Annual Report
2020

Pensionskassen for
teknikum- og diplomingeniører

Contents

The English version of the Annual Report is a translation of the original document in Danish for information purposes only. In case of any discrepancies of legal disputes, the Danish original will prevail.

"ISP Pension has 12,369 members. In 2020, single premiums and transfers grew by 58.6% relative to 2019"

An unusual year in both good and bad ways

2020 was a year in which the entire world was in many ways put under pressure. The coronavirus pandemic resulted in a health crisis and triggered extreme investment market fluctuations.

The financial market turmoil had many check their pension, and our members consulted us for advisory services 3,389 times last year. They did so either by telephone, chat, an online meeting or a meeting in person.

Our new website, which was created when we joined the Sampension community, is already very popular among the pension fund's members, with more than 60,000 visits and about 32,000 member log-ins during 2020. On our website, our members can get a snapshot of their pension savings, change their investment profile or make additional pension contributions, for example.

This is also possible in the community's new pension app, which was added to our digital solutions. About 26,000 community customers and members have downloaded the app and more than 20,000 pension checks have been completed in the app.

ISP Pension has 12,369 members. In 2020, single premiums and transfers grew by 58.6% relative to 2019, which we interpret as our members' strong trust in us.

The pension fund's investment return for the year was DKK 638 million. Our investments were affected by the economic turmoil, and depending on age and risk profile, each member with a unit-linked pension scheme achieved a return of up to 2.8% in 2020. Despite the positive return, the result is considered to be less than satisfactory.

The relatively low return was due to an overweight of value equities and an underweight of bonds as well as a portfolio of alternative investments which is currently being established. This was not the best combination in the first half. In Q4, ISP recovered strongly and ended the year with an overall positive return.

Since we passed on the management of the pension fund to Sampension on 1 July 2019, we have gained a number of advantages from being part of a larger community. These are, for example, great insurance covers and the opportunity to adjust these covers to individual needs. We also more than halved our annual percentage rate (ARP) on administration and investment expenses for the individual member.

In a major, independent industry survey of customer and member satisfaction with the Danish pension funds, ISP Pension was rated a strong third among the 16 participating pension funds and providers.

One of the Sampension community's targets is for the carbon footprint of our equity investments to fall each year and to always be less than would be the case if the investments were made passively according to the investment guidelines defined by the Board of Directors. In 2020, the total carbon footprint of the community's listed equity portfolio was reduced by some 20%. The total absolute carbon emissions of this portfolio also fell to 1.4 million tonnes in 2020, against 1.8 million tonnes in 2019.

During the year, unacceptable environmental practices led to 38 exclusions from the community investment universe. Another major group of 170 companies have been excluded due to their coal and tar sand activities. The Sampension community exclusion list comprises a total of 276 companies.

Lars Bytoft
Chairman of the Board of Directors


3V
MCU
ESD
TRANSIENT VOLTAGE
EMC
SAFETY

Management's review

1

Five-year key figures and financial ratios

Five-year key figures **DKKm**	**2020**	**2019**	**2018**	**2017**	**2016**
Premiums	369	369	397	379	385
Benefits paid	-796	-792	-832	-798	-762
Investment return	638	1,520	-101	915	1,014
Total pension operating expenses	-6	-10	-29	-15	-12
Technical result	-79	-246	29	-142	-8
Profit/loss for the year	-47	-249	21	-126	8
Total pension provisions	16,518	16,349	15,283	15,850	15,379
Equity	578	625	873	853	979
Total assets	18,410	18,695	16,395	17,036	16,724

Five-year financial ratios	**2020**	**2019**	**2018**	**2017**	**2016**
Return ratios					
Rate of return related to average-rate products	7.2%	9.1%	3.6%	1.6%	8.7%
Rate of return related to unit-linked products	2.4%	10.4%	-1.6%	7.3%	6.2%
Risk on return related to unit-linked products	4.75	3.75	3.75	3.75	3.75
Expense ratios					
Expenses as a percentage of provisions	0.04%	0.06%	0.19%	0.09%	0.08%
Expenses per member (DKK)	480	722	2,064	1,035	864
Other return ratios					
Return on equity after tax	-7.8%	-33.2%	2.4%	-13.8%	0.8%
Capital structure ratios					
Solvency coverage ratio	162%	172%	258%	239%	327%

Reference is made to “Definitions of financial ratios” on page 58.

Members and pension schemes

The Pension Fund for Technicians and Bachelors of Engineering (ISP) is a multi-employer occupational pension fund established in 1958. The pension fund admits members with a BSc in engineering or similar. Both private-sector and public-sector engineers can join ISP, and it is also possible to take out pension schemes for all employees in companies employing engineers or similar. Since October 2018, newly employed engineers subject to IDA's collective agreements with public employers make pension contributions to P+, Pensionskassen for Akademikere. ISP members employed in the public sector at 30 September 2018 can retain their ISP pension scheme if they change jobs within the public sector.

ISP is part of the Sampension community (the joint management company). In addition to ISP, the joint management company comprises the Sampension Livsforsikring Group (Sampension Liv), the Architects' Pension Fund (AP) and the Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD). The group of owners of Sampension Administrationsselskab A/S comprises: Sampension Livsforsikring A/S (88%), AP (3%), PJD (3%) and ISP (6%).

On 1 January 2020, the unit-linked pension scheme was modernised and upgraded to 3 i 1 Livspension. This means a new and more individual investment strategy, in which the risk is automatically adjusted according to the member's age. This also provides more individual options on member insurances, where the cover is now based on a member's salary and not on a member's pension savings.

A pension scheme contains both savings and insurance components covering loss of earning capacity, death and certain critical illnesses. ISP provides the following savings products:

Pension schemes	Investments and allocation of returns
Unit-linked	**Actual returns are allocated to members each month**
3 i 1 Livspension lifecycle product	ISP's core product. Savings are invested in generation pools according to the customer's age and choice of investment profile
Linkpension, a unit-linked product	Customers determine which investment funds they wish to invest their savings in.
Senior scheme	The scheme is a unit-linked product divided into a basic pension scheme with a benefit guarantee on the interest component and a nonguaranteed supplementary pension scheme. The scheme is closed for new business.
Average rate	**Rate of investment return allocated to members reflects the average return achieved over time**
Guarantee scheme	Comprises pension schemes with guaranteed benefits, divided into interest rate groups according to the weighted basic rate of interest of the individual pension scheme. The scheme is closed for new business.

Premiums and benefits

Premium income

Premiums were largely unchanged at DKK 368.5 million in 2020 compared with DKK 368.9 million in 2019. Regular premiums fell by DKK 19.4 million, while single premiums and transfers increased by DKK 19.0 million.

Premium income **DKKm**	**2020**	**2019**	**Change (%)**
Regular premiums	317.2	336.6	-5.7
Single premiums etc.	51.3	32.3	58.6
Total premiums	**368.5**	**368.9**	**-0.11**

Premium income of

DKK 369 mill.

The number of members was 12,369 in 2020 against 12,597 at 31 December 2019, corresponding to a 1.8% decrease.

Number of members	**31.12.2020**	**31.12.2019**	**Change (%)**
Premium-paying members in active employment	3,780	4,036	-6.3
Paid-up policies etc.	3,597	3,592	0.1
Pensioners	4,992	4,969	0.5
Total number of members	**12,369**	**12,597**	**-1.8**

Benefit payments

Total pension benefits amounted to DKK 796.3 million in 2020 against DKK 791.6 million in 2019. The rise was primarily attributable to a minor increase in surrender charges, etc.

Expenses

Our joining the Sampension community in mid-2019 meant a significant decline in the level of expenses, as the joint management company has for a number of years made targeted efforts to reduce its expenses, which are among the lowest in the industry: The lower the expenses, the greater the proportion of contributions and returns will be allocated to savings. Ensuring low investment and administration expenses is a priority at ISP.

Efficient investment management

Internal and external management efficiency is very important to ISP. For that purpose, we invest the pension savings of all our members in the same investment assets, although the combination of such investment assets may vary considerably from member to member, depending on their specific savings product and risk profile. We use cost-benefit analyses to assess whether the various portfolios should be managed internally or externally.

Virtually all of our equity investments are outsourced to external asset managers, while most bonds and other fixed-income instruments are managed in-house. A number of investments in higher-risk credit bonds are made through external managers, and most alternative investments in, e.g., forestry, hedge funds and unlisted equities are managed by external managers.

Investment expenses of 0.47%

Investment expenses include expenses incurred by ISP, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, mutual funds, etc. Investment expenses calculated on member savings in 3 i 1 schemes with moderate risk were 0.47% in 2020 against 0.38% in 2019. The increase was driven by an adjustment of the 3 i 1 Livspension investment structure with an increased proportion of equities and alternative investments.

Return ratios are calculated after deduction of direct and indirect investment expenses. The return after investment expenses is the all-important ratio to consider when assessing the performance of members' pension savings.

Administrative expences per policyholder

DKK 480

Administrative expenses per member of DKK 480

Pension administrative expenses amounted to DKK 6.0 million in 2020 against DKK 9.5 million in 2019.

- Expenses per member fell from DKK 722 in 2019 to DKK 480 in 2020. Going forward, expenses are expected to stay at the current level
- Expenses expressed as a percentage of provisions amounted to 0.04% in 2020 compared with 0.06% in 2019.

Total APR of 0.6% in the 3 i 1 Livspension schemes with moderate risk

Our website, isp.dk, provides information to members on annual expenses expressed in Danish kroner and as a percentage (APR). APR includes an annual administration fee of DKK 540 per member and investment expenses, see above. APR depends on members' savings. For a 55-year-old member with savings of DKK 1 million, the APR for 2020 was at 0.6% for 3 i 1 Livspension Moderate Risk.

Investments and returns

The global economy and financial markets

At the beginning of 2020, we expected that the upswing lasting since the end of the financial crisis in 2010 would continue for another year, although particularly the trade dispute between the USA and China as well as Brexit would slightly weaken the upswing. Instead, 2020 was dominated by a high degree of uncertainty as an unknown virus broke out in China in the beginning of the year and subsequently spread to the rest of the world, causing the global economy to plunge into its deepest recession since World War II. The coronavirus pandemic led to a sudden lockdown of major parts of society, resulting in economic collapses. The recession was severe, but relatively short-lived, as historic fiscal and monetary relief packages supported the economy. The spring brought along increasing economic activity and the loss of jobs and growth was less severe than initially expected. As the winter season set in, a new wave of coronavirus hit. It was once again necessary to drastically lock down most economies and offer even more fiscal and monetary relief packages to keep economies afloat. The global growth is expected to have dropped some 4% in 2020, while it only decreased by 0.1% in 2009 during the financial crisis. The service sector has been, and still is, particularly hard hit, while industrial production appears to have gotten through 2020 relatively unscathed. The lockdowns have led to an accumulated spending and investment need which may kick growth into gear once we emerge from the coronavirus pandemic.

The financial markets were heavily affected by the lockdown in the beginning of 2020. The world equity index fell by more than 33% during February and March, while interest rates drastically dropped. In 2020, the financial markets were generally dominated by major interest rate declines, resulting from the central banks' very lenient monetary policy with interest rate cuts and major liquidity injections. In addition, equity markets surged, particularly at the end of 2020, driven by the outcome of the US presidential election and the news about the new vaccines that were about to be rolled out. The global equity market index was up by 14% in 2020. The Danish equity market was the best performer with an impressive 31% increase, followed with a clear gap to other equity market increases, with emerging markets at 19%, the US at 18% and the Asian at 15%. European equities just barely kept their value, while the UK equity market dropped by 12%. Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

Investment strategies in ISP's various investment environments

Our investment strategy aims to maximise the long-term return in a responsible manner and within the risk framework set out by the Board of Directors. The unit-linked and average-rate environments generally participate in the same investments, only at different weightings and volumes. The guarantee scheme and senior scheme have a relatively larger proportion of lower-risk assets than the 3 i 1 Livspension scheme.

We are currently in the process of building our portfolio of direct investments in debt, unlisted equities and real estate, and these efforts continued in 2020. Despite the coronavirus pandemic, ISP's portfolio of direct investments in debt, unlisted equities and real estate continued to expand throughout 2020. Together with our three partners in the joint management company, ISP thus invested in, for example, a major housing project at the old hospital site in Hørsholm, Denmark and co-invested in a large portfolio of logistics centres in France and Germany. In the beginning of the year, the four pension providers in the joint management company made a co-investment in a European manufacturer of specialised packaging. The private equity portfolio was also expanded with three funds focusing on software companies and small Nordic companies, for example. As for our forestry portfolio, the Oregon investment was expanded with a major purchase in the same area, and the four pension providers made commitments to the Danish manager Copenhagen Infrastructure Partners, which invests in the construction of new green energy plants in OECD countries.

Investment return of DKK 638 million or 3.8%

The overall return across all of ISP's investment environments in 2020 was a return of DKK 638 million, relative to a return of DKK 1,520 million in 2019. The overall return across all investment environments was 3.8% before tax on pension returns in 2020.

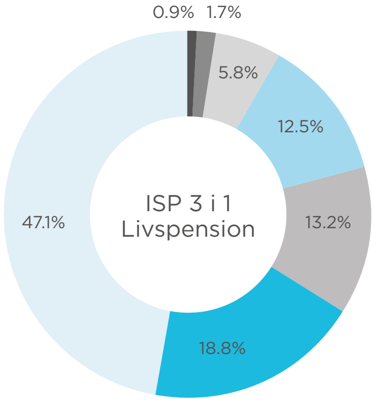
Investment return of

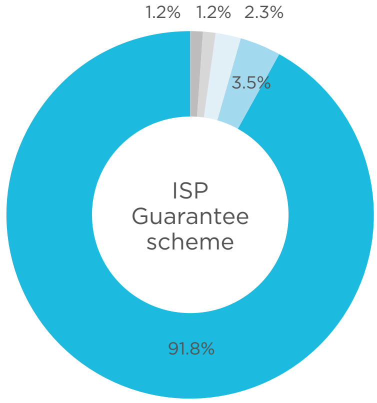
3.8%

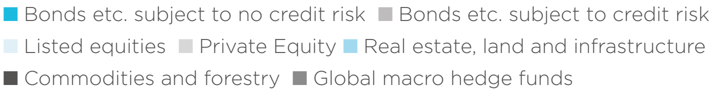
Investment returns by environment **DKKm**	**2020**	**2019**
3 i 1 Livspension	264	1,215
Guarantee scheme, etc. (average rate)	325	280
Senior scheme	9	29
Equity	39	-5
Total return	**638**	**1,520**

Breakdown of net investments

35% of ISP's total net investment assets in 2020 were placed in low credit risk bonds, while 37% were placed in listed equities. A breakdown of net investment assets in the two largest individual environments of 31 December 2020 is shown in the figures below.







Unit-linked environment investments

The 3 i 1 Livspension product investments are placed in different generation pools, each with a specific composition of investment assets, to reflect the customer's age. Customers have three investment profiles to choose from: low risk, moderate risk and high risk.

Positive returns for all generation pools in 3 i 1 Livspension

Generation pools 3 i 1 Livspension, selected	Investment profile		
Return (%)	**Low**	**Moderate**	**High**
25 years	2.4	2.7	2.8
55 years	2.4	2.7	2.8
65 years	2.0	2.6	2.7

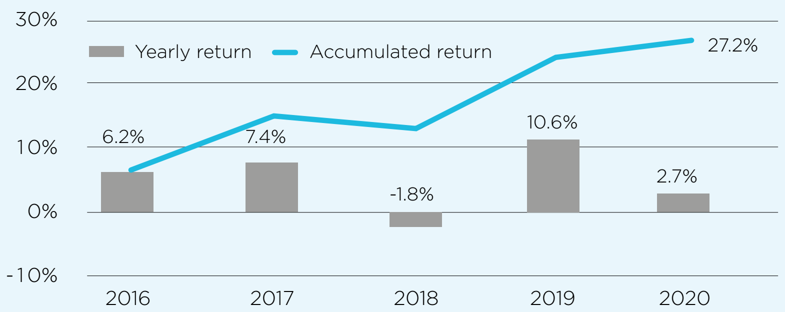
Five-year return of

27.2%

The lifecycle product reported positive returns for all generation pools across risk profiles in 2020. As illustrated by the returns of selected pools shown in the table above, the youngest age groups, which have relatively large shares of equities, but also of alternative investments, had the highest returns. The majority of the members have chosen the moderate risk investment profile.

Over the past five years, the aggregate return on 3 i 1 Livspension for all members aged up to and including 60 with a moderate risk profile is 27.2%.

Moderate risk - Accumulated returns 5 years



Annual return in the other ISP environments

The return for the other environments is shown in the table below.

Return in other ISP environments 2020 (%, time-weighted)	2020	2019
Guarantee scheme, etc. (average rate)	7.6	8.4
Senior scheme	1.6	4.3

For a more detailed specification of holdings and returns in ISP, see notes 19, 20 and 21 to the financial statements.

Corporate social responsibility

In addition to safeguarding our customers financially, being a part of the Danish labour market pension system, ISP contributes to the sustainable development of the Danish economy and to maintaining a healthy balance between public sector benefits and labour market benefits. Labour market pensions, which constitute a significant pillar of the Danish model, have contributed to the steady development of a secure and responsible labour market since the 1980s.

ISP is responsible for managing its pension schemes in a way that serves the best interest of our members. We fulfil that responsibility by staying focused on what is important, i.e. growing the value of the pension schemes through:

- low expenses
- high returns
- a flexible pension product
- personalised customer service
- comprehensive advisory tools.

ISP thus performs a broad task for society. Our policy on corporate social responsibility is business-driven, which means that we seek to achieve corporate social responsibility through actions taken in our business areas. Our fundamental objective is to provide attractive pension schemes to our members, which is reflected by the fact that profit is allocated to members' pension savings.

Responsible investments

ISP's investments are arranged so that they are socially and environmentally responsible. Our focus on the environmental, climate, social and governance impact of investments serves to reduce risks and is supportive of long-term competitive returns. Our responsible investment policy has three areas of focus:

- Social impact of investments
- Corporate governance
- Environmental and climate impact of investments.

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international United Nations conventions, including the ten principles of the UN Global Compact, the OECD Guidance for Responsible Business Conduct for Institutional Investors, the climate targets of the Paris Agreement and the G20 Task Force on Climate-related Financial Disclosures (TCFD). Among other things, ISP applies the TCFD's recommended method for measuring the climate-related risks of investments.

3 initiatives

to increase responsible investments

The responsible investment policy applies to all four partners of the Sampension community. The boards of directors have set up a cross-functional committee which is charged with considering the social, environmental and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles to be included in the pension providers' policy on responsible investment.

Reduction in carbon footprint by

24 %

Significant reduction in equity portfolio's carbon footprint

In 2020, the carbon footprint of the pension fund's listed equity portfolio was significantly reduced by 24%. The carbon footprint is measured by reference to the weighted average carbon intensity, as recommended by TCFD when assessing a portfolio's emissions and climate risk exposure. In 2020, our listed equity portfolio's total CO2 emissions were at 130,383 tonnes, relative to 170,788 tonnes in 2019.

The companies in which ISP has invested continue their energy efficiency procedures and their transition away from fossil energy sources. ISP has defined a target for the carbon footprint of its equity investments. CO2 emissions must fall over time and be less than the CO2 volume that would be emitted if the investments were made passively according to the general investment guidelines defined by the Board of Directors. We met both targets in 2020.

Companies of the equity portfolio which are operating within the most heavily emitting sectors are regularly screened for their ability and willingness to transition to a low-carbon economy, and this consideration forms part of our exclusion criteria. In 2020, we excluded 38 companies based on our criterion of unacceptable environmental practices. The equity portfolio's total adaptability score is measured annually and has significantly increased since 2019.

Moreover, we do not invest in companies generating a predominant share of their revenue from coal or tar sand activities – including the use of coal in utility companies' energy mix. In 2020, our limit for revenue generated from coal or tar sand activities was at 30%, and we have now reduced this limit even further to 25%. This exclusion criterion led to 170 new exclusions in 2020.

Green investments

Together with our partners in the joint management company, ISP increased its green investments by some DKK 4 billion to DKK 16.5 billion in 2020. Almost two-thirds are placed in equities and forestry. Today, green investments are not clearly defined, but the EU is currently defining a common set of terminology. Here, investments are valued based on the data reported to Insurance & Pension Denmark within the framework of climate partnerships and forestry investments

Active ownership

Together with our partners in the joint management company, ISP takes a proactive approach to companies that are found not to act responsibly in an ESG context, e.g. by engaging in dialogue with the company's management and other stakeholders. Through this, we regularly raise the bar for responsibility.

Screening and critical dialogue

Listed companies are continuously monitored by a professional and independent screening provider, and the screening is based on the UN Global Compact and the OECD Guidelines for Multinational Enterprises. If a company's conduct is found to be significantly in conflict with the policy and guidelines for responsible investments, it will be assessed whether the company has acted unacceptably or acceptably, or whether it must be placed on a surveillance list pending further investigation, or whether to engage in dialogue with the company. Shares in unacceptable companies are added to the exclusion list and sold off.

In 2020, we initiated a total of 32 critical dialogues, of which eight have been concluded following a positive dialogue, after which the companies complied with the required solution to the subject of the dialogue. In this context, we screened the companies' coal and tar sand activities as well as their adaptability. At the end of 2020, 276 companies were on ISP's exclusion list. The majority of these – 208 – are climate-related exclusions. The remaining 68 exclusions are related partly to the companies' environmental, social or governance (ESG) aspects, while a few companies are excluded due to international sanctions or country exclusion criteria. The exclusion list is published regularly on our website.

276

Excluded companies

Dialogue on improvement

To support the UN Sustainable Development Goals, we engage in proactive dialogues on improvement with selected portfolio companies that are considered to not adequately support the UN Sustainable Development Goals. We particularly focus on companies that are considered to underperform their peers.

The purpose of the programme for dialogue on improvement is to support companies' participation in sustainable development. The dialogue is based on themes supporting one or more specific Sustainable Development Goals. Companies are selected for dialogue if they contribute negatively to the Sustainable Development Goals, or if they are not sufficiently supporting the goals relative to the potential of their business model.

Through the programme for a dialogue on improvement, we initiated dialogues with 24 companies in 2020.

Voting

As part of the Sampension community, ISP votes at the general meetings of Danish OMX C25 companies and at the general meetings of listed Danish and international companies in which the community represents 3% or more of the votes.

For other listed companies, the joint management company works towards maximising its influence in companies together with other institutional investors through networks. We always vote at general meetings of companies with which we are in an ongoing critical dialogue.

Unlisted equities are subject to the same guidelines as listed equities. Our responsible investment policy is applied during the due diligence process and implemented by way of the necessary agreements with asset managers. Directly owned portfolio properties are not let to companies that have been placed on the exclusion list. Nor does ISP invest in internally managed bond or debt portfolios in companies appearing from the exclusion list.

The statutory report on corporate social responsibility (in Danish only) provides additional information on our responsible investment approach, see isp.dk/om-isp/finansiel-information/aarsrapport.

Key ESG indicators provide comparability and transparency

Together with our partners in the joint management company, ISP has decided to support the pension industry's request for a common standard by publishing an overview of its ESG ratios calculated according to the guidelines published by FSR – Danish Auditors, Nasdaq and the Danish Finance Society in June 2019.

In the following, we only include key indicators directly related to ISP, while key indicators for the joint management company are available in Sampension Liv's statutory report on corporate social responsibility (in Danish only) at sampension.dk/aarsrapport.

The key ESG indicators show, among other things:

- The carbon footprint of the equity portfolio plunged, see page 15
- Governance data show that the Board of Directors of ISP does not represent an equal gender distribution, see page 24 for further details
- The item Taxes paid includes tax on pension returns, which depends on the realised investment return for the year. This is the key explanation of the fluctuations. In addition, we paid a relatively lower amount of tax deducted at source in 2020, as payment of three months' tax deducted at source has been deferred to 2021 due to the Danish government's coronavirus relief packages.

ISP	Unit	2020	2019
E – Environmental data			
The listed equity portfolio's CO2 emissions			
Total emissions	Tonnes/CO2e	130,383	170,788
Financed emissions	Tonnes/EURm	167	245
Carbon intensity	Tonnes/EURm	194	253
Weighted average carbon intensity	Tonnes/EURm	162	213
S – Social data			
Taxes paid	DKKm	285	419
G – Governance data			
Gender diversity, Board of Directors	%	17	17
Board meeting attendance	%	97	95

For more information and definitions, see our statutory report on corporate social responsibility.

Financial results, solvency capital requirement and total capital

Loss of DKK 47 million

ISP reported a loss of DKK 47 million for 2020 compared with a loss of DKK 249 million in 2019. The loss for the year is primarily related to the outlay from equity to cover the loss on the guarantee scheme and provision for the benefit guarantee on the interest component for the senior scheme as well as the negative risk results. The loss for the year also included the positive investment return for the year. The performance for the year was below expectations.

The Board of Directors proposes that the loss for the year be covered by equity. After this, equity is DKK 578 million, compared with DKK 625 million at 31 December 2019.

Solvency requirements and total capital

Overall, the calculated solvency capital requirement is considered to be adequate relative to the pension fund's risks. ISP calculates solvency requirements in accordance with the standard model specified in the Solvency II rules.

Solvency requirements and total capital DKKm	31.12.2020	31.12.2019
Total capital	578	625
Solvency capital requirement (SCR)	356	363
Minimum capital requirement (MCR)	160	163
Excess capital	222	262
Solvency coverage ratio relative to SCR	**162%**	**172%**
Solvency coverage ratio relative to MCR	361%	382%

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 162% at 31 December 2020. The decline relative to 31 December 2019 was mainly due to the decrease in the total capital resulting from the loss for the year. The solvency capital requirement marginally declined due to, for example, the VA increasing by one basis point to 21 basis points at 31 December 2020. ISP's solvency coverage ratio is sensitive to changes to the VA.

For more information, see 'Rapport om solvens og finansiel situation 2020', which is available (in Danish only) at isp.dk/aarsrapport. This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Provisions for pension contracts

Pension provisions for the guarantee scheme are computed at market value based on assumptions of mortality and disability and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve with VA. Furthermore, the Danish FSA's benchmark for expected future increases in longevity are also applied in the calculation of provisions.

Pension provisions for the average-rate scheme amounted to DKK 4,785 million at 31 December 2020, against DKK 3,492 million at 31 December 2019. The increase of DKK 1,293 million was particularly due to the transfer of spouses' covers from unit-linked schemes to non-guaranteed average-rate schemes in connection with the transition to 3 i 1 Livspension at 1 January 2020. In addition, the accumulated value adjustment of pension provisions increased by DKK 226 million in 2020, primarily as a result of interest rate falls. In 2020, an outlay of DKK 49 million was made from equity for the guarantee scheme, as the bonus potentials were not sufficient to cover the required increase in provisions, bringing the total amount of equity outlays to DKK 509 million. In 2020, DKK 31 million was recognised as income from shadow accounts accumulated before 2016. The residual amount of DKK 11 million was written off in accordance with the applicable rules at 31 December 2020.

Total provisions for unit-linked schemes were reduced by DKK 1,124 million to stand at DKK 11,733 million at 31 December 2020. The drop was mainly attributable to the transfer of the above-mentioned spouses' covers to non-guaranteed average-rate schemes.

Provisions included a provision for senior scheme of DKK 626 million. In 2020, it was necessary to increase the provision for accumulated market value adjustment by DKK 36 million to DKK 65 million due to the attached benefit guarantee on the interest component. This expense was laid out from equity.

Outlook for 2021

ISP expects a small decline in premiums and number of members in 2021.

Expenses per member are expected to be at the same level as in 2020.

Interest on policyholders' savings for the guarantee scheme was reduced to 0.0% for all interest rate groups at 1 January 2021.

For unit-linked schemes, realised investment returns are allocated to member accounts on a continual basis.

The return allocated to equity depends on financial market developments and ISP's risk results. Based on an unchanged level of interest rates and VA, ISP expects a return on equity before change loss coverage and risk results of about zero in 2021.

Other matters

Uncertainty in recognition and measurement

In preparing the annual report, management makes a number of estimates and judgments of future events. Such estimates and judgments may influence the carrying amount of assets and liabilities. Management's estimates and judgments have the most material effect on pension provisions and on the calculation of fair values of illiquid assets such as unlisted financial instruments. See the note on accounting policies for further details on estimates and judgments. The Audit Committee and the pension fund's Board of Directors review the estimates and valuation methods applied in ISP's financial statements on an annual basis.

Events after the balance sheet date

No events have occurred in the period from the balance sheet date until the date of this document which may change the assessment of the Annual Report.

About the pension fund

2

Management structure

ISP is a multi-employer occupational pension fund owned by its members. The supreme authority of the pension fund is the general meeting.

Board of Directors

The Board of Directors consists of six members:

- Three board members are elected by and among the pension fund's members
- One independent board member is elected by the members. The board member must have accounting and auditing expertise and must not be a member of the pension fund
- One board member is appointed by the Danish Society of Engineers (IDA) and must be a member of the pension fund
- One board member with special qualifications is appointed by the Board of Directors. The board member may be a member of the pension fund, but this is not a requirement.

The Board of Directors held five meetings, two seminars and one feature day in 2020.

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on page 25.

Audit Committee

Pursuant to the provisions of the EU and of Danish legislation on audit committees in public-interest entities, the Board of Directors of ISP has established an Audit Committee.

Lisa Frost Sørensen, Vice President, a state-authorised public accountant, is chairman of the Audit Committee. By virtue of her professional career and educational background, Lisa Frost Sørensen meets the qualification requirements set out in the rules on audit committees. She also complies with the requirements of independence.

The Board of Directors has decided that the Audit Committee's functions will be handled by the Board of Directors in unison. The Audit Committee held four meetings in 2020.

The framework for the Audit Committee's work is defined in a terms of reference. Its principal duties are:

- to oversee the financial reporting process
- to oversee the effectiveness of risk management systems, internal control systems and the internal audit function in relation to the financial reporting process
- to oversee the statutory audit of the financial statements; and
- to oversee and verify the independence of the auditors.

A whistleblowing scheme has been set up to give the employees of the joint management company a dedicated and independent channel for reporting any violation of relevant regulations by the company, including bribery and corruption, competition law, fraud and financial crime, harassment and discrimination as well as protection of personal data. The whistleblowing scheme is in compliance with new legislation on whistleblowing schemes taking effect on 1 January 2022.

Reporting to the whistleblowing scheme is made via a whistleblowing IT platform and screened by the Danish law firm Kromann Reumert, which manages the whistleblowing scheme. Subsequently, Kromann Reumert informs the chairman of the

Audit Committee and the person in charge of the compliance function via the IT platform. No reports were filed in 2020.

Committee for Responsible Investment

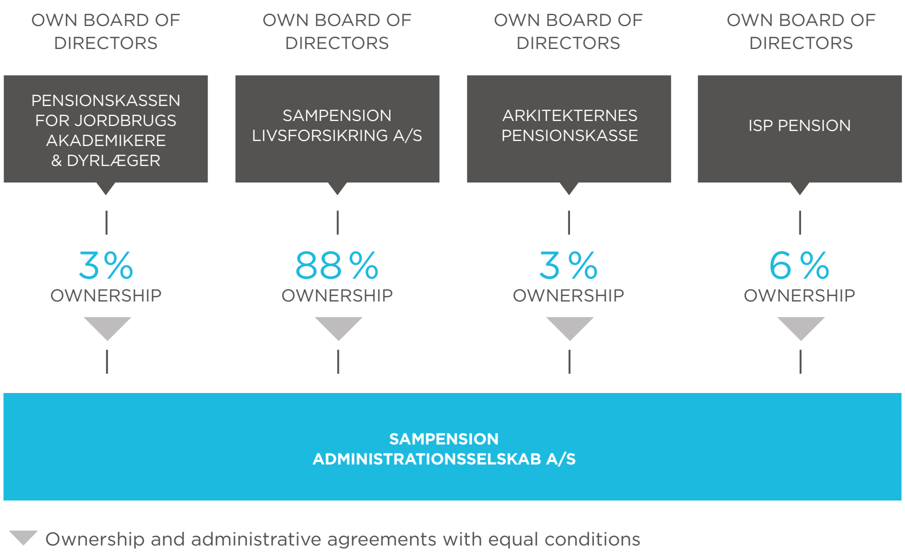
The responsible investment policy was approved by all four parties of the Sampension community. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The Committee is charged with considering the environmental, social and governance aspects of investment decisions made by the four pension providers with a view to agreeing on the principles to be included in the pension providers' policy on responsible investment.

Lars Kehlet Nørskov (Deputy Chairman of the Board of Directors) and Michael Herold (Board member) represented ISP's members on the Committee in 2020. The Committee held three meetings in 2020.

Organisation and management

ISP is part of the Sampension joint management company. In addition to ISP, the joint management company comprises the Sampension Livsforsikring Group, the Architects' Pension Fund and the Pension Fund for Agricultural Academics and Veterinary Surgeons. The group of owners of Sampension Administrationsselskab A/S comprises: Sampension Livsforsikring A/S (88%), the Architects' Pension Fund (3%), the Pension Fund for Agricultural Academics and Veterinary Surgeons (3%) and the Pension Fund for Technicians and Bachelors of Engineering (6%).

The Sampension community



The Executive Board is in charge of the overall day-to-day management of the joint management company. The organisation also consists of five executive divisions, which are in charge of day-to-day operations and development, and two staff functions (Executive Secretariat and Communications and HR). A detailed presentation of the organisation can be found at sampension.dk/organisation.

Sampension's risk management, compliance, actuary and internal audit functions contribute to ensuring efficient management of the joint management company. In addition, the Board of Directors has decided to appoint a chief internal auditor who is in charge of the internal audits of the pension funds in the joint management company. The heads of the respective departments have been designated as key persons performing controlled functions in respect of the work of the joint management company.

Remuneration

The boards of directors of the financial enterprises managed by the joint management company have drawn up a remuneration policy that is compliant with the provisions of the EU and of Danish legislation. The purpose of the remuneration principles is to ensure that the management and the employees are remunerated in a manner that best supports the business and long-term strategic goals of the organisation.

The terms of remuneration reflect and support the joint management company's consistent ability to recruit and retain a competent and responsible management that promotes healthy and efficient risk management and that does not motivate excessive risk-taking. Furthermore, the remuneration principles are to prevent conflicts of interest for the benefit of our members.

See note 5 to the financial statements or, for more information (in Danish only), go to isp.dk/bestyrelsen.

Gender diversity in management

Today. the Board of Directors consists of one woman and five men. The proportion of the underrepresented gender is 16.7%, which is unchanged relative to 2019.

The Board of Directors has defined a target that the underrepresented gender should make up at least 33.3%, or two of six, of the board members, which is expected to be met in connection with the annual general meeting in 2024 at the latest. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors. The target of the Board of Directors is subject to an annual review.

We have accounted for the gender composition at other management layers in the statutory report on corporate responsibility (in Danish only) available at isp.dk/aarsrapporter.

Management and other directorships

Executive Board

Hasse Jørgensen, Chief Executive Officer

Chief actuary

Søren Andersen

Internal audit

Gert Stubkjær, Chief Internal Auditor

Member auditor

Just Benner Knudsen

Independent auditors

PwC
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held on 28 April 2021.

Other directorships

The following sets out the directorships in other companies held by the members of the Board of Directors and the Executive Board.

Board of Directors

Lars Bytoft, formand, født 1973
CEO of Bytoft Consulting ApS
Director of CAV Invest ApS
Deputy chairman of Velkommen A/S
Member of the board of directors of Sampension Administrationsselskab A/S

Lars Kehlet Nørskov, næstformand, født 1956
Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering

Lisa Frost Sørensen, Revisionsudvalgsformand, Født 1962
Vice President of Jutlander Bank A/S

Michael Herold, født 1967
Member of the board of directors of Hørup og Høruphav Vandværk a.m.b.a.
Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering

Peter Kjær Østergaard, født 1969
CFO of PenSam
Member of the board of directors of Kapitalforeningen PenSam Invest
Member of the board of directors of Pensam A/S

Søren Skibstrup Eriksen, født 1942
No directorships

Executive Board

Adm. direktør Hasse Jørgensen, født 1962
CEO of Sampension Livsforsikring A/S
CEO of Sampension Administrationsselskab A/S
Director of Komplementarselskabet Sorte Hest ApS
Chairman of the board of directors of Komplementarselskabet Alternative Investments ApS
Chairman of the board of directors of Sampension KP Danmark A/S
Chairman of the board of directors of Sampension KP International A/S
Member of the board of directors of Refshaleøen Holding A/S (including one subsidiary)
Member of the board of directors of Insurance & Pension Denmark

Financial statements

3

Pension Fund Financial statement

Note	INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME DKKt.	2020	2019
2	Premiums	368,526	368,900
	Ceded premiums	-67	33
	Premiums	**368,459**	**368,933**
	Income from associates	-7,439	6,188
3	Interest income, dividends etc.	337,801	274,714
4	Market value adjustments	348,874	1,282,295
	Interest expenses	-4,758	-2,272
5	Investment management expenses	-36,634	-41,143
	Total investment return	**637,843**	**1,519,781**
	Tax on pension returns	**-90,070**	**-224,737**
6	Benefits paid	-796,323	-791,622
	Total insurance benefits	**-796,323**	**-791,622**
11, 12	**Total change in provisions**	**-160,746**	**-1,111,716**
5	Administrative expenses	-5,993	-9,515
	Total net operating expenses	**-5,993**	**-9,515**
	Transferred return on investments	**-32,067**	**3,184**
	TECHNICAL RESULT	**-78,896**	**-245,691**
	Investment return on equity	**39,312**	**-5,008**
	PROFIT BEFORE TAX	**-39,585**	**-250,699**
	Tax on pension returns for equity	**-7,245**	**1,824**
	PROFIT FOR THE YEAR	**-46,830**	**-248,875**
	TOTAL OTHER COMPREHENSIVE INCOME	**0**	**0**
	NET PROFIT FOR THE YEAR	**-46,830**	**-248,875**

Pension Fund Financial statement (continued)

Note	BALANCE SHEET DKKt.	2020	2019
	ASSETS		
7	**INTANGIBLE ASSETS**	**0**	**0**
8	Investments in associates	32,430	32,748
	Total investments in associates	**32,430**	**32,748**
	Investments	382,099	133,494
	Units in mutual funds	664,489	70,669
	Bonds	4,788,702	4,350,155
9	Derivative financial instruments	400,271	279,024
	Deposits with credit institutions	85,382	188,085
	Total other financial investment assets	**6,320,942**	**5,021,426**
	TOTAL INVESTMENT ASSETS	**6,353,372**	**5,054,174**
10	**INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS**	**11,775,573**	**13,334,060**
	Total receivables arising from direct insurance contracts	**5,070**	**4,995**
	Other receivables	**54,850**	**5,539**
	TOTAL RECEIVABLES	**59,920**	**10,534**
	Cash and cash equivalents	167,514	159,062
	Other	1,778	35,989
	TOTAL OTHER ASSETS	**169,292**	**195,051**
	Interest and rent receivables	51,831	63,428
	Other prepayments	0	37,799
	TOTAL PREPAYMENTS	**51,831**	**101,228**
	TOTAL ASSETS	**18,409,988**	**18,695,046**

Note	BALANCE SHEET DKKt.	2020	2019
	EQUITY AND LIABILITIES		
	Retained earnings	**577,772**	**624,602**
	TOTAL EQUITY	**577,772**	**624,602**
11	**Provisions for average-rate products**	**4,784,657**	**3,492,002**
12	**Provisions for unit-linked products**	**11,733,339**	**12,857,426**
	TOTAL INSURANCE PROVISIONS, NET OF REINSURANCE	**16,517,996**	**16,349,429**
	Payables arising from direct insurance contracts	0	385
13	Payables to credit institutions	1,068,151	1,280,107
14	Other payables	245,663	436,616
	TOTAL DEBT	**1,313,814**	**1,717,108**
	TOTAL DEFERRED INCOME	**406**	**3,908**
	TOTAL EQUITY AND LIABILITIES	**18,409,988**	**18,695,046**

1 **ACCOUNTING POLICIES**
15 **CONTINGENT ASSETS AND LIABILITIES**
16 **CHARGES**
17 **REALISED RESULT FOR INTEREST GROUPS, COST AND RISK GROUPS**
18 **FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE**
19 **OVERVIEW OF ASSETS AND RETURNES**
20 **MARKET-RATE PRODUCT, RETURN ETC. BY INVESTMENT PROFILES**
21 **SUPPLEMENTARY PRODUCT RATIOS**
22 **FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, PENSION FUND**
23 **RISK MANAGEMENT**

Statement of changes in Equity

DKKt.	2020	2019
Equity at 1 January	624,602	873,478
Profit for the year	-46,830	-248,875
Equity at 31 December	**577,772**	**624,602**
Total capital		
Equity	577,772	624,602
Total	**577,772**	**624,602**

Notes to the financial statements

1 Accounting policies

GENERAL INFORMATION

The Annual Report of the pension fund has been prepared in accordance with the Danish Financial Business Act and the executive order issued by the Danish FSA on financial reports for insurance companies and multi-employer occupational pension funds (the Executive Order on Financial Reports).

The accounting policies and estimates are consistent with those applied last year.

Distribution of realised result (contribution principle)

The following rules on the calculation and distribution of results between equity and members have been reported to the Danish FSA:

Return allocated to equity corresponds to the return on equity's own investment portfolio. The return remaining after repayment from the shadow account to equity will be allocated to member savings, including through provision for collective bonus potentials. Risk premium allocated to equity and coverage of outlay accounts are then transferred from the collective bonus potential.

The pension fund's schemes are divided into five interest rate groups, two risk groups and one joint cost group. The realised result is calculated and allocated for the contribution groups individually.

For guaranteed benefit average-rate contracts, a payment (risk premium) determined based on the individual interest rate group's contribution to the capital requirement is allocated to equity. The rates are between 0.4% and 0.6% of the proportion of pension savings.

Within each interest rate group, any negative realised result is absorbed first by the group's collective bonus potential, then by the group's individual bonus potential and lastly by equity. Any loss on risk and cost groups not absorbed by the collective bonus potentials is covered by equity.

Losses covered by equity are transferred to so-called outlay accounts and may subsequently be reallocated to equity when the collective bonus potential of the individual contribution group allows this. The total allocation of the realised result for the year and the size of the accumulated outlay and shadow accounts are disclosed in note 17.

There are two types of accounts holding equity receivables. Shadow accounts, which were accumulated before 1 January 2016 and must be settled before 31 December 2020 and outlay accounts accumulated after 1 January 2016.

Recognition and measurement

In the income statement, all income is recognised as earned, and all expenses are recognised as incurred. All gains and losses, value adjustments, amortisation, depreciation, impairment losses as well as reversals of amounts previously recognised in the income statement are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the pension fund and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when an outflow of economic benefits from the pension fund is probable and the value of the liability can be reliably measured.

Financial instruments and derivative financial instruments are recognised at the trading date.

The pension fund does not offset financial assets and financial liabilities with the same counterparty despite being allowed to do so, as the disposal of the asset and the settlement of the liability do not happen concurrently.

On initial recognition, assets and liabilities are measured at cost, which is equal to fair value. Subsequently, assets and liabilities are primarily measured at fair value. Further details are provided under the individual items.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

The measurement currency is Danish kroner. All other currencies are foreign currencies.

Accounting estimates

In preparing the financial statements, management makes a number of estimates and judgments of future circumstances which could influence the carrying amount of assets and liabilities.

The estimates and judgments are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete, and unforeseen future events or circumstances may arise.

The areas in which management's estimates and judgments have the most material effect on the pension fund are:

- pension provisions
- investment assets measured using alternative valuation methods, which are at level 3 in the fair value hierarchy, i.e. fair value measurement is based on unobservable inputs.

The valuation of pension provisions is subject to particular uncertainty in respect of the recognised expected future life expectancy trend, determined as the Danish FSA's benchmark.

Due to their non-marketability, the pricing of level 3 investment assets is subject to greater uncertainty than level 1 and level 2 assets, whose fair values are measured on the basis of quoted prices in an active market or on the basis of observable inputs. In addition to the uncertainty related to fair value, as explained in the section on risk management (see note 23), there is a risk that large volumes of non-marketable assets cannot be sold over a short period of time at the same prices as smaller volumes can. In practice, however, the pension fund is not subject to any notable risk of having to sell non-marketable assets on unfavourable terms. The value of the most marketable assets at level 1 in the fair value hierarchy exceeds the annual payment obligations by a substantial margin.

The most significant level 3 investment assets are:

- unlisted equity investments, including private equity, real estate and forestry funds, and
- unlisted bonds, including credit bonds and structured bonds.

INCOME STATEMENT

Technical result

Premiums
Premiums comprise premiums for the year and single premiums relating to the financial year. Premium income is stated net of labour market contributions and reinsurance premiums paid.

Investment return

Income from investments in associates

Income from investments in associates comprises return on investments in which the pension fund has an ownership interest of between 20% and 50% of the voting rights, and over which the pension fund thus exercises significant influence but not control.

Interest income and dividends, etc.

The item covers interest for the year from financial investment assets and cash and cash equivalents, indexation of index-linked bonds and dividends on equity investments, including equities and investment funds.

Market value adjustments

The item covers realised and unrealised net gains/losses on investment assets, including foreign exchange adjustments except for gains and losses relating to associates.

Foreign exchange adjustments comprise value adjustments related to exchange differences arising on translation of foreign currencies into Danish kroner.

Foreign currency assets and liabilities are translated into Danish kroner at the closing exchange rates at the balance sheet date. Transactions during the year are translated using the exchange rates at the date of transaction, and realised and unrealised foreign exchange gains and losses are recognised in the income statement.

Interest expenses

The item Interest expenses mainly covers interest expenses relating to investment activity for the financial year.

Investment management charges

The item comprises management fees, part of direct administrative expenses incurred, deposit fees, front-end fees and performance fees in relation to funds as well as securities trading costs.

Costs relating to funds etc. are recognised to the extent that information thereon has been received.

Tax on pension returns
The tax on pension returns computed for the financial year is recognised as an expense in the income statement. The tax charge comprises tax on the return allocated to individual member accounts as well as tax on the return allocated to the collective bonus potential and equity. Tax is calculated at 15.3% of the tax base, which is determined on the basis of the investment return for the year, with due consideration for any exempt values.

The share of the tax on pension returns allocated to equity is computed on the basis of the share of the realised result.

Benefits paid
Benefits paid comprise the pension benefits paid in the year.

Change in pension provisions
The item comprises the change in pension provisions, including the change in collective bonus potential.

Pension operating expenses
Pension operating expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationsselskab A/S as well as directly incurred expenses and depreciation/amortisation. Administrative expenses are divided into pension business and investment business.

Transferred return on investment
The technical result is stated net of transferred return on investments, which constitutes the investment return attributable to equity.

Tax on pension returns allocated to equity

The item comprises the share of the total tax on pension returns allocated to equity.

Other comprehensive income

Other comprehensive income is set out separately below the income statement. Other comprehensive income comprises items recognised directly in equity through Other comprehensive income.

BALANCE SHEET

Intangible assets

Comprises IT programmes recognised at cost, including costs incurred for making the IT programmes ready for use. Cost is amortised on a straight-line basis over the estimated useful life, determined at three to ten years for the member system, four years for the solvency model and two years for e-Boks. Intangible assets were fully amortised and written off in 2019.

Investment assets

Investments in associates
Enterprises in which the pension fund exercises significant influence but not control are recognised as associates. Enterprises in which the pension fund holds between 20% and 50% of the voting rights are generally classified as associates. However, the determining factor is whether the ownership interest provides real influence, as measured individually for each enterprise by the ability to influence activities, management structures, financial decisions and risk factors.

Investments in associates are measured at the proportionate share of the equity values in accordance with the most recent annual or interim reports of the enterprises.

Investments and units in mutual funds
Listed investments and units in mutual funds are measured at fair value at the balance sheet date, usually equal to the investments' quoted prices in an active market (closing price).

Unlisted investments are measured at an estimated fair value. At year end, this is normally based on fund managers' third-quarter reporting, adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore, the value of individual investments is adjusted on a discretionary basis where the adjusted equity value is not deemed to reflect fair value.

Bonds
Listed bonds are measured at fair value at the balance sheet date, usually equal to the bonds' quoted prices in an active market (closing price). The valuation of bonds for which no quoted price in an active market exists is based on one of the following:

- quoted prices of similar bonds, adjusted for any differences
- indicative prices from investment banks
- a DCF model based on estimates of, e.g. discount curve, risk premiums, prepayments and the amount of default losses and dividends on underlying loans.

The fair value of drawn bonds is measured at present value.

Derivative financial instruments
Derivative financial instruments are measured at fair value at the balance sheet date. For listed instruments, fair value is based on the closing price, whereas for OTC instruments it is determined according to generally accepted methods based on observable inputs.

Value adjustments are made through profit or loss under Market value adjustments.

Deposits with credit institutions
Deposits with credit institutions consist of fixed-term deposits and are measured at fair value.

Investment assets related to unit-linked products
Investment assets related to unit-linked products are measured according to the accounting policy described above for the company's investment assets and are specified in a note to this balance sheet item.

Receivables

Receivables are measured at nominal value less provision for bad debts. Provision for bad debts is made according to an individual assessment of each receivable.

Other assets

Cash and cash equivalents
Cash and cash equivalents consist of deposits with credit institutions. Cash and cash equivalents are measured at fair value.

Other
The item Other includes tax on pension returns receivable, among other things.

Prepayments

Prepayments comprise interest receivable and costs incurred relating to subsequent financial years. Prepayments are measured at amortised cost, which usually corresponds to nominal value.

Pension provisions

Pension provisions, average-rate products
The provisions are measured at market value according to the principles reported to the Danish FSA. The provisions are computed applying the risk-free yield curve including volatility adjustment published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto. The computation furthermore applies assumptions of mortality, disability, conversions into paid-up policies, surrender charges and an estimate of future improvements in life expectancy defined as the Danish FSA's benchmark.

Guaranteed benefits

Guaranteed benefits comprise obligations to pay benefits. Guaranteed benefits are calculated as the present value of the benefits guaranteed by the scheme plus the present value of the expected future administration costs and less the present value of the agreed future premiums.

Individual bonus potential

Individual bonus potential comprises obligations to pay bonuses. Individual bonus potential is calculated as the value of members' savings less the guaranteed benefits. Members' share of a decline in the value of the assets is recognised mainly by reducing the collective bonus potential, see below. If the collective bonus potential is insufficient to absorb such decline in the value of the assets, the individual bonus potential is reduced in accordance with the pension fund's reported profit allocation rules. The allocation of realised result is described above in the section Allocation of realised result.

Collective bonus potential

The collective bonus potential comprises the members' share of the realised results not yet allocated to the individual policy.

Profit margin

The profit margin is the net present value of expected future profit in the remaining periods of pension agreements entered into by the pension fund. The profit margin on the pension fund's pension agreements is nil, as all profit is allocated to members.

Risk margin

A risk margin is added to pension provisions. The risk margin is the amount expected to be payable to another pension provider to assume the risk of the cost of settling the portfolio of pension agreements deviating from the calculated net present value of expected future cash flows. The risk margin is calculated according to the Cost of Capital method.

Provisions for unit-linked products

Provisions for unit-linked products are calculated as the market value of the corresponding assets.

The senior scheme is a unit-linked product with a guarantee ensuring that the amount of benefits can never be less than the amount calculated based on a discount rate of 2%. A positive accumulated value adjustment on the senior scheme is made when the value of guaranteed benefits exceeds savings. Other calculation assumptions for the senior scheme than interest rate assumptions are not covered by guarantees.

Liabilities

Payables to members

The item is stated at nominal value.

Payables to credit institutions

Payables to credit institutions include debt relating to repo transactions. Repo transactions, i.e. securities sold with a simultaneous repurchase agreement, are recognised in the balance sheet as if the securities remained part of the portfolio. The consideration received is recognised as payables to credit institutions and measured at fair value.

Other debt

Other debt, comprising debt related to purchases of bonds as a result of trades with long value dates and derivative financial instruments, is measured at fair value. The item also includes payable tax on pension returns.

Deferred income

Deferred income comprises payments received relating to premiums in subsequent financial years. Deferred income is measured at amortised cost, which usually corresponds to nominal value.

Financial highlights

The pension fund's financial highlights are prepared in accordance with the provisions of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. For additional information, see Definitions of financial ratios on page 58.

Note	DKKt.	2020	2019
2	**Premiums**		
	Regular premiums	317,246	336,565
	Single premiums	51,280	32,334
	Total premiums	**368,526**	**368,900**
	Distribution of premiums		
	Contracts including bonus schemes	80,198	31,712
	Unit-linked products	288,327	337,187
	Total	**368,526**	**368,900**
	Premiums by policyholder's address		
	Denmark	366,357	366,483
	Other EU-countries	1,728	1,749
	Other countries	441	668
	Total	**368,526**	**368,900**
	Number of members with pension schemes set up as part of their employment	12,369	12,597
	Number of members with unit-linked contracts	10,208	10,351
3	**Interest income and dividends etc.**		
	Dividends from investments	11,021	67,323
	Dividens from units in mutual funds	0	1,309
	Interest from bonds	115,666	188,031
	Other interest income	924	863
	Indexation	168,590	-22,302
	Interest swap instruments	41,599	39,489
	Total interest income, dividends, etc.	**337,801**	**274,714**
4	**Market value adjustments**		
	Investments	93,594	111,253
	Units in mutual funds	217,262	1,163,666
	Bonds	-97,793	-6,337
	Loans secured by mortgage	0	130
	Derivative financial instruments	136,841	8,790
	Cash and demand deposit	-1,044	4,792
	Other	13	0
	Total value adjustments	**348,874**	**1,282,295**

Note	DKKt.	2020	2019
5	**Administrative expenses**		

The ISP pension fund has signed a management agreement with Sampension Administrationsselskab A/S and forms part of this joint management company. All employees are employed with and paid by Sampension Administrationsselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors is paid directly by the pension fund. The CEO and control function staff are also employed with the pension fund. Until 1 July 2019, the pension fund was managed by AP Pension, and payroll costs etc. related to the pension fund for the first half of 2019 are directly incurred by ISP. Administrative expenses relating to pension and investment activities include the following staff costs:

	2020	2019
Staff salaries	-846	-4,403
Staff pensions	-1	-525
Other social security costs	0	-1
Reimbursement	0	36
Payroll tax etc.	0	-601
Total staff costs	**-847**	**-5,495**
Average number of full-time employees	-	2

Remuneration to the Executive Board, the Board of Directors and material risk takers
From 1 July 2019, remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests in the units that form a part of and are owners of the joint management company Sampension Administrationsselskab A/S. ISP has a 6% ownership interest in Sampension Administrationsselskab A/S. ISP's share of CEO Hasse Jørgensen's total remuneration of DKK 6.6 million including extraordinary holiday allowance due to new Danish Holiday Act (2019: DKK 6.1 million) is DKK 0.39 million (2019: DKK 0.18 million). CEO Karin Elbæk Nielsen (resigned 1 July 2019) earned a fixed remuneration, including pension of DKK 1,646 thousand and a stay-on bonus of DKK 425 thousand in 2019.

Board remuneration	2020	2019
Lars Bytoft, Chairman	-240	-241
Lars Kehlet Nørskov, Deputy Chairman	-120	-120
Michael Herold	-100	-100
Lisa Frost Sørensen	-140	-140
Peter Kjær Østergaard	-100	-100
Søren Skibstrup Eriksen (joined 01.07.2019)	-100	-50
Finn Rosendal Larsen (resigned 30.06.2019)	-	-50
	-800	**-801**
Number of people	6	6

	2020		2019	
	No. of people	Fixed salary including pension earned	No. of people	Fixed salary including pension earned
Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)				
Sampension (2020 and H2 2019)	8	-964	9	-572
AP Pension (H1 2019)	-	-	15	-1,155

*) Information about variable salaries, including information about the breakdown of variable salaries on granted, paid out and deferred amounts and on the breakdown on cash and subordinated debt has been left out, as it would otherwise reveal salary information pertaining to specific individuals.

No special incentive programmes have been set up for management, nor has variable remuneration been paid. No pension commitments other than regular pension contributions are included in the above-mentioned costs.

In accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies, the company has disclosed certain information regarding its remuneration policy etc. Such information is provided on the company's website isp.dk/bestyrelse.

note 5 continued on next page

Note 5 continued

Note	DKKt.	2020	2019
	Remuneration for auditors elected by the Annual General Meeting		
	PwC Statsautoriseret Revisionspartnerselskab		
	Statutory audit	-338	-406
	Assurance engagements	-59	-57
	Tax advice	-174	-138
	Other services	0	0
		-572	**-601**
	Deloitte Statsautoriseret Revisionspartnerselskab		
	Statutory audit	-	-60
	Assurance engagements	-	-75
	Tax advice	-	-
	Other services	-	-19
		0	**-154**

All amounts and rates are stated including VAT.

In addition to the statutory audit of the financial statements and other statutory reports, PwC has performed a review of the calculation of tax on pension returns and provided tax assistance and issued a report on annual expenses expressed as a percentage and as an amount and VAT advisory services.

Note	DKKt.	2020	2019
6	**Benefits paid**		
	Death benefits	0	-1,136
	Benefits on critical illness	0	-1,598
	Benefits on expiry	-10,529	-25,348
	Retirement and annuity benefits	-685,498	-684,199
	Payment at surrender etc.	-84,913	-78,263
	Premium relating to group life schemes	-15,384	-1,078
	Total benefits paid	**-796,323**	**-791,622**
7	**Intangible assets**		
	Cost at 1 January	0	42,475
	Disposals during the year	0	-42,475
	Cost at 31 December	**0**	**0**
	Write downs and depreciation at 1 January	0	-40,267
	Depreciation for the year	0	-2,208
	Reversal of previous depreciation	0	42,475
	Write downs and depreciation at 31 December	**0**	**0**
	Carrying value at 31 December	**0**	**0**

Note	DKKt.	2020	2019
8	**Investments in associates**		
	Carrying amount at 1 January	214,365	551,715
	Additions during the year	0	0
	Disposals during the year	-3,944	-343,538
	Profit/loss for the year	-7,439	6,188
	Total investments in associates	**202,982**	**214,365**
	Included in the item Investments in associates	32,430	32,748
	Included in the item Investment assets related to unit-linked contracts. See Note 10.	170,553	181,618

	2020			2019		
Name and registered office	Ownership interest	Profit/loss	Equity	Ownership interest	Profit/loss	Equity
Associates comprise:						
BI BIOMED.VEN.IV K/S, København*	37%	-20,416	7,440	37%	-3,718	28,518
Genesta Nordic RE Core Plus, København*	44%	24,936	505,394	44%	72,954	507,566

*Latest approved financial statements from 2019 and 2018.

Note			
9	**Derivative financial instruments**		
	2020	Positive fair value	Negative fair value
	Interest rate hedging instruments etc.:		
	Interest swaps	394,354	48,200
	Swaptions	4,241	4,405
	CDS’s	11,334	0
	Option on futures	459	0
	Total interest rate hedging instruments	410,387	52,605
	Currency-based derivative financial instruments	106,000	3,118
	Total derivative financial instruments	**516,387**	**55,723**
	Fair value included in the item Derivative financial instruments	**400,271**	
	Fair value included in the item Investment assets related to unit-linked contracts, see note 10	**116,116**	
	Fair value included in the item other debt see note 14		**55,723**
	Net carrying value (asset)	**460,664**	

Note 9 continued on next page

Notes to the financial statements (continued)

Note 9 continued

Note	DKKt.	2020	2019
	Agreements have been concluded to post collateral for derivative financial instruments		
	The pension fund has received collateral in the form of liquid bonds and cash equal to a fair value of	526,068	399,677
	The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of	0	-39,156
	Net collateral (asset)	526,068	360,521

In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -281 million (2019: 2 million) in the market-rate environment and a total exposure of DKK -34.7 million (2019: 0 million) in the average-rate environment. Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK -161 million (2019: -50.5 million) in the market-rate environment and a total exposure of DKK -602 million (2019: -443.7) in the average-rate environment. As gains/losses are settled on current basis, the fair value is nil.

2019	Positive fair value	Negative fair value
Interest rate hedging instruments etc.:		
Interest swaps	275,013	50,342
Swaptions	2,031	2,630
CDS's	66,542	0
Option on futures	167	5,051
Total interest rate hedging instruments	343,753	58,023
Currency-based derivative financial instruments	34,029	14,250
Total derivative financial instruments	**377,782**	**72,273**
Fair value included in the item Derivative financial instruments	**279,024**	
Fair value included in the item Investment assets related to unit-linked contracts, see note 10	**98,758**	
Fair value included in the item other debt see note 14		**72,273**
Net carrying value (asset)	**305,508**	

Note	DKKt.	2020	2019
10	**Investment assets related to unit-linked contracts**		
	3 i 1 Livspension		
	Investments in associates	170,553	181,618
	Investments	2,120,869	1,484,666
	Units in mutual funds	5,432,817	5,379,069
	Bonds	3,560,098	5,189,225
	Deposits with credit institutions	375,121	1,000,725
	Derivative financial instruments see note 9	116,116	98,758
	Total investment assets related to unit-linked contracts	**11,775,573**	**13,334,060**

Note	DKKt.	2020	2019
11	**Provisions for average-rate products**		
	Change in provisions is specified as follows		
	Provisions, beginning of year	3,492,002	3,148,675
	Collective bonus potential, beginning of year	-3,723	-4,493
	Risk margin covered by collective bonus potential, beginning of year	-16,437	0
	Risk margin covered by equity at beginning of year	-189,025	-34,598
	Accumulated value adjustment, beginning of year	-1,689,698	-1,138,865
	Retrospective provisions, beginning of year	1,593,121	1,970,719
	Corrections to opening amounts:		
	Negative bonus transferred to Accumulated value adjustment	0	-284,824
	Provision for group life transferred to Other debt	0	-33,265
	Retrospective provisions, beginning of year	**1,593,121**	**1,652,630**
	Total premiums	80,198	31,712
	Addition of interest after tax on pension returns	62,134	37,399
	Tax on pension returns	-8,539	-4,592
	Transfer between classes I and III	1,078,227	0
	Insurance benefits	-159,636	-149,546
	Cost addition after addition of cost bonus	-2,125	-1,604
	Risk gain/loss after addition of risk bonus	1,624	8,571
	Group life premiums	-14	-372
	Other	11,261	18,923
	Retrospective provisions, end of year	**2,656,252**	**1,593,121**
	Accumulated value adjustment, end of year	1,915,271	1,689,698
	Collective bonus potential, end of year	3,723	3,723
	Adjustment of bonus potential - non-guaranteed benefits	24,073	0
	Risk margin covered by collective bonus potential at end of year	26,694	16,437
	Risk margin covered by equity at end of year	158,643	189,025
	Pension provisions, end of year	**4,784,657**	**3,492,002**
	Pension provsions are specified as follows		
	Interest rate group A (average basic rate of interest 0.25 % - 1.25 %)		
	Guaranteed benefits	2,990	4,199
	Individual bonus potential	73	0
	Risk margin	36	356
	Total interest rate group A	**3,100**	**4,555**
	Interest rate group B (average basic rate of interest 1.25 % - 2.25 %)		
	Guaranteed benefits	643,682	532,590
	Risk margin	50,119	53,695
	Total interest rate group B	**693,802**	**586,285**
	Interest rate group C (average basic rate of interest 2.25 % - 3.25 %)		
	Guaranteed benefits	213,594	185,798
	Risk margin	13,926	12,027
	Total interest rate group C	**227,521**	**197,825**
	Interest rate group D (average basic rate of interest 3.25 % - 4.25 %)		
	Guaranteed benefits	2,570,400	2,550,380
	Risk margin	128,221	149,234
	Total interest rate group D	**2,698,621**	**2,699,614**

Note 11 continued on next page

Note 11 continued

Note	DKKt.	2020	2019
	Interest rate group F (special non-guaranteed)		
	Bonus potential - non-guaranteed benefits	1,157,891	0
	Total interest rate group F	**1,157,891**	**0**
	Total interest rate groups	**4,780,934**	**3,488,280**
	Risk groups		
	Collective bonus potential	3,723	3,723
	Total risk groups	**3,723**	**3,723**
	Total provisions for average-rate products	**4,784,657**	**3,492,002**
	Total		
	Guaranteed benefits	3,430,667	3,272,968
	Bonus potential - non-guaranteed benefits	1,157,891	0
	Individual bonus potential	73	0
	Collective bonus potential	3,723	3,723
	Risk margin	192,303	215,312
	Total provisions for average-rate products	**4,784,657**	**3,492,002**
12	**Provisions for unit-linked products**		
	Change in provisions is specified as follows		
	Provisions, beginning of year	12,857,426	12,133,892
	Accumulated value adjustment, beginning of year	-29,667	-2,229
	Retrospective provisions, beginning of year	**12,827,759**	**12,131,663**
	Total premiums	286,265	337,187
	Addition of interest after tax on pension returns	273,106	1,244,330
	Tax on pension returns	-35,949	-186,553
	Transfer between classes I and III	-1,078,227	0
	Insurance benefits	-636,687	-641,475
	Cost addition after addition of cost bonus	-4,670	-8,455
	Risk gain after addition of risk bonus	24,623	-39,593
	Members' group life premiums	0	-5,955
	Payment for guarantee	-2,231	-1,814
	Other	11,862	-1,575
	Retrospective provisions, end of year	**11,665,851**	**12,827,759**
	Accumulated value adjustment, end of year	65,485	29,667
	Provisions for 3 i 1 Livspension, end of year	**11,731,336**	**12,857,426**
	Change in provisions for Linkpension contracts are specified as follows		
	Provision for Linkpension contracts, beginning of year	0	0
	Gross premiums	2,063	0
	Addition of interest before tax on pension returns	200	0
	Insurance benefits	-259	0
	Provisions for Linkpension, end of year	**2,003**	**0**
	Total provisions for unit-linked contracts	**11,733,339**	**12,857,426**
	Insurances taken out without minimum interest rate guarantee	11,107,420	12,221,809
	Insurances taken out with minimum interest rate guarantee (senior scheme)	625,919	635,617
	Change in provsions are specified as follows		
	Change in provisions for average-rate products	-1,292,654	-343,328
	Change in provisions for unit-linked products	1,124,087	-723,534
	Premium paid through bonus for group life recognised directly on the balance sheet	162	-3,929
	Change in provisions due to group life transferred to Other debt	0	-33,265
	Other	7,659	-7,660
	Change in provisions, Income statement	**-160,746**	**-1,111,716**

Profit margin on pension agreements is nil, as all profit is allocated to members.

Note	DKKt.	2020	2019
13	**Payables to credit institutions**		
	Repos	970,964	1,268,602
	Bank loans	97,187	11,505
	Payables to credit institutions	**1,068,151**	**1,280,107**
	From the bank loans and the mortgage loans (index- linked loans) the following fall due in the coming year	1,068,151	1,280,107
	After five years the outstanding balance (index-linked) will be	0	0
14	**Other debt**		
	Derivative financial instruments, according to note 9	55,723	72,273
	Payables relating to bond purchase	48,683	134,510
	Sundry financial liabilities	289	274
	Provision for tax on pension returns payable and other	140,968	229,559
	Total other debt	**245,663**	**436,616**
15	**Contingent liabilities**		
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,090,683	1,324,923
	Total contingent liabilities	**1,090,683**	**1,324,923**
16	**Charges**		
	Margin deposits relating to futures	55,476	24,915
	Bonds sold as part of repo debt	859,885	449,069
	Net assets registered in cover of 'Total provisions for insurance, net of reinsurance amounting to	17,071,599	16,918,374
	The amount related to the following items:		
	Investments	928,977	550,561
	Units in mutual funds	8,177,329	6,967,459
	Bonds	7,066,793	9,400,354
	Cash contributions	426,086	0
	Other	472,414	0
	Total assets earmarked as security for policyholders' savings	17,071,599	16,918,374
	Off which concerning unit-linked contracts	11,671,932	12,827,060

Note	DKKt.	2020	2019
17	**Realised result for interest rate, expense and risk groups**		
	Average-rate products		
	Total interest rate groups		
	Realised interest rate result pursuant to the Executive Order on the Contribution Principle	**-8,191**	**-242,026**
	Tax on pension returns	-38,496	-40,273
	Available for allocation after tax on pension returns	**-46,687**	**-282,299**
	Bonus added	31,586	31,590
	Transferred to collective bonus potential, interest rate groups	-2,903	10,622
	Investment return and risk premium allocated to equity	**-18,004**	**-240,088**
	Expense groups		
	Expense contribution	4,333	2,072
	Actual administrative expenses	-924	-1,825
	Realised expense result pursuant to the Executive Order on the Contribution Principle	**3,409**	**247**
	Bonus added	-2,208	-469
	Transferred to collective bonus potential, expense groups	0	0
	Expense result recognised in equity	**1,201**	**-222**
	Expense result as a percentage of technical provisions	**0.02%**	**-0.01%**
	Total risk groups		
	Realised risk result pursuant to the Executive Order on the Contribution Principle	**-16,799**	**-25,126**
	Bonus added	15,175	16,556
	Risk result recognised in equity	**-1,624**	**-8,571**
	Risk result as a percentage of technical provisions	**-0.19%**	**-0.28%**
	Shadow accounts		
	Shadow accounts at 1 January	42,417	148,458
	Repayment from shadow account during the year	-31,338	0
	Write-down as a result of transitional rule	-11,079	-106,042
	Shadow account at 31 December	**0**	**42,417**
	Outlay account		
	Outlay account at 1 January	459,660	219,572
	Outlays during the year	49,341	240,088
	Outlay account at 31 December	**509,001**	**459,660**

Note

18 Financial instruments recognised at fair value

Investment assets and financial liabilities are recognised at fair value or amortised cost. See Note 1. Fair value is the price obtainable in a sale of an asset or payable on transfer of a liability in an arm's length transaction between independent parties at the time of measurement. Fair value is determined on the basis of the following hierarchy:

Level 1 – quoted market prices
Quoted prices are used where an active market exists for the individual assets. Generally, the price used is the closing price at the balance sheet date.

Level 2 – observable inputs
Where the closing price of listed securities does not reflect their fair value, fair value is determined using quoted prices of similar assets or liabilities or using other valuation methodology based on observable market inputs, e.g. inputs from banks etc. For derivative financial instruments, valuation techniques based on observable market inputs such as yield curves, exchange rates, etc. are used.

Level 3 – non-observable inputs
For a significant part of investments, their valuation cannot be based on observable market data alone. For such assets, valuation models are used which may include estimates of current market conditions and future developments thereof. The valuation methodologies applied are described in Note 1, Accounting policies.

	2020			**2019**		
DKKm.	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Investments in associates	0	0	203	0	0	214
Investments	1,096	0	1,407	490	0	1,128
Units in mutual funds	6,097	0	0	5,450	0	0
Bonds	7,072	766	511	6,017	3,198	325
Derivative financial instruments	0	516	0	0	378	0
Deposits with credit institutions	167	0	0	846	0	0
Cash and cash equivalents	461	0	0	502	0	0
Total financial assets	**14,894**	**1,282**	**2,120**	**13,305**	**3,576**	**1,667**
Financial liabilities						
Repos	971	0	0	1,269	0	0
Payables to credit institutions	97	0	0	12	0	0
Derivative financial instruments	0	56	0	0	72	0
Payables relating to bond purchase and settlement of repos	49	0	0	135	0	0
Total financial liabilities	**1,117**	**56**	**0**	**1,415**	**72**	**0**
Total net assets	**13,777**	**1,226**	**2,120**	**11,890**	**3,503**	**1,667**
Of which concerning Average-rate products and Total capital	4,333	813	338	2,209	1,649	167
Of which concerning Unit-linked products	9,444	413	1,782	9,681	1,854	1,500
Total	**13,777**	**1,226**	**2,120**	**11,890**	**3,503**	**1,667**

Note 18 continued on next page

Note 18 continued

18 Financial instruments recognised at fair value (continued)

Specification of valuation based on Level 3

DKKm.	Value at 1 January 2020	Value adjustments	Purchase/sale/ settlement	Value at 31 Dec. 2020
Investments in associates	214	-7	-4	203
Investments	1,342	55	10	1,407
Bonds	325	-19	204	511
Total	**1,882**	**29**	**210**	**2,120**

DKKm.	Value at 1 January 2019	Value adjustments	Purchase/sale/ settlement	Value at 31 Dec. 2019
Investments in associates	552	6	-344	214
Investments	700	-14	441	1,128
Bonds	0	0	325	325
Total	**1,252**	**-8**	**423**	**1,667**

For further details on valuation techniques and inputs, see Note 1 Accounting Policies.

19	Overview of assets and returns			
	Assets and return DKKm.	Market value Beg. of year	 End of year	Return 2020 % p.a.
	Average-rate product			
	Land and buildings	**89**	**229**	**1.8%**
	Listed investments	50	665	2.4%
	Unlisted investments	8	62	-6.8%
	Total Investments	**58**	**727**	**1.8%**
	Government- and mortgage bonds	3,456	2,932	2.1%
	Index-linked bonds	137	148	-0.2%
	Credit bonds, investment grade and non-investment grade	66	174	-3.0%
	Loans etc.	0	0	-
	Total bonds and loans etc.	**3,659**	**3,254**	**1.8%**
	Other investment assets	**148**	**86**	**-**
	Derivative financial instruments to hedge the net change in assets and liabilities	**-629**	**408**	**124.7%**
	Total	**3,326**	**4,703**	**7.6%**
	Unit-linked contracts			
	Land and buildings	**982**	**1,191**	**1.3%**
	Listed investments	5,533	5,636	2.2%
	Unlisted investments	373	458	-4.4%
	Total Investments	**5,906**	**6,094**	**1.8%**
	Government- and mortgage bonds	4,041	2,419	2.1%
	Index-linked bonds	211	123	-0.2%
	Credit bonds, investment grade and non-investment grade	827	1,419	-2.9%
	Loans etc.	0	0	-
	Total bonds and loans etc.	**5,080**	**3,960**	**1.0%**
	Other investment assets	**980**	**416**	**-4.6%**
	Derivative financial instruments to hedge the net change in assets and liabilities	**19**	**90**	**-**
	Total	**12,967**	**11,751**	**2.8%**

The specifications have been prepared in accordance with the requirements in section 96 of the Danish Financial Supervisory Authority's executive order on financial reports of insurance companies and therefore cannot be reconciled with the figures in the financial statements. The annual return has been calculated as a time-weighted return.

On the company website: isp.dk/om-isp/finansiel-information/aktiver the combined equity portfolio of ISP Pension can be found.

20 Unit-linked product, return etc. by investment profiles

Years to retirement	2020 % of average provisions	2020 Return % p.a.	2020 Risk	2019 % of average provisions	2019 Return % p.a.	2019 Risk
Unit-linked product						
Investment profile with high risk						
Years to retirement						
30 years	0.07%	2.8%	5.75	-	-	-
15 years	0.05%	2.8%	5.75	-	-	-
5 years	0.08%	2.8%	5.50	-	-	-
5 years after	0.06%	2.6%	5.25	-	-	-
Non-life cycle product	-	-	-	4.73%	15.8%	4.50
Investment profile with moderate risk						
Years to retirement						
30 years	0.27%	2.7%	5.25	-	-	-
15 years	1.93%	2.7%	5.25	-	-	-
5 years	2.23%	2.6%	4.75	-	-	-
5 years after	2.43%	2.4%	4.50	-	-	-
Non-life cycle product	-	-	-	88.04%	10.6%	3.75
Investment profile with low risk						
Years to retirement						
30 years	0.00%	2.4%	4.50	-	-	-
15 years	0.03%	2.4%	4.50	-	-	-
5 years	0.10%	2.2%	4.25	-	-	-
5 years after	0.10%	1.7%	3.50	-	-	-
Non-life cycle product	-	-	-	2.23%	5.0%	2.00
Seniorordningen						
Years to retirement						
Non-life cycle product	4.80%	1.6%	3.25	5.01%	4.3%	2.00

A retirement age of 67 is assumed.

21 Supplementary product ratios

	2020 Return in % p.a.	2020 Bonus rate in % p.a.	2019 Return in % p.a.	2019 Bonus rate in % p.a.
Average-rate product				
Interest rate group A (average basic rate of interest 0.25% - 1.25%)	0.4%	2.7%	8.9%	0.0%
Interest rate group B (average basic rate of interest 1.25% - 2.25%)	11.5%	0.0%	8.1%	0.0%
Interest rate group C (average basic rate of interest 2.25% - 3.25%)	9.7%	0.0%	8.5%	0.0%
Interest rate group D (average basic rate of interest 3.25% - 4.25%)	6.4%	0.0%	9.5%	0.0%
Interest rate group F (special non-guaranteed)	6.2%	2.1%	-	-

Return on policyholder savings after expenses before tax	**2020 Total in % p.a.**	**2019 Total in % p.a.**
Avarage-rate product	7.2%	9.0%
Unit-linked product	2.3%	10.3%

22 Five-year key figures

Five-year financial highlights

DKKm.	2020	2019	2018	2017	2016
Premiums	369	369	397	379	385
Benefits	-796	-792	-832	-798	-762
Total investment return	638	1,520	-101	915	1,014
Total net operating expenses	-6	-10	-29	-15	-12
Technical result	-79	-246	29	-142	-8
Profit for the year	-47	-249	21	-126	8
Total provisions for insurance contracts	16,518	16,349	15,283	15,850	15,379
Total equity	578	625	873	853	979
Total assets	18,410	18,695	16,395	17,036	16,724

Five-year financial ratios

	2020	2019	2018	2017	2016
Return ratios					
Rate of return related to average-rate products	7.2%	9.1%	3.6%	1.6%	8.7%
Rate of return related to unit-linked products	2.4%	10.4%	-1.6%	7.3%	6.2%
Risk on return related to unit-linked products	4.75	3.75	3.75	3.75	3.75
Expense ratios					
Expense ratio for provisions	0.04%	0.06%	0.19%	0.09%	0.08%
Expenses in DKK per policyholder	480	722	2,064	1,035	864
Return ratios					
Return on equity after tax	-7.8%	-33.2%	2.4%	-13.8%	0.8%

Reference is made to “Definitions of financial ratios” on page 58.

23 Risk management

The pension fund's risks may be divided into two general categories:

1) Risks that are largely within the company's control and that the pension fund's risk management system regularly identifies, measures, monitors and reports on. These risks comprise investment, insurance and operational risks.

2) Risks that are beyond the company's control and are largely framework conditions, to which the pension fund's activities must be adjusted in case of changes. External risks comprise regulatory risk, reputational risk and a number of other external and strategic risks. These risks are monitored by the organisation and are reflected in the company's strategy.

The general objective of the management of investment assets and pension provisions is to maximise the return and provide the best insurance covers to members with due consideration for risk, including solvency position.

The Board of Directors has defined the appetite for the principal risks in policies and guidelines and thereby determined an overall level for risk exposure or hedging. Regular reporting is provided on compliance with the defined guidelines, and the Board of Directors reviews the risk profile and compliance with risk appetite as part of its assessment of the pension fund's own risk and solvency.

The approach to managing the principal quantifiable risk factors is set out below.

Unit-linked products without guarantee
The majority of the pension fund's members have the 3 i 1 Livspension product. The financial risks relating to the market-rate products 3 i 1 Livspension and Linkpension lie with the policyholders.

Generally, the age-specific allocation in 3 i 1 Livspension is determined by the generation pools' mix of investment in base funds. Three base funds are used for 3 i 1 Livspension: bonds, equities and alternative investments. Customers with 3 i 1 Livspension have three investment profiles to choose from: low risk, moderate risk and high risk.

In respect of 3 i 1 Livspension, the objective is to maximise the return to the effect that the younger generations achieve a return that is close to that of the equity market, only with less risk through a certain diversification of risk. The older generations are exposed to a risk close to that of the bond market, but with a higher expected return through a certain diversification of risk. Allocation between the base funds for each generation pool is determined by the Board of Directors.

The Board of Directors has determined a framework for the types of investment allowed in the base funds and has also set up a market-risk framework for the base funds.

Guarantee scheme, senior scheme and equity
The guarantee scheme, which is a guaranteed average-rate product, and the senior scheme, which is a unit-linked product with return guarantee, together with investments of equity are subject to particular risk. The risk is related to the correlation between investment assets and pension obligations, in that losses will occur if the assets are not sufficient to cover the provisions. As a result, the investment risk and the interest rate risk are balanced in relation to the size of the reserves.

The Board of Directors has determined the framework governing the overall investment policy and the financial risks. The overall risk is maintained at an acceptable level, partly by ensuring appropriate diversification of risk on overall asset classes, partly by establishing a framework for the overall Value-at-Risk (VaR), which is monitored through a proprietary VaR model.

The pension fund applies the Solvency II discount curve including volatility adjustment (VA) for the computation of pension provisions in the guarantee scheme and the senior scheme. The discount curve is based on market rates up until the 20-year mark, after which the curve converges towards an ultimate forward rate determined by the authorities equal to long-term inflation and real growth forecasts. The VA is intended to mitigate exposure to market volatility and thereby curb procyclical behaviour.

Equity has its own investment portfolio, including the pension fund's strategic equity investments.

FINANCIAL RISK

Financial risk arises mainly from the guarantee scheme, the senior scheme and equity. ISP has defined a conservative risk profile in these portfolios. The most significant financial risks are described below.

ISP is sensitive to changes to the VA, which has played a major role during the coronavirus pandemic, the changes contributing an intentional strengthening of the capital position.

Significant financial risks arise as a result of an intentional risk exposure. Credit spread risk is a major factor, focusing mainly on bonds with low credit risk, however. The risk relates to losses resulting from a widening of the credit spread or from default leading to losses on bonds, loans, etc.

Interest rate risk particularly arises as a result of the guaranteed obligations under the guarantee scheme and the senior scheme. ISP strives to hedge the interest rate-based changes in the discount curve to the greatest extent possible to ensure stable total capital in the short term. It does so mainly by way of derivative financial instruments such as interest rate swaps, swaptions and government bonds. The interest rate risk is mitigated by the high hedge ratio.

Exposures to listed equities, bonds subject to material credit risk and infrastructure have limited effect on the portfolio risk.

The pension fund hedges the currency risks on investments denominated in foreign currency in accordance with the guidelines of the Board of Directors when assets held in an individual currency represent more than 2% of the total investment assets. For currencies other than DKK and EUR, between 50% and 100% of the currency exposure is hedged, depending on the asset.

Concentration risk and illiquidity risk are other risks of minor importance. The pension fund's risk management system comprising, among other things, a valuation committee was set up with a view to ensuring ongoing market valuation and management of illiquid assets.

ISP also has counterparty risk exposure. This is the risk of suffering losses because a counterparty to a financial contract is unable to meet its obligations. Counterparty risk is managed through the provision of collateral and limits for net outstanding balances with the relevant financial institutions. Limits have also been defined for the amount of single investments and major concentration risk. The provision of collateral makes counterparty risk less significant.

Responsible investments
Investing responsibly is a prerequisite for being able to generate high long-term returns. Climate targets, fiscal transparency and active ownership are defining characteristics of responsible investments from the pension fund's point of view. With a view to ensuring that the pension fund invests responsibly, the Board of Directors has defined a number of requirements and conditions in policies and guidelines.

INSURANCE RISK

Insurance risk arises mainly from the guarantee scheme's guaranteed benefits and include the risk of increased obligations as a result of the risk of increased longevity, changes in disability rates, conversions into paid-up policies, surrenders and retirement age.

Particularly longevity is a significant risk factor for ISP. Longevity assumptions are calculated using the Danish FSA's model for longevity assumptions based partially on the company's own past experience and partially on the Danish FSA's benchmark for expected future longevity improvements.

All risk amounts are covered for own account. The risk sum is the difference between accumulated reserves and reserves to be provided to meet future pension and insurance benefits in the event of a customer's disability or death.

Note 23 continued

OPERATIONAL RISK

Operational risks comprise the risk of direct or indirect losses resulting from inappropriate or inadequate internal processes, human or system error or losses resulting from external events, including cyber risk.

In order to reduce operational risk, ISP has set up procedures to monitor and minimise risk in relation to the pension business and the investment business. In addition, insurance cover has been taken out for certain asset classes. ISP records operational incidents on an ongoing basis and follows up and reports to the Audit Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

OUTSOURCING

ISP has outsourced tasks in critical or significant areas of activity with a view to reducing costs and gaining access to specialist competencies. The Board of Directors has set out guidelines for outsourcing of critical or significant areas of activity in order to ensure adequate management of the risks associated with outsourcing, including that outsourcing agreements and activities are handled in accordance with the Board of Directors' guidelines and applicable outsourcing legislation.

The ongoing monitoring of outsourced activities is controlled via business procedures that ensure reporting to relevant management bodies and to the Board of Directors on the supplier's performance of the task, for example in the form of regular operational reports, meetings, random checks, reports by auditors, etc.

SOLVENCY AND FINANCIAL CONDITION REPORT

The pension fund's risk management processes are described in detail in its Solvency and Financial Condition Report (SFCR). The SFCR is available to the public and can be downloaded (in Danish only) at isp.dk/aarsrapport.

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the Annual Report of the Pension Fund for Technicians and Bachelors of Engineering for the financial year 1 January – 31 December 2020.

The Annual Report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the pension fund's assets, liabilities and financial position at 31 December 2020 and of the results of the pension fund's operations for the financial year ended 31 December 2020.

In our opinion, the Management's review includes a fair review of developments in the pension fund's activities and financial position together with a description of the principal risks and uncertainties that the pension fund faces.

Hellerup, 22 March 2021

Executive Board

Hasse Jørgensen
Chief Executive Officer

/ Pernille Henriette Vastrup
Chief Financial Officer

Board of Directors

Lars Bytoft
(Chairman)

Lars Kehlet Nørskov
(Deputy Chairman)

Søren Skibstrup Eriksen

Michael Herold

Lisa Frost Sørensen

Peter Kjær Østergaard

Internal auditor’s report

Opinion

In our opinion, the financial statements of the Pension Fund for Technicians and Bachelors of Engineering give a true and fair view of the pension fund’s assets, liabilities and financial position at 31 December 2020 and of the results of the pension fund’s operations for the financial year ended 31 December 2020 in accordance with the Danish Financial Business Act in respect of the financial statements of the pension fund.

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

Basis of opinion

We have audited the financial statements of the Pension Fund for Technicians and Bachelors of Engineering for the financial year ended 31 December 2020. The financial statements are prepared in accordance with the Danish Financial Business Act.

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises etc. and in accordance with international standards on auditing with respect to the planning and performance of the audit procedures.

We planned and performed the audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. We participated in the audit of all critical audit areas.

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

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 assurance conclusion thereon.

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 in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management’s review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management’s review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We have not identified any material misstatement of the Management’s review.

Hellerup, 22 March 2021

Gert Stubkjær
Chief Auditor

Independent Auditor’s Report

To the members of Pensionskassen for teknikum- og diplomingeniører

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Pension Fund at 31 December 2020 and of the results of the Pension Fund’s operations for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor’s Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Financial Statements of Pensionskassen for teknikum- og diplomingeniører for the financial year 1 January - 31 December 2020 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies. Collectively referred to as the “Financial Statements”.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor’s responsibilities for the audit of the Financial Statements section of our Report.

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 pension fund in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IEASBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Pensionskassen for teknikum- og diplomingeniører on 25 April 2019 for the financial year 2019. We have been reappointed annually by the general assembly for a total period of uninterrupted engagement of 2 years including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Measurement of insurance provisions The pension funds insurance provisions total DKK 16,518 million, which constitutes 90 percent of the pension funds balance sheet total. The provisions primarily consist of provisions for average-rate products and unit-linked products. The provisions are based on actuarial principles and involves material accounting estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policy-holders. The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs. We focused on measurement of insurance provisions as the statement of the provisions is complex and subjective and thus largely based on accounting estimates. We refer to the mention of “accounting estimates” in note 1, note 11 “Provisions for average-rate products” and note 12 “Provisions for unit-linked products”, to the Financial Statements.	We assessed and tested procedures and relevant internal controls established to ensure that insurance provisions are measured correctly. During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the pension fund as well as the calculations made, including the present value of future cash flows. We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.

Statement on Management’s Review

Management is responsible for Management’s Review.

Our opinion on the Financial Statements does not cover Management’s Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management’s Review and, in doing so, consider whether Management’s Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management’s Review includes the disclosures required by the Danish Financial Business Act.

Based on the work we have performed, in our view, Management’s Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management’s Review.

Management’s responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Pension Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Pension Fund 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 economic decisions of users taken on the basis of these Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Pension Fund's internal control.

- Evaluate the appropriateness of accounting policies used 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 and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 Pension Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, 22 March 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Per Rolf Larssen	Claus Christensen
State Authorised Public Accountant	State Authorised Public Accountant
mne24822	mne33687

Definitions of financial ratios

Danish FSA financial ratios
Financial ratios have been calculated in accordance with the Danish FSA's Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

Rate of return =

Investment return on average rate and market-rate products x 100
Pension provisions at beginning of year + weighted average contributions and benefits paid in respect of average-rate and market-rate products

The financial ratio is calculated on a money-weighted basis. The target return can be divided into two categories: a money-weighted and a time-weighted return:

The money-weighted return reflects the actual return – or the relative value appreciation – achieved for the portfolio during the reporting period including returns on net contributions for the period. In other words, the money-weighted return expresses the actual return for the period.

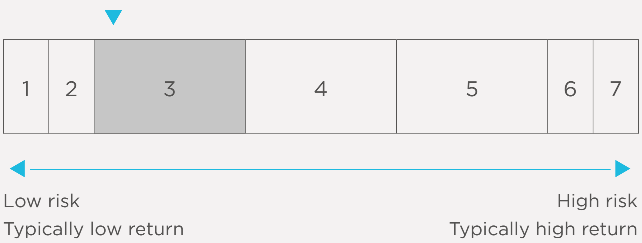
The time-weighted return reflects the return that would have been achieved if no payments had been made to or from the portfolio during the period. The time-weighted return expresses performance and can be used to measure against a benchmark or returns achieved by other investors within the same asset class.

Risk on return = Calculated as the standard deviation (SD) of the monthly return related to market-rate products over the past 36 months using the following scale of 1 to -7:

Risk class	% SD≥	% SD<
1.00	0.00	0.50
2.00	0.50	2.00
3.25	2.00	3.00
3.50	3.00	4.00
3.75	4.00	5.00
4.25	5.00	6.70
4.50	6.70	8.34
4.75	8.34	10.00
5.25	10.00	11.67
5.50	11.67	13.33
5.75	13.33	15.00
6.00	15.00	25.00
7.00	25.00	

Note that the standard deviation is measured as an average across risk profiles and generation pools. The standard deviation is converted into a risk category using the following scale:

Return/Risk profile



Expenses as a percentage of provisions =

Operating expenses relating to pension activities for the year x 100
Pension provisions at beginning of year + weighted average contributions and benefits paid in respect of average-rate and market-rate products

Expenses per policyholder (DKK) =

Operating expenses relating to pension activities for the year x 100
Average number of policyholders + average number of policyholders with group life contracts * 0.1

Return on equity after tax =

Profit after tax x 100
Weighted average equity

Solvency coverage ratio =

Solvency capital requirement x 100
Total capital at year end

Supplementary financial ratios
The rates of return of each individual interest rate group are calculated using the above formula.

Bonus rate (%) =

Individual and collective bonus potentials of the interest rate group at year end x 100
Total custody accounts for interest rate group at year end

Return on customer funds after deduction of expenses and before tax, per product type =

(Weighted average provisions + tax on pension returns) x 100
Pension provisions at beginning of year + weighted average cashflows

The financial ratio expresses policyholders' total return less expenses and risk premium.

PHOTO
Christoffer Regild (s.4)

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