sets the framework for the composition of investments, and leaves room for active management to increase returns.

A small percentage of members still have their pensions in an average-rate scheme, and for these members, the interest-rate risk associated with the life-assurance provisions will continue to be hedged. This hedging is to ensure that provisions are not affected inappropriately by significant fluctuations in interest rates.

Returns on the company's investment assets are expected to amount to DKK 9.8 bn. before tax on yields of certain pension-scheme assets. Due to the ongoing COVID-19 crisis, returns on investment assets are associated with considerable uncertainty.

## 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 3.5% per annum after tax on yields of certain pension-scheme assets in 2021.

## Expected result for 2021

Profit for the year depends greatly on the return achieved on the assets linked to equity. With the assumptions applied regarding long-term returns, a profit of around DKK 150 to 200 mill. is expected for the financial year 2021.





# Statement by the Management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2020.

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's review 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 Annual General Meeting.

Copenhagen, 2 March 2021

Mads Bo Keis Andersen  
Chairman

Lars Andersen

Claus Jensen

Lars Mikkelsen-Jensen

Steen Nielsen

Board of Management:

Laila Mortensen  
CEO

Board of Directors:

Kim Graugaard  
Deputy Chairman

Erik Michael Bredholt  
Chresten Dengsøe

Heidi Jensen  
Jim Jensen

Nina Christiane Movin  
Lars Ingemann Nielsen

Rasmus Peter  
Sejerup Rasmussen

# Independent auditors' report

To the owners of the capital of Industriens Pensionsforsikring A/S

## Opinion

In our opinion, the financial statements give a fair presentation of the company's assets, liabilities and financial position as at 31 December 2020 and of the results of the company's activities for the financial year 1 January to 31 December 2020, in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

## *What have we audited?*

The financial statements of Industriens Pensionforsikring A/S for the financial year 1 January to 31 December 2020 comprise the income statement and comprehensive income statement, balance sheet, statement of capital as well as notes, including accounting policies (hereinafter referred to as the "financial statements").

## Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark.

Our responsibilities under these standards and requirements are further described in the 'Auditor's Responsibilities for the audit of the financial statements' section.

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

## *Independence*

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (IESBA Code of Ethics) and further requirements applicable in Denmark. We also comply with our other ethical obligations in accordance with the IESBA Code of Ethics.

To the best of our knowledge, no prohibited non-audit services within the meaning of Article 5(1) of Regulation (EU) No. 537/2014 have been provided.

## *Election*

We were elected as auditors of Industriens Pensionsforsikring A/S for the first time on 26 April 2016 for the financial year 2016. We have been re-elected annually by the General Meeting for total engagement periods of five consecutive years up to and including the financial year 2020.

## Central matters related to the audit

Central matters related to the audit are the matters which, according to our professional judgment, were most significant in our audit of the financial statements for 2020. These matters were dealt with as part of our audit of the financial statements as a whole, and in the preparation of our opinion on them. We express no separate opinion on these matters.

## Central matters related to the audit

### *Measurement of unlisted investments*

Unlisted investments primarily include investments in private equity funds and unlisted shares. These are disclosed in the balance sheet under "Other financial investment assets" and "Investment assets linked to market-rate products" at a total of DKK 49,671 mill. corresponding to 24% of total investment assets.

Unlisted investments also include investments in property and infrastructure (offshore turbines and solar installations) that are disclosed in the balance sheet under 'Investments in group and associated undertakings' and 'Investment assets linked to market-interest-rate products' at a total of DKK 6,537 mill., corresponding to 3% of total investment assets.

Unlisted investments are measured at an estimated fair value based on valuation models and assumptions, including accounting estimates that are not directly observable for a third party. Changes in the assumptions included in the accounting estimates could have a significant impact on the financial statements.

We focused on measuring unlisted investments because such measurements are complex and subjective by nature and therefore rely heavily on accounting estimates.

See the section in the financial statements on "Accounting estimates" in note 1, as well as the sections on "Equity investments in group undertakings", equity investments in associated undertakings and "Investment assets linked to market-interest-rate products" in notes 10, 11, 12 and 22.

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### **Measurement of provisions for insurance and investment contracts**

The company has provisions for insurance and investment contracts totalling DKK 189,071 mill. corresponding to 92% of the balance-sheet total.

Provisions primarily consist of life-assurance provisions for the market interest rate of DKK 172,763 mill. and provisions for average interest rate of DKK 7,451 mill. as well as claims provisions on sickness and accident insurance of DKK 7,988 mill.

The calculations are based on the fair value of the relevant assets in relation to the market interest rate and actuarial principles in relation to other provisions and they involve significant accounting estimates that are linked to the actuarial assumptions regarding the timing and scope of future payments to members.

The actuarial assumptions include the yield curves for discounting, life expectancy, mortality, disability, probability of surrender and costs.

We focused on measuring provisions for insurance and investment contracts, because the calculation of provisions is complex and subjective and therefore relies heavily on accounting estimates.

See the sections in the financial statements on "Accounting estimates" in note 1, as well as "Provisions for insurance and investment contracts" in notes 14 and 15.

## How we have treated the central matters related to the audit

We reviewed, assessed and tested procedures and relevant internal controls for measuring unlisted investments.

We assessed and tested the valuation models applied by the management.

We sample-tested the relationship between the assumptions applied, the data and the calculation of fair values.

We sample-tested the fair values applied in relevant reports from external fund managers. We also reviewed and tested relevant internal controls for valuation in the internal process to verify valuations.

We challenged the assumptions included in the accounting estimate behind calculations of fair values on the basis of our knowledge about the portfolio and market developments.

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We reviewed, assessed and tested the procedures and relevant internal controls implemented by the company to ensure that the provisions for insurance and investment contracts are exhaustive and are measured correctly.

In our audit, we used our own actuaries to assess actuarial models and assumptions applied by the company, as well as the calculations made, including calculations of future cash flows.

We assessed and challenged the most important actuarial assumptions and estimates, including the yield curves for discounting, life expectancy, mortality, disability, probability of surrender and costs, based on our knowledge about the sector, in order to assess whether these assumptions are in line with regulatory and accounting requirements. This included an assessment of continuity in the basis for the calculation of the provisions.

**Statement on the management's review**

Management is responsible for the management's review.

Our opinion on the financial statements does not cover the management's review, and we do not express any form of conclusion conveying assurance about the management's review.

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the financial statements or our knowledge obtained from our audit, or whether it otherwise appears to contain material misstatement.

Moreover, we are responsible for considering whether the Management's report includes the information required in accordance with the Danish Financial Business Act.

Based on our audit, in our view, the management's review is consistent with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We found no material misstatement in the management's review.

**Management's responsibilities for the financial statements**

Management is responsible for the preparation of financial statements that provide a fair presentation which are in accordance with the Danish Financial Business 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.

When preparing the financial statements, management is responsible for assessing the company's ability to continue as a going

concern; for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements, unless management either intends to liquidate the company, or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery,

intentional omissions, misrepresentations or neglect to perform internal controls.

- Obtain an understanding of internal control relevant to the audit in order 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 controls.
- Evaluate the appropriateness of accounting policies used by the management, and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going-concern basis of accounting in preparing the financial statements, and whether, based on the audit evidence obtained, a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with senior management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant

deficiencies in internal control that we identify during our audit.

We also submit a statement to senior management expressing that we comply with all ethical requirements regarding independence, and we inform senior management about any relationships or other matters that could reasonably be expected to affect our independence, and, where relevant, any preventive measures taken.

Based on the matters communicated to senior Management, we decide which matters were most significant in our audit of the financial statements for the current period. These matters constitute central matters in the audit. We describe these matters in our auditors' report, unless legislation or other regulations prevent such matters from being disclosed to the public, or unless, in very rare cases, we conclude that the matter should not be communicated in our auditors' report because the negative consequences of this could reasonably be expected to outweigh the benefits of disclosing such matter to the public.

Hellerup, 2 March 2021

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

Per Rolf Larssen State-Authorised Public Accountant mne24822	Stefan Vastrup State-Authorised Public Accountant mne32126
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# Financial statements 2020



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## Income statement and statement of comprehensive income

Note	DKK mill.	2020	2019
2	Gross premiums	8,075	8,215
	Total premiums, net of reinsurance	8,075	8,215
10	Income from group undertakings	1,662	6,796
11	Income from associated undertakings	0	-3
	Interest income and dividends, etc.	5,699	4,040
3	Value adjustments	2,610	9,495
	Interest expenses	-3	-3
6	Administration costs in connection with investment activities	-283	-270
	Total investment returns	9,685	20,054
4	Tax on yields of certain pension-scheme assets	-1,457	-3,020
5	Benefits paid	-5,121	-5,437
	Total insurance benefits, net of reinsurance	-5,121	-5,437
	Change in life-assurance provisions	-10,456	-18,593
	Total change in life-assurance provisions, net of reinsurance	-10,456	-18,593
13	Change in excess capital	-34	-166
6	Administration costs	-119	-112
	Total insurance operating costs, net of reinsurance	-119	-112
	Retained investment returns	-574	-961
	Technical result	0	-20
7	Technical result of sickness and accident insurance	-2	48
	Investment return on equity	210	410
	Profit before tax	208	438
	Tax on yields of certain pension-scheme assets for equity capital	-13	-21
	Profit for the year	195	417
	Value adjustment of property, plant and equipment	11	-
	Allocated to insurance and investment contracts	-10	-
	Tax on yields of certain pension-scheme assets on other comprehensive income	0	-

Other comprehensive income	0	-
Comprehensive income for the year	195	417

## Balance sheet, assets

Note	DKK mill.	31.12.2020	31.12.2019
8	Equipment	1	0
9	Owner-occupied property	105	81
	Total property, plant and equipment	106	81
10	Equity investments in group undertakings	4,945	4,772
	Loans to group undertakings	164	181
11	Equity investments in associated undertakings	22	3
	Loans to associated undertakings	23	-
	Total investments in group undertakings and associated undertakings	5,154	4,956
	Equity investments	6,321	6,540
	Investment units	1,344	1,389
	Bonds	12,417	12,595
	Other loans	5	4
	Deposits with credit institutions	411	537
	Other financial investment assets	2,617	1,787
	Total other financial investment assets	23,115	22,852
	Total investment assets	28,269	27,808
12	Investment assets attached to market-rate products	175,487	163,839
	Amounts receivable from policy holders	612	631
	Receivables from group undertakings	0	2
	Other receivables	84	55
	Total receivables	696	688
	Current tax assets	42	26
	Deferred tax assets	224	204
	Cash at bank and in hand	324	512
	Total other assets	590	741
	Interest receivable	399	331
	Prepayments and other accrued income	119	108
	Total prepayments and accrued income	517	438
	Total assets	205,665	193,595

## Balance sheet, equity and liabilities

Note	DKK mill.	31.12.2020	31.12.2019
	Share capital	110	110
	Reserve for tax-free retained earnings	5,265	5,069
	Retained earnings	531	531
	Total equity	5,906	5,710
	Excess capital	3,908	3,862
	Other subordinated loan capital	312	323
13	Total subordinated loan capital	4,219	4,185
	Premium provisions	55	54
14	Life-assurance provisions at average rate	7,451	7,518
15	Life-assurance provisions at market rate	172,763	162,232
	Total life-assurance provisions	180,214	169,749
	Provisions for claims outstanding for sickness and accident insurance	7,988	7,507
	Risk margin on sickness and accident insurance	158	72
	Provisions for bonuses and premium rebates	655	638
	Total provisions for insurance and investment contracts	189,071	178,021
	Creditors arising out of direct insurance operations.	8	7
	Debt to group undertakings	30	29
	Current tax liabilities	1,473	2,454
16	Other debt	4,958	3,188
	Total debt	6,469	5,679
	Total equity and liabilities	205,665	193,595
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## Changes in equity

Note	DKK mill.	Share capital	Retained earnings	Reserve*	Total
	Equity as at 1 January 2020	110	531	5,069	5,710
	Profit for the year	-	-	195	196
	Other comprehensive income	-	-	0	0
	Equity as at 31 December 2020	110	531	5,265	5,906
	Equity as at 1 January 2019	110	531	4,653	5,293
	Profit for the year	-	-	417	417
	Equity as at 31 December 2019	110	531	5,069	5,710

\*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 limited companies.

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

## Own funds

DKK mill.	31.12.2020	31.12.2019
Equity, see above	5,906	5,710
Difference between equity and solvency capital:		
Excess capital (special bonus provisions type B)	3,908	3,862
Other subordinated loan capital (special bonus provisions type A)	312	323
Total own funds (accepted to cover the solvency capital requirement)	10,125	9,895

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## 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 Executive Order has been amended with effect for 2020 to include a requirement to recognise leased assets and associated leasing commitments, also in connection with operating leases. Industriens Pension has only limited operating leases. Leased assets and leasing commitments amounting to approx. DKK 15 mill. have thus been recognised from 1 January 2020. This change has not had any effect on equity brought forward for 2020. Moreover, the change has not had a significant effect on the profit for the year. Leased assets have been recognised under property, plant and equipment in the same item as similar assets held (see notes 8 and 9), while leasing commitments have been recognised under other debt.

Apart from this, the accounting policies applied are unchanged compared with 2019.

All amounts in the financial statements are presented in whole million DKK. Each figure is rounded separately, which means that there may be small 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 10 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 most significant estimates and assessments concern calculation of provisions for insurance contracts, fair value of unlisted financial instruments and fair value of the owner-occupied property.

### Provisions for insurance and investment contracts

The calculation of provisions for insurance contracts (excl. the market-rate scheme) is based on actuarial calculations, and applies assumptions on e.g. mortality and disability rates. Assumptions on mortality are based on benchmarks from the Danish Financial Supervisory Authority, and like other assumptions, they are set as a best estimate based on experience with previously held portfolios of insurance contracts. The provisions are calculated as the present value of the future benefits discounted by the yield curve defined in the Executive Order on Presentation of

Financial Statements. This means that the size of provisions is also affected by the current interest-rate level determining the discount rate. Provisions with these uncertainties constitute less than 5% of total provisions.

### Fair value of financial investment assets

There are no significant estimates connected with the valuation of financial instruments with listed prices on an active market (level 1), or where valuations are based on accepted valuation models with observable market data (level 2).

In relation to financial instruments where there is only limited observable market data on which to base valuation (level 3), valuation will be affected by estimates. This applies in particular to holdings in group undertakings and associated undertakings with investments in investment properties and wind turbines, to unlisted equity investments in funds with private equity, real estate and infrastructure, to unlisted investment units, to unlisted bonds, and to the owner-occupied property.

Valuation of investment properties and wind turbines in group undertakings and associated undertakings is based on the present value of expected cash flows during a planning period of 10 years for investment properties and up to 25 years for wind turbines. For investment properties, the method (discounted cash flow (DCF)) is defined in an annex to the Executive Order on the Presentation of Financial Statements. The most significant estimates concern determination of the discount rate, which is composed of an individual rate of return

and the expected inflation rate, as well as certain elements of the budgeted cash flows, in particular budgeted rental income which depends on the level of the rent and vacant periods etc., expenses for maintenance and renovation as well as a so-called terminal value when the planning period expires. The determination of the individual rate of return is based on statistics on actual real estate transactions involving similar properties and takes into consideration the location of the property, its age, use and state of maintenance, etc. As a supplement to this valuation, a valuation from an external estate agent is obtained every year concerning the assumptions applied (primarily individual rates of return), and the fair value is calculated every three years.

The extensive planning period of up to 25 years for wind turbine investments naturally adds to the uncertainty concerning future cash flows and consequently also concerning the current fair value of the wind turbines. Again, the most significant estimates relate to the discount rate and to specific elements which have a major impact on budgeted cash flows, in particular electricity production, which is based on wind forecasts, idle days with no generation of electricity, electricity price developments, costs of maintenance of the wind turbines and costs of dismantling the wind turbines at the end of their useful lives. The discount rate is calculated according to the cost of capital method, which combines a risk-free interest rate with the addition of an illiquidity premium and the expected inflation rate. The DCF model is maintained by external experts, and, as a



supplement to their valuation, a statement from another external expert is obtained every year concerning the market conformity of the model and the assumptions applied.

To a great extent, the valuations of unlisted equity investments in private equity funds and real estate funds etc., unlisted investment units and unlisted bonds are based on information from the funds themselves or from capital managers etc., including information in reports, many of which were prepared prior to the reporting date. Internal procedures have been established to ensure the quality of the information included in measurement of fair value. This means that temporal differences in accounting data between the most recent reporting and the reporting date are taken into account; that additional information is obtained from selected funds and capital managers; that internal information on large transactions in individual funds is continuously collected; that general market developments since the most recent reporting are evaluated; and that the quality of the reporting received is generally followed up on (back test).

The fair value of owner-occupied property is calculated using a returns model which is also defined in an annex to the Executive Order on the Presentation of Financial Statements. According to this model, fair value is calculated on the basis of the budgeted, normal operating return on the property, consisting of the market rent less costs of operation and maintenance, as well as a required rate of return for the type of property in question. The fair value calculated is adjusted by any non-recurring income and expenses not included in the normal return, e.g. deferred maintenance works. The most significant estimates relate to the individual

required rate of return as well as certain elements of the normal return, in particular the market rent and the annual costs of maintenance.

The estimates are by nature uncertain. New information and/or future events may therefore lead to changes in these estimates and consequently also in the calculated fair values.

For a more detailed description of the valuation in this area, see the section on investment assets and note 22, which includes a breakdown of investment assets and financial liabilities according to the fair value hierarchy (levels 1-3) as well as a breakdown and further information on the valuation etc. of level 3 assets.

#### 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 measurement

Revenues and costs are recognised in the income statement as they are earned or incurred. All value adjustments, both realised and unrealised, are therefore recognised in the net profit or loss for the year. However, special rules apply to value adjustments of owner-occupied properties, and under certain conditions these adjustments are recognised under other comprehensive income, see the principles for measurement of owner-occupied properties on page 32.

Assets are recognised in the balance sheet when it is probable that future economic

benefits will flow to the company and the value of the asset can be reliably measured.

A liability is recognised in the balance sheet when it is probable that future financial benefits will flow out of the company, and the value of the liability can be measured reliably.

Financial instruments and derivative financial instruments are recognised on the trading day. At initial recognition, intangible and tangible assets are measured at cost, while other assets and liabilities are measured at fair value. Measurements after initial recognition take place as described for each item below.

For 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, are 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 that arise between the exchange rate at the transaction date and the settlement date are recognised in the income statement. Monetary assets and liabilities in foreign currency are translated 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.

#### Income statement and statement of comprehensive income

##### Income from insurance activities

##### *Premiums, net of reinsurance*

Includes premiums and contributions due in the financial year. Labour-market contributions and A tax withheld are deducted from the premium income.

##### Investment returns

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

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

##### Administration 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, including management fees from group undertakings.

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

The tax on yields of certain pension-scheme assets for the financial year is recognised as an income/expense 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**  
Includes pension scheme benefits due in the year.

**Change in life-assurance provisions**

Includes change in life-assurance provisions for the year.

**Change in excess capital**

Change in excess capital includes the change in excess capital (special bonus provision type B) and other subordinated loan capital (special bonus provisions type A).

The change includes return and net accumulation during the year, any risk return for this and previous years, and a proportionate share of the result of sickness and accident insurance etc.

**Administration costs****Retained investment returns**

Retained investment returns make up the part of the investment returns not included in the technical result.

Retained investment returns therefore comprise investment returns regarding sickness and accident insurance, as well as investment returns on equity.

**Technical result of sickness and accident insurance, net of reinsurance**

The result of sickness and accident insurance has been calculated according to the accounting rules for non-life insurance. 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 Executive Order on the Contribution Principle 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 associated investment assets is added to the equity and subordinated loan capital, and a risk return for providing risk capital can also be added to equity and subordinated loan capital.

Excess capital, which comprises special bonus provisions type B, is composed of the realised profit or positive sub-elements of this. The percentage corresponds to the percentage deduction in contributions, deposits and transfers, excluding unit supplement.

The remaining realised profit from insurance policies with a bonus entitlement, including returns on hedging instruments linked to

insurance policies with a bonus entitlement, accrues to the insured.

**Balance sheet****Property, plant and equipment****Equipment**

Equipment is measured at cost less accumulated depreciation and impairment. Straight-line depreciation is made over the expected life of assets of 5 years.

On initial recognition, leased operating equipment and the associated leasing commitment are measured at cost, corresponding to the discounted value of expected lease payments for the lease period agreed. Subsequently, the leased operating equipment is measured at cost less accumulated depreciation and impairments recognised in the income statement. Depreciation is calculated on a straight-line basis over the lease period and recognised in the income statement. After initial recognition, the leasing commitment is measured at amortised cost, and a calculated interest expense is recognised in the income statement.

**Owner-occupied property**

Owner-occupied property is measured at revalued amount, which is the fair value at the date of revaluation after deduction of subsequent 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 rate of 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 property is depreciated according to the straight-line method over an expected useful life of 50 years to the estimated scrap value.

Depreciation is calculated on the revalued amount and recognised in the income statement. No estate agent valuation was obtained in connection with determining the fair value as at the reporting date.

On initial recognition, leased properties from where Industriens Pension operates and the associated leasing commitment are measured at cost, corresponding to the discounted value of expected rentals for the period in which Industriens Pension is entitled and expects to use the leased properties. Subsequently, the leased properties are measured at cost less accumulated depreciation and impairments recognised in the income statement. Depreciation is calculated on a straight-line basis over the expected useful life and recognised in the income statement. After initial recognition, the lease commitment is measured at amortised cost, and a calculated interest expense is recognised in the income statement.

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

Undertakings in which Industriens Pension exercises controlling influence are recognised as group undertakings (see note 10 of these financial statements). 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 11 to the financial statements). 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 property, plant and equipment (e.g. wind turbines) and investment assets (e.g. investment properties) in group undertakings and associated undertakings are valued at cost in the construction phase, and subsequently at a revalued fair value for property, plant and equipment and at fair value for investment assets.

The fair value of wind turbines and investment properties is calculated as the present value of expected future cash flows during a planning period of 25 years and 10 years, respectively, calculated on the basis of an individual fixed discount rate.

Increases and decreases in fair values of investment assets in group undertakings and associated undertakings are fully recognised in the income statement under income from such undertakings.

#### Loans to group and associated undertakings

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

#### Other financial investment assets

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, investment units and bonds are measured at estimated fair value using recognised valuation methods, for example by comparing with similar assets for which a fair value is available or by discounting expected future cash flows etc.

Listed bonds are measured at fair value based on official market prices on the reporting date, which are modified according to the trading activity etc. on the individual markets. A calculated rate is generally used for bonds that are not actively traded. Unlisted bonds are measured at an estimated fair value by means of recognised valuation methods, see above. 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 17 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 21 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 attached to market-rate products

Investment assets attached to market-rate products are recognised and measured according to the same principles as other investment assets, see above.

#### Receivables

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

#### Deferred tax assets

Negative tax on yields of certain pension-scheme assets calculated on a negative tax basis (tax on yields of certain pension-scheme assets at institution level) 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. These considerations include the fact that, under certain conditions, tax assets not utilised to offset positive tax on yields of certain pension-scheme assets during the first five calendar years after the tax asset was created

will be repaid to the company by the Danish Tax Agency (Skattestyrelsen). Furthermore, a negative individual tax on yields of certain pension-scheme assets is recognised under tax assets. In years with a negative addition of interest to the market-rate scheme, this tax is recognised under life-assurance provisions, and it will be offset against positive additions of interest in future years.

#### Subordinated loan capital

Subordinated loan capital includes excess capital and other subordinated loan capital, and constitutes risk capital provided by the members. Excess capital comprises special bonus provisions type B, and interest is accrued at the same rate as equity, whereas other subordinated loan capital comprises special bonus provisions type A, with interest accrued on market terms. Subordinated loan capital is included in own funds to meet the solvency capital requirement.

#### Provisions for insurance and investment contracts

##### Premium provisions

Relate to sickness and accident insurance and cover the present value of expected future payments concerning claims and costs of insurance events which can be expected to occur after the end of the financial year.

##### Life-assurance provisions at average rate

Life-assurance provisions at average rate are calculated at market value with the technical basis notified to the Danish Financial Supervisory Authority. Provisions are calculated as the present value of the expected future payments for 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 yield curve defined in the Executive Order on Presentation of Financial Statements is applied as the discount rate. Industriens Pension applies the EIOPA yield curve without volatility adjustments.

When calculating the life-assurance provisions, a risk margin has been added, which constitutes the amount likely to be payable to a buyer of life-assurance products in order for the buyer to be willing to accept the risk that the costs associated with settling the portfolio deviate from the calculated present value of the expected cash flows.

The provisions 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.

In the notes, life-assurance provisions are divided into guaranteed benefits and into individual and collective bonus potentials.

Guaranteed benefits include commitments to pay the 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. The risk margin is added to this.

Individual bonus potentials include the ability to provide a bonus in the future and are calculated as members' savings less the present value of the guaranteed benefits. The bonus potential cannot be negative. Collective bonus potentials include the members' share of realised results,

and these are allocated collectively to future bonuses.

#### Life-assurance provisions at market rate

Life-assurance provisions at market rate are calculated at the fair value of the related assets.

The provisions also include provisions for claims outstanding and bonus provisions for the group life scheme for death, disability and critical illness.

Provisions for claims outstanding amount to the present value of expected future payments pertaining to insurance events occurring under the group life scheme as well as bonus provisions for this scheme, denoting saved-up profits for use in reducing future premiums.

#### Provisions for claims outstanding for sickness and accident insurance

These include insurance benefits due but not yet paid, including bonuses as well as an estimate of expected payments pertaining to insurance events occurring in the financial year or earlier under the sickness and accident scheme.

Provisions for claims outstanding settled by regular payments have been calculated as the present value of expected future payments, including costs, applying the yield curve defined in the Executive Order on Presentation of Financial Statements.

#### Risk margin on sickness and accident insurance

The risk margin includes the amount likely to be payable to a buyer of sickness and accident insurance products in order for the buyer to be willing to accept the risk that the costs

associated with settling the portfolio deviate from the calculated present value of the expected cash flows.

Provisions for bonus and premium rebates  
Provisions for bonus and premium rebates are amounts in sickness and accident insurance provided for the policy holders owing to a favourable result in the financial year or previous years.

#### Deferred tax liabilities

Deferred tax liabilities are calculated on the basis of temporary differences between accounting and tax values of assets and liabilities included in the collective tax basis (basis for tax on yields of certain pension-scheme assets at institution level).

Deferred tax on yields of certain pension-scheme assets is offset against deferred tax assets relating to tax on yields of certain pension-scheme assets.

#### Debt to credit institutions

Debt to credit institutions includes debt related to commitments to repurchase securities in repurchase agreements. The debt is measured at fair value.

#### Other debt

Derivative financial instruments are measured at fair value. Derivative financial instruments with negative fair value are included under other debt. Other amounts payable included under other debt are measured at amortised cost, which normally corresponds to the nominal value.

#### Contingent liabilities

Commitments regarding pledges on investments, guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report (see note 17).

#### Key figures and financial ratios

The company's financial ratios have been calculated in accordance with the regulations in the Executive Order on Presentation of Financial Statements.

## Note 2 - Gross premiums

DKK mill.	2020	2019
Current premiums	7,689	7,812
Contributions incl. transfers	1,849	1,935
Gross premiums before taxes	9,538	9,747
Income tax (A tax) and labour-market contributions	-758	-767
Total gross premiums	8,780	8,980
Of which, concerning accident and sickness insurance, see note 7	-705	-766
Total gross premiums on insurance contracts	8,075	8,215
Premiums broken down according to how insurance was taken out:		
Insurance taken out as part of an employment relationship	8,459	8,681
Insurance and investment contracts taken out individually	320	300
	8,780	8,980
Premiums concerning insurance:		
Insurance policies with a bonus entitlement	1	1
Insurance and investment contracts without bonus entitlement	8,778	8,979
	8,780	8,980
Members with collective-agreement-based schemes	413,888	412,079
Members with group life assurance	227,556	233,090
Members with policies taken out individually	37,251	35,432

All insurance policies and investment contracts 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.

## Note 3 - Value adjustments

DKK mill.	2020	2019
Owner-occupied property	0	6
Loans to group undertakings	-2	1
Equity investments	-398	8,919
Investment units	-522	1,233
Bonds	-418	1,407
Deposits with credit institutions	-69	-66
Derivative financial instruments	4,018	-2,003
Total value adjustments	2,610	9,495

## Note 4 - Tax on yields of certain pension-scheme assets

DKK mill.	2020	2019
Tax on yields of certain pension-scheme assets payable for the year	1,465	3,017
Adjustment for tax on yields of certain pension-scheme assets concerning previous years	-6	3
Tax on yields of certain pension-scheme assets transferred to other comprehensive income	-2	-
Total tax on yields of certain pension-scheme assets	1,457	3,020



## Note 5 - Benefits paid

DKK mill.	2020	2019
Regular pension benefits	1,450	1,270
Lump sums on old age	377	362
Insurance sums on disability	123	111
Insurance sums on critical illness	144	146
Insurance sums on death	586	589
Transfers to other pension schemes	2,136	2,646
Surrender (disbursement of small dormant accounts)	161	159
Tax correction of old-age lump sum	0	0
Health-promotion costs	7	7
Transferred to other insurance provisions	136	146
Total benefits paid	5,121	5,437

## Note 6 - Administration costs

DKK mill.	2020	2019
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	142	142
Pension contributions	18	17
Other social security costs	3	2
Payroll tax	24	24
Total staff expenses	186	185
Average number of full-time employees in the year	192	185

Staff expenses include salaries and remuneration for:

Board of Management	4.6	4.5
Board of Directors	2.3	2.3
Number of employees whose activities significantly influence the risk profile, 13 people (15 people in 2019)	22.1	27.9

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 2020. Remuneration is not paid to members of the Board of Management for board positions in other companies in the group.

Salaries and other remuneration for individual members of the Board of Directors are disclosed in note 23.

## Note 7 - Technical result of sickness and accident insurance

DKK mill.	2020	2019
Current premiums	705	766
Transferred from provisions for insurance and investment contracts	136	146
Total gross premiums	841	912
Change in premium provisions	-2	0
Premium income, net of reinsurance	839	912
Claims paid	-612	-584
Change in provisions for claims outstanding	-185	-278
Change in risk margin	-86	-26
Claims expenses, net of reinsurance	-883	-888
Bonuses and premium rebates	-17	-192
Insurance operating costs, net of reinsurance	-21	-21
Technical result	-82	-188
Investment returns	80	237
Investment return after return on insurance provisions	80	237
Technical result of accident and sickness insurance	-2	48

With a claims rate of 0.51% (0.48%), in 2020, 1,104 (1.018) claims were paid with an average indemnity of DKK 805,000 (DKK 894,000). The figures shown in brackets are the corresponding figures for 2019.

## Note 8 - Equipment

DKK mill.	31.12.2020	31.12.2019
Accumulated cost 1 January	1	1
Additions brought forward as a result of changes in accounting regulations	1	-
Additions during the year	1	-
Accumulated cost 31 December	2	1
Accumulated depreciation 1 January	1	1
Depreciation for the year	0	0
Accumulated depreciation 31 December	1	1
Carrying amount 31 December	1	0

The value of operating equipment under finance leases is included at an amount of DKK 1 mill.

## Note 9 - Owner-occupied property

DKK mill.	31.12.2020	31.12.2019
Revalued fair value 1 January	81	75
Additions brought forward as a result of changes in accounting regulations	15	-
Depreciation for the year	-2	0
Value adjustment for the year	11	6
Revalued fair value 31 December	105	81
Rate of return with fair value valuation	4.25	4.50

The value of property under finance leases is included at an amount of DKK 13.8 mill.

## Note 10 - Equity investments in group undertakings

DKK mill.	31.12.2020	31.12.2019		
Carrying amount 1 January	39,578	35,239		
Additions/issues during the year	6,696	2,164		
Capital reductions/redemptions during the year	-6,962	-4,529		
Dividend for the year	-418	-91		
Share of profit for the year	1,662	6,820		
Share of movements in capital for the year	-	-25		
Carrying amount 31 December	40,556	39,578		
Equity investments are disclosed in balance sheet items:				
Equity investments in group undertakings	4,945	4,772		
Investment assets attached to market-rate products, see note 12	35,611	34,806		
Equity investments in group undertakings consist of:				
Name	Registered office	Ownership interest	Result	Equity
Industriens Pension Portfolio (capital association)	Copenhagen	100%	1,660	34,092
IP Alternative Investments Komplementar ApS	Copenhagen	100%	0	0
IP Finans 1 ApS	Copenhagen	100%	0	4
IP Butendiek Wind K/S	Copenhagen	100%	-115	158
IP Gode Wind II K/S	Copenhagen	100%	-71	766
IP Komplementar ApS	Copenhagen	100%	0	0
IP Ejendomme 2013 P/S	Copenhagen	100%	176	5,518
IP Infrastruktur Komplementar ApS	Copenhagen	100%	0	0
IP Infrastruktur P/S	Copenhagen	100%	7	18

Industriens Pension Portfolio invests in shares and bonds etc. while other group undertakings are involved with activities in properties, infrastructure and wind turbines.

## Note 11 - Equity investments in associated undertakings

DKK mill.	31.12.2020	31.12.2019
Carrying amount 1 January	37	45
Additions/issues during the year	69	0
Dividend for the year	-30	-5
Share of profit for the year	0	-3
Carrying amount 31 December	76	37

Equity investments are disclosed in balance sheet items:

Equity investments in associated undertakings	22	3
Investment assets attached to market-rate products, see note 12	54	34

Equity investments in associated undertakings consist of:

Name	Registered office	Ownership interest	Result	Equity
EjendomsSelskabet Norden VIII K/S	Copenhagen	33%	0	14
Gode Wind II Joint FinCo ApS	Copenhagen	21%	1	12
Better Energy Impact K/S	Copenhagen	50%	-	-
Better Energy Impact Komplementar ApS	Copenhagen	50%	-	-

EjendomsSelskabet Norden VIII K/S is active within the property area, Gode Wind II Joint FinCo ApS is a financing company, while the Better Energy Impact companies are engaged in infrastructure activities.

## Note 12 - Investment assets attached to market-rate products

DKK mill.	31.12.2020	31.12.2019
Equity investments in group undertakings	35,611	34,806
Loans to group undertakings	377	363
Equity investments in associated undertakings	54	34
Loans to associated undertakings	53	-
Total investments in group undertakings and associated undertakings	36,096	35,203
Equity investments	79,975	71,975
Investment units	11,638	11,730
Bonds	42,672	38,388
Other loans	78	61
Deposits with credit institutions	2,764	3,703
Other financial investment assets	2,264	2,780
Total other financial investment assets	139,391	128,636
Total investment assets attached to market-rate products	175,487	163,839
Tax asset, individual tax on yields of certain pension-scheme assets	39	24
Interest receivable	329	269
Contributions receivable and other receivables	618	599
Debt to credit institutions and other debt	-3,709	-2,499
Other balance-sheet items attached to market-rate products	-2,724	-1,607
Net assets linked to market rate	172,763	162,232

## Note 13 - Subordinated loan capital

DKK mill.	31.12.2020	31.12.2019
Excess capital		
Special bonus provisions type B 1 January	3,862	3,683
Change in special bonus provisions type B	45	179
Share in other comprehensive income	0	-
Special bonus provisions type B carried forward	3,908	3,862
Other subordinated loan capital		
Special bonus provisions type A 1 January	323	336
Change in special bonus provisions type A	-11	-13
Special bonus provisions type A carried forward	312	323
Total subordinated loan capital	4,219	4,185

## Note 14 - Life-assurance provisions at average rate

DKK mill.	31.12.2020	31.12.2019					
Life-assurance provisions at average rate 1 January	7,518	7,220	Breakdown of life-assurance provisions at the highest guaranteed interest rate on policy, 31 December 2020				
Collective bonus potential 1 January	-1,818	-1,609					
Accumulated value adjustments 1 January	-499	-408		0.00%	1.50%	2.50%	Total
Retrospective provisions 1 January	5,200	5,203	Guaranteed benefits	4,048	826	1,086	5,960
Gross premiums	1	1	Individual bonus potential	141	-	59	200
Addition of interest	1,177	449	Collective bonus potential	878	173	240	1,292
Insurance benefits	-457	-449	Life-assurance provisions 31 December 2020	5,067	1,000	1,385	7,451
Costs supplement after addition of costs bonus	-5	-5	Breakdown of life-assurance provisions at the highest guaranteed interest rate on policy 31 December 2019				
Risk result after addition of risk bonus	-22	-16		1.00%	1.50%	2.50%	Total
Transferred to/from life-assurance provisions at market rate	5	17	Guaranteed benefits	2,156	897	2,635	5,688
Distribution from special bonus provision	0	0	Individual bonus potential	5	-	6	11
Retrospective provisions carried forward	5,899	5,200	Collective bonus potential	690	286	843	1,818
Accumulated value adjustment carried forward	260	499	Life-assurance provisions 31 December 2019	2,851	1,183	3,484	7,518
Collective bonus potential carried forward	1,292	1,818					
Life-assurance provisions at average rate carried forward	7,451	7,518					
Return before tax	6.3%	12.4%					
Ratio of bonus potential to provisions	25%	35%					
Return on customer funds after costs and tax	6.2%	12.3%					
The risk margin has been recognised in life-assurance provisions at	138	77					



## Note 15 - Life-assurance provisions at market rate

DKK mill.	31.12.2020	31.12.2019				
Life-assurance provisions at market rate 1 January	162,232	143,937	Return and risk in 2020:			
Provisions for group life 1 January	-1,006	-865		Share of		
Life-assurance provisions at market rate 1 January (excluding group life)	161,225	143,072	Years before retirement	provisions	Return	Risk
Gross premiums	8,068	8,208	30 years (age: 35 years)	1.0%	5.7%	5.25
Return after tax on yields of certain pension-scheme assets	7,118	15,059	15 years (age: 50 years)	3.2%	5.3%	4.75
Insurance benefits	-4,060	-4,367	5 years (age: 60 years)	3.2%	4.5%	4.50
Costs supplement	-202	-197	5 years after retirement (age: 70 years)	1.1%	3.6%	3.25
Distribution from special bonus provision	169	180	Return and risk in 2019:			
Transferred to/from life-assurance provisions	-5	-17		Share of		
Transferred to sickness and accident insurance	-132	-143	Years before retirement	provisions	Return	Risk
Transferred to group scheme	-374	-569	30 years (age: 35 years)	1.0%	15.6%	3.75
Life-assurance provisions at market rate carried forward (excluding group life)	171,807	161,225	15 years (age: 50 years)	3.3%	14.2%	3.50
Provision for group life carried forward	956	1,006	5 years (age: 60 years)	3.0%	11.2%	3.25
Life-assurance provisions at market rate carried forward	172,763	162,232	5 years after retirement (age: 70 years)	1.1%	8.4%	3.25
Return on customer funds after costs and before tax	5.0%	12.0%				
The risk margin has been recognised in life-assurance provisions at	1	1				

Savings in the market rate are invested in a compulsory lifecycle product.

## Note 16 - Other debt

DKK mill.	31.12.2020	31.12.2019
Negative market value of derivative financial instruments	4,514	3,014
Debt concerning unsettled transactions	328	92
Other debt	117	82
Total other debt	4,958	3,188

### Note 17 - Collateral and contingent liabilities

DKK mill.	31.12.2020	31.12.2019
As collateral for the technical provisions, assets have been registered at a carrying amount of:		
Equity investments	44,328	33,991
Investment units	88,330	89,137
Bonds	53,759	50,071
Deposits with credit institutions	2,931	4,625
Derivative financial instruments	1,625	2,534
Total registered assets	190,973	180,358
Cash and cash equivalents and bonds issued as collateral for clearing and for fair value of derivative financial instruments	1,969	1,229
Cash and cash equivalents and bonds received as collateral for fair value of derivative financial instruments	1,807	2,127
Leasing commitments	-	1
Pledges to invest in property, infrastructure and unlisted equity investments etc. incl. warranties for pledges in associated undertakings.	23,220	22,735

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.

### Note 18 - Related parties

Industriens Pensionsforsikring A/S is fully owned by the parent company IndustriPension Holding A/S, which also owns Industriens Pension Service A/S. Consequently, these two companies are closely related to Industriens Pensionsforsikring A/S. The same applies to group undertakings and associated undertakings, see notes 11 and 12, as well as the members of the Board of Directors and the Board of Management.

Transactions with related parties are entered into and settled on market terms or on a cost-recovery basis. In 2020, the company had the following transactions and balances with related parties:

- 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. Assets management services are also supplied to the subsidiaries. The fees for these services are set on a cost-recovery basis.
- Loans provided (approx. EUR 73 mill.) and guarantees for equivalent lines of credit to the subsidiary IP Finans 1 ApS in connection with financing the wind farm Butendiek Wind II. Interest and guarantees have been set on market terms.

No transactions have been entered into with the company's Board of Directors or Board of Management in addition to the salaries and other remuneration described in note 6.

## Note 19 - Five-year summary of key figures and financial ratios

DKK mill.	2016	2017	2018	2019	2020	DKK mill.	2016	2017	2018	2019	2020
Key figures for life assurance (DKK mill.)						Key figures for sickness and accident insurance (DKK mill.)					
Premiums	7,206	8,046	8,429	8,215	8,075	Gross premiums income	749	681	820	912	841
Insurance benefits	4,682	4,657	5,321	5,437	5,121	Gross claims costs	748	696	971	888	883
Investment returns	11,033	12,161	-1,699	20,054	9,685	Insurance operating costs	18	18	21	21	21
Insurance operating costs	113	124	124	112	-119	Technical result	-112	-174	-45	-188	-82
Technical result	-18	-17	-21	-20	0	Investment return after technical interest	152	213	92	237	80
Technical result of sickness and accident insurance	41	40	47	48	-2	Run-off results	357	645	461	373	544
Profit for the year	204	388	111	417	195	Total insurance provisions	6,705	7,028	7,440	8,272	8,857
Other comprehensive income	-	0	-	-	0	Financial ratios for sickness and accident insurance					
Provisions for insurance and investment contracts	143,297	156,748	158,596	178,021	189,071	Gross claims ratio *	114.8%	129.2%	102.9%	123.3%	107.3%
Equity	4,794	5,182	5,293	5,710	5,906	Gross expenses ratio	2.8%	3.4%	2.2%	2.8%	2.5%
Assets	157,366	170,140	172,013	193,595	205,665	Combined ratio	117.5%	132.6%	105.1%	126.1%	109.8%
Financial ratios for life assurance						Operating ratio	117.5%	132.6%	105.1%	126.1%	109.8%
Return before tax on yields of certain pension-scheme assets, average rate	8.3%	5.3%	2.1%	12.4%	6.3%	Relative run-off results	6.3%	10.4%	7.3%	5.4%	7.3%
Return before tax on yields of certain pension-scheme assets, market rate	8.1%	8.5%	-1.5%	12.2%	5.1%	* The relatively high value of the gross claims ratio (claims as a percentage of premiums) in the five-year period is because, during this period, the premiums were reduced by bonuses and premium rebates earned in previous years.					
Risk on return related to market rate	3.75	3.50	3.50	3.50	4.75						
Costs as a percentage of provisions	0.1%	0.1%	0.1%	0.1%	0.1%						
Costs per member	250 kr.	278 kr.	272 kr.	243 kr.	256 kr.						
Return on equity after tax	4.3%	7.8%	2.1%	7.6%	3.4%						
Return on excess capital after tax	4.3%	4.4%	0.9%	6.8%	3.0%						

## Note 20 - Schedule of assets and returns on assets

Assets linked to average rate		Market value			Assets linked to market rate		Market value		
DKK mill.	Brought forward	Carried forward	Return before tax	DKK mill.	Brought forward	Carried forward	Return before tax		
1.	Land and buildings directly owned	449	485	0.2%	1.	Land and buildings directly owned	7,806	8,014	-6.3%
2.1	Listed equity investments	1,037	1,044	13.4%	2.1	Listed equity investments	47,673	53,769	11.5%
2.2	Unlisted equity investments	1,055	868	0.8%	2.2	Unlisted equity investments	35,119	34,318	0.5%
2.	Total equity investments	2,092	1,912	7.1%	2.	Total equity investments	82,792	88,087	6.7%
3.1	Government bonds and mortgage-credit bonds	3,033	2,929	2.4%	3.1	Government bonds and mortgage-credit bonds	28,810	32,270	2.1%
3.2	Index-linked bonds	-	-	-	3.2	Index-linked bonds	-	-	-
3.3	Credit bonds and emerging markets bonds	1,125	1,134	1.0%	3.3	Credit bonds and emerging markets bonds	37,582	41,956	-0.7%
3.4	Loans etc.	47	7	2.4%	3.4	Loans etc.	429	131	3.0%
3.	Total bonds and loans	4,205	4,070	2.0%	3.	Total bonds and loans	66,821	74,357	0.6%
4.	Subsidiaries	129	110	-8.8%	4.	Subsidiaries	1,030	1,044	-8.6%
5.	Other investment assets	127	76	-	5.	Other investment assets	3,064	1,850	-
6.	Derivative financial instruments	515	799	-	6.	Derivative financial instruments	150	-1,136	-

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. Exchange-rate fluctuations have been included under derivative financial instruments.

## Note 21 - Derivative financial instruments

DKK mill.	Principal amount	Positive value	Negative value
Interest-rate and inflation contracts, swaps			
Term 0-10 years	36,787	1,106	-2,805
Term 10-20 years	11,474	1,711	-1,144
Term >20 years	3,190	130	-281
Total	51,451	2,947	-4,230
Options			
Term 0-10 years	-7	73	-67
Total	-7	73	-67
Forward foreign-exchange contracts			
Term 0-10 years	67,680	1,861	-216
Balance of account as at 31 December 2020	119,124	4,881	-4,514

All interest-rate contracts are in DKK, EUR, USD and SEK. Positive fair values are included in other financial investment assets, and negative fair values are included in liabilities under other debt.

## Note 22 - Breakdown by valuation of investment assets and financial liabilities

Investment assets and financial liabilities are recognised at fair value or amortised cost, see note 1. Fair value is the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability in a regular transaction between independent parties at the time of measurement. Fair value is determined on the basis of the following hierarchy:

## Level 1 - listed prices:

Listed prices are used when there is an active market for the individual assets. As a general rule, the official market price on the balance sheet date is applied. For listed bonds on highly liquid markets, the market price is modified based on the actual trading activity just before the reporting date.

## Level 2 - observable input:

For listed securities, where the market price does not reflect the fair value, the fair value is set on the basis of the listed prices of similar assets or liabilities or on the basis of other methods of valuation based on observable market input, e.g. input from banks or brokers. For derivative financial instruments, assessment techniques are applied based on observable market conditions such as yield curves and exchange rates, etc. This category includes unlisted bonds and derivative financial instruments.

## Level 3 - unobservable input:

For a significant part of the investments, valuation cannot be solely based on observable market data. These investments include unlisted equity investments, such as equity investments in group and associated undertakings, as well as the owner-occupied property. For these assets, valuation models are applied that may entail estimates of the current market conditions and future developments in these. Note 1 on accounting policies describes in more detail the methods of valuation applied.

Note 22 - Breakdown by valuation of investment assets and financial liabilities, *continued*

	Listed prices		Observable input		Non-observable input		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
DKK mill.								
Equity investments in group undertakings	1,173	1,427	1,813	1,487	1,959	1,858	4,945	4,772
Equity investments in associated undertakings	-	-	-	-	22	3	22	3
Equity investments	3,257	2,391	1	0	3,064	4,149	6,322	6,540
Investment units	-	-	596	637	748	752	1,344	1,389
Bonds	9,274	9,966	3,024	1,715	118	98	12,416	11,779
Other loans	-	-	-	-	5	6	5	6
Deposits with credit institutions	411	537	-	-	-	-	411	537
Other financial investment assets	5	-	2,612	1,787	-	-	2,617	1,787
Investment assets attached to market-rate products	88,125	84,511	36,639	29,558	50,292	50,220	175,056	164,291
Investment assets recognised at fair value	102,245	98,832	44,685	35,184	56,208	57,086	203,138	191,104
Recognised at amortised cost (loans etc.)							618	543
Total investment assets							203,756	191,647
Derivative financial instruments with negative fair value	67	-	4,447	3,014	-	-	4,514	3,014
Financial liabilities at fair value	67	-	4,447	3,014	-	-	4,514	3,014

Losses and gains on investment assets and financial liabilities measured at fair value according to level 3 are recognised in the income statement under "Income from group undertakings", "Income from associated undertakings" and "Value adjustments" (see note 1).



Note 22 - Breakdown by valuation of investment assets and financial liabilities, *continued*

Movements for the year in assets and liabilities measured at fair value using unobservable input are as follows:

	Group undertakings	Associated undertakings	Equity investments	Investment units	Bonds	Other loans	Investment assets attached to market-rate products	Total
DKK mill.	2020	2020	2020	2020	2020	2020	2020	2020
Balance sheet as at 1 January	1,858	3	4,149	752	98	6	50,220	57,086
Price changes	-127	-9	-335	-39	-8	0	-4,915	-5,433
Purchases/sales, net	228	27	-750	35	28	0	4,986	4,554
Transfer to level 3	-	-	-	-	-	-	-	-
Transfer from level 3	-	-	-	-	-	-	-	-
Balance sheet as at 31 December	1,959	22	3,064	748	118	5	50,292	56,208

	Group undertakings	Associated undertakings	Equity investments	Investment units	Bonds	Other loans	Investment assets attached to market-rate products	Total
DKK mill.	2019	2019	2019	2019	2019	2019	2019	2019
Balance sheet as at 1 January	1,710	4	3,825	294	52	4	42,856	48,745
Price changes	61	-1	176	16	1	0	1,938	2,191
Purchases/sales, net	87	0	148	442	45	2	5,426	6,150
Transfer to level 3	-	-	-	-	-	-	-	-
Transfer from level 3	-	-	-	-	-	-	-	-
Balance sheet as at 31 December	1,858	3	4,149	752	98	6	50,220	57,086

Note 22 - Breakdown by valuation of investment assets and financial liabilities, *continued*

For assets and liabilities measured at fair value using unobservable input, the following valuation techniques and input have been applied:

DKK mill.	Fair value 2020	Fair value 2019	Valuation technique	Key input	Measurement uncertainty
Group undertakings, properties	5,536	4,258	DCF model*	Required rate of return from 4.0% to 5.5% (4.0% to 5.75%)	If the required rate of return for individual properties is increased by 0.25 percentage points, the value changes by DKK -171 (DKK -141 mill.)
Group undertakings, wind turbines	928	1,333	DCF model*	WACC from 4.47% to 4.96% (3.83%)	If the WACC is increased by 1 percentage point, the value changes by DKK -88 (DKK -137 mill.)
Associated undertakings, properties	4	34	Reported fair value**	-	-
Associated undertakings, infrastructure	69	-	Reported fair value**	-	-
Associated undertakings, other	3	2	Reported fair value**	-	-
Equity investments, unlisted	41,837	44,310	Reported fair value**	-	-
Investment units, unlisted	7,226	6,495	Reported fair value**	-	-
Bonds, unlisted	522	589	Reported fair value**	-	-
Other loans	83	65	Reported fair value**	-	-
Total	56,208	57,086			

\*See note 1 for a more detailed description.

\*\*Reported fair value based on reports received from relevant companies in which underlying assets and liabilities are measured at fair value. See note 1 for a more detailed description.

## Note 23 - Remuneration of Board of Directors

The chairman and deputy chairman received annual remuneration of DKK 247,512 in 2020. This remuneration also covers participation in committees in Industriens Pensionsforsikring A/S. Other members of the Board of Directors received remuneration in 2020 of DKK 123,756. Other members of the Board of Directors who are also members of the Investment Committee or the Audit Committee also received remuneration of DKK 67,504 in 2020, while the chairman of the Audit Committee received remuneration of DKK 90,006.

Mads Andersen, chairman	247,512	Nina Movin	191,260
Kim Graugaard, deputy chairman	247,512	Lars Ingemann Nielsen	191,260
Lars Andersen	281,266	Jukka Pertola	123,756
Erik Bredholt	123,756	Rasmus Sejerup Rasmussen	123,756
Chresten Dengsøe	123,756	Jim Jensen	123,756
Claus Jensen	123,756	Steen Nielsen	191,260
Heidi Jensen	123,756	Lars Mikkilgaard-Jensen	123,756

## Note 24 - Risk management

Through its policies and guidelines, the Board of Directors of Industriens Pension determines the overall level of the company's risk taking and the framework for ongoing risk management.

The day-to-day management monitors risks on an ongoing basis, and ensures compliance with the frameworks stipulated. The Board of Directors receives regular reports on compliance with individual frameworks.

### 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.

Alle potential risks are regularly assessed, and 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, guidelines and internal procedures, as well as in establishment or adaptation 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 account of the risk for members, the risk faced by the company as well as the size of the own funds to cover current solvency capital requirements.

The majority of members of Industriens Pension have a market-rate product, where each member carries most of the risks. For these members, a key element of the risk assessment is to ensure that the individual member is not subject to an inappropriate risk.

Every year, the Board of Directors approves an overall risk assessment, which is subsequently submitted to the Danish Financial Supervisory Authority and communicated to all relevant employees at Industriens Pension.

### Risk management in practice

In accordance with the Executive Order on Management and Control of Banks etc., separate actuary, compliance and risk-management functions have been set up, as well as an internal audit function. Furthermore, a person has been appointed to be responsible for each function. In addition to these functions, Industriens Pension has also appointed a data protection officer and two persons responsible for the money laundering area; one for the member and business area, and one for the investment area. Moreover, a whistleblower system has been set up, allowing employees the possibility to report incidents.

The risk function plans work on risk and regularly prepares reports on the risk area. It is crucial for Industriens Pension that practical work on implementing management of the individual risks is rooted with the staff responsible in the individual departments. The individual heads of department are therefore responsible for identifying new risks and ensuring that these are mitigated with suitable controls. Errors and other inappropriate incidents are identified and assessed. These assessments are incorporated in work on risk and to organise controls.

The risk management function regularly follows up on risks identified, controls implemented and error incidents observed.

### Most significant risks for Industriens Pension

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

### Market risk

Market risk includes risks of losses on investment assets, among others things arising from losses on shares, interest rates, currency and properties. Furthermore, the risk of losses as a consequence of credit and counterparty risks, as well as liquidity risk, are included.

The company is exposed to market risk on own funds as well as provisions at average rate and sickness and accident insurance. 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 here is changes in interest rates. The interest-rate risk on liabilities is eliminated by hedging with interest-rate derivatives.

Members in the market-rate scheme carry the market risk themselves, and this is managed through 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.

The risk of losses in the event 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 risk includes the risk of losses because of negative changes in mortality rates, life expectancy, loss of ability to work as well as critical illness.

### Operational and strategic risks

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

These risks are mitigated with regular monitoring of errors and by establishing suitable controls.

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

The most important operational risks are linked to use by Industriens Pension of IT, including in particular the risk of cyberattacks.

### Solvency capital requirement


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

The Board of Directors approves the methods used to calculate the solvency capital requirement. The capital requirement is calculated in accordance with the standard model, parameters and buffers laid down by the Danish Financial Supervisory Authority in the Executive Order on Calculation of the Solvency Capital Requirement.

The current solvency capital requirement at the end of 2020 is stated in the table of financial and operating data in the management's review.

# Board of Management and Board of Directors



 Industriens Pension





# Board of Management

## Laila Mortensen

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

### Intra-group positions:

Industriens Pension Service A/S	CEO
The committee for responsible investment of Industriens Pensionsforsikring A/S	Member

Furthermore, Laila Mortensen is on the board of directors of 14 subsidiaries.

### Other positions:

Danish Insurance Association	Chairman of the Board
Forsikringsorganisationens Fællessekretariat F.M.B.A	Chairman of the Board
Fonden F&P Formidling	Chairman of the Board
Statistics Denmark	Vice Chairman of the Board

The above positions have been approved by the Board of Directors, see section 80(1) of the Danish Financial Business Act.



# Board of Directors

## Mads Andersen

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

### Intra-group positions:

IndustriPension Holding A/S	Chairman of the Board
Industriens Pension Service A/S	Chairman of the Board
Investment Committee of Industriens Pensionsforsikring A/S	Chairman
The committee for responsible investment of Industriens Pensionsforsikring A/S	Chairman
Remuneration Committee of Industriens Pensionsforsikring A/S	Chairman

### Other positions:

Industriens Kompetenceudviklingsfond	Member of the Board
Industriens Uddannelses- og Samarbejdsfond	Member of the Board
Laugesens Have, kursuscenter A/S	Chairman of the Board
FH - Danish Trade Union Confederation	Member of the Board
Nordsøenheden S.O.V.	Member of the Board
Innovation Fund Denmark	Member of the Board
TekSam	Vice Chairman of the Board
Board of the United Federation of Danish Workers	Member

## Kim Graugaard

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

### Intra-group positions:

IndustriPension Holding A/S	Vice Chairman of the Board
Industriens Pension Service A/S	Vice Chairman of the Board
Investment Committee of Industriens Pensionsforsikring A/S	Member
The committee for responsible investment of Industriens Pensionsforsikring A/S	Member
Remuneration Committee of Industriens Pensionsforsikring A/S	Member

### Other positions:

Confederation of Danish Employers	Member of the Board
PFA	Member of the Board
TekSam	Chairman of the Board

# Board of Directors

## Lars Andersen

Executive director of the Economic Council of Labour Movement. Appointed 28 April 2005. Appointed by the Central Organisation of Industrial Employees (CO-industri) unions.

### Intra-group positions:

Investment Committee of Industriens Pensionsforsikring A/S	Member
Audit Committee of Industriens Pensionsforsikring A/S	Chairman

### Other positions:

	Member of the Board of Directors and chairman of the Audit and Risk Committee
Arbejdernes Landsbank A/S	
Foreningen Divérs	Member of the Board
	Vice Chairman of the Board
IFU/IØ foundations	
Pension Commission	Member
Statistics Denmark	Member
Master of Science (MSc) in Economics programme	External examiner

## Erik Bredholt

Executive Director of Livlande Holding A/S, Executive Director of Edelslund 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
Board of the Confederation of Danish Industry	Member
Friland A/S	Member of the Board
Danish Agriculture & Food Council	Member of the Board
Leverandørselskabet Danish Crown Amba	Chairman of the Board
Livlande Holding A/S	Member of the Board
Slagteriernes Arbejdsgiverforening	Member of the Board
Sokolow S.A. (Poland)	Member of the Board

## Jim Jensen

Vice President, Fødevareforbundet NNF Appointed 25 April 2017. Appointed by employees in the merged pension funds PNN PENSION and PHI pension.

### Other positions:

	Member of the Advisory Board of Representatives
Arbejdernes Landsbank	

# Board of Directors

## Claus Jensen

Union chairman of the Danish Metalworkers' Union and Chairman of the Central Organisation of Industrial Employees

Appointed 25 April 2013. Appointed by the Central Organisation of Industrial Employees (CO-industri) unions.

### Intra-group positions:

IndustriPension Holding A/S	Member of the Board
Industriens Pension Service A/S	Member of the Board

### Other positions:

AKF Holding A/S	Member of the Board
Economic Council of Labour Movement	Member of the board and council member
Arbejderbevægelsens Kooperativ Finansieringsfond	Member of the Board
Arbejdernes Landsbank A/S	Vice Chairman of the Board
A/S A-Pressen	Member of the Board
Arbejdsmarkedets Tillægspension	Member of the Board of Representatives
CPH Growth Committee	Member
Danmarks Erhvervsfremmebestyrelse	Member
Danmarks Nationalbank	Member of the Board of Representatives
The Economic Council	Member
	Member of the executive committee and steering committee
FH - Danish Trade Union Confederation	
Femern A/S	Member of the Board

Grønt Erhvervsforum	Member
IndustriALL, European Trade Union	Vice Chairman of the Board
Nordic IN	Chairman of the Board
Industriens Uddannelses- og Samarbejdsfond	Vice Chairman of the Board
Industriens Kompetenceudviklingsfond	Chairman of the Board
Interforcekomiteen	Member of the Board
	Member of the Advisory Board
Climate partnership	
LINDØ port of ODENSE A/S	Member of the Board
Sund & Bælt Holding A/S	Member of the Board
	Member of the Advisory Board and the Strategy Committee
Think Tank EUROPA	
Technology Pact Council	Member
Vestjysk Bank	Member of the Board
Øresundsbro Konsortiet	Member of the Board

# Board of Directors

## Heidi Jensen

Trade union representative at Struers A/S  
Appointed 28 April 2011. Appointed by the Central Organisation of Industrial Employees (CO-industri) unions.

### Intra-group positions:

IndustriPension Holding A/S	Member of the Board
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### Other positions:

United Federation of Danish Workers Greater Copenhagen	Member of the Board
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## Chresten Dengsøe

CEO of The Medical Doctors' Pension Fund and The Medical Doctors' Bank  
Appointed 9 March 2016. Appointed by the Confederation of Danish Industry.

### Other positions:

The Medical Doctors' Pension Fund and The Medical Doctors' Bank	Chairman of the Board of Directors and executive director of a number of subsidiaries
Copenhagen Infrastructure Partners II, III and IV and New Markets Fund I	Member of the investment committee/LPAC
Danish Insurance Association	Member of the Board

## Lars Mikkeldgaard-Jensen

Chairman of the Board of Directors, Sydbank  
Appointed 7 July 2017. Appointed by the Confederation of Danish Industry.

### Intra-group positions:

IndustriPension Holding A/S	Member of the Board
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### Other positions:

Grønbech Holding	Member of the Board
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## Lars Ingemann Nielsen

Vice President at Nordea-fonden  
Appointed 26 June 2015. Appointed by the Confederation of Danish Industry.

### Intra-group positions:

Audit Committee of Industriens Pensionsforsikring A/S	Member
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### Other positions:

Shareholders Nomination Board, Nordea Bank Abp	Member
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# Board of Directors

## Nina Movin

CEO of Otto Mønsted's Fond and Otto Mønsted A/S  
Appointed 25 April 2013. Appointed by the Central Organisation of Industrial Employees (CO-industri) unions.

### Intra-group positions:

Investment Committee of Industriens Pensionsforsikring A/S	Member
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### Other positions:

Arator A/S (Plougmann og Vingtoft)	Chairman of the Board
AUFF Invest P/S	Member of the Board
GameBoks IVS	Member of the Board
GateHouse Holding A/S	Vice Chairman of the Board
SatCom A/S	Vice Chairman of the Board
Maritime A/S	Vice Chairman of the Board
Igniter A/S	Vice Chairman of the Board
Invoice One A/S	Member of the Board
Oreco A/S	Member of the Board

## Steen Nielsen

Deputy Director at the Confederation of Danish Industry, head of the salary and labour market policy  
Appointed 17 April 2018. Appointed by the Confederation of Danish Industry.

### Intra-group positions:

IndustriPension Holding A/S	Member of the Board
Audit Committee of Industriens Pensionsforsikring A/S	Member

### Other positions:

Arbejdsmarkedets Tillægspension	Member of the Board of Representatives
National Employment Council	Member

## Rasmus Sejerup Rasmussen

Union representative at Babcock & Wilcox Vølund A/S  
Appointed 25 April 2013. Appointed by the Central Organisation of Industrial Employees (CO-industri) unions.

### Other positions:

Babcock & Wilcox Vølund A/S	Member of the Board
FGU Vest	Member of the Board
Metal Vest	Member of the Board
Esbjerg Municipality	Member of the City Council

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Business registration no. (CVR no.) 16 61 41 30

[www.industrienspension.dk](http://www.industrienspension.dk)

