

Annual Report 2021



Pensionskassen for
teknikum- og diplomingeniører

The photos in the report are from current investments in Valby Retirement Home, the energy company NRGi and PH Park in Hørsholm.

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Contents

| | | |
|----------|--|--------------|
| | Letter from the Chairman. | 5 |
| 1 | Management's review. | 8-20 |
| | Five-year key figures and financial ratios | 8 |
| | Members and pension schemes | 9 |
| | Premiums and benefits | 9 |
| | Expenses | 10 |
| | Investments and returns. | 11 |
| | Corporate social responsibility | 14 |
| | Financial results, solvency capital requirement and total capital | 18 |
| | Outlook for 2022 | 20 |
| | Other matters | 20 |
| 2 | About the pension fund. | 24-27 |
| | Management structure | 24 |
| | Management and other directorships. | 26 |
| 3 | Financial statements. | 31-58 |
| | Pension fund financial statements. | 31 |
| | Statement of changes in equity | 33 |
| | Notes to the financial statements | 34 |
| | Statement by Management. | 53 |
| | Internal auditor's report | 54 |
| | Independent auditor's report | 55 |
| | Definitions of financial ratios. | 58 |

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.

“Our members’
single premiums
and transfers grew
by DKK 19 million in
2021, corresponding
to an increase of
more than 36%”



A year characterised by strong returns

Despite yet another year partly under the shadow of the coronavirus pandemic, 2021 generated strong returns for the members of the Pension Fund for Technicians and Bachelors of Engineering (ISP).

Our unit-linked product reported positive returns for all generation pools across risk profiles in 2021. The youngest age groups, which have relatively large shares of equities, but also of alternative investments, such as real estate and forestry, saw the highest returns.

Most members with unit-linked pension schemes have chosen a moderate risk profile. A 55-year old member with this profile saw a return of 18.1%, while a 55-year-old member with a high risk profile had a return of 20.5% in 2021.

We are currently in the process of building our portfolio of direct investments in debt and unlisted equity investments, including real estate, and these efforts continued in 2021, where we invested, among other things, in a wide range of properties and companies as well as in European and US funds focusing on small and medium-sized companies.

Our members' single premiums and transfers grew by DKK 19 million in 2021, corresponding to an increase of more than 36%.

Administrative and investment expenses, which are an important benchmark for the Board of Directors, are still kept at a minimum and with an N5 (expenses per member expressed in DKK) of DKK 484 in 2021, ISP's expenses are still very low by pension industry standards.

In 2021, the pension fund's 12,163 members made widespread use of our digital tools, including our app, where our members logged on 4,272 times and completed 1,037 pension checks. In the same period, we had almost 48,000 visits to our website, and our members called for advice 3,178 times. Our two senior webinars in 2021 were also well attended by our members.

Again in 2021, ISP participated in Aalund's Corporate Pension Barometer, and the members' rating of the pension fund improved in a number of areas relative to 2020. In summary, members found that ISP had become better at providing information. The level of satisfaction with isp.dk also rose. The survey showed increasing satisfaction in 10 out of 11 questions concerning products, advisory services, information and website, indicating most progress in terms of the questions regarding satisfaction with website and providing easy-to-understand information.

On questions about the pension fund's image, ISP ranked as third overall among the participating pension funds, and on questions about ISP member loyalty, we saw a significant increase in the number of loyal members, and ISP is now well above market average.

Every two years, ISP conducts customer and member surveys in the responsible investment area to ensure that the policy pursued is reflected in the values and beliefs of the members. A survey conducted in the autumn of 2021 showed that 88% of our members are very satisfied or satisfied with ISP's responsible investment efforts.

In 2019 and 2020, the carbon footprint of the pension fund's listed equity portfolio fell. This trend continued in 2021 with a further drop of some 30%.

Overall, 2021 was a good year for ISP's members. Strong returns, good member service, low expenses and high member satisfaction scores.



Lars Bytoft
Chairman of the Board of Directors



Management's review

1

| | |
|--|----|
| Five-year key figures and financial ratios. | 8 |
| Members and pension schemes. | 9 |
| Premiums and benefits | 9 |
| Expenses | 10 |
| Investments and returns | 11 |
| Corporate social responsibility | 14 |
| Financial results, solvency capital requirement and total capital | 18 |
| Outlook for 2022 | 20 |
| Other matters | 20 |



Five-year key figures and financial ratios

| Five-year key figures DKKm | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Premiums | 381 | 369 | 369 | 397 | 379 |
| Benefits paid | -800 | -796 | -792 | -832 | -798 |
| Investment return | 1,448 | 638 | 1,520 | -101 | 915 |
| Total pension operating expenses | -6 | -6 | -10 | -29 | -15 |
| Technical result | 304 | -79 | -246 | 29 | -142 |
| Profit/loss for the year | 304 | -47 | -249 | 21 | -126 |
| Total pension provisions | 17,025 | 16,518 | 16,349 | 15,283 | 15,850 |
| Equity | 882 | 578 | 625 | 873 | 853 |
| Total assets | 19,578 | 18,410 | 18,695 | 16,395 | 17,036 |

| Five-year financial ratios | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|-------------|
| Return ratios | | | | | |
| Rate of return related to average-rate products | -1.9% | 7.2% | 9.1% | 3.6% | 1.6% |
| Rate of return related to unit-linked products | 13.4% | 2.4% | 10.4% | -1.6% | 7.3% |
| Risk on return related to unit-linked products | 4.75 | 4.75 | 3.75 | 3.75 | 3.75 |
| Expense ratios | | | | | |
| Expenses as a percentage of provisions | 0.04% | 0.04% | 0.06% | 0.19% | 0.09% |
| Expenses per member (DKK) | 484 | 480 | 722 | 2.064 | 1.035 |
| Other return ratios | | | | | |
| Return on equity after tax | 41.7% | -7.8% | -33.2% | 2.4% | -13.8% |
| Capital structure ratios | | | | | |
| Solvency coverage ratio | 242% | 162% | 172% | 258% | 239% |

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

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 |
|---|--|
| <p>Unit-linked</p> <p>3 i 1 Livspension lifecycle product</p> <p>Linkpension, a unit-linked product</p> <p>Senior scheme</p> | <p>Actual returns are allocated to members each month</p> <p>ISP's core product. Savings are invested in generation pools according to the member's age and choice of investment profile</p> <p>Members determine which investment funds they wish to invest their savings in.</p> <p>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.</p> |
| <p>Average rate</p> <p>Guarantee scheme</p> <p>Non-guaranteed scheme</p> | <p>Rate of interest on policyholders' savings allocated to members reflects the average return achieved over time</p> <p>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.</p> <p>Comprises non-guaranteed risk covers, including spouse's, children's and disability covers.</p> |

Premiums and benefits

Premium income of

DKK **381** mill.

Indbetalinger

Premiums increased to DKK 381 million in 2021 compared with DKK 369 million in 2020. Regular premiums fell by DKK 6 million, while single premiums and transfers increased by DKK 19 million.

| Premium income DKKm | 2021 | 2020 | Change (%) |
|-----------------------|------------|------------|------------|
| Regular premiums | 311 | 317 | -2,0 |
| Single premiums etc. | 70 | 51 | 36,4 |
| Total premiums | 381 | 369 | 3,4 |

The number of members was 12,163 in 2021 against 12,369 at 31 December 2020, corresponding to a 1.7% decrease.

| Number of members | 31.12.2021 | 31.12.2020 | Change (%) |
|---|---------------|---------------|-------------|
| Premium-paying members in active employment | 3,582 | 3,780 | -5.2 |
| Paid-up policies etc. | 3,552 | 3,597 | -1.3 |
| Pensioners | 5,029 | 4,992 | 0.7 |
| Total number of members | 12,163 | 12,369 | -1.7 |

Benefit payments

Total pension benefits amounted to DKK 800 million in 2021 against DKK 796 million in 2020.

Expenses

For several years, ISP has made targeted efforts to reduce its expenses, which are among the lowest in the industry. The lower the expenses, the greater the proportion of premiums 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 the Sampension community. For that purpose, we invest the pension savings of all our members in the same investment assets, for example. The combination of such 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 investment in bonds and other fixed-income instruments is 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 0.40%

Investment expenses include expenses incurred by ISP, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc.

Investment expenses calculated on member savings for 2021 and 2020 are disclosed in the table below:

| Investment expenses (as a percentage of member savings) | 2021 | 2020 |
|---|-------------|-------------|
| 3 i 1 Livspension, selected generation pools (moderate risk): | | |
| 25 years | 0.43 | 0.38 |
| 55 years | 0.43 | 0.38 |
| 65 years | 0.39 | 0.35 |
| 3 i 1 Livspension total (average) | 0.40 | 0.35 |
| Average rate | 0.29 | 0.28 |
| Senior scheme | 0.22 | 0.26 |

Total investment expenses calculated on member savings in 3 i 1 Livspension schemes were 0.40% in 2021 against 0.35% in 2020. The increase was mainly due to new investments made in 2021 and during 2020.

Investment expenses for average-rate products amounted to 0.29% of member savings in 2021 compared with 0.28% in 2020.

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
expenses per
policyholder**

DKK **484**

Administrative expenses per member of DKK 484

Pension administrative expenses amounted to DKK 5.9 million in 2021 against DKK 6.0 million in 2020.

- Expenses per member rose slightly from DKK 480 in 2020 to DKK 484 in 2021. Going forward, expenses are expected to stay at the current level.
- Expenses expressed as a percentage of provisions was unchanged at 0.04% for 2021.

APR of 0.5%

Information on annual expenses expressed in Danish kroner and as a percentage (APR) is available in Description of method – annual expenses expressed in Danish kroner and as a percentage 2021 (in Danish only). 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 in 3 i 1 Livspension scheme with a moderate risk profile, the APR for 2021 was at 0.5% against 0.4% in 2020 due to new investments.

Investments and returns

The global economy and financial markets

Despite the coronavirus pandemic, the resource-rich economies did not fall into a deep recession in 2021. Rollout of vaccines and experience from spring 2020 were two key factors in preventing this.

After a start to the year where many countries locked down society to contain the coronavirus from spreading, the rollout of vaccination programmes made it possible to reopen society and return to the workplace during the spring months. With this, the relatively limited negative growth seen during the first quarter was more than recovered during the rest of the year.

During lockdown, many countries chose to introduce large fiscal and monetary relief packages, and when the economy was once again up and running, consumers were ready to spend some of the money they had saved up. The increased demand boosted economies massively, and qualified labour, goods and materials quickly fell short. The latter was especially due to supply chain difficulties. Many countries faced the highest inflation rate in nearly 30 years. As a result, central banks announced – and in most cases also initiated – a rollback of their very expansive monetary policies. In late autumn, the Omicron variant of the coronavirus emerged and led to a new, but less severe lockdown. At the same time, people were offered a third vaccine dose. 2021 thus ended with most countries experiencing strong growth, a significant demand pressure on the labour market and a high and increasing inflation rate.

Equity markets began 2021 on an upward trend driven by the very expansive fiscal and monetary policies and by the news of effective vaccines being ready for rollout. As a result, economies quickly picked up. In late summer, inflation rates began to strongly increase in many countries, and concerns that central banks would roll back

their expansive policies started to spread. This affected equity markets and, towards the end of 2021, the Omicron variant put a further dampener on the markets.

The global equity market index was up by almost 21% in 2021. The US equity market was the best performer with an impressive 28% increase. The Danish equity market rose by 24%, European equities by 23% and the UK equity market 18%. With increases of 6% and 2%, respectively, Asia and the emerging markets lagged significantly behind¹.

Interest rates also took some roller coaster rides in 2021 with an upward trend driven by speculations about what direction central banks will take in the future.

Investment return of DKK 1,448 million or 8.6%

The overall return across all of ISP’s investment environments in 2021 was DKK 1,448 million, relative to a return of DKK 638 million in 2020. The overall return across all investment environments was 8.6% before tax on pension returns in 2021.

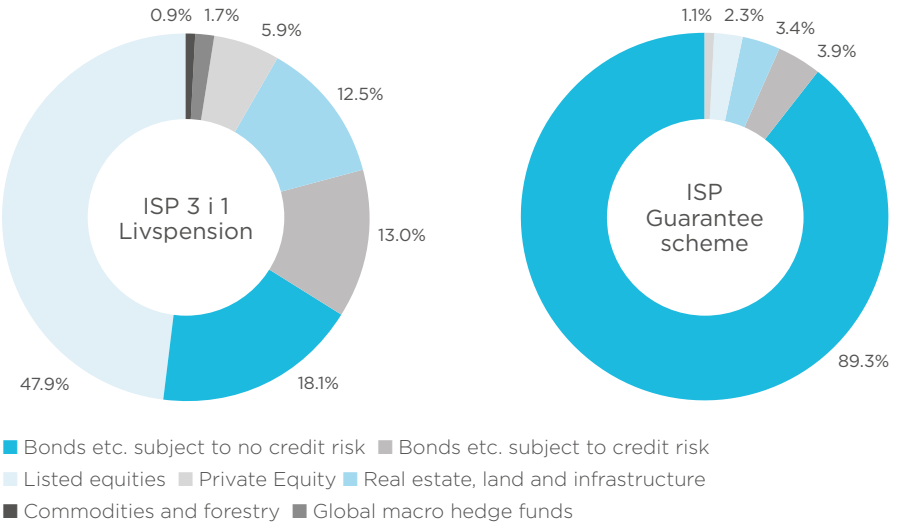
Investment return of

8.6%

| Investment returns by environment DKKm | 2021 | 2020 |
|---|--------------|------------|
| 3 i 1 Livspension | 1,541 | 264 |
| Senior scheme | 3 | 9 |
| Guarantee scheme (average rate) | -212 | 258 |
| Non-guaranteed scheme | 120 | 67 |
| Equity | -5 | 39 |
| Total return | 1,448 | 638 |

Breakdown of net investments

35% of ISP’s total net investment assets in 2021 were placed in low credit risk bonds (such as Danish government and mortgage bonds), while 38% were placed in listed equities. A breakdown of net investment assets in the two largest individual environments of 31 December 2021 is shown in the figures below.



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 given risk framework. The unit-linked and average-rate environments generally participate in the same investments, only at different weightings

¹ Return rates are stated before translation into Danish kroner and reflect benchmark indices for the respective markets.

and volumes. The 3 i 1 Livspension and non-guaranteed schemes have a relatively larger share of investments in high-risk assets than the guarantee scheme and the senior scheme.

We are currently in the process of building our portfolio of direct investments in debt and unlisted equity investments, including real estate, and these efforts continued in 2021. Despite the coronavirus pandemic, ISP's portfolio of direct investments in debt, unlisted equities and real estate continued to expand throughout 2021. In 2021, ISP and the other pension providers in the Sampension community invested in 49% of the Aarhus-based energy company NRGi's sustainable energy division and established a partnership with European Energy and Novo Holdings on purchasing and developing agricultural land for wind turbine and solar panel farms, for example. In terms of real estate, we invested in an independent nursing home (fripvejhem) in Valby, senior housing in Frederikssund and an office property in Holte with residential development potential. We also co-invested in a housing complex in Dallas. The private equity portfolio was also expanded in 2021 with two co-investments in software and healthcare as well as in European and US funds focusing on small and medium-sized companies as well as on venture capital. As for our forestry portfolio, the Sampension community and the manager Ressource Management Systems have committed to investing in the world's biggest forest area in southern USA. In the infrastructure portfolio, a co-investment in Molslinjen was made in collaboration with EQT Infrastructure.

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 member's age. Members 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

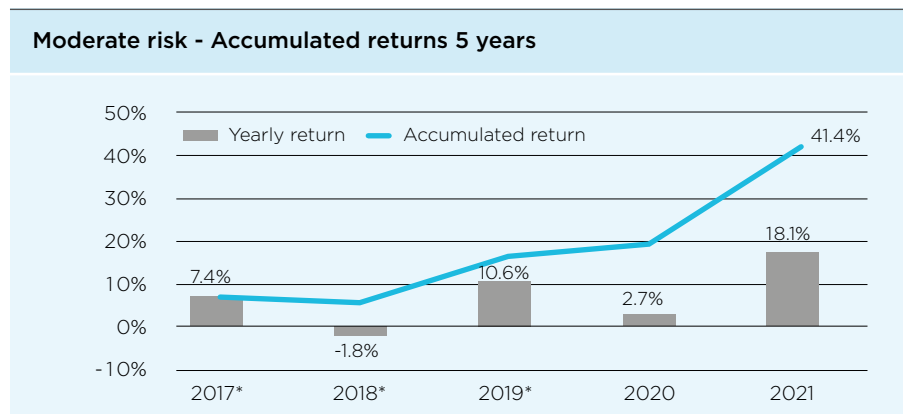
The lifecycle product reported positive returns for all generation pools across risk profiles in 2021. As illustrated by the returns of selected pools shown in the table below, the youngest age groups, which have relatively large shares of equities, but also of alternative investments, had the highest returns. The majority of the members have chosen the moderate risk investment profile.

| Generation pools 3 i 1 Livspension, selected | Investment profile | | |
|--|--------------------|----------|------|
| | Low | Moderate | High |
| Return (%) | | | |
| 25 years | 13.1 | 18.1 | 20.5 |
| 55 years | 13.1 | 18.1 | 20.5 |
| 65 years | 7.0 | 12.6 | 16.6 |

Five-year return of

41.4%

Over the past five years, the aggregate return on 3 i 1 Livspension for all members aged up to and including 55 with a moderate risk profile is 41.4%.



* Return from former unit-linked scheme

Annual return in the other ISP environments

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

| Return in other ISP environments (%, time-weighted) | 2021 | 2020 |
|--|------|------|
| Garantiordning (gennemsnitsrente) | -6.1 | 7.6 |
| Ugaranteret ordning | 10.7 | 6.2 |
| Seniorordning | 0.6 | 1.6 |

For a more detailed specification of holdings and returns in ISP, see notes 18, 19 and 20 to the financial statements.

Corporate social responsibility

In addition to contributing to the individual member's financial situation in retirement, being a part of the collective agreements, 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 interests of our members. We fulfil that responsibility by staying focused on what is important, i.e. growing the value of the pension schemes through:

- high returns
- low expenses
- flexible pension products
- 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 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 responsible. Our responsible investment policy has three areas of focus:

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

Our approach to corporate social responsibility is governed by our ambition to comply with and implement international standards and guidelines, including the 17 UN Sustainable Development Goals, the ten principles of the UN Global Compact in the areas of human rights, labour rights, the environment and anti-corruption, 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).

The responsible investment policy applies to all four parties 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.

3 initiatives

**to increase
responsible
investments**

Reduction in carbon footprint by

20%

Every two years, ISP conducts customer and member surveys in the responsible investment area to ensure that the policy pursued is reflected in the values and beliefs of the members. A new survey conducted in November 2021 showed that some 80% of our members find responsible investments to be very important to their level of satisfaction with their pension fund, and 88% of our members are either very satisfied or satisfied with ISP's responsible investment efforts.

Continued reduction of the carbon footprint of our investments

In 2021, the carbon footprint of the pension fund's listed equity portfolio was reduced by 30%. In absolute levels (absolute emissions), our carbon emissions dropped from 0.066 million tonnes in 2020 to 0.052 million tonnes in 2021, corresponding to some 20%.

In 2021, it was possible to include directly owned corporate bonds in the calculation of the carbon footprint. The carbon footprint (absolute emissions) of the directly owned corporate bonds was reduced by 13%, while the level of financed emissions remained unchanged¹.

Climate-neutral by 2050

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 overall investment portfolio to be reduced by 45% relative to the 2020-level by 2030 and to net zero by 2050. This reduction target will apply to all assets in the portfolio. The carbon footprint is thus reduced most significantly within the first 10 years with the remaining 55% over the subsequent 20 years. To support this, the Sampension community will define continuous sub-targets for the period, both for the overall portfolio and for the various sectors in which we invest with the purpose of providing full transparency on our efforts towards climate neutrality.

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 2021, we excluded five 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.

The Sampension community not only requires changes in the companies in which we directly invest and where we manage the investments ourselves. The requirements also apply to externally managed investments, for example in funds. In addition, the Sampension community works continually on sustainability in its property portfolio. The requirements for transition towards climate neutrality by 2050 therefore apply to all of our investments.

Green investments

Together with the other partners of the Sampension community, ISP increased its green investments by DKK 3 billion in 2021 and now has green investments of a total of DKK 19 billion. During the year, we made new green direct investments, for example, in NRGi Renewables, which develops and installs wind turbine and

² Going forward, the pension fund will calculate the carbon footprint of the portfolio based on the companies' total financing, i.e. both share capital and debt, the so-called Enterprise Value Including Cash (EVIC) method. The change is made, among other things, based on the fact that this calculation method must be applied in connection with reporting under the Disclosure Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

solar panel farms but also aims to explore the opportunities to participate in the development of other types of renewable energy. We also invested in a forest in North America and purchased agricultural land for the purpose of installing a solar panel farm in collaboration with European Energy and Novo Holdings.

Active ownership

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.

Through the critical dialogue engagement programme, ISP and the other partners of the Sampension community engaged in 29 dialogues which were initiated in 2021 on labour rights, human rights, climate and the environment and corporate governance. Two dialogues were concluded with a positive outcome, while 27 are still ongoing or monitored.

In this context, we screened the companies' coal and tar sand activities as well as their adaptability, etc. At the end of 2021, 257 companies were on the Sampension community exclusion list. The majority of these - 190 - are climate-related exclusions.

Dialogue on improvement

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

Through the programme for dialogue on improvement, we engaged with 44 companies in 2021; 12 on climate adaptation, 13 on fiscal transparency, 8 on responsible water management and 11 on responsible governance. The figures only include listed companies in which ISP has invested. In addition, ISP engages in a large number of dialogues with companies in which ISP is not currently invested but has either previously invested in or could potentially invest in, including 76 dialogues initiated in 2021.

As part of the Sampension community, ISP is also part of Climate Action 100+ (CA100+), which is the world's largest investor initiative consisting of 615 investors with combined assets of DKK 390,000 billion. CA100+ engages in dialogue with 167 climate-damaging companies within oil and gas, mining and metals, utilities, transport, consumer products and the industrial sector.

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 we represent more than 3% of the voting rights.

For other listed companies, the Sampension community 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.

257

Excluded companies

The statutory report on corporate social responsibility 2021 (in Danish only) provides additional information on our responsible investment approach.

Key ESG indicators provide comparability and transparency

Being part of the Sampension community, ISP supports 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, most recent version in December 2020. In addition, ratios have been added in accordance with Insurance & Pension Denmark's industry recommendations on climate reporting. A description of calculation methods is provided in the statutory report on corporate social responsibility 2021.

In the following, we only include key indicators directly related to ISP, while key indicators for the Sampension community are available in Sampension Liv's statutory report on corporate social responsibility 2021 (in Danish only):

| | Enhed | 2021 | 2020 | 2019 |
|--|-------------------------------|--------|--------|------|
| E - Environmental data - carbon footprint of investments: | | | | |
| Carbon emissions by the listed equity portfolio¹ | | | | |
| Absolute emissions | Tonnes/CO ₂ e | 52,651 | 66,253 | - |
| Financed emissions (carbon footprint) | Tonnes/CO ₂ e/DKKm | 7.8 | 11.2 | - |
| Carbon intensity | Tonnes/CO ₂ e/DKKm | 20.9 | 22.6 | - |
| Weighted average carbon intensity | Tonnes/CO ₂ e/DKKm | 20.8 | 21.4 | - |
| Carbon emissions by directly owned corporate bonds | | | | |
| Absolute emissions | Tonnes/CO ₂ e | 20 | 23 | - |
| Financed emissions (carbon footprint) | Tonnes/CO ₂ e/DKKm | <1 | <1 | - |
| Carbon intensity | Tonnes/CO ₂ e/DKKm | <1 | <1 | - |
| Weighted average carbon intensity | Tonnes/CO ₂ e/DKKm | <1 | <1 | - |
| Active ownership, number of dialogues | | | | |
| Number of dialogues on climate change | No. | 12 | - | - |
| Number of dialogues in total | No. | 73 | - | - |
| S - Sociale data | | | | |
| Taxes paid | DKKm | 352 | 379 | 281 |
| G - Governance data | | | | |
| Gender diversity, Board of Directors | % | 17 | 17 | 17 |
| Board meeting attendance | % | 97 | 97 | 95 |

¹ Due to a change in the calculation method, it has not been possible to calculate comparative figures for 2019. For more information and definitions, see the statutory report on corporate social responsibility 2021.

Udviklingen i ESG-nøgletallene for investeringerne er kommenteret i afsnittet om samfundsansvar før tabellen.

Development in the investments' ESG ratios is addressed in the section on corporate social responsibility above the table.

The pension fund's other ESG ratios:

- The item Taxes paid includes tax on pension returns which depends on the realised investment return for the preceding year. The drop in Taxes paid is primarily attributable to the tax on pension returns being significantly high in 2020 due to a very high investment return in 2019.
- Governance data show that the Board of Directors of ISP does not represent an equal gender distribution as defined in the Danish Business Authority's guidelines (see page 19 for further details). Board meeting attendance remains high.

Data ethics

ISP has chosen not to define a data ethics policy for 2021, as ISP does not process data or apply algorithms for data analysis in excess of what is expected and normal in relation to operating a pension company. This could be information about the employer, employment and state of health. ISP's performance of its core task requires access to and processing of extensive amounts of data about members, companies and employees. When ISP processes data, the individual person's data is respected as much as possible honouring ISP's pension obligations.

Data processing in the form of e.g. detecting member patterns is also not an integral part of ISP's current business activities. The member's historical data are naturally considered – after a specific needs assessment – when providing advice.

Data processing at ISP must never involve any form of discrimination or partial results. Regardless of how ISP collects data, this will always be in accordance with the data protection legislation applicable. ISP recognises that the strategic focus on digitalisation and new technologies may result in a need for a data ethics policy in the future.

ISP never sells data.

For more information on how ISP processes data, see Processing of personal data and digital communications (isp.dk).

Financial results, solvency capital requirement and total capital

Profit of DKK 304 million

ISP realised a profit of DKK 304 million in 2021 against a loss of DKK 47 million in 2020. The profit for the year is primarily related to the reversal of outlays from equity to cover the loss on and risk margin in the guarantee scheme, DKK 262 million in total, and provision for the benefit guarantee on the interest component for the senior scheme as well as risk premium. The profit for the year also comprised coverage of negative risk results and the negative investment return for the year. The profit for the year outperformed expectations.

The Board of Directors proposes that the profit for the year be transferred to equity. Equity subsequently stood at DKK 882 million, compared with DKK 578 million at 31 December 2020.

Profit of

DKK **304** mill.

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 | 31.12.2021 | 31.12.2020 |
|---|-------------------|-------------------|
| Total capital | 882 | 578 |
| Solvency capital requirement (SCR) | 364 | 356 |
| Minimum capital requirement (MCR) | 164 | 160 |
| Excess capital | 518 | 222 |
| Solvency coverage ratio relative to SCR | 242% | 162% |
| Solvency coverage ratio relative to MCR | 539% | 361% |

The solvency coverage ratio – i.e. total capital relative to the solvency capital requirement – was 242% at 31 December 2021. The improvement relative to 31 December 2020 was mainly due to the increase in the total capital resulting from the profit for the year. The net solvency capital requirement marginally increased, among other things, due to two opposite factors: the market risk increased but was offset by the rising level of interest rates in 2021, with the VA alone rising by 26 basis points to stand at 47 basis points at 31 December 2021. ISP's solvency coverage ratio is sensitive to changes to the VA.

Further information is available in the report Solvency and financial condition 2021 (in Danish only). This report also provides information on risk sensitivities in accordance with section 126 of the Danish Executive Order on Financial Reports.

Provisions for pension agreements

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 average-rate products amounted to DKK 4,355 million at 31 December 2021, against DKK 4,785 million at 31 December 2020. The drop of DKK 430 million was mainly due to the interest rate hikes in 2021, which resulted in the accumulated value adjustment of pension provisions being reduced by DKK 300 million and the risk margin being reduced by DKK 158 million in 2021. In 2021, an amount of DKK 262 million for previous outlays from equity to the guarantee scheme was reversed as equity coverage of risk margin was, among other things, reduced by DKK 155 million, bringing the total amount of equity outlays to DKK 247 million.

Total provisions for unit-linked products increased by DKK 936 million to stand at DKK 12,670 million at 31 December 2021. The increase was mainly driven by the strong investment returns for the year.

Provisions include provision for the senior scheme in the amount of DKK 546 million in 2021 against DKK 626 million in 2020. Rising interest rates in 2021 resulted in the provision for accumulated market value adjustment of the attached benefit guarantee on the interest component being reduced by DKK 29 million to stand at DKK 36 million. The previous expense was reversed to equity.

Outlook for 2022

ISP expects a small decline in premiums and number of members in 2022.

Expenses per member are expected to be at the same level as in 2021.

Interest on policyholders' savings for the guarantee scheme remained at 0.0% for all interest rate groups at 1 January 2022.

For unit-linked schemes, realised investment returns are allocated to members' savings 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 2022.

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

After the balance sheet date, war has broken out in Ukraine following the Russian invasion. In April 2021, the Sampension community excluded Russian government bonds and government-controlled companies, and ISP's direct exposure to Russia and Ukraine is therefore very limited. Although it is still too early to assess the effects thereof, the management expects that the war will have a very limited direct impact on the results of the coming financial year. However, we must expect to see knock-on effects on the energy supply in Europe, for example, but it is still too early to assess the consequences thereof.



About the pension fund

2

| | |
|--|----|
| Management structure | 24 |
| Management and other directorships | 26 |

Valby Friplejehjem

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.

On 8 December 2021, IDA appointed Cay Kjeld Holst Jensen as a new member of the Board of Directors, replacing Søren Skibstrup Eriksen, who passed away in November 2021.

The Board of Directors held five meetings, one seminar and one feature day in 2021.

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 19-20.

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 is Chairman of the Audit Committee and also functions as the independent member with accounting and audit expertise. Based on Lisa Frost Sørensen's professional career and educational background as a state-authorized public accountant, the Board of Directors assesses that Lisa Frost Sørensen meets the necessary qualifications in accordance with the rules on audit committees.

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 2021.

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, which took 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 whis-

tleblowing 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 2021.

Committee for Responsible Investment

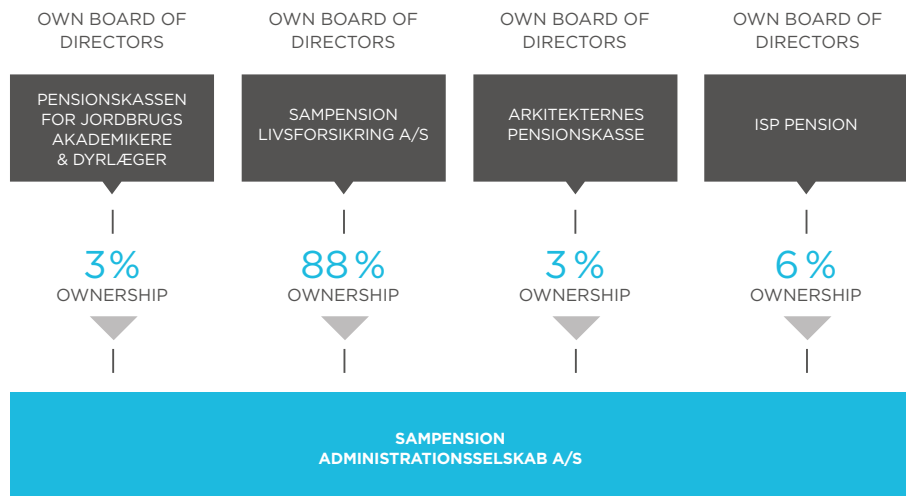
The responsible investment policy applies to all four parties of the Sampension community. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The Committee is charged with considering the environmental, social and governance aspects of investment 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) and Michael Herold (Board member) represented ISP's members on the Committee in 2021. The Committee held three meetings in 2021.

Organisation and management

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

The Sampension community



▼ Ownership and administrative agreements with equal conditions

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

ISP's risk management, compliance, actuary and internal audit functions contribute to ensuring efficient management. 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 Sampension community.

Remuneration

The boards of directors of the financial enterprises managed by Sampension Administrationselskab A/S 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 Sampension Administrationselskab A/S'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 will subsequently be 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 social responsibility 2021.

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

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Annual General Meeting

The Annual General Meeting will be held on 28 April 2022.

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, Chairman, born 6 april 1973

CEO of Bytoft Consulting ApS

Director of CAV Invest ApS

Member of the board of directors of Sampension Administrationssselskab A/S

Lars Kehlet Nørskov, Deputy Chairman, born 10 september 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, Chairman of the Audit Committee, born 28 november 1962

Bank Manager of Sparekassen Danmark af 1871

Michael Herold, born 5 january 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, born 16 april 1969

CFO of PenSam

Member of the board of directors of Kapitalforeningen PenSam Invest

Member of the board of directors of Pensam A/S

Cay Kjeld Holst Jensen, born 3 october 1940

Member of the general council of the Danish Society of Engineers (IDA)

Executive Board

Hasse Jørgensen, Ceo, born 23 july 1962

CEO of Sampension Livsforsikring A/S

CEO of Sampension Administrationssselskab 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 statements | 31 |
| Statement of changes in equity | 33 |
| Notes to the financial statements | 34 |
| Statement by Management | 53 |
| Internal auditor's report | 54 |
| Independent auditor's report | 55 |
| Definitions of financial ratios | 58 |

Pension Fund Financial statement

| Note | INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME DKKt. | PENSION FUND | |
|------|---|------------------|-----------------|
| | | 2021 | 2020 |
| 2 | Premiums | 380,954 | 368,526 |
| | Ceded premiums | 0 | -67 |
| | Premiums | 380,954 | 368,459 |
| | Income from associates | 11,707 | -7,439 |
| 3 | Interest income, dividends etc. | 244,996 | 337,801 |
| 4 | Market value adjustments | 1,253,827 | 348,874 |
| | Interest expenses | -2,420 | -4,758 |
| 5 | Investment management expenses | -60,192 | -36,634 |
| | Total investment return | 1,447,917 | 637,843 |
| | Tax on pension returns | -211,326 | -90,070 |
| 6 | Benefits paid | -800,293 | -796,323 |
| | Total insurance benefits | -800,293 | -796,323 |
| 11 | Total change in provisions | -506,984 | -160,746 |
| 5 | Administrative expenses | -5,933 | -5,993 |
| | Total net operating expenses | -5,933 | -5,993 |
| | Transferred return on investments | -129 | -32,067 |
| | TECHNICAL RESULT | 304,206 | -78,896 |
| | Investment return on equity | -5,465 | 39,312 |
| | PROFIT BEFORE TAX | 298,740 | -39,585 |
| | Tax on pension returns for equity | 5,594 | -7,245 |
| | PROFIT FOR THE YEAR | 304,335 | -46,830 |
| | TOTAL OTHER COMPREHENSIVE INCOME | 0 | 0 |
| | NET PROFIT FOR THE YEAR | 304,335 | -46,830 |

Pension Fund Financial statement (continued)

| Note | BALANCE SHEET DKKt. | PENSION FUND | |
|------|--|-------------------|-------------------|
| | | 2021 | 2020 |
| | ASSETS | | |
| 7 | Investments in associates | 19,769 | 32,430 |
| | Total investments in associates | 19,769 | 32,430 |
| | Investments | 423,274 | 382,099 |
| | Units in mutual funds | 726,973 | 664,489 |
| | Bonds | 4,657,089 | 4,788,702 |
| | Loans secured by mortgage | 7,565 | 0 |
| 8 | Derivative financial instruments | 274,629 | 400,271 |
| | Deposits with credit institutions | 139,929 | 85,382 |
| | Total other financial investment assets | 6,229,459 | 6,320,942 |
| | TOTAL INVESTMENT ASSETS | 6,249,227 | 6,353,372 |
| 9 | INVESTMENT ASSETS RELATED TO UNIT-LINKED PRODUCTS | 12,909,913 | 11,482,390 |
| | Total receivables arising from direct insurance contracts | 6,154 | 5,070 |
| | Other receivables | 58,995 | 54,850 |
| | TOTAL RECEIVABLES | 65,149 | 59,920 |
| | Cash and cash equivalents | 271,026 | 460,697 |
| | Other | 591 | 1,778 |
| | TOTAL OTHER ASSETS | 271,618 | 462,475 |
| | Interest and rent receivables | 48,150 | 51,831 |
| | Other prepayments | 33,913 | 0 |
| | TOTAL PREPAYMENTS | 82,063 | 51,831 |
| | TOTAL ASSETS | 19,577,970 | 18,409,988 |

| BALANCE SHEET | | PENSION FUND | |
|-------------------------------|--|-------------------|-------------------|
| Note | DKKt. | 2021 | 2020 |
| EQUITY AND LIABILITIES | | | |
| | Retained earnings | 882,107 | 577,772 |
| | TOTAL EQUITY | 882,107 | 577,772 |
| 10 | Provisions for average-rate products | 4,354,874 | 4,784,657 |
| 11 | Provisions for unit-linked products | 12,669,710 | 11,733,339 |
| | TOTAL INSURANCE PROVISIONS | 17,024,584 | 16,517,996 |
| 12 | Payables to credit institutions | 1,078,235 | 1,068,151 |
| 13 | Other payables | 593,044 | 245,663 |
| | TOTAL DEBT | 1,671,279 | 1,313,814 |
| | TOTAL DEFERRED INCOME | 0 | 406 |
| | TOTAL EQUITY AND LIABILITIES | 19,577,970 | 18,409,988 |
| 1 | ACCOUNTING POLICIES | | |
| 14 | CONTINGENT ASSETS AND LIABILITIES | | |
| 15 | CHARGES | | |
| 16 | REALISED RESULT FOR INTEREST GROUPS, COST AND RISK GROUPS | | |
| 17 | FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE | | |
| 18 | OVERVIEW OF ASSETS AND RETURNS | | |
| 19 | MARKET-RATE PRODUCT, RETURN ETC. BY INVESTMENT PROFILES | | |
| 20 | SUPPLEMENTARY PRODUCT RATIOS | | |
| 21 | FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, PENSION FUND | | |
| 22 | RISK MANAGEMENT | | |

Statement of changes in Equity

| DKKt. | PENSION FUND | |
|------------------------------|----------------|----------------|
| | 2021 | 2020 |
| Equity at 1 January | 577,772 | 624,602 |
| Profit for the year | 304,335 | -46,830 |
| Equity at 31 December | 882,107 | 577,772 |
| Total capital | | |
| Equity | 882,107 | 577,772 |
| Total | 882,107 | 577,772 |

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 accounting 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 0.5% 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 due to a negative realised result are transferred to so-called outlay accounts and may subsequently be reversed 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 16.

Until 31 December 2020, there were two types of accounts holding equity receivables. Shadow accounts, which were accumulated before 1 January 2016 and were to be written off 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 measurement of pension provisions for average-rate contracts is subject to particular uncertainty in respect of the applied discount curve and the recognised expected future life expectancy trend, determined on the basis of the Danish FSA's model. In addition, the assumptions applied in the measurement are mainly longevity, disability

rates, probability of conversion into paid-up policies and surrender charges.

Due to their illiquidity and timing differences, the measurement 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. As a result, the measurement of level 3 investment assets typically has the highest uncertainty margin, as the measurement is often based on unobservable inputs, meaning that major deviations may occur in relation to another company's measurement of the same asset. In addition to the uncertainty related to fair value, as explained in the section on risk management (see note 22), there is a risk that large volumes of illiquid 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 illiquid assets on unfavourable terms. The value of the most liquid 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 – listed according to item size, see note 17 – 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 Administrationssselskab A/S and direct expenses incurred. 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.

Notes to the financial statements (continued)

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

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 are also adjusted for subsequent capital increases, capital reductions or dividends up to the reporting date. Furthermore, the value of investments is adjusted on a discretionary basis where the adjusted equity value is not deemed to reflect fair value.

Investments and units in mutual funds

Listed equity 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).

Units in mutual funds for which no quoted price in an active market exists and unlisted equity 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 adjust-

ed 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 measurement 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.

Loans secured by mortgage

Loans secured by mortgage are measured at fair value at the balance sheet date. Value adjustments are made through profit or loss under Market value adjustments.

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 pension fund'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 on the basis of the Danish FSA's benchmark model.

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 potentials

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 potentials

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 net investment 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 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.

Notes to the financial statements (continued)

| Note | Dkkt. | PENSION FUND | |
|----------|---|------------------|----------------|
| | | 2021 | 2020 |
| 2 | Premiums | | |
| | Regular premiums | 311,019 | 317,246 |
| | Single premiums | 69,935 | 51,280 |
| | Total premiums | 380,954 | 368,526 |
| | Distribution of premiums | | |
| | Contracts including bonus schemes | 62,249 | 80,198 |
| | Unit-linked products | 318,704 | 288,327 |
| | Total | 380,954 | 368,526 |
| | Premiums by policyholder's address | | |
| | Denmark | 379,157 | 366,357 |
| | Other EU-countries | 1,431 | 1,728 |
| | Other countries | 366 | 441 |
| | Total | 380,954 | 368,526 |
| | Number of members with pension schemes set up as part of their employment | 12,163 | 12,369 |
| | Number of members with unit-linked contracts | 10,040 | 10,208 |
| 3 | Interest income and dividends etc. | | |
| | Dividends from investments | 82,422 | 11,021 |
| | Dividends from units in mutual funds | 120,669 | 115,666 |
| | Interest from bonds | 209 | 0 |
| | Other interest income | 86 | 924 |
| | Indexation | 7,372 | 168,590 |
| | Interest swap instruments | 34,238 | 41,599 |
| | Total interest income, dividends, etc. | 244,996 | 337,801 |
| 4 | Market value adjustments | | |
| | Investments | 480,469 | 93,594 |
| | Units in mutual funds | 1,552,685 | 217,262 |
| | Bonds | -264,721 | -97,793 |
| | Loans secured by mortgage | -174 | 0 |
| | Derivative financial instruments | -518,122 | 136,841 |
| | Cash and demand deposit | 3,691 | -1,044 |
| | Other | 0 | 13 |
| | Total value adjustments | 1,253,827 | 348,874 |

| Note | Dkkt. | PENSION FUND | |
|----------|--|--------------|-------------|
| | | 2021 | 2020 |
| 5 | Administrative expenses | | |
| | The ISP pension fund has signed a management agreement with Sampension Administrationssselskab A/S and forms part of this join. All employees are employed with and paid by Sampension Administrationssselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors. The CEO and control function staff are also employed with the pension fund. Administrative expenses relating to pension and investment activities include the following staff costs: | | |
| | Staff salaries | -840 | -846 |
| | Staff pensions | 0 | -1 |
| | Total staff costs | -840 | -847 |
| | Average number of full-time employees | - | - |
| | Remuneration to the Executive Board, the Board of Directors and material risk takers | | |
| | Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profil 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 Administrationssselskab A/S. ISP has a 6% ownership interest in Sampension Administrationssselskab A/S. ISP's share of CEO Hasse Jørgensen's total remuneration of DKK 6,6 million (2020: DKK 6.6 million) is DKK 0.39 million (2020: DKK 0.39 million). | | |
| | Board remuneration | | |
| | Lars Bytoft, chairman | -240 | -240 |
| | Lars Kehlet Nørskov, Deputy Chairman | -120 | -120 |
| | Michael Herold | -100 | -100 |
| | Lisa Frost Sørensen | -140 | -140 |
| | Peter Kjær Østergaard | -100 | -100 |
| | Søren Skibstrup Eriksen (resigned 15.11.2021) | -88 | -100 |
| | Cay Kjeld Holst Jensen (joined 08.12.2021) | -6 | - |
| | | -794 | -800 |
| | Number of people | 6 | 6 |
| | Employees whose activities have a material impact on the company's risk profile *) | | |
| | Earned fixed salary, including pension | -958 | -964 |
| | Number of people | 8 | 8 |
| | *) 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 | | |
| | 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 | | |
| | Remuneration for auditors elected by the Annual General Meeting | | |
| | PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab | | |
| | Statutory audit | -330 | -338 |
| | Assurance engagements | -78 | -59 |
| | Tax advice | -23 | -174 |
| | Other services | 0 | 0 |
| | | -430 | -572 |

In addition to the above fees, costs have been incurred for the pension fund's internal audit.

All amounts and rates are stated including VAT.

In addition to the statutory audit of the financial statements, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab has issued other statutory assurance reports, a required report on annual expenses expressed as a percentage and as an amount and provided VAT advice.

Notes to the financial statements (continued)

| Note | Dkk. | PENSION FUND | | | | | |
|----------|---|-----------------|--------------------|---------------|----------------------------|----------------------------|---------------|
| | | 2021 | 2020 | | | | |
| 6 | Benefits paid | | | | | | |
| | Death benefits | -72 | 0 | | | | |
| | Benefits on expiry | 0 | -10,529 | | | | |
| | Retirement and annuity benefits | -664,223 | -685,498 | | | | |
| | Payment at surrender etc. | -119,904 | -84,913 | | | | |
| | Premium relating to group life schemes | -16,094 | -15,384 | | | | |
| | Total benefits paid | -800,293 | -796,323 | | | | |
| 7 | Investments in associates | | | | | | |
| | Carrying amount at 1 January | 202,982 | 214,365 | | | | |
| | Additions during the year | 0 | 0 | | | | |
| | Disposals during the year | -90,354 | -3,944 | | | | |
| | Profit/loss for the year | 11,707 | -7,439 | | | | |
| | Total investments in associates | 124,335 | 202,982 | | | | |
| | Included in the item Investments in associates | 19,769 | 32,430 | | | | |
| | Included in the item Investment assets related to unit-linked contracts. See Note 10. | 104,566 | 170,553 | | | | |
| | | | | | | | |
| | | 2021 | 2020 | | | | |
| | Name and registered office | Ship | Profit/loss | Equity | Ship | Profit/loss | Equity |
| | Associerede virksomheder består af: | | | | | | |
| | BI BIOMED.VEN.IV K/S, København* | 37% | -4,540 | 2,901 | 37% | -20,416 | 7,440 |
| | Genesta Nordic RE Core Plus, København* | 44% | -44,513 | 460,391 | 44% | 24,936 | 505,394 |
| | * Latest approved financial statements from 2020 and 2019. | | | | | | |
| 8 | Derivative financial instruments | | | | | | |
| | 2021 | | | | Positive fair value | Negative fair value | |
| | Interest rate hedging instruments etc.: | | | | | | |
| | Interest swaps | | | | 277,884 | 124,378 | |
| | Swaptions | | | | 9,669 | 15,418 | |
| | CDS's | | | | 14,284 | 1,459 | |
| | Option on futures | | | | 3,630 | 3,099 | |
| | Total interest rate hedging instruments | | | | 305,467 | 144,355 | |
| | Currency-based derivative financial instruments | | | | 15,239 | 116,173 | |
| | TRS Equity | | | | 434 | 0 | |
| | Total derivative financial instruments | | | | 321,140 | 260,528 | |
| | Fair value included in the item Derivative financial instruments | | | | 274,629 | | |
| | Fair value included in the item Investment assets related to unit-linked contracts, see note 9 | | | | 46,510 | | |
| | Fair value included in the item other debt see note 13 | | | | | 260,528 | |
| | Net carrying value (asset) | | | | 60,612 | | |

note 8 continued on next page

Note 8 continued

| Note | Dkkt. | PENSION FUND | |
|------|---|--------------|---------|
| | | 2021 | 2020 |
| | 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 | 259,253 | 526,068 |
| | The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of | -181,982 | 0 |
| | Net collateral (asset) | 77,270 | 526,068 |

Furthermore, equity futures were used for effective portfolio management purposes in the unit-linked environment with a total negative exposure of DKK 456 million in the unit-linked environment (2020: DKK -281 million) and in the average-rate environment with a total negative exposure of DKK 53 million (2020: DKK -35 million). Bond futures used for hedging interest-rate risk on the bond portfolio had a total negative exposure of DKK 206 million in the unit-linked environment (2020: DKK -161 million) and a total negative exposure of DKK 848 million (2020: DKK -602 million) in the average-rate environment. As gains/losses are settled on a current basis, the fair value is nil.

| 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 | |

| 9 | Investment assets related to unit-linked products | |
|--|---|-------------------|
| Investments in associates | 104,566 | 170,553 |
| Investments | 2,502,979 | 2,120,869 |
| Units in mutual funds | 6,231,279 | 5,432,817 |
| Bonds | 3,833,211 | 3,560,098 |
| Loans secured by mortgage | 23,415 | 0 |
| Deposits with credit institutions | 167,952 | 81,938 |
| Derivative financial instruments see note 8 | 46,510 | 116,116 |
| Total investment assets related to unit-linked products | 12,909,913 | 11,482,390 |

Notes to the financial statements (continued)

| Note | Dkkt. | PENSION FUND | |
|-----------|--|------------------|------------------|
| | | 2021 | 2020 |
| 10 | Provisions for average-rate products | | |
| | Change in provisions is specified as follows: | | |
| | Provisions, beginning of year | 4,784,657 | 3,492,002 |
| | Collective bonus potential, beginning of year | -3,723 | -3,723 |
| | Adjustment of bonus potential - non-guaranteed benefits, beginning of year | -24,073 | 0 |
| | Risk margin covered by collective bonus potential, beginning of year | -26,694 | -16,437 |
| | Risk margin covered by equity at beginning of year | -158,643 | -189,025 |
| | Accumulated value adjustment, beginning of year | -1,915,271 | -1,689,698 |
| | Retrospective provisions, beginning of year | 2,656,252 | 1,593,121 |
| | Total premiums | 62,249 | 80,198 |
| | Addition of interest after tax on pension returns | 27,516 | 62,134 |
| | Tax on pension returns | -3,901 | -8,539 |
| | Transfer between classes I and III | 0 | 1,078,227 |
| | Insurance benefits | -148,183 | -159,636 |
| | Cost addition after addition of cost bonus | -1,634 | -2,125 |
| | Risk gain/loss after addition of risk bonus | 16,014 | 1,624 |
| | Group life premiums | -557 | -14 |
| | Other | -3,768 | 11,261 |
| | Retrospective provisions, end of year | 2,603,991 | 2,656,252 |
| | Accumulated value adjustment, end of year | 1,615,739 | 1,915,271 |
| | Collective bonus potential, end of year | 0 | 3,723 |
| | Adjustment of bonus potential - non-guaranteed benefits | 105,751 | 24,073 |
| | Risk margin covered by collective bonus potential at end of year | 26,175 | 26,694 |
| | Risk margin covered by equity at end of year | 3,218 | 158,643 |
| | Pension provisions, end of year | 4,354,874 | 4,784,657 |
| | Pension provisions are specified as follows: | | |
| | Interest rate group A (average basic rate of interest 0.25 % - 1.25 %) | | |
| | Guaranteed benefits | 4,015 | 2,990 |
| | Individual bonus potential | 130 | 73 |
| | Risk margin | 50 | 36 |
| | Total interest rate group A | 4,195 | 3,100 |
| | Interest rate group B (average basic rate of interest 1.25 % - 2.25 %) | | |
| | Guaranteed benefits | 575,026 | 643,682 |
| | Individual bonus potential | 4,346 | 0 |
| | Risk margin | 4,675 | 50,119 |
| | Total interest rate group B | 584,048 | 693,802 |
| | Interest rate group C (average basic rate of interest 2.25 % - 3.25 %) | | |
| | Guaranteed benefits | 201,964 | 213,594 |
| | Risk margin | 6,952 | 13,926 |
| | Total interest rate group C | 208,916 | 227,521 |
| | Interest rate group D (average basic rate of interest 3.25 % - 4.25 %) | | |
| | Guaranteed benefits | 2,250,466 | 2,570,400 |
| | Risk margin | 22,440 | 128,221 |
| | Total interest rate group D | 2,272,906 | 2,698,621 |
| | Interest rate group F (special non-guaranteed) | | |
| | Bonus potential - non-guaranteed benefits | 1,284,808 | 1,157,891 |
| | Total interest rate group F | 1,284,808 | 1,157,891 |
| | Total interest rate groups | 4,354,874 | 4,780,934 |

note 10 continued on next page

Note 10 continued

| Note | Dkkt. | PENSION FUND | |
|-----------|--|-------------------|-------------------|
| | | 2021 | 2020 |
| | Risk groups | | |
| | Collective bonus potential | 0 | 3,723 |
| | Total risk groups | 0 | 3,723 |
| | Total provisions for average-rate products | 4,354,874 | 4,784,657 |
| | Total | | |
| | Guaranteed benefits | 3,031,471 | 3,430,667 |
| | Bonus potential - non-guaranteed benefits | 1,284,808 | 1,157,891 |
| | Individual bonus potential | 4,476 | 73 |
| | Collective bonus potential | 0 | 3,723 |
| | Risk margin | 34,118 | 192,303 |
| | Total provisions for average-rate products | 4,354,874 | 4,784,657 |
| 11 | Provisions for unit-linked products | | |
| | Change in provisions is specified as follows | | |
| | Provisions, beginning of year | 11,731,336 | 12,857,426 |
| | Accumulated value adjustment, beginning of year | -65,485 | -29,667 |
| | Retrospective provisions, beginning of year | 11,665,851 | 12,827,759 |
| | Total premiums | 317,540 | 286,265 |
| | Addition of interest after tax on pension returns | 1,544,400 | 273,106 |
| | Tax on pension returns | -233,232 | -35,949 |
| | Transfer between classes I and III | 0 | -1,078,227 |
| | Insurance benefits | -652,110 | -636,687 |
| | Cost addition after addition of cost bonus | -5,149 | -4,670 |
| | Risk gain after addition of risk bonus | -5,026 | 24,623 |
| | Payment for guarantee | -2,562 | -2,231 |
| | Other | -1 | 11,862 |
| | Retrospective provisions, end of year | 12,629,709 | 11,665,851 |
| | Accumulated value adjustment, end of year | 36,458 | 65,485 |
| | Provisions for 3 i 1 Livpension, end of year | 12,666,167 | 11,731,336 |
| | Change in provisions for Linkpension contracts are specified as follows: | | |
| | Provisions for unit-linked products, beginning of year | 2,003 | 0 |
| | Gross premiums | 1,165 | 2,063 |
| | Addition of interest before tax on pension returns | 459 | 200 |
| | Tax on pension returns | -53 | 0 |
| | Technical result | -8 | 0 |
| | Insurance benefits | 0 | -259 |
| | Other | -23 | 0 |
| | Provisions for Linkpension, end of year | 3,543 | 2,003 |
| | Total provisions for unit-linked contracts | 12,669,710 | 11,733,339 |
| | Insurances taken out without minimum interest rate guarantee | 12,124,208 | 11,107,420 |
| | Insurances taken out with minimum interest rate guarantee (senior scheme) | 545,502 | 625,919 |
| | Change in provisions are specified as follows: | | |
| | Change in provisions for average-rate products | 429,782 | -1,292,654 |
| | Change in provisions for unit-linked products | -936,371 | 1,124,087 |
| | Premium paid through bonus for group life recognised directly on the balance sheet | -396 | 162 |
| | Other | 0 | 7,659 |
| | Change in provisions, Income statement | -506,984 | -160,746 |

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

Notes to the financial statements (continued)

| Note | Dkkt. | PENSION FUND | |
|-----------|--|------------------|------------------|
| | | 2021 | 2020 |
| 12 | Payables to credit institutions | | |
| | Repos | 1,064,830 | 970,964 |
| | Bank loans | 13,405 | 97,187 |
| | Payables to credit institutions | 1,078,235 | 1,068,151 |
| | From the bank loans the following fall due in the coming year | 1,078,235 | 1,068,151 |
| | After five years the outstanding balance (index-linked) will be: | 0 | 0 |
| 13 | Other debt | | |
| | Derivative financial instruments, according to note 8 | 260,528 | 55,723 |
| | Payables relating to bond purchase | 31,217 | 48,683 |
| | Sundry financial liabilities | 59,946 | 289 |
| | Provision for tax on pension returns payable and other | 241,353 | 140,968 |
| | Total other debt | 593,044 | 245,663 |
| 14 | Contingent liabilities | | |
| | The Company has committed itself at a later date to invest in funds etc. amounting to | 1,367,251 | 1,090,683 |
| | Total contingent liabilities | 1,367,251 | 1,090,683 |
| 15 | Charges | | |
| | Margin deposits relating to futures | 112,865 | 55,476 |
| | Bonds sold as part of repo debt | 915,683 | 859,885 |
| | Net assets registered in cover of 'Total provisions for insurance, net of reinsurance amounting to | 17,617,259 | 17,071,599 |
| | The amount related to the following items: | | |
| | Investments | 1,177,928 | 928,977 |
| | Units in mutual funds | 9,220,841 | 8,177,329 |
| | Bonds | 6,990,898 | 7,066,793 |
| | Cash contributions | 227,592 | 426,086 |
| | Other | 0 | 472,414 |
| | Total assets earmarked as security for policyholders' savings | 17,617,259 | 17,071,599 |
| | Off which concerning unit-linked contracts | 12,646,599 | 11,671,932 |

| Note | Dkkt. | PENSION FUND | |
|-----------|--|----------------|----------------|
| | | 2021 | 2020 |
| 16 | Realised result for interest rate, expense and risk groups | | |
| | Average-rate products | | |
| | Total interest rate groups | | |
| | Investment return before tax on pension returns | -209,234 | 255,481 |
| | Change in market value adjustment | 297,362 | -224,952 |
| | Risk margin, beginning of year | 191,826 | 214,830 |
| | Risk margin, end of year | -33,840 | -191,826 |
| | Basic rate of interest added | -60,787 | -62,571 |
| | Other | 168 | 846 |
| | Realised interest rate result pursuant to the Executive Order on the Contribution Principle | 185,495 | -8,191 |
| | Tax on pension returns | 34,654 | -38,496 |
| | Available for allocation after tax on pension returns | 220,149 | -46,687 |
| | Bonus added | 60,755 | 31,586 |
| | Transferred to collective bonus potential, interest rate groups | -19,229 | -2,903 |
| | Investment return and risk premium allocated to equity | 261,675 | -18,004 |
| | Expense groups | | |
| | Expense contribution | 3,988 | 4,333 |
| | Actual administrative expenses | -1,097 | -924 |
| | Realised expense result pursuant to the Executive Order on the Contribution Principle | 2,891 | 3,409 |
| | Bonus added | -2,354 | -2,208 |
| | Transferred to collective bonus potential, expense groups | 0 | 0 |
| | Expense result recognised in equity | 537 | 1,201 |
| | Expense result as a percentage of technical provisions | 0.02% | 0.02% |
| | Total risk groups | | |
| | Realised risk result pursuant to the Executive Order on the Contribution Principle | -35,017 | -16,799 |
| | Bonus added | 19,003 | 15,175 |
| | Transferred to collective bonus potential, risk groups | 3,723 | 0 |
| | Risk result recognised in equity | -12,292 | -1,624 |
| | Risk result as a percentage of technical provisions | -0.12% | -0.19% |
| | Shadow accounts | | |
| | Shadow accounts at 1 January | 0 | 42,417 |
| | Repayment from shadow account during the year | 0 | -31,338 |
| | Write-down as a result of transitional rule | 0 | -11,079 |
| | Shadow account at 31 December | 0 | 0 |
| | Outlay account | | |
| | Outlay account at 1 January | 509,001 | 459,660 |
| | Outlays during the year | -261,675 | 49,341 |
| | Outlay account at 31 December | 247,327 | 509,001 |

Notes to the financial statements (continued)

Note

17 Finansielle instrumenter indregnet til dagsværdi

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.

| Dkkm. | 2021 | | | | 2020 | | | |
|---|---------------|------------|--------------|---------------|---------------|--------------|--------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Investments in associates | 0 | 0 | 124 | 124 | 0 | 0 | 203 | 203 |
| Investments | 1,095 | 0 | 1,831 | 2,926 | 1,096 | 0 | 1,407 | 2,503 |
| Units in mutual funds | 6,789 | 0 | 169 | 6,958 | 6,097 | 0 | 0 | 6,097 |
| Bonds | 7,416 | 327 | 748 | 8,490 | 7,072 | 766 | 511 | 8,349 |
| Loans secured by mortgage | 0 | 0 | 31 | 31 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | 0 | 321 | 0 | 321 | 0 | 516 | 0 | 516 |
| Deposits with credit institutions | 308 | 0 | 0 | 308 | 167 | 0 | 0 | 167 |
| Cash and cash equivalents | 271 | 0 | 0 | 271 | 461 | 0 | 0 | 461 |
| Total financial assets | 15,879 | 648 | 2,903 | 19,430 | 14,894 | 1,282 | 2,120 | 18,296 |
| Financial liabilities | | | | | | | | |
| Repos | 1,065 | 0 | 0 | 1,065 | 971 | 0 | 0 | 971 |
| Payables to credit institutions | 13 | 0 | 0 | 13 | 97 | 0 | 0 | 97 |
| Derivative financial instruments | 0 | 261 | 0 | 261 | 0 | 56 | 0 | 56 |
| Payables relating to bond purchase and settlement of repos | 31 | 0 | 0 | 31 | 49 | 0 | 0 | 49 |
| Total financial liabilities | 1,109 | 261 | 0 | 1,370 | 1,117 | 56 | 0 | 1,173 |
| Total net assets | 14,770 | 388 | 2,903 | 18,060 | 13,777 | 1,226 | 2,120 | 17,124 |
| Of which concerning Average-rate products and Total capital | 4,485 | 306 | 467 | 5,257 | 4,333 | 813 | 338 | 5,485 |
| Of which concerning Unit-linked products | 10,285 | 82 | 2,436 | 12,804 | 9,444 | 413 | 1,782 | 11,639 |
| Total | 14,770 | 388 | 2,903 | 18,060 | 13,777 | 1,226 | 2,120 | 17,124 |

note 17 continued on next page

Note 17 continued

| |
|------|
| Note |
|------|

17 Financial instruments recognised at fair value (continued)

Specification of valuation based on Level 3

| Dkkt. | Value at 1 January 2021 | Value adjustments | Purchase/sale/settlement | Transfers Between Levels | Value at 31 December 2021 |
|---------------------------|-------------------------|-------------------|--------------------------|--------------------------|---------------------------|
| Investments in associates | 203 | 12 | -90 | 0 | 124 |
| Investments | 1,407 | 321 | 103 | 0 | 1,831 |
| Units in mutual funds | 0 | 19 | 14 | 137 | 169 |
| Bonds | 511 | 45 | 193 | 0 | 748 |
| Loans secured by mortgage | 0 | 0 | 31 | 0 | 31 |
| Total | 2,120 | 397 | 250 | 137 | 2,903 |

| Dkkt. | Value at 1 January 2020 | Value adjustments | Purchase/sale/settlement | Transfers Between Levels | Value at 31 December 2020 |
|---------------------------|-------------------------|-------------------|--------------------------|--------------------------|---------------------------|
| Investments in associates | 214 | -7 | -4 | 0 | 203 |
| Investments | 1,342 | 55 | 10 | 0 | 1,407 |
| Bonds | 325 | -19 | 204 | 0 | 511 |
| Total | 1,881 | 29 | 211 | 0 | 2,120 |

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

18 Overview of assets and returns

| Assets and return DKKm. | Market value | | Return 2021 % p.a. |
|---|--------------|--------------|-----------------------|
| | Beg. of year | End of year | |
| Average-rate product | | | |
| Land and buildings | 210 | 208 | 18.6% |
| Listed investments | 615 | 669 | 25.3% |
| Unlisted investments | 112 | 162 | 33.5% |
| Total Investments | 727 | 832 | 26.8% |
| Government- and mortgage bonds | 2,932 | 2,707 | -2.5% |
| Index-linked bonds | 148 | 161 | 1.3% |
| Credit bonds, investment grade and non-investment grade | 173 | 223 | 5.6% |
| Loans etc. | 0 | 8 | -0.7% |
| Total bonds and loans etc. | 3,254 | 3,099 | -1.9% |
| Other investment assets | 99 | 45 | -1.0% |
| Derivative financial instruments to hedge the net change in assets and liabilities | 394 | 203 | -32.6% |
| Total | 4,683 | 4,385 | -1.2% |

note 18 continued on next page

Notes to the financial statements (continued)

Note 18 continued

| Note | | | |
|---|---------------|---------------|--------------|
| Unit-linked contracts | | | |
| Land and buildings | 1,191 | 1,308 | 18.2% |
| Listed investments | 5,636 | 6,516 | 26.0% |
| Unlisted investments | 458 | 705 | 28.4% |
| Total Investments | 6,094 | 7,220 | 26.3% |
| Government- and mortgage bonds | 2,419 | 2,493 | -2.5% |
| Index-linked bonds | 123 | 148 | 1.2% |
| Credit bonds, investment grade and non-investment grade | 1,419 | 1,439 | 5.8% |
| Loans etc. | 0 | 23 | -0.7% |
| Total bonds and loans etc. | 3,961 | 4,104 | 0.5% |
| Other investment assets | 377 | 320 | -2.5% |
| Derivative financial instruments to hedge the net change in assets and liabilities | 90 | -90 | - |
| Total | 11,713 | 12,862 | 13.1% |

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. isp.dk/om-isp/finansiel-information/aktiver

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

| | 2021 | | | 2020 | | |
|--|-------------------------|---------------|------|-------------------------|---------------|------|
| | % of average provisions | Return % p.a. | Risk | % of average provisions | Return % p.a. | Risk |
| Unit-linked product | | | | | | |
| Investment profile with high risk | | | | | | |
| Years to retirement | | | | | | |
| 30 years | 0.03% | 20.5% | 5.50 | 0.07% | 2.8% | 5.75 |
| 15 years | 0.28% | 20.5% | 5.50 | 0.05% | 2.8% | 5.75 |
| 5 years | 0.17% | 17.8% | 5.25 | 0.08% | 2.8% | 5.50 |
| 5 years after | 0.09% | 14.8% | 4.75 | 0.06% | 2.6% | 5.25 |
| Investment profile with moderate risk | | | | | | |
| Years to retirement | | | | | | |
| 30 years | 0.27% | 18.1% | 5.25 | 0.27% | 2.7% | 5.25 |
| 15 years | 1.90% | 18.1% | 5.25 | 1.93% | 2.7% | 5.25 |
| 5 years | 2.71% | 14.2% | 4.75 | 2.23% | 2.6% | 4.75 |
| 5 years after | 1.68% | 10.0% | 4.50 | 2.43% | 2.4% | 4.50 |
| Investment profile with low risk | | | | | | |
| Years to retirement | | | | | | |
| 30 years | 0.00% | 13.1% | 4.50 | 0.00% | 2.4% | 4.50 |
| 15 years | 0.00% | 13.1% | 4.50 | 0.03% | 2.4% | 4.50 |
| 5 years | 0.13% | 8.8% | 4.25 | 0.10% | 2.2% | 4.25 |
| 5 years after | 0.04% | 4.0% | 3.50 | 0.10% | 1.7% | 3.50 |
| Senior Scheme | | | | | | |
| Years to retirement | | | | | | |
| Non-life cycle product | 3.96% | 0.6% | 3.25 | 4.80% | 1.6% | 3.25 |

A retirement age of 67 is assumed.

Note

20 Supplementary product ratios

| | 2021 | | 2020 | |
|---|------------------|------------------------|------------------|------------------------|
| | Return in % p.a. | Bonus rate in % p.a. | Return in % p.a. | Bonus rate in % p.a. |
| Average-rate product | | | | |
| Interest rate group A (average basic rate of interest 0.25 % - 1.25 %) | -5.1% | 3.3% | 0.4% | 2.7% |
| Interest rate group B (average basic rate of interest 1.25 % - 2.25 %) | -8.8% | 1.0% | 11.5% | 0.0% |
| Interest rate group C (average basic rate of interest 2.25 % - 3.25 %) | -6.9% | 0.0% | 9.7% | 0.0% |
| Interest rate group D (average basic rate of interest 3.25 % - 4.25 %) | -5.0% | 0.0% | 6.4% | 0.0% |
| Interest rate group F (special non-guaranteed) | 10.3% | 9.0% | 6.2% | 2.1% |
| Return on policyholder savings after expenses before tax | | Total in % p.a. | | Total in % p.a. |
| Average-rate product | | -2.3% | | 7.2% |
| Unit-linked product | | 13.3% | | 2.3% |

21 Five-year financial highlights and ratios

Five-year key figures

| Dkkm. | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------|--------|--------|--------|--------|
| Premiums | 381 | 369 | 369 | 397 | 379 |
| Benefits | -800 | -796 | -792 | -832 | -798 |
| Total investment return | 1,448 | 638 | 1,520 | -101 | 915 |
| Total net operating expenses | -6 | -6 | -10 | -29 | -15 |
| Technical result | 304 | -79 | -246 | 29 | -142 |
| Profit for the year | 304 | -47 | -249 | 21 | -126 |
| Total provisions for insurance contracts | 17,025 | 16,518 | 16,349 | 15,283 | 15,850 |
| Total equity | 882 | 578 | 625 | 873 | 853 |
| Total assets | 19,578 | 18,410 | 18,695 | 16,395 | 17,036 |

Five-year financial ratios

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------|-------|--------|-------|--------|
| Return ratios | | | | | |
| Rate of return related to average-rate products | -1.9% | 7.2% | 9.1% | 3.6% | 1.6% |
| Rate of return related to unit-linked products | 13.4% | 2.4% | 10.4% | -1.6% | 7.3% |
| Risk on return related to unit-linked products | 4.75 | 4.75 | 3.75 | 3.75 | 3.75 |
| Expense ratios | | | | | |
| Expense ratio for provisions | 0.04% | 0.04% | 0.06% | 0.19% | 0.09% |
| Expenses in DKK. per policyholder | 484 | 480 | 722 | 2,064 | 1,035 |
| Return ratios | | | | | |
| Return on equity after tax | 41.7% | -7.8% | -33.2% | 2.4% | -13.8% |

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

Note

22 Risk management

ISP'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. Members 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 sums insured are covered for own account. The sum insured 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.

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 legal and cyber risk.

Notes to the financial statements (continued)

Note 22 continued

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 2021.

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 2021 and of the results of the pension fund's operations for the financial year ended 31 December 2021.

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, 21 March 2022

Executive Board

Hasse Jørgensen
Chief Executive Officer

/ Pernille Henriette Vastrup
Chief Financial Officer

Board of Directors

Lars Bytoft
(Chairman)

Lars Kehlet Nørskov
(Deputy Chairman)

Michael Herold

Cay Kjeld Holst Jensen

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 2021 and of the results of the pension fund's operations for the financial year ended 31 December 2021 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 2021. 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, 21 March 2022

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 2021 and of the results of the Pension Fund's operations for the financial year 1 January - 31 December 2021 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 2021 comprise income statement and statement of other 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 ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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 3 years including the financial year 2021.

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 2021. 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 matter |
|---|--|
| <p>Measurement of pension provisions</p> <p>The pension funds pension provisions total DKK 17,025 million, which constitutes 87 percent of the pension funds balance sheet total.</p> <p>The provisions primarily consist of provisions for average-rate products and unit-linked products.</p> <p>The provisions are based on the fair value of the associated assets in relation to unit-linked products and actuarial principles in relation to other provisions and involves significant accounting estimates, which are linked to the actuarial assumptions concerning the timing and amounts of future payments to members.</p> <p>Significant actuarial assumptions include yield curve used for discounting, life span, mortality, disability, probability of repurchase and paid-up policies as well as costs.</p> <p>We focused on the measurement of pension provisions, because accounting estimates are complex by nature and influenced by subjectivity and thus associated with a high degree of discretionary uncertainty.</p> <p>Reference is made to the mention of "Accounting estimates" in note 1 and "Provisions for average-rate products" in note 10 and "Provisions for unit-linked products" in note 11 to the Financial Statements.</p> | <p>We performed risk assessment procedures in order to gain an understanding of IT systems, business procedures and relevant internal controls regarding the calculation of pension provisions. For the controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls that we planned to base the audit on, we tested whether they were performed on a consistent basis.</p> <p>We used our own actuaries to assess the actuarial methods and models used by the pension fund, as well as the assumptions used and calculations made.</p> <p>We assessed and challenged the methods used, models and significant assumptions in the form of yield curve used for discounting, life span, mortality, disability, probability of repurchase and paid-up policies probability and costs based on our industry knowledge to assess whether these are in accordance with regulatory and accounting requirements. This included an assessment of the continuity of the basis for the calculation of provisions.</p> <p>We tested the calculation of the calculated pension provisions on a sample basis.</p> <p>We assessed whether the information regarding the provisions was appropriate.</p> |

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, actions taken to eliminate threats or safeguards applied.

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, 21 March 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 3377 1231

Per Rolf Larssen
State Authorised Public Accountant
mne24822

Claus Christensen
State Authorised Public Accountant
mne33687

Definitions of financial ratios

Danish FSA financial ratios

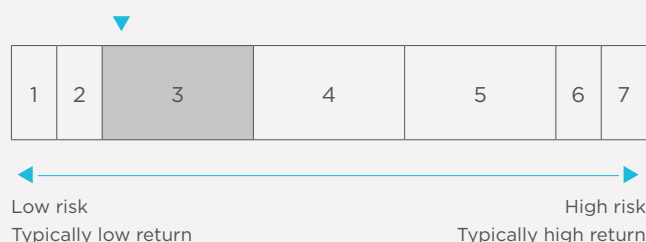
Financial ratios have been calculated in accordance with the Danish FSA's Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.

- Rate of return =
$$\frac{\text{Investment return on average rate and market-rate products} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate and market-rate products}}$$
- 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 related to market-rate products = 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:

| Risikoklasse | Pct. | |
|--------------|-------|-------|
| | 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 =
$$\frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate and market-rate products}}$$
- Expenses per policyholder (DKK) =
$$\frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Average number of policyholders} + \text{average number of policyholders with group life contracts} \times 0.1}$$
- Return on equity after tax =
$$\frac{\text{Profit after tax} \times 100}{\text{Weighted average equity}}$$
- Solvency coverage ratio =
$$\frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at year end}}$$

Supplementary financial ratios

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

- Bonus rate (%) =
$$\frac{\text{Individual and collective bonus potentials of the interest rate group at year end} \times 100}{\text{Total custody accounts for interest rate group at year end}}$$
- Return on customer funds after deduction of expenses and before tax, per product type =
$$\frac{(\text{Weighted average provisions} + \text{tax on pension returns}) \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average cashflows}}$$
- The financial ratio expresses policyholders' total return less expenses and risk premium

