

Annual report

2018

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Financial and operating data, summary of financial statements

Table 1 Financial and operating data

DKK mill.	2014	2015	2016	2017	2018
Income statement items					
Premiums	6,737	7,223	7,206	8,046	8,429
Investment returns	12,432	8,539	11,033	12,161	-1,699
Tax on yields of certain pension-scheme assets	-1,878	-1,316	-1,686	-1,683	329
Insurance benefits	-5,280	-3,931	-4,682	-4,657	-5,321
Total change in insurance provisions and excess capital	-11,036	-10,296	-11,232	-13,182	-1,345
Insurance operating costs	-113	-37	-113	-124	-124
Result of sickness and accident insurance	30	39	41	40	47
Other items	-686	-103	-362	-213	-205
Comprehensive income for the year	206	118	204	388	111
Assets					
Investment assets	23,780	23,346	22,588	23,319	23,774
Investment assets attached to market-rate products	114,952	122,460	130,930	141,743	145,593
Other assets	3,554	3,879	3,848	5,078	2,647
Total assets	142,286	149,685	157,366	170,140	172,013
Equity and liabilities					
Equity	4,472	4,590	4,794	5,182	5,293
Subordinate loan capital (special bonus provisions)	4,020	4,019	4,057	4,111	4,019
Provisions for insurance and investment contracts	121,195	131,532	143,297	156,748	158,596
Other liabilities	12,598	9,544	5,217	4,099	4,105
Total equity and liabilities	142,286	149,685	157,366	170,140	172,013
Recognised own funds (capital base 2014-2015)	8,487	8,606	8,851	9,293	9,312
Solvency capital requirement	1,413	1,410	2,116	2,459	2,709
Financial ratios					
Return before tax on yields of certain pension-scheme assets	11.0%	6.7%	8.2%	8.2%	-1.0%
Costs per member	DKK 261	DKK 84	DKK 250	DKK 278	DKK 272
Solvency ratio *	601%	610%	418%	378%	344%
Number of members carried forward	396,403	399,770	402,205	406,514	410,801

* Recognised own funds as % of the solvency capital requirement

Income statement

Premium income (excl. premiums for sickness and accident insurance and after withholding income tax (A tax) and social security contributions) amounted to DKK 8.4 bn. in 2018. This is an increase of DKK 4.8% compared to last year.

The number of economically active members who pay pension contributions via their employer increased by about 3,400 in 2018, and over the past five years there has been an increase of almost 12,000, corresponding to about 8%.

2018 ended with heavy decline in prices on the financial markets, and this resulted in negative returns on the majority of global listed markets. As a result, for the first time at 16 years, investment returns were negative. Investments in listed shares, credit bonds and emerging markets bonds were particularly detrimental to returns, while investments in unlisted shares, property and infrastructure gave good investment returns.

Total investment returns ended at DKK -1.7 bn. after costs, compared with DKK 12.1 bn. in 2017.

This corresponds to a total return on investment assets of -1.0% in 2018 (8.2% in 2017). The return before costs was -0.3%. Over the past 10 years, the average return after costs has amounted to 8.9% per annum.

As a result of the negative investment return in 2018, tax on yields of certain pension-scheme assets for 2018 is positive and has been posted as revenue in the income statement at DKK 329 mill. Therefore, there is a receivable (tax asset), which may be set off against future tax charges.

Insurance benefits amounted to DKK 5.3 bn. and were 14.3% above the benefits for 2017, when the insurance benefits were DKK 4.7 bn. The higher insurance benefits are primarily due to an increase in old-age pensions and transfers to other pension funds in connection with job changes.

Administration costs for life-assurance activities were similar to 2017 at DKK 124 mill. Costs per member were DKK 272 (DKK 278 in 2017). In addition, costs regarding sickness and accident insurance amounted to DKK 46 per member (DKK 42 in 2017). Costs per member therefore remain at a low level. After this, comprehensive income for the year was DKK 111 mill. against DKK 388 mill. in 2017, and against an expected profit for the year of DKK 100-150 mill. The drop in comprehensive income in relation to 2017 is due to the low investment return in 2018.

The results for 2018 are detailed in table 2. The gross profit on life assurance is composed of an interest, expense and risk result as well as the changes in market-value adjustments of life-assurance provisions. The gross result on life-assurance activities was DKK -12 mill. against DKK 479 in 2017. The drop is due to lower returns in 2018 and thereby lower interest results. The results for 2017 were affected by a distribution from the collective bonus potential of approximately DKK 1.2 bn. after tax to the individual members' custody accounts in the average-rate scheme. This distribution had a negative impact on the interest result, but this was partly counteracted by a positive impact on market-value adjustments in this year.

Furthermore, the risk result fell from DKK 70 mill. in 2017 to DKK -57 mill. in 2018 as a consequence of higher bonus allotments in the group life scheme in 2018. In 2018, sickness and accident insurance contributed a gross result of DKK -77 mill. against DKK 182 mill. in 2017.

The drop is due in part to a natural increase in the number of reported cases concerning health benefits, because the cover has now been extended right up to the state retirement age. Another reason for the drop is the weaker investment results.

The total gross loss of DKK -89 mill. and the consumption of collective bonus potential and premium rebates in sickness and accident insurance have been posted to special bonus provisions (DKK 123 mill.) and transferred to equity (DKK 111 mill.).

Table 2 Comprehensive income for the year

DKK mill.	2017	2018
Interest result after tax	-603	-18
Expenses result	84	89
Risk result	70	-57
Change in market-value adjustments	929	-27
Gross profit on life assurance	479	-12
Gross profit on sickness and accident insurance	182	-77
Total gross profit	661	-89
Consumption of bonus for group life	-71	3
Consumption of collective bonus potential	192	197
Consumption of premium rebates, sickness and accident insurance	-142	124
Provided for special bonus provisions	-252	-123
Comprehensive income for the year	358	111

Balance sheet

Total assets increased by DKK 1.9 bn. from DKK 170.1 bn. in 2017 to DKK 172.0 bn. at the end of 2018. In the past five years, total assets have grown by DKK 43.6 bn.

Total provisions for insurance and investment contracts amounted to DKK 158.6 bn. at the end of 2018. Of this amount, provisions for the market-rate scheme totalled DKK 143.9 bn. while provisions in the average-rate environment, which only include pensioned members, amounted to DKK 7.2 bn., including individual as well as collective bonus potentials. Furthermore, there are provisions for sickness and accident insurance of DKK 7.4 bn. In the market-rate scheme, returns are allocated to members in full in the year they are earned, while members on average rate are allocated a specific rate of interest on their savings, which in 2018 was set at 5% (after tax). The rate of interest on members' savings as been set at 9% after tax for 2019.

Equity rose in 2018 to DKK 5.3 bn., and total own funds thus amounted to DKK 9.3 bn. at the end of the year.

Events after the end of the financial year

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

Members and the pension scheme

Members

The number of active members rose in 2018 by 2,681 to 211,664. Moreover, the number of old-age pensioners rose by 9% to 40,977 members.

Overall, there was a net influx of 4,287 members in 2018, and Industriens Pension thus had 410,801 members at the end of the year.

Table 3 Number of members at the end of the year

	2014	2015	2016	2017	2018
Members who pay via their employer	161,022	162,170	164,125	166,530	169,945
Self-paying members	9,511	9,009	8,289	7,531	6,887
Apprentices and trainees who only have insurance cover	2,195	2,047	1,874	1,976	1,334
Members exempt from making contributions	30,974	31,563	32,056	32,946	33,498
Total active members	203,702	204,789	206,344	208,983	211,664
Passive members	154,126	153,116	150,213	147,768	145,604
Old-age pensioners	26,823	29,946	33,523	37,454	40,977
Disability pensioners	11,752	11,919	12,125	12,309	12,556
Total	396,403	399,770	402,205	406,514	410,801

Contributions

Total contributions amounted to DKK 9,756 mill. (before withholding income tax (A tax) and labour-market contributions), an increase of DKK 554 mill. in 2017.

The most important reason for this increase is that in 2018, more contributions and transfers were received than in previous years.

Table 4 Contributions

DKK mill.	2014	2015	2016	2017	2018
Contributions, life assurance	6,224	6,376	6,369	6,602	6,680
Deposits and transfers	1,054	1,265	1,242	1,817	2,132
Contributions, sickness and accident insurance	511	377	630	570	687
Contributions, contracts taken out individually	99	133	163	213	257
Total contributions	7,888	8,151	8,403	9,202	9,756

Payments

Total payments increased by DKK 696 mill. compared with 2017. This is partly due to an increase in payments of old-age pensions as a consequence of many new old-age pensioners, and partly due to an increase in transfers to other pension companies in connection with job changes.

In 2018, Industriens Pension directed specific efforts towards members who are entitled to an old-age pension, but who have not yet claimed pension benefits. This has contributed to the increase in the number of old-age pensioners.

Table 5 Benefits paid

DKK mill.	2014	2015	2016	2017	2018
Payments for old-age pensions	821	917	1,093	1,358	1,610
Payments for loss of ability to work	571	585	612	643	689
Payments on death	325	331	383	355	467
Lump sums for critical illnesses	124	138	134	137	142
Transfers on changes of job	3,591	2,230	2,731	2,442	2,686
Other payments	87	95	92	125	140
Tax correction of old-age lump sum	112	16	-1	0	0
Total payments	5,631	4,312	5,045	5,060	5,733
Transferred to other insurance provisions	96	71	119	110	133
Total benefits	5,727	4,384	5,165	5,170	5,866

Table 6 Number of new recipients of pensions

	2017	2018
Payments due to certain critical illnesses	1,348	1,442
Payments due to degree of disability of between 50%-67%	183	150
New disability pensions (degree of disability more than 67%)	914	977
Payments to surviving relatives after death	1,172	1,339
Retirement savings scheme paid out, but member not retired	3,093	2,805
Old-age pension paid as a lump sum	2,568	3,014
New old-age pensioners	4,338	4,525

Continued low administration costs

In 2018, "Expenses per insured party" were DKK 272. For 2019, the monthly contribution for administration is set at DKK 22 per member, corresponding to DKK 264 annually. This keeps the administration contribution at a level that maintains Industriens Pension's position as one of the very cheapest pension companies in the sector.

More contact with members and companies

In line with previous years, 2018 saw increased contact by Industriens Pension with members and companies. The increase in 2018 was considerable, as the number of sessions and page views on the website and the app almost doubled.

At the end of 2017, Industriens Pension launched its new app, and right from the start, members have taken advantage of this easy access to personal information about their pension scheme. In 2018, there were almost one million sessions on the web and the app and more than 10 million page views for information about the pension scheme.

2018 also saw a considerable strengthening of personal contact, with more than 260,000 telephone conversations; an increase of almost 20% compared with 2017. Employees from Industriens Pension visited more than 1,700 member companies to provide members and the companies with direct information on the content of the pension scheme.

Finally, in November 2018, we hired a new "colleague": Roberta, a chatbot who has already conducted more than 1,000 interviews. Roberta has been developed in collaboration with IBM and is based on artificial intelligence. Roberta will be a supplement to our personal contact with members.

Several prizes in 2018

In 2018, Industriens Pension was lauded as the best European labour market pension company by the Investment & Pensions Europe organisation. The same organisation also awarded Industriens Pension the Real Assets & Infrastructure Investor of the Year award at the IPE Real Estate Global Awards.

Furthermore, in 2018, Industriens Pension was lauded as the best digital pension company by FinansWatch, a financial news media, and Wilke, a market research firm. The judges emphasised “My page” login area and Industriens Pension’s skill at innovating.

In addition, the sector analyses by Loyalty Group and by FinansWatch and Wilke showed that member satisfaction and loyalty at Industriens Pension is one of the highest in the pension sector.

The survey “Finansimage 2018” by Finans-Watch and Wilke showed that Industriens Pension ranked at the top in terms of “net promoter score”, which expresses the extent to which companies' own members would recommend their pension company to others.

Industriens Pension will continue its work to raise member satisfaction and loyalty.

Danish Insurance Complaints Board

Industriens Pension is attached to the Danish Insurance Complaints Board. In 2018, there were nine appeals against decisions. This is a small number.

In 2018, the Danish Insurance Complaints Board decided 14 cases (seven of which dated back to 2017), and decisions by Industriens Pension were upheld in all these cases.

Two cases have not yet been decided.

Investment activities

RETURN FOR THE YEAR

The result on investment activities was DKK -1.7 bn. after costs and before tax in 2018. This corresponds to a total investment return for the year on -1.0%. The return before costs was -0.3%.

The negative returns in 2018 occurred as a consequence of a number of challenging market movements that struck broadly across all listed assets. The whole year was affected by a number of uncertainties, including political uncertainty with regard to Italy, the yellow vests in France and Brexit.

Furthermore, various statements regarding trade meant that a number of companies were uncertain about future growth, leading to reductions in expected earnings. This was particularly evident in the fourth quarter, with heavy declines in prices.

Listed shares and credit pulled down returns

On listed share markets, in which Industriens Pension has invested DKK 41 bn. (25%), returns on Danish shares were -9.3%, while foreign shares saw returns of -9.1%.

Credit bonds and emerging-market bonds (DKK 35 bn.) were also negatively affected by falling expected growth and increasing interest rates in the US. Overall, these bonds yielded -4.2%, broken down as -3.3% on high-yield, -2.5% on investment grade and -6.5% on emerging-market bonds.

Gilt-edged bonds (DKK 37 bn.) increased marginally in 2018, with a small positive yield of 1.1%.

Strategic hedging of inflation risk gave a negative return in 2018 due to expectations of lower inflation in Europe. This affected total returns on the investment portfolio by -0.7 percentage points.

Table 7 Returns on assets 2018 (%)

	Return	Benchmark
Gilt-edged bonds	1.1	0.9
Other credit	4.3	-
Corporate bonds, high yield	-3.3	-4.6
Bonds, emerging markets	-6.5	-4.1
Bonds, investment grade	-2.5	-3.2
Shares, Danish	-9.3	-7.5
Shares, foreign	-9.1	-9.8
Unlisted shares	12.2	-
Properties	5.7	-
Infrastructure	9.9	-
Total	-1.2	-1.0
Total, including hedging of liabilities	-1.0	-0.9

Relevant benchmarks are used for listed assets, and these are stated in the table. With regard to unlisted investments, for which there are no similar benchmarks, returns earned are applied. This means a total drop in returns earned on listed investment assets of 0.17 percentage points in relation to the benchmark. For unlisted investments, a number of other references are used to assess the returns on the individual classes of assets.

Satisfactory returns on unlisted investments

The portfolio of unlisted investments proved its worth in a year like 2018, where market returns were negative for most listed classes of assets.

The total portfolio of unlisted investments amounts to almost DKK 49 bn. (29% of total investment assets). Investments are in unlisted companies, infrastructure assets, property and credit. The majority are unlisted companies (DKK 18 bn.) and infrastructure assets (DKK 19 bn.), which provided a return of 12.2% and 9.9%, respectively in 2018.

Total investments in property (DKK 9 bn.) yielded a return of 5.7%. This includes Danish properties that Industriens Pension has invested in directly. This part of the portfolio delivered a return of 6.8%. The portfolio of Danish properties is still being developed and it currently amounts DKK 3.4 bn.

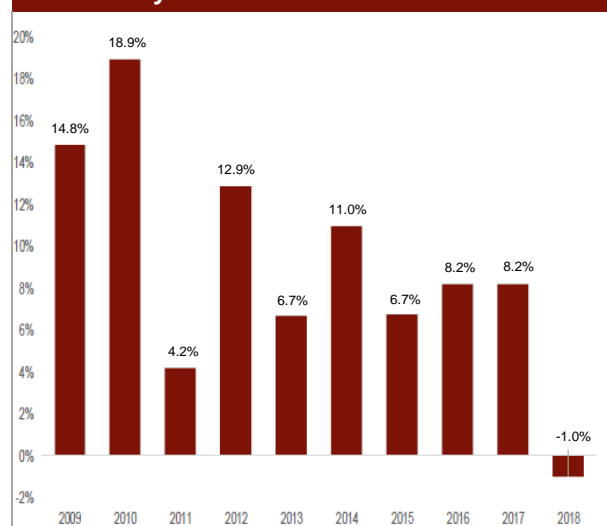
Other credit (DKK 2.5 bn.) is investments through funds that primarily focus on variable-interest unlisted corporate loans, and these also gave a good positive return of 4.3%.

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

Positive returns over 10 years

A return of -1.0% in 2018 meant that, for the first time in 16 years, Industriens Pension saw a negative return. Over the past 10 years, the average annual return has been 8.9%. Historically, this has secured members some of the highest returns in the sector. The strong historical returns yielded by the market since the financial crisis ended in 2018, and we expect lower returns in the future.

Figure 1 Returns before tax for the past 10 years



Investment costs

Investment costs were 0.69% of assets in 2018, which is 0.06% lower than in 2017. Investment costs vary considerably across classes of assets, and they are highest for unlisted investments. Investment costs are deducted in the return for the year at -1.0%.

Table 8 Investment costs in 2018 by types of assets

Asset type	DKK mill.	%
Gilt-edged bonds	30.1	0.08
Other credit	33.5	0.02
Bonds, investment grade	31.0	0.31
High-yield corporate bonds	38.5	0.35
Bonds, emerging markets	71.0	0.49
Shares, Danish	33.4	0.31
Shares, foreign	154.6	0.46
Unlisted shares	419.6	2.47 *
Properties (core)	7.2	0.23
Properties	65.2	1.10 *
Infrastructure (core)	17.3	0.28
Infrastructure	218.7	1.80 *
Other strategies	1.8	1.10
Unallocated costs	14.7	-
Total investment costs	1,136.4	0.69

* As a percentage of average investment commitments

Industriens Pension has active portfolio management, with a high proportion of unlisted investments. This strategy entails relatively higher costs than a strategy with passively managed, listed assets. For Industriens Pension, this strategy has historically resulted in higher returns, and this continued in 2018.

INVESTMENT ASSETS

Investment assets valued for accounting purposes rose from DKK 165 bn. at the end of 2017 to DKK 169 bn. at the end of 2018. If derivative financial instruments with a negative value and debt to credit institutions are included, net exposures in investment assets amounted to DKK 165 bn. at the end of 2018.

Table 9 Asset types

Asset type	Exposures carried forward 2017		Exposures carried forward 2018	
	DKK mill.	%	DKK mill.	%
Gilt-edged bonds	30,832	18.8	37,458	22.7
Gilt-edged index-linked bonds	-	0.0	-	0.0
High-yield corporate bonds	11,560	7.0	10,008	6.1
Bonds, emerging markets	14,328	8.7	15,022	9.1
Bonds, investment grade	10,749	6.6	9,643	5.8
Shares, Danish	10,991	6.7	9,783	5.9
Shares, foreign	33,844	20.6	30,920	18.7
Unlisted shares	16,502	10.1	18,219	11.0
Properties	8,370	5.1	8,692	5.3
Infrastructure	17,416	10.6	19,329	11.7
Other strategies	83	0.1	233	0.1
Other credit	1,217	0.7	2,484	1.5
Money market *	8,158	5.0	3,405	2.1
Total	164,049	100.0	165,195	100.0

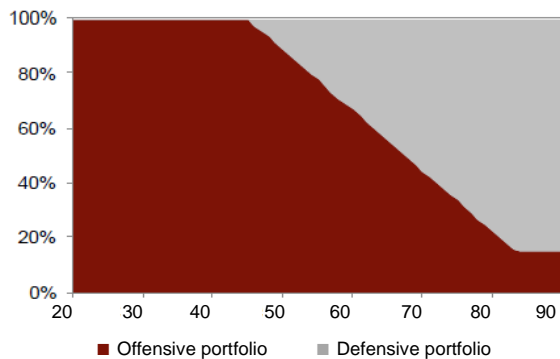
* Calculated as funds at bank plus counter-value of financial instruments plus market value of financial instruments

On industrienspension.dk there is a list of the company's investments.

RETURNS FOR MEMBERS

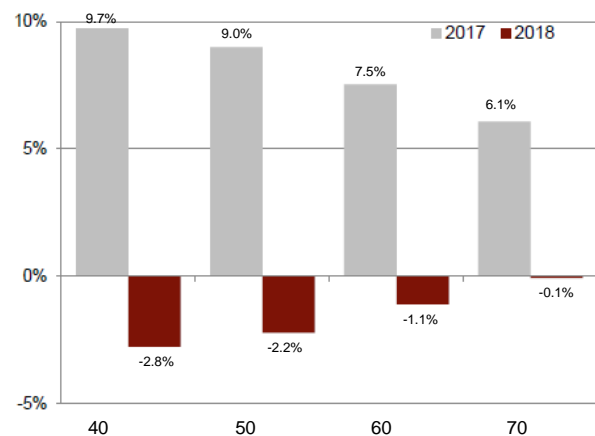
All members who were not receiving a pension at the end of 2011 have their savings placed in a lifecycle product at market-rate terms.

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

Figure 2 Risk by age

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

In 2018, the return on the offensive portfolio was -2.8%, while the defensive portfolio yielded a return of DKK 2.1%. The total return for members in the lifecycle product was -1.5%.

Figure 3 Returns by age

The average-rate product, which only includes members who had retired before June 2012, was allotted an interest rate of 5% after tax on individual members' savings.

Risk and solvency

Solvency capital requirement and own funds

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

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

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

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

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

The solvency capital requirement amounted to DKK 2.7 bn. at the end of 2018, and accepted own funds to cover this requirement amounted to DKK 9.3 bn. This corresponds to excess liquidity of DKK 6.6 bn. and Industriens Pension is thus particularly well consolidated.

In 2018, the principles for calculating accepted own funds changed, as - under certain conditions - receivable tax on yields of certain pension-scheme assets (tax assets) may now be recognised under own funds. Comparative figures for previous years have been adjusted accordingly.

For 2017, recognition of the tax asset in accepted own funds led to an increase in the solvency ratio from 301% to 378%.

Table 10 Solvency capital requirement and own funds

DKK mill.	2017	2018
Total solvency capital requirement		
Insurance risk, life	444	470
Insurance risk, health *	395	512
Market risk	3,648	3,851
Counterparty risk	43	54
Effect of diversification	-609	-709
Operational risk	96	96
Covered by provisions	-1,558	-1,566
Total solvency capital requirement	2,459	2,709
Own funds		
Accepted own funds	9,293	9,312
Solvency ratio	378%	344%

* Sickness/accident and lump sum benefits in the event of disability and critical illness

In 2018, the solvency capital requirement increased by DKK 250 mill. to DKK 2,709 mill. This increase is primarily due to repayment of a large tax asset, which has subsequently been invested, resulting in assumption of market risk.

Table 11 Sensitivity analysis (DKK mill.)

Risk category	SCR 125%			SCR 100%			
	Stress	Own funds	Solvency ratio *	Stress	Own funds	Solvency ratio *	
Interest-rate risk	200 bp	8,303	311%	200 bp	8,303	311%	
Share-price risk	100%	4,220	144%	100%	4,220	144%	
Property risk	100%	8,202	315%	100%	8,202	315%	
Credit spread	Danish government bonds, etc.	86%	5,212	125%	100%	4,288	103%
	Other government bonds, etc.	100%	8,295	297%	100%	8,295	297%
	Other bonds	95%	4,700	125%	100%	4,372	117%
Currency spread risk **	USD	100%	8,926	340%	100%	8,926	340%
	HKD	100%	9,276	347%	100%	9,276	347%
	BRL	100%	9,274	344%	100%	9,274	344%
Counterparty risk		9,312	339%				
Life expectancy risk	97%	9,312	121%	99%	9,312	105%	

* Accepted own funds as % of solvency capital requirement

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

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

As a point of departure, for each risk category, the analysis must specify the stress lowering the current solvency ratio (see table 10) to 125% and 100%, respectively, including a statement of the related reduced own funds, see the two scenarios "SCR 125%" and "SCR 100%".

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

This is why, with the exception of two cases, the table states the maximum stress for the individual risk categories. The two exceptions concern credit-spread risk on Danish bonds and other bonds where a stress of 86% and 95%, respectively, results in a solvency ratio of 125%.

Life-expectancy risk must specify the percentage life-expectancy improvement reducing the solvency ratio to 125% and 100%. For Industriens Pension, this will require a life-expectancy improvement in the two scenarios of no less than 97% and 99%.

See note 25 on risk management and sensitivity information as well as "Rapport om solvens og finansiel situation for 2018" (Report on the solvency and financial situation for 2017 - only in Danish) on the company website for a more detailed description of risk management in Industriens Pension, including work on identifying individual risks and determining acceptable risk levels etc.

Corporate social responsibility

Industriens Pension is responsible for administering approximately 400,000 members' pension savings. This is an important role and a serious responsibility for the financial security of many Danes, both as pensioners and before this through insurance cover in the event of loss of ability to work, critical illness and death.

Members' savings are managed through investments in the financial markets aiming at good long-term returns.

Investments are in different types of assets in listed and unlisted companies, properties, Danish and foreign bonds, etc. Through its investments, Industriens Pension has an interest in ensuring that the relevant companies, states, etc. behave responsibly.

Even though our equity interests are usually small, Industriens Pension has focus on being a responsible investor and having the most possible influence to live up to our corporate social responsibility. This is by working with others, but also by prioritising our own efforts where we can achieve most.

In our opinion, a company's ability to manage the environment, social conditions, and good corporate governance can affect their ability to add value and, in turn, investment returns for Industriens Pension.

The aim for investments is to ensure the highest possible long-term real returns after costs, while also taking account of investment risk. Investing responsibly and being an active investor protects and increases returns and contributes to sustainable social development. Our "Policy on responsible investment and active ownership" ensures that we take account of human rights, employee rights, the environment and climate, anti-corruption and taxation when we invest, and that our investments do not contribute to activities associated with weapons that contravene conventions.

STRENGTHENED EFFORTS IN 2018

In 2018, the Board of Directors adopted an updated version of Industriens Pension's policy on responsible investment. The new version contains clear references to the OECD Guidelines for Multinational Enterprises, which incorporate the UN Guiding Principles for Business and Human Rights (UNGP), in accordance with the Danish Business Authority's new guidelines on responsible investment for institutional investors dated March 2018.

The updated policy reflects the approach to responsible investments that has emerged after discussions in Industriens Pension's committee on responsible investment, as well as our interaction with cooperation partners, peers in the pension sector, as well as other stakeholders.

The updated version combines policies and guidelines for responsible investments and voting policy in one overall "Policy on responsible investment and active ownership". The updated policy also contains new separate guidelines for taxation.

The updated policy clarifies Industriens Pension's expectations of the companies we invest in, and our own due diligence procedures in accordance with the OECD sector-specific recommendations for Responsible Business Conduct for Institutional Investors.

ESG rating of external managers

As a part of Industriens Pension's due diligence, monitoring and follow-up of external managers, we want to be able to identify and monitor developments in the managers' approach to integrating ESG into the investment process.

With this in mind, an internal rating system was introduced in 2018 on the basis of a questionnaire on managers' policies and practices for responsible investment. Taking outset in the responses to the questionnaire, external managers were graded for integration of ESG in their investment process.

The replies to the questionnaire are included in the ongoing dialogue with external managers on relevant ESG topics. The confidential ESG assessment is included as a part of the overall evaluation of managers, and it supplements the assessment of managers' financial performance, strategy, resources, etc.

Action through partnerships

In 2015, the UN adopted 17 Sustainable Development Goals (SDGs) for efforts up to 2030. Industriens Pension has also taken the SDGs to heart, including Goal 17 "partnerships for the goals".

We believe in the value of cooperation and knowledge-sharing with other investors, and therefore we are involved in a number of relevant networks, initiatives and organisations focusing on CSR, including DanSIF, IIGCC and Climate Action 100+.

In 2018, Industriens Pension signed the global non-profit organisation CDP (formerly Carbon Disclosure Project), which encourages companies, cities, states and investors to measure and understand their climate footprint and use this to contribute to sustainable societies and economies. More than 7,000 companies, together representing more than 50% of the global market value, reported climate and environmental data through the CDP in 2018. In addition, more than 750 cities, states and regions did the same. This makes the CDP's platform one of the most comprehensive, global sources of information about businesses' and governments' climate and environmental footprint, and the platform is an important tool for investors. CDP represents more than 650 global investors, with assets totalling DKK 572 trillion.

Coal-mine exit

The Board of Directors decided in November 2018 to exclude from the Industriens Pension investment universe investments in companies which earn much of their revenues from coal mining. This amounts to 114 mining companies. Industriens Pension is of the opinion that coal mining is an activity with a very high risk of negative impacts on human rights, employee rights and the climate.

Coal mining is often linked to breaches of human rights and employee rights, for example in the form of health problems for the employees and the local population. Secondly, coal is not currently a future-proof energy source in relation to reducing carbon emissions, as there are other efficient energy sources that emit less CO₂.

More openness and transparency

Our ambition is to be open about our work on responsible investment, including active ownership through dialogue with companies. In 2018, we published a list of names of selected companies with which we are in dialogue. The list includes information about the overall themes dialogue concerns for each company. The list also includes links to descriptions of the dialogues, and these are available to the general public via Industriens Pension's cooperation partner, Hermes EOS. The list of dialogues will be updated annually.

ACTIVE OWNERSHIP

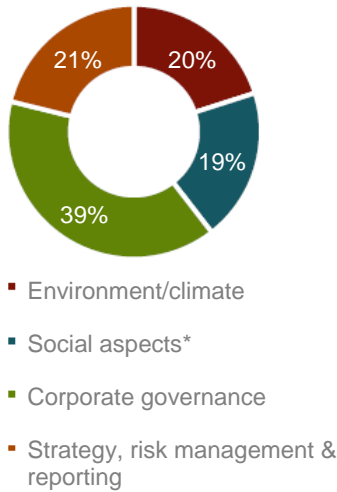
Industriens Pension exercises active ownership in the form of ongoing monitoring and dialogue with portfolio companies, and by voting at general meetings in the companies in which we hold voting rights. We follow the recommendations for active ownership published by the Committee on Corporate Governance. We report specifically on how we exercised active ownership in 2018 in a separate statement on the website (in Danish).

Monitoring and dialogue

Industriens Pension's internal and external portfolio managers have engaged in frequent dialogue with the companies in which Industriens Pension has invested as part of the active investment analysis.

In 2018, via our cooperation partner, Hermes EOS, we engaged in targeted dialogue with 325 companies. This focussed dialogue was organised on the basis of a risk assessment of the company and it has varied in nature and in the severity of issues. Dialogue has also covered several different sectors and subjects.

Dialogue by topic



* Social aspects include aspects related to employees, human rights, anti-corruption and bribery

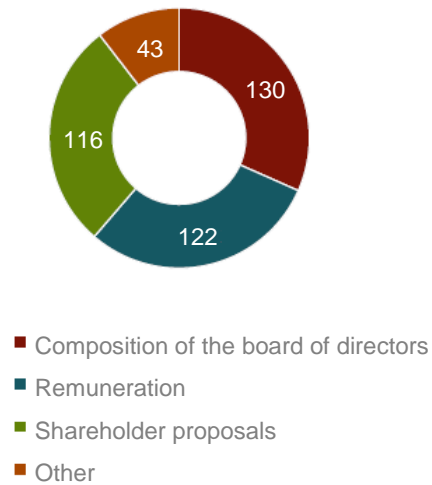
In 2018, we engaged in dialogue with a number of oil and gas companies on climate change and the importance of supporting the Paris Agreement, as well as with a number of mining companies on the risk of negative impacts of extraction of minerals such as cobalt on employee rights and on the surrounding local community. Furthermore, we engaged in dialogue – both on our own initiative and through our cooperation partner, Hermes EOS - with a number of large banks on the corruption and fraud scandal related to dividend tax.

Furthermore, there has been dialogue about increased transparency and better reporting for a number of portfolio companies.

Exercising voting rights

Since Industriens Pension began to exercise voting rights at the end of 2015, a voting practice has gradually been implemented. In 2018, votes were cast for the global portfolio, which is subject to voting rights and which has the largest exposures, corresponding to 288 companies, including all Danish portfolio companies. We use external collaboration partners to carry out the actual voting in accordance with our voting policy. However, at general meetings in Denmark, we decide on proposals and cast the votes ourselves. In 2018, a total of 3,989 proposals were voted on, and in 411 cases, we voted against the board of directors or abstained from voting. In addition to voting, Industriens Pension participated in selected Danish general meetings in the course of the year, and in one case, Industriens Pension made a presentation.

Exercising voting rights (distribution of cases where voting was against the sitting board of directors or IP abstained from voting)



Such presentations are published at the Industriens Pension website.

DEVELOPMENT GOALS IN 2019

In 2019, focus on the climate risk in the portfolio will continue, and in this context the analysis of the portfolio's climate and environmental footprint will be repeated. Furthermore, there will be continued focus on identifying investments in green energy technology which also yield an attractive risk-adjusted return.

Respect for human rights and employee rights, anti-corruption and taxation will also continue to be focus areas in 2019. Moreover, there are plans to further strengthen active ownership and dialogue on relevant ESG aspects with Danish portfolio companies.

Increasing transparency about the work on responsible investments continues to be an ambition in 2019. Therefore, as a supplement to this annual report, a corporate social responsibility report will be drawn up. This report will describe specific work on responsible investments and active ownership, including with regard to climate, human rights, employee rights, etc.

Ownership, management and pay policy

OWNERSHIP

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

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

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

BOARD OF DIRECTORS

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

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

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

The Board of Directors has set up an audit committee, an investment committee and a committee for responsible investment. The management responsibilities of the Board of Directors, including representation on these committees as well as remuneration, are described on pages 47-51 and in note 24.

BOARD OF MANAGEMENT AND DAY-TO-DAY MANAGEMENT

Board of Management:

Laila Mortensen, CEO

The responsibilities of the Board of Management are described on page 47.

The day-to-day management comprises:

Laila Mortensen, CEO

Joan Alsing, COO

Karsten Kjeldsen, CIO

Corporate governance

For more information about corporate governance, see www.industrienspension.dk.

Organisational links

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

The chief actuary is:

Rikke Sylow Francis, deputy director

GENDER MIX

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

The current 14 members of the Board of Directors of Industriens Pension comprise two women and 12 men. The share of the under-represented gender does not meet the target gender mix stipulated for the Board of Directors.

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

With regard to other management levels, executive directors, heads of department and team leaders with management responsibility, the current mix at Industriens Pension is nine women and 14 men. The share of the under-represented gender thus meets the target gender mix.

REMUNERATION POLICY

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

According to the pay policy, no pay agreements will be entered into with the Board of Directors or the Board of Management that include variable pay elements.

Certain other employees whose activities significantly influence the risk profile of Industriens Pension may be offered pay agreements containing variable pay elements, but not to an extent that may encourage greater risk assumption or prevent Industriens Pension from maintaining a sound level of own funds.

The pay policy has been approved by the general meeting. More information on the pay policy is available at www.industrienspension.dk.

Outlook for 2019

Members and contributions

In 2019, the number of members of Industriens Pension paying via their employer is expected to remain unchanged and the number of members at the end of 2019 is expected to total around 410,000.

Total contributions, including contributions to sickness and accident insurance, are expected to amount to DKK 9.8 bn. in 2019.

Costs

Industriens Pension will continue its focus on ensuring efficient administration of the pension scheme in order to keep costs low. For 2019, members will pay DKK 22 per month to cover administration costs.

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

Investment activities

The investment strategy for 2019 is organised on the basis of the principle investment framework adopted by the Board of Directors.

Deviations from this fundamental framework within the agreed latitude will be made to increase returns.

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

Based on current long-term expectations, return on the company's investment assets is expected to amount to 5.2%, corresponding to approx. DKK 9.0 bn. before tax on yields of certain pension-scheme assets.

Rate of interest on members' savings

The rate of interest on members' savings for those who are still in the average-interest-rate environment has initially been set at 9% per annum after tax on yields of certain pension-scheme assets in 2019.

Expected result for 2019

Profit for the year depends greatly on the return achieved on the assets linked to equity. With the assumptions applied regarding return, a profit of around DKK 150 to 200 mill. is expected for the financial year 2019.

Statement by Management

We have today presented the annual report for Industriens Pensionsforsikring A/S for the financial year 1 January to 31 December 2018.

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

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

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

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

Copenhagen, 6 March 2019

Board of Management:

Laila Mortensen
CEO

Board of Directors:

Mads Bo Keis Andersen
Chairman

Kim Graugaard
Deputy Chairman

Lars Andersen

Erik Michael Bredholt

Chresten Dengsøe

Claus Jensen

Heidi Jensen

Jim Jensen

Lars Mikkjelgaard-Jensen

Nina Christiane Movin

Lars Ingemann Nielsen

Steen Nielsen

Jukka Pekka Pertola

Rasmus Peter
Sejerup Rasmussen

Independent auditor's report

TO THE CAPITAL OWNERS OF INDUSTRIENS PENSIONSFORSIKRING A/S

Opinion

In our opinion, the financial statements give a fair presentation of the company's assets, liabilities and financial position as at 31 December 2018 and of the results of the company's activities for the financial year 1 January to 31 December 2018, in accordance with the Danish Financial Business Act.

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

What have we audited?

The financial statements of Industriens Pensionforsikring A/S for the financial year 1 January to 31 December 2018 comprise the income statement and comprehensive income statement, balance sheet, statement of capital as well as notes, including accounting policies (hereinafter referred to as the "financial statements").

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under these standards and requirements are further described in the "Auditor's Responsibilities for the audit of the financial statements" section.

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

Independence

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

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

Election

We were elected as auditors of Industriens Pensionsforsikring A/S for the first time on 26 April 2016 for the financial year 2016. We have been re-elected annually by the General Meeting for total engagement periods of three consecutive years up to and including the financial year 2018.

Central matters related to the audit

Central matters related to the audit are the matters which, according to our professional judgment, were most significant in our audit of the financial statements for 2018. These matters were dealt with as part of our audit of the financial statements as a whole, and in the preparation of our opinion on them. We express no separate opinion on these matters.

Central matters related to the audit	How we have treated the central matters related to the audit
<p><i>Measurement of unlisted investments</i></p> <p>Unlisted investments primarily include investments through capital funds in unlisted shares, properties, infrastructure and other credit. These are disclosed in the balance sheet under "Other financial investment assets" and "Investment assets linked to market-interest-rate products" at a total of DKK 40,862 mill., corresponding to 24% of total investment assets.</p>	<p>We reviewed and assessed procedures and tested relevant internal controls for measuring unlisted investments.</p> <p>We assessed and tested the valuation models applied by the management.</p>

Central matters related to the audit	How we have treated the central matters related to the audit
<p>Unlisted investments also include investments in property and infrastructure (offshore turbines) that are disclosed in the balance sheet under "Investments in group and associated undertakings" and "Investment assets linked to market-interest-rate products" at a total of DKK 4,976 mill., corresponding to 3% of total investment assets.</p> <p>Unlisted investments are measured at an estimated fair value based on valuation models and assumptions, including management estimates, which are not directly observable for a third party. Changes in assumptions and estimates could have a significant impact on the financial statements.</p> <p>We focused on measurement of unlisted investments, because calculations are complex and involve significant management estimates.</p> <p>See the section in the financial statements on "Accounting estimates" in note 1, as well as the sections on "Equity investments in group undertakings" and "Investment assets linked to market-interest-rate products" in notes 11 and 13.</p>	<p>We sample-tested the relationship between the assumptions applied and the calculation of the fair value.</p> <p>We sample-tested the fair values applied in relevant reports from external managers. We also reviewed and tested relevant internal controls for valuation in the internal process to verify valuations.</p> <p>We challenged the management estimates behind calculations of fair values on the basis of our knowledge about the portfolio and market developments.</p>
<p>Measurement of provisions for insurance and investment contracts</p> <p>The company has provisions for insurance and investment contracts totalling DKK 158,596 mill., corresponding to 92% of the balance-sheet total.</p> <p>Provisions primarily consist of life-assurance provisions for the market interest rate of DKK 143,937 mill. and provisions for average interest rate of DKK 7,220 mill. as well as claims provisions on sickness and accident insurance of DKK 7,440 mill.</p> <p>The calculations are partly based on the fair value of the relevant assets in relation to the market interest rate and actuarial principles in relation to other provisions and they involve significant accounting estimates that are linked to the actuarial assumptions regarding the timing and scope of the future payments to members.</p> <p>The actuarial assumptions include the yield curves for discounting, life expectancy, mortality, probability of surrender and costs.</p> <p>We focused on measurement of provisions for insurance and investment contracts, because the calculation of the provisions is complex and involves significant accounting estimates and assumptions.</p>	<p>We reviewed and assessed by the procedures and internal controls implemented by the company to ensure that the provisions for insurance and investment contracts are measured correctly.</p> <p>We used our own actuaries to assess actuarial models and assumptions applied by the company, as well as the calculations made, including calculations of future cash flows.</p> <p>We assessed and challenged the most important actuarial assumptions and estimates, including the yield curves for discounting, life expectancy, mortality, disability, probability of surrender and costs. We compared this with our experience and knowledge about the sector in order to assess whether these are in accordance with market practice as well as regulatory and accounting requirements. This also included an assessment of continuity in the basis for the calculation of the provisions.</p>

Central matters related to the audit	How we have treated the central matters related to the audit
See the sections in the financial statements on "Accounting estimates" in note 1, as well as "Provisions for insurance and investment contracts" in notes 15 and 16.	

Statement on the management's review

Management is responsible for the management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations or neglect to perform internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.

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

We communicate with senior management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Hellerup, 6 March 2019

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Per Rolf Larssen
State-Authorised Public Accountant

mne no. 24822

Stefan Vastrup
State-Authorised Public Accountant

mne no. 32126

Income statement and statement of comprehensive income

Note	DKK mill.	2018	2017
2	Gross premiums	8,429	8,046
	Total premiums net of reinsurance	8,429	8,046
11	Income from group undertakings	77	2,027
12	Income from associated undertakings	2	32
	Interest income and dividends, etc.	5,807	5,242
3	Value adjustments	-7,318	5,144
	Interest expenses	-1	-1
6	Administration costs in connection with investment activities	-266	-283
	Total investment returns	-1,699	12,161
4	Tax on yields of certain pension-scheme assets	329	-1,683
5	Benefits paid	-5,321	-4,657
	Total insurance benefits net of reinsurance	-5,321	-4,657
	Change in life-assurance provisions	-1,436	-13,129
	Total change in life-assurance provisions net of reinsurance	-1,436	-13,129
14	Change in excess capital	92	-53
6	Administration costs	-124	-124
	Total insurance operating costs net of reinsurance	-124	-124
	Investment returns transferred	-290	-579
	TECHNICAL RESULT	-21	-17
7	TECHNICAL RESULT OF SICKNESS AND ACCIDENT INSURANCE	47	40
	Investment return on equity	21	227
	PROFIT BEFORE TAX	47	250
	Tax on yields of certain pension-scheme assets for equity capital	64	138
	PROFIT FOR THE YEAR	111	388
	Other comprehensive income	-	-
	COMPREHENSIVE INCOME FOR THE YEAR	111	388

Balance sheet, assets

Note	DKK mill.	31.12.2018	31.12.2017
8	INTANGIBLE ASSETS	0	0
9	Equipment	0	0
10	Owner-occupied property	75	69
	TOTAL TANGIBLE ASSETS	75	69
11	Equity investments in group companies	4,227	4,195
	Loans to group undertakings	188	193
12	Equity investments in associated companies	3	23
	Loans to associated undertakings	-	163
	Total investments in group undertakings and associated undertakings	4,419	4,574
	Equity investments	5,043	5,128
	Investment association units	976	902
	Bonds	12,164	10,819
	Other loans	3	24
	Deposits with credit institutions	212	915
	Other financial investment assets	957	956
	Total other financial investment assets	19,355	18,745
	TOTAL INVESTMENT ASSETS	23,774	23,319
13	INVESTMENT ASSETS ATTACHED TO MARKET-RATE PRODUCT	145,593	141,743
	Amounts receivable from policy holders	625	585
	Other receivables	35	1,249
	TOTAL RECEIVABLES	659	1,833
	Current tax assets	15	15
	Deferred tax assets	1,010	2,268
	Cash	364	424
	TOTAL OTHER ASSETS	1,389	2,706
	Interest receivable	427	383
	Other prepayments	97	86
	TOTAL PREPAYMENTS	524	469
	TOTAL ASSETS	172,013	170,140

Balance sheet, equity and liabilities

Note	DKK mill.	31.12.2018	31.12.2017
	Share capital	110	110
	Reserve for tax-free retained earnings	4,653	4,541
	Retained earnings	531	531
	TOTAL EQUITY	5,293	5,182
	Excess capital	3,683	3,758
	Other subordinate loan capital	336	353
14	TOTAL SUBORDINATE LOAN CAPITAL	4,019	4,111
	Premium provisions	54	57
15	Life-assurance provisions at average rate	7,220	7,528
16	Life-assurance provisions at market rate	143,937	142,192
	Total life-assurance provisions	151,156	149,720
	Provisions for outstanding sickness and accident insurance claims	6,893	6,359
	Risk margin on sickness and accident insurance	47	42
	Provisions for bonuses and premium rebates	446	570
	PROVISIONS FOR INSURANCE AND INVESTMENT CONTRACTS	158,596	156,748
	Creditors arising out of direct insurance operations	6	7
	Debt to credit institutions	927	-
	Current tax liabilities	63	2,017
17	Other debt	3,108	2,075
	TOTAL DEBT	4,105	4,099
	TOTAL EQUITY AND LIABILITIES	172,013	170,140
18	Collateral and contingent liabilities		
19	Related parties		
20	Five-year summary of key figures and financial ratios		
21	Schedule of assets and returns on these		
22	Derivative financial instruments		
23	Breakdown by valuation of investment assets and financial liabilities		
24	Remuneration of Board of Directors		
25	Risk management and sensitivity information		

Changes in equity and own funds

Changes in equity

DKK mill.	Share capital	Retained earnings	Reserve*	Total
Equity as at 1 January 2018	110	531	4,541	5,182
Profit for the year	-	-	111	111
Equity as at 31 December 2018	110	531	4,653	5,293
Equity as at 1 January 2017	110	531	4,153	4,794
Profit for the year	-	-	388	388
Equity as at 31 December 2017	110	531	4,541	5,182

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

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

Own funds

DKK mill.	31.12.2018	31.12.2017
Equity, see above	5,293	5,182
Difference between equity and solvency capital:		
Excess capital (special bonus provisions type B)	3,683	3,758
Other subordinate loan capital (special bonus provisions type A)	336	353
Total own funds (recognised to cover the solvency capital requirement)	9,312	9,293

Notes

Note

1 Accounting policies

GENERAL

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

The executive order has been amended in several areas as of 2019. However, three of these amendments have been subject to early adoption in the current annual report.

The first amendment concerns recognition of changes to the revalued amount of tangible non-current assets owned directly or through group undertakings or associated undertakings, and not held for own use (e.g. wind turbines). The amendment means that adjustments in the revalued amount of this type of asset are now recognised directly in the income statement under investment returns in the same way as value adjustments of other investment assets. Until now, increases in the revalued amount of tangible non-current assets have been recognised in other comprehensive income unless the increase corresponded to a drop which had previously been recognised in the income statement, while decreases in the revalued amount were recognised in the income statement unless the decrease corresponded to an increase that was previously recognised in other comprehensive income. Comparative figures for 2017 have been adjusted accordingly, and overall, the amendment means that the profit for the year has been reduced by DKK 1 mill. in 2018 (+ DKK 1 mill. in 2017), while comprehensive income and equity have not been affected by the amendment.

The second amendment concerns presentation of sensitivity information, i.e. the effect on the company's own funds and solvency ratio of reasonably likely changes in relevant risk variables, see the section on risk and solvency. This change obviously has no effect on the accounting figures.

The third amendment concerns the presentation of the solvency ratio which is now shown in the management's review, whereas previously it was shown in the list of key figures and financial ratios.

Apart from these amendments, the accounting policies are unchanged compared with 2017.

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

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

Accounting estimates and assessments

Preparation of the annual report requires that management make a number of estimates and assessments regarding future conditions which could significantly influence the accounting treatment of assets and liabilities, and thus the result in the current and coming years. The most significant estimates and assessments concern calculation of provisions for insurance contracts, fair value of unlisted financial instruments and fair value of the owner-occupied property.

Provisions for insurance and investment contracts

The calculation of provisions for insurance contracts (excl. the market-rate scheme) is based on actuarial calculations, and applies assumptions on e.g. mortality and disability rates. Assumptions on mortality are based on benchmarks from the Danish Financial Supervisory Authority, and like other assumptions, they are set as a best estimate based on experience with previously held portfolios of insurance contracts. The provisions are calculated as the present value of the future benefits discounted by the yield curve defined in the Executive Order on Presentation of Financial Statements. This means that the size of provisions is also affected by the current interest-rate level determining the discount rate. Provisions with these uncertainties constitute less than 10% of total provisions.

Fair value of financial investment assets

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

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

Valuation of investment properties and wind turbines in group undertakings and associated undertakings is based on the present value of expected cash flows during a planning period which is 10 years for investment properties and 25 years for wind turbines. For investment properties, the method (discounted cash flow (DCF)) is defined in an annex to the Danish Executive Order on the Presentation of Financial Statements. The most significant estimates concern determination of the discount rate, which is composed of an individual rate of return the expected inflation rate, as well as certain elements of the budgeted cash flows, in particular budgeted rental income which depends on the level of the rent and vacant periods etc., expenses for maintenance and renovation as well as a so-called terminal value when the planning period expires. The determination of the individual rate of rate of return is based on statistics on actual real estate transactions involving similar properties and/or takes into consideration the location of the property, its age, use and state of maintenance, etc. As a supplement to this valuation, a valuation from an external estate agent is obtained every year concerning the assumptions applied (primarily individual rates of return), and the fair value is calculated every three years.

The extensive 25-year planning period for wind turbine investments naturally adds to the uncertainty concerning future cash flows and consequently also concerning the current fair value of the wind turbines. Again, the most significant estimates relate to the discount rate and to specific elements which have a major impact on budgeted cash flows, in particular electricity production which is based on wind forecasts, idle days with no generation of electricity, electricity price developments, costs of maintenance of the wind turbines and costs of dismantling the wind turbines when the period expires. The discount rate is calculated according to the cost of capital method which combines a risk-free interest rate with the addition of an illiquidity premium and the expected inflation rate. The DFC model is maintained by external experts, and as a supplement to their valuation, a statement from another external expert is obtained every year concerning the market conformity of the model and the assumptions applied.

To a great extent, the valuations of unlisted equity investments in private equity funds and real estate funds etc. are based on information from the funds themselves or from capital managers etc., including information in reports which were often prepared prior to the balance sheet date.

Internal procedures have been established to ensure the quality of the information included in measurement of fair value. This means for example that temporal differences in accounting data between the most recent reporting and the balance sheet date are taken into account; that additional information is obtained from selected funds and capital managers; that internal information on large transactions in individual funds is continuously collected; that general market developments since the most recent reporting are evaluated; and that the quality of the reporting received is generally followed up on (back test).

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

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

For a more detailed description of the valuation in this area, see the section on investment assets and note 23, which includes a break-down of investment assets and financial liabilities according to the fair value hierarchy (levels 1-3) as well as a break-down and further information on the valuation etc. of level 3 assets.

Intragroup transactions

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

General principles for recognition and measurement

Revenues and costs are recognised in the income statement as they are earned or incurred. All value adjustments, both realised and unrealised, are therefore recognised in the net profit or loss for the year. However, special rules apply to value adjustments of owner-occupied properties, which under certain conditions are recognised under other comprehensive income, see the principles for measurement of owner-occupied properties on page 29.

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

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

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

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

Foreign currency translation

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

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Income from insurance activities

Premiums income net of reinsurance

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

Investment returns

Income from group and associated undertakings

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

Interest income and dividends, etc.

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

Value adjustments

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

Administration costs in connection with investment activities

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

Tax on yields of certain pension-scheme assets

The tax on yields of certain pension-scheme assets for the financial year is recognised as income or as an expense in the income statement. Tax includes tax on the return ascribed individually to members' deposits as well as tax on the return ascribed to collective reserves (equity and collective bonus potential, etc.). Tax is calculated at 15.3% of the tax base, which is calculated on the basis of the annual investment return. Deferred tax on yields of certain pension-scheme assets is also provided at 15.3%.

Expenses of insurance activities

Insurance benefits paid net of reinsurance

Includes pension scheme benefits due in the year.

Change in life-assurance provisions

Includes change in life-assurance provisions for the year.

Change in excess capital

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

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

Administration costs

Administration costs include all costs accrued for the year relating to life-assurance activities, including administration fees from group undertakings. Costs not directly attributable to either life assurance or sickness and accident insurance are allocated to the two areas on the basis of resource consumption.

Audit fees paid to the audit firm conducting the statutory audit of the annual financial statements are disclosed at group level in the annual report for the parent company IndustriPension Holding A/S.

Investment returns transferred

Investment return transferred makes up the part of the investment return not included in the insurance technical result.

Investment returns transferred therefore comprise investment returns regarding sickness and accident insurance, as well as the investment returns for equity.

Technical result of sickness and accident insurance net of reinsurance

The result of sickness and accident insurance has been calculated according to the accounting rules for non-life insurance. The result is detailed in the notes.

Contribution and profit

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

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

The return after tax on the associated investment assets is added to the equity and subordinate loan capital, and a risk return for providing risk capital can also be added to equity and subordinate loan capital.

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

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

BALANCE SHEET**Intangible assets**

Intangible assets includes the development of an IT platform, etc. measured at acquisition value with deduction of accumulated amortisation and impairment. Straight-line amortisation is made over the expected life of assets, however no more than 10 years.

Property, plant and equipment**Equipment**

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

Owner-occupied property

Owner-occupied property is measured at revalued amount, which is the fair value at the date of revaluation after deduction of subsequent depreciation and impairment. The revalued amount is calculated according to a returns model based on a market rent, costs of the property and a required return for the specific type of property. Increases in the revalued amount are recognised in other comprehensive income unless the increase corresponds to a drop which has previously been recognised in the income statement. Decreases in the revalued amount of an owner-occupied property are recognised in the income statement unless the decrease corresponds to an increase that was previously recognised in other comprehensive income. Owner-occupied properties are depreciated according to the straight-line method over their expected useful lives of 50 years to the estimated scrap value.

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

Equity investments with group undertakings and associated undertakings

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

Equity investments in group undertakings and associated undertakings are measured at initial recognition at cost, and subsequently according to the equity method. According to this method, equity investments are recognised as the proportionate share of the undertakings' result and equity, calculated according to the accounting policies of Industriens Pension. This means that tangible non-current assets (e.g. wind turbines) and investment assets (e.g. investment properties) in group undertakings and associated undertakings are valued at cost in the construction phase and subsequently at a revalued fair value for tangible non-current assets and at fair value for investment assets.

The fair value of wind turbines and investment properties is calculated as the present value of expected future cash flows during a planning period of 25 years and 10 years respectively - based on a discount rate which has been determined individually.

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

Loans to group and associated undertakings

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

Other financial investment assets

Listed equity investments and investment units are measured at fair value, calculated at the official closing prices on the reporting date. A calculated rate is used for equity investments and investment units that are not actively traded. Unlisted equity investments and units in investment associations are measured at estimated fair value using recognised valuation methods, for example by comparing with similar assets for which a fair value is available or by discounting expected future cash flows etc.

Listed bonds are also measured at fair value, calculated at the official closing prices on the reporting date. A calculated rate is used for bonds that are not actively traded. Unlisted bonds are measured at an estimated fair value by means of recognised valuation methods, see above. The fair value of called bonds is measured at present value.

Bonds that are sold and repurchased forward (genuine sale and repurchase transactions) are part of the bond portfolio. The fair value of these at the end of the financial year is shown in note 18 to the financial statements on collateral ceded.

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

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

Investment assets attached to market-return products

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

Receivables

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

Deferred tax assets

Deferred tax on yields of certain pension-scheme assets calculated on the basis of a negative, collective tax basis (tax on yields of certain pension-scheme assets at institution level) is recognised as an asset in the balance sheet for offsetting in positive tax on yields of certain pension-scheme assets in subsequent years, provided it is likely that such offset can be utilised in the years to come. These considerations include the fact that, under certain conditions, tax assets not utilised on offsetting in positive tax on yields of certain pension-scheme assets during the first five calendar years after the tax asset was created will be repaid to the company by the Danish tax authorities (SKAT). Furthermore, a negative individual tax on yields of certain pension-scheme assets is recognised under tax assets. In years with a negative addition of interest to the market-rate scheme, this tax is recognised under life-assurance provisions, and it will be eliminated in a positive addition of interest in future years.

Subordinate loan capital

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

Provisions for insurance and investment contracts

Premium provisions

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

Life-assurance provisions at average rate

Life-assurance provisions at average rate are calculated at market value based on the technical basis notified to the Danish Financial Supervisory Authority. Provisions are calculated as the present value of the expected future payments for current insurance contracts, based on a discounting yield curve and assumptions on insurance risks (mortality rate and disability, etc.) and costs, fixed at best estimate. The yield curve defined in the Executive Order on Presentation of Financial Statements is applied as the discount rate. Industriens Pension applies the EIOPA yield curve without volatility adjustments.

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

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

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

Guaranteed benefits include commitments to pay benefits attached to the pension scheme. Guaranteed benefits are calculated as the present value of the expected future benefits, as well as the present value of the expected future expenses for administration of the insurance policy, less the present value of the agreed future premiums. The risk margin is added to this.

Individual bonus potentials include the obligation to provide a bonus and are calculated as the difference between the members' savings less the present value of the guaranteed benefits. The bonus potential cannot be negative.

Collective bonus potentials cover the members' share of realised results, which is allocated collectively to future bonuses.

Life-assurance provisions at market rate

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

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

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

Provisions for claims outstanding for sickness and accident insurance

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

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

Risk margin on sickness and accident insurance

The risk margin includes the amount likely to be payable to a buyer of sickness and accident insurance products in order for the buyer to be willing to accept the risk that the costs associated with settling the portfolio deviate from the calculated present value of the expected cash flows.

Provisions for bonus and premium rebates

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

Deferred tax

The calculation of deferred tax on yields of certain pension-scheme assets is based on temporary differences between accounting and tax values of assets and liabilities contained in the collective tax basis (tax basis of yields of certain pension-scheme assets at institution level).

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

Debt to credit institutions

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

Other debt

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

Contingent liabilities

Commitments regarding pledges on investments, guarantees and sureties etc. on non-insurance matters are disclosed in a note to the annual report (see note 18).

Financial ratios

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

Notes (cont.)

Note	DKK mill.	2018	2017
2	Gross premiums		
	Current premiums	7,624	7,386
	Contributions incl. transfers	2,132	1,817
	Gross premiums before taxes	9,756	9,202
	Income tax (A tax) and labour-market contributions	-640	-586
	Total gross premiums	9,116	8,616
	Of which, concerning sickness and accident insurance, see note 7	-687	-570
	Total gross premiums on insurance contracts	8,429	8,046
	Premiums broken down according to how insurance was taken out:		
	Insurance taken out as part of an employment relationship	8,859	8,403
	Insurance and investment contracts taken out individually	257	213
		9,116	8,616
	Premiums concerning insurance:		
	Insurance policies with a bonus entitlement	2	3
	Insurance and investment contracts without bonus entitlement	9,114	8,613
		9,116	8,616
	Members with collective-agreement-based schemes	410,801	406,514
	Members with group life assurance	236,315	235,122
	Members with policies taken out individually	32,393	27,616
	All insurance policies and investment contracts have been taken based on collective agreements, agreements and similar under which the insurance is a compulsory part of the conditions for employment.		
	All insurance policies pertain to direct Danish business.		
3	Value adjustments		
	Owner-occupied property	6	4
	Loans to group undertakings	1	1
	Equity investments	-1,247	627
	Investment association units	-92	-128
	Bonds	-233	-1,557
	Deposits with credit institutions	-69	-68
	Forward foreign-exchange contracts	-5,684	6,266
	Total value adjustments	-7,318	5,144

Notes (cont.)

Note	DKK mill.	2018	2017
4	Tax on yields of certain pension-scheme assets		
	Tax on yields of certain pension-scheme assets payable for the year	-321	1,794
	Adjustment of deferred tax asset	1	30
	Adjustment for tax on yields of certain pension-scheme assets concerning previous years	-9	-140
	Total tax on yields of certain pension-scheme assets	-329	1,683
5	Benefits paid		
	Regular pension benefits	1,147	943
	Lump sums on old age	515	459
	Lump sums on disability	94	88
	Lump sums on critical illness	142	137
	Lump sums on death	467	355
	Transfers to other pension schemes	2,684	2,439
	Surrender (disbursement of small dormant accounts)	133	120
	Tax correction of old-age lump sum	0	-1
	Health-promotion costs	6	4
	Transferred to other insurance provisions	133	110
	Total benefits paid	5,321	4,657
6	Administration costs		
	The staff expenses specified below have been recognised in the items for administration costs, administration costs in connection with investment activities, as well as result of sickness and accident insurance:		
	Staff expenses		
	Staff wages and salaries	136	136
	Pension contributions	17	16
	Other social security costs	2	2
	Payroll tax	22	21
	Total staff expenses	177	174
	Average number of full-time employees in the year	178	171
	Staff expenses include salaries and remuneration for:		
	Board of Management	4.3	4.2
	Board of Directors	2.2	2.2
	Number of employees whose activities significantly influence the risk profile, 11 people (12 people in 2017)	20.0	20.5

No bonus schemes or performance-related pay agreements are linked to the employment of either the Board of Management or other employees with significant influence on the risk profile. No allowances for new employment or resignation were paid in 2018. Remuneration is not paid to members of the Board of Management for board positions in other companies in the group.

Salaries and other remuneration for individual members of the Board of Directors are disclosed in note 24.

Notes (cont.)

Note	DKK mill.	2018	2017
7	Technical profit/loss on sickness and accident insurance		
	Current premiums	687	570
	Transferred from provisions for insurance and investment contracts	133	110
	Total gross premiums	820	681
	Change in premium provisions	3	2
	Premium income, net of reinsurance	823	683
	Claims paid	-545	-513
	Change in claims provisions	-422	-182
	Change in risk margin	-5	0
	Claims expenses, net of reinsurance	-971	-696
	Bonuses and premium discounts	124	-142
	Insurance operating costs, net of reinsurance	-21	-18
	Technical result	-45	-174
	Investment returns	92	213
	Investment return after return on insurance provisions	92	213
	TECHNICAL RESULT OF SICKNESS AND ACCIDENT INSURANCE	47	40

With a claims rate of 0.45% (0.44%), in 2018, 895 (798) claims were paid with an average indemnity of DKK 979,000 (DKK 983,000). The figures shown in brackets are the corresponding figures for 2017.

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017
8	Intangible assets		
	Accumulated cost 1 January	33	33
	Accumulated cost 31 December	33	33
	Accumulated amortisation 1 January	33	32
	Amortisation for the year	-	1
	Accumulated amortisation 31 December	33	33
	Carrying amount 31 December	0	0
9	Equipment		
	Accumulated cost 1 January	1	1
	Accumulated cost 31 December	1	1
	Accumulated depreciation 1 January	1	0
	Amortisation for the year	0	0
	Accumulated amortisation 31 December	1	1
	Carrying amount 31 December	0	0
10	Owner-occupied property		
	Revalued fair value 1 January	69	66
	Depreciation for the year	0	0
	Value adjustment for the year	6	4
	Revalued fair value 31 December	75	69
	Rate of return with fair value valuation	4.50	4.50

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017
11	Equity investments in group undertakings		
	Carrying amount 1 January	37,160	35,232
	Additions/issues during the year	695	2,253
	Capital reductions/redemptions during the year	-2,482	-2,046
	Dividend for the year	-211	-306
	Share of profit for the year	125	1,955
	Share of movements in capital for the year	-47	72
	Carrying amount 31 December	35,239	37,160

Equity investments are disclosed in balance sheet items:

Equity investments in group undertakings	4,227	4,195
Investment assets attached to market-rate products, see note 13	31,012	32,964

Equity investments in group undertakings consist of:

Name	Registered office	Ownership interest	Result	Equity
Industriens Pension Portfolio (capital association)	Copenhagen	100%	-440	30,308
IP Alternative Investments Komplementar ApS	Copenhagen	100%	0	0
IP Finans 1 ApS	Copenhagen	100%	0	4
IP Butendiek Wind K/S	Copenhagen	100%	165	245
IP Gode Wind II K/S	Copenhagen	100%	176	1,088
IP Komplementar ApS	Copenhagen	100%	0	0
IP Ejendomme 2013 P/S	Copenhagen	100%	213	3,366
IP Infrastruktur Komplementar ApS	Copenhagen	100%	0	0
IP Infrastruktur P/S	Copenhagen	100%	8	227

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

12 Equity investments in associated undertakings

Carrying amount 1 January	206	131
Additions/issues during the year	0	131
Sales during the year	-33	-
Capital reductions/redemptions during the year	0	-8
Dividend for the year	-130	-81
Share of profit for the year	2	32
Carrying amount 31 December	45	206

Equity investments are disclosed in balance sheet items:

Equity investments in associated undertakings	3	23
Investment assets attached to market-rate products, see note 13	42	183

Equity investments in associated undertakings consist of:

Name	Registered office	Ownership interest	Result	Equity
Ejendomsselskabet Norden IV K/S	Copenhagen	32.4%	1	3
Ejendomsselskabet Norden VIII K/S	Copenhagen	32.8%	2	128
Gode Wind II Joint FinCo ApS	Copenhagen	21.0%	2	10

The property companies Ejendomsselskabet Norden IV K/S and Ejendomsselskabet Norden VIII K/S are active within the property area, while Gode Wind II Joint FinCo ApS is a financing company.

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017
13	Investment assets attached to market-return products		
	Equity investments in group companies	31,012	32,964
	Loans to group undertakings	355	348
	Equity investments in associated companies	42	183
	Loans to associated undertakings	0	282
	Total investments in group undertakings and associated undertakings	31,409	33,778
	Equity investments	61,042	60,962
	Investment association units	10,931	9,520
	Bonds	38,259	32,226
	Other loans	47	45
	Deposits with credit institutions	2,106	2,063
	Other financial investment assets	1,800	3,150
	Total other financial investment assets	114,184	107,965
	Total investment assets attached to market-rate products	145,593	141,743
	Tax asset, individual tax on yields of certain pension-scheme assets	429	-
	Interest receivable	341	289
	Contributions receivable and other receivables	569	1,612
	Debt to credit institutions and other debt	-2,995	-1,452
	Other balance-sheet items attached to market-rate products	-1,656	448
	Net assets linked to market rate	143,937	142,192
14	Subordinate loan capital		
	Excess capital		
	Special bonus provisions type B 1 January	3,758	3,691
	Change in special bonus provisions type B	-75	67
	Special bonus provisions type B at year-end	3,683	3,758
	Other subordinate loan capital		
	Special bonus provisions type A 1 January	353	367
	Change in special bonus provisions type A	-17	-14
	Special bonus provisions type A at year-end	336	353
	TOTAL SUBORDINATE LOAN CAPITAL	4,019	4,111

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017		
15	Life-assurance provisions at average rate				
	Life-assurance provisions at average rate 1 January	7,528	7,590		
	Collective bonus potential 1 January	-1,805	-1,997		
	Accumulated value adjustments 1 January	-346	-1,276		
	Retrospective provisions 1 January	5,377	4,317		
	Gross premiums	2	3		
	Addition of interest	260	1,476		
	Insurance benefits	-450	-419		
	Costs supplement after addition of costs bonus	-4	-3		
	Risk result after addition of risk bonus	4	-25		
	Transferred to/from life-assurance provisions at market rate	15	26		
	Distribution from special bonus provision	0	1		
	Retrospective provisions carried forward	5,203	5,377		
	Accumulated value adjustment carried forward	408	346		
	Collective bonus potential carried forward	1,609	1,805		
	Life-assurance provisions at average rate carried forward	7,220	7,528		
	Return before tax	2.1%	5.3%		
	Ratio of bonus potential to provisions	31%	34%		
	Return on customer funds after costs and tax	2.0%	5.2%		
	The risk margin has been recognised in life-assurance provisions at	47	46		
	Break down of life-assurance provisions between the original guaranteed interest rates 31 December 2018				
		1.00%	1.50%	2.50%	Total
	Guaranteed benefits	2,104	887	2,612	5,603
	Individual bonus potential	5	0	3	8
	Collective bonus potential	605	254	750	1,609
	Life-assurance provisions 31 December 2018	2,714	1,141	3,364	7,220
	Break down of life-assurance provisions between the original guaranteed interest rates 31 December 2017				
		1.00%	1.50%	2.50%	Total
	Guaranteed benefits	2,122	915	2,671	5,708
	Individual bonus potential	11	0	4	15
	Collective bonus potential	673	289	844	1,805
	Life-assurance provisions 31 December 2017	2,806	1,204	3,519	7,528

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017	
16	Life-assurance provisions at market rate			
	Life-assurance provisions at market rate 1 January	142,192	129,001	
	Provisions for group life 1 January	-761	-665	
	Life-assurance provisions at market rate 1 January (excluding group life)	141,431	128,336	
	Gross premiums	8,422	8,038	
	Return after tax on yields of certain pension-scheme assets	-1,817	9,390	
	Insurance benefits	-4,328	-3,755	
	Costs supplement	-209	-204	
	Risk gain	0	0	
	Distribution from special bonus provision	211	196	
	Transferred to/from life-assurance provisions	-15	-26	
	Transferred to sickness and accident insurance	-129	-107	
	Transferred to group scheme	-495	-437	
	Life-assurance provisions at market rate carried forward (excluding group life)	143,072	141,431	
	Provisions for group life carried forward	865	761	
	Life-assurance provisions at market rate carried forward	143,937	142,192	
	Return on customer funds after costs and before tax	-1.6%	8.2%	
	The risk margin has been recognised in life-assurance provisions at	1	36	
	Savings in the market return are invested in a compulsory lifecycle product.			
	Return and risk in 2018:			
	Years before retirement	Share of provisions	Return	Risk
	30 years (age: 35 years)	1.1%	-2.8%	3.50
	15 years (age: 50 years)	3.4%	-2.2%	3.50
	5 years (age: 60 years)	3.0%	-1.1%	3.25
	5 years after retirement (age: 70 years)	1.1%	-0.1%	3.25
	Return and risk in 2017:			
	Years before retirement	Share of provisions	Return	Risk
	30 years (age: 35 years)	1.3%	9.7%	3.75
	15 years (age: 50 years)	3.7%	9.0%	3.75
	5 years (age: 60 years)	2.8%	7.5%	3.50
	5 years after retirement (age: 70 years)	0.8%	6.1%	3.25
17	Other debt			
	Negative market value of derivative financial instruments	2,964	1,965	
	Debt concerning unsettled transactions	7	17	
	Other debt	136	93	
	Total other debt	3,108	2,075	

Notes (cont.)

Note	DKK mill.	31.12.2018	31.12.2017
18	Collateral and contingent liabilities		
	As collateral for the technical provisions, assets have been registered at a carrying amount of:		
	Equity investments	24,871	46,225
	Investment association units	84,931	47,695
	Bonds	48,606	60,769
	Deposits with credit institutions	2,266	3,887
	Total registered assets	160,674	158,575
	Bonds placed as collateral for loans in accordance with standard repurchase contracts	927	-
	Cash and cash equivalents and bonds issued as collateral for clearing and for fair value of derivative financial instruments	1,487	933
	Cash and cash equivalents and bonds received as collateral for fair value of derivative financial instruments	1,154	3,447
	Leasing liabilities	1	1
	Pledges to invest in property, infrastructure and unlisted equity investments etc. incl. warranties for pledges in associated undertakings	21,404	18,200
	The company has joint VAT (moms) registration with a number of group undertakings. The joint registration entails joint and several liability for VAT and payroll tax.		

19 Related parties

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

Transactions with related parties are entered into and settled on market terms or on a cost-recovery basis. In 2018, the company had the following transactions and balances with related parties:

- Supply of administrative services for the parent, IndustriPension Holding A/S, as well as to the fellow subsidiary, Industriens Pension Service A/S, and the fully owned subsidiaries. Assets management services are also supplied to the subsidiaries. The fees for these services are set on a cost-recovery basis.
- Provision of loans (approx. EUR 73 mill.) and guarantees for equivalent lines of credit to the subsidiary IP Finans 1 Aps in connection with financing of the wind farm Butendiek Wind. Interest and guarantees have been set on market terms.
- Sale of equity interests in Ejendomsselskabet Axeltorv 2 P/S and Ejendomsselskabet Axeltorv 2 ApS to IP Ejendomme P/S on 1 April 2018 at a market value of DKK 32.7 mill. Furthermore, on 1 April 2018 the company transferred its loan to Ejendomsselskabet Axeltorv 2 P/S at a market value of DKK 446.4 mill. to IP Ejendomme P/S.

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

Notes (cont.)

Note	2014	2015	2016	2017	2018
20 Five-year summary of key figures and financial ratios					
Key figures for life assurance (DKK mill.)					
Premiums	6,737	7,224	7,206	8,046	8,429
Insurance benefits*	5,280	3,931	4,682	4,657	5,321
Investment returns	12,432	8,539	11,033	12,161	-1,699
Insurance operating costs	113	37	113	124	124
Profit or loss on ceded business	-1	-1	-	-	-
Technical result	-15	-19	-18	-17	-21
Technical result of sickness and accident insurance	30	39	41	40	47
Profit for the year	206	118	204	388	111
Provisions for insurance and investment contracts *	121,195	131,532	143,297	156,748	158,596
Equity	4,472	4,590	4,794	5,182	5,293
Assets	142,286	149,685	157,366	170,140	172,013
Financial ratios for life assurance					
Return before tax on yields of certain pension-scheme assets, average rate	15.0%	2.3%	8.3%	5.3%	2.1%
Return before tax on yields of certain pension-scheme assets, market rate	10.4%	7.3%	8.1%	8.5%	-1.5%
Risk of return related to market rate *	3.50	3.75	3.75	3.50	3.50
Costs as a percentage of provisions	0.1%	0.0%	0.1%	0.1%	0.1%
Expenses per insured party	DKK 261	DKK 84	DKK 250	DKK 278	DKK 272
Return on equity after tax	4.7%	2.6%	4.3%	7.8%	2.1%
Return on excess capital after tax *	-	2.6%	4.3%	4.4%	0.9%
Key figures for sickness and accident insurance (DKK mill.)					
Gross premium income	606	448	749	681	820
Gross claims costs *	572	692	748	696	971
Insurance operating costs	17	17	18	18	21
Profit or loss on ceded business	-1	-1	-	-	-
Technical result	-270	-38	-112	-174	-45
Investment return after technical interest *	300	77	152	213	92
Run-off results	105	402	357	645	461
Total insurance provisions	6,096	6,135	6,705	7,028	7,440
Financial ratios for sickness and accident insurance					
Gross claims ratio **	173.8%	104.3%	114.8%	129.2%	102.9%
Gross expenses ratio	5.3%	2.6%	2.8%	3.4%	2.2%
Combined ratio	179.3%	107.1%	117.5%	132.6%	105.1%
Operating ratio	154.1%	107.1%	117.5%	132.6%	105.1%
Relative run-off results	2.2%	7.5%	6.3%	10.4%	7.3%

* The accounting regulations changed in a number of areas from 1 January 2016. Consequently, it is not immediately possible to compare information for 2015-2018 with previous years.

** The relatively high value of the gross claims ratio (claims as a percentage of premiums) in the five-year period is because, during this period, the premiums were reduced by bonuses and premium rebates earned in previous years.

Notes (cont.)

Note

21 Schedule of assets and returns on these

Assets linked to average rate

DKK mill.	Market value		Return before tax
	Brought forward	Carried forward	
1. Land and buildings directly owned	394	444	8.1%
2.1 Listed equity investments	1,080	927	-6.1%
2.2 Unlisted equity investments	1,070	1,119	15.2%
2. Total equity investments	2,150	2,045	4.5%
3.1 Government bonds and mortgage-credit bonds	3,236	3,275	1.7%
3.2 Index-linked bonds	-	-	-
3.3 Credit bonds and emerging markets bonds	1,179	1,131	-0.6%
3.4 Loans etc.	106	54	6.2%
3. Total bonds and loans	4,522	4,460	1.2%
4. Subsidiaries	157	150	23.3%
5. Other investment assets	131	49	-11.9%
6. Derivative financial instruments	175	72	-

Assets linked to market rate

DKK mill.	Market value		Return before tax
	Brought forward	Carried forward	
1. Land and buildings directly owned	6,723	7,218	10.1%
2.1 Listed equity investments	42,950	38,337	-6.1%
2.2 Unlisted equity investments	28,351	32,327	16.5%
2. Total equity investments	71,300	70,664	3.0%
3.1 Government bonds and mortgage-credit bonds	22,593	29,781	1.6%
3.2 Index-linked bonds	-	-	-
3.3 Credit bonds and emerging markets bonds	34,382	33,870	-0.1%
3.4 Loans etc.	632	408	5.7%
3. Total bonds and loans	57,607	64,060	0.7%
4. Subsidiaries	936	1,024	23.3%
5. Other investment assets	3,855	1,147	-16.0%
6. Derivative financial instruments	1,771	-1,159	-

**The returns on individual investment assets as well as total investment assets have been calculated using the time-weighted method, i.e. daily return calculations are made throughout the year. Exchange-rate fluctuations have been included under derivative financial instruments*

Notes (cont.)

Note

22 Derivative financial instruments (DKK mill.)

	Principal amount	Positive value	Negative value
Interest-rate contracts, swaps			
Term 0-10 years	59,350	886	-2,246
Term 10-20 years	1,758	1,525	-158
Term >20 years	2,536	104	-7
Total	63,644	2,514	-2,410
Repo / reverse transactions			
Term 0-10 years	672	-	-927
Futures (shares and bonds)			
Term 0-10 years	746	-	-2
Forward foreign-exchange contracts			
Term 0-10 years	73,133	243	-552
Balance as at 31 December 2018	138,196	2,757	-3,891

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

23 Breakdown by valuation of investment assets and financial liabilities

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

Level 1 - listed prices:

Listed prices are used when there is an active market for the individual assets. As a general rule, the closing rate on the balance sheet date is applied.

Level 2 - observable input:

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

Level 3 - unobservable input:

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

Notes (cont.)

Note

23 Breakdown by valuation of investment assets and financial liabilities, (cont.)

DKK mill.	Listed prices	Observable input	Unobservable input	Total
Equity investments in group companies	1,214	1,304	1,709	4,227
Equity investments in associated companies	-	-	3	3
Equity investments	1,459	1	3,583	5,043
Investment association units	824	-	152	976
Bonds	12,071	93	-	12,164
Other loans	-	3	-	3
Deposits with credit institutions	-	212	-	212
Other financial investment assets	-	957	-	957
Investment assets attached to market-rate products	87,811	15,618	41,809	145,238
Investment assets recognised at fair value	103,379	18,188	47,256	168,824
Recognised at amortised cost (loans etc.)				543
Total investment assets				169,367
Debt to credit institutions	-	927	-	927
Derivative financial instruments with negative market value	2	2,962	-	2,964
Financial liabilities at fair value	2	3,889	-	3,891

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

Valuation on the basis of unobservable input (DKK mill.):	2018
Fair value brought forward	41,186
Purchase and sale, net	3,920
Value adjustments in the income statement	2,150
Fair value, carried forward	47,256

24 Remuneration of the Board of Directors

The chairman and deputy chairman received annual remuneration of DKK 237,329 in 2018. This remuneration also covers participation in committees in Industriens Pensionsforsikring A/S. Other members of the Board of Directors received remuneration in 2018 of DKK 118,665 kr. Other members of the Board of Directors who are also members of the Investment Committee or the Audit Committee also received remuneration of DKK 64,727 in 2018, while the chairman of the Audit Committee received remuneration of DKK 86,303.

Mads Andersen, chairman	DKK 237,329	Lars Mikkjelgaard-Jensen	DKK 118,665
Kim Graugaard, deputy chairman	DKK 237,329	Nina Movin	DKK 183,392
Lars Andersen	DKK 269,695	Lars Ingemann Nielsen	DKK 183,392
Erik Bredholt	DKK 118,665	Jukka Pertola	DKK 118,665
Chresten Dengsøe	DKK 118,665	Rasmus Sejerup Rasmussen	DKK 118,665
Claus Jensen	DKK 118,665	Berit Vinther, until 30/4-18	DKK 61,131
Heidi Jensen	DKK 118,665	Steen Nielsen, from 1/5-18	DKK 122,261
Jim Jensen	DKK 118,665		

Notes (cont.)

Note

25 Risk management

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

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

Industriens Pension's view on risk

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

All potential risks are monitored on an ongoing basis, and if the risk exceeds the acceptable level, initiatives are implemented to mitigate the risk to a lower, acceptable level. Such initiatives are implemented in policies, guidelines and internal business procedures, and by establishing or adjusting internal controls.

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

Risk identification and assessment

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

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

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

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

Risk management in practice

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

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

Most significant risks for Industriens Pension

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

Notes (cont.)

Note

25 Risk management (cont.)

Market risk

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

The company is exposed to market risk on its own funds as well as the provisions in average rate and sickness and accident insurance. The most important financial risks for members who still have a pension scheme with average interest rate are linked to the interaction between investment assets and current insurance obligations.

The risk relates to whether the return on investment assets is sufficient to cover liabilities on insurance contracts. The most important risk here is changes in interest rates. The interest-rate risk on liabilities is eliminated by hedging with interest-rate derivatives.

For members in market rate who bear the market risk themselves, this is managed through a lifecycle product for which the risk depends on the investment horizon of each member, determined on the basis of the age of the individual member.

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

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

Insurance risk

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

Operational and strategic risk

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

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

Strategic risk includes reputation risks and other risks related to external events and factors.

The most important operational risks are linked to the company's use of IT.

Solvency capital requirement

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

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

The current solvency capital requirement at the end of 2018 is stated in the table of key figures and financial ratios on page 1 of the management's review.

The amount of capital available to cover the capital requirement was DKK 9,312 mill. at the same date.

See the report on solvency and the financial situation for 2018 on the company website (in Danish) for more details on risk and solvency.

Management positions held by the Board of Management and the Board of Directors

BOARD OF MANAGEMENT

Laila Mortensen (born 1965)
CEO of IndustriPension Holding A/S and the fully owned subsidiary
Industriens Pensionsforsikring A/S.

Intra-group positions:

Industriens Pension Service A/S

CEO

Furthermore, Laila Mortensen is on the board of directors for 12 fully owned subsidiaries.

Other positions:

Danish Insurance Association

Member of the Board of Directors

Forsikringsorganisationens Fællessekretariat F.M.B.A

Member of the Board of Directors

Spar Nord Bank A/S

Member of the Board of
Directors and of the Risk
Committee

Statistics Denmark

Vice Chairman of the Board

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

BOARD OF DIRECTORS

Mads Andersen, chairman (born 1969)
Group chairman of Industrigruppen 3F and deputy chairman of the
Central Organisation of Industrial Employees (CO-industri).
Appointed 21 April 2010. Appointed by the Central Organisation of
Industrial Employees (CO-industri) unions.

Intra-group positions:

Industripension Holding A/S

Chairman of the Board

Industriens Pension Service A/S

Chairman of the Board

Investment Committee of Industriens Pensionsforsikring A/S

Chairman

The committee for responsible investment of Industriens

Chairman

Pensionsforsikring A/S

Other positions:

Industriens Kompetenceudviklingsfond

Member of the Board of Directors

Industriens Uddannelses- og Samarbejdsfond

Member of the Board of Directors

Laugesens Have, kursuscenter A/S

Chairman of the Board

FH – Danish Trade Union Confederation

Member of the Board

Nordsøenheden S.O.V.

Member of the Board of Directors

Board of the United Federation of Danish Workers

Member

Management positions held by the Board of Management and the Board of Directors

BOARD OF DIRECTORS *(continued)*

Kim Graugaard, deputy chairman (born 1961)

Deputy Director General of the Confederation of Danish Industry (DI)
Appointed 28 April 2005. Appointed by the Confederation of Danish Industry.

Intra-group positions:

Industripension Holding A/S

Industriens Pension Service A/S

Investment Committee of Industriens Pensionsforsikring A/S

The committee for responsible investment of Industriens Pensionsforsikring A/S

Vice Chairman of the Board

Vice Chairman of the Board

Member

Member

Other positions:

Arbejdsmarkedets Tillægspension

Confederation of Danish Employers

TekSam

Member of the Board of Directors and

Board of Representatives

Member of the Board of Directors

Chairman of the Board

Lars Andersen (born 1958)

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

Intra-group positions:

Industripension Holding A/S

Investment Committee of Industriens Pensionsforsikring A/S

Audit Committee of Industriens Pensionsforsikring A/S

Member of the Board of Directors

Member

Chairman

Other positions:

Arbejdernes Landsbank A/S

IFU/IØ foundations

Master of Science (MSc) in Economics programme

Master of Science (MSc) in Economics programme

Advisory Board at the Faculty of Social Sciences

Member of the Board of Directors

and chairman of the Audit and

Risk Committee

Vice Chairman of the Board

External examiner

Chairman of employers' panel

Member

Erik Bredholt (born 1966)

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

Other positions:

Danish Crown A/S

Board of the Confederation of Danish Industry

Friland A/S

Danish Agriculture & Food Council

Leverandørselskabet Danish Crown Amba

Livlande Holding A/S

Slagteriernes Arbejdsgiverforening

Sokolow S.A. (Poland)

Tulip Ltd. (UK)

Chairman of the Board

Member

Member of the Board of Directors

Member of the Board of Directors

Chairman of the Board

Member of the Board of Directors

Member of the Board of Directors

Member of the Board of Directors

Member of the Board of Directors

Other positions:

United Federation of Danish Workers Greater Copenhagen

Member of the Board of Directors

Management positions held by the Board of Management and the Board of Directors

BOARD OF DIRECTORS *(continued)*

Jim Jensen (born 1965)

Vice President, Fødevareforbundet NNF

Appointed 25 April 2017. Appointed by employees in the merged pension funds PNN PENSION and PHI pension.

Other positions:

Arbejdernes Landsbank

Member of the Advisory Board of Representatives

Lars Mikkeltaard-Jensen (born 1954)

IBM Managing Director and Chairman of the Board, IBM Danmark

Appointed 7 July 2017. Appointed by the Confederation of Danish Industry.

Intra-group positions:

Industripension Holding A/S

Member of the Board of Directors

Other positions:

Sydbank A/S

Member of the Board of Directors

Grønbech Holding

Member of the Board of Directors

Nina Movin (born 1959)

CEO of Otto Mønsted's Fond and Otto Mønsted A/S.

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

Intra-group positions:

Investment Committee of Industriens Pensionsforsikring A/S

Member

Other positions:

Arator A/S (Plougmann og Vingtoft)

Chairman of the Board

AUFF Invest P/S

Member of the Board of Directors

GateHouse A/S

Vice Chairman of the Board

Invoice One A/S

Member of the Board of Directors

Oreco A/S

Member of the Board of Directors

Lars Ingemann Nielsen (born 1961)

Vice President at Nordea-fonden

Appointed 26 June 2015. Appointed by the Confederation of Danish Industry.

Intra-group positions:

Audit Committee of Industriens Pensionsforsikring A/S

Member

Other positions:

Copenhagen Business School, Pension Research Centre (PeRCent)

External associate professor

Management positions held by the Board of Management and the Board of Directors

BOARD OF DIRECTORS *(continued)*

Steen Nielsen (born 1967)

Deputy Director of the Confederation of Danish Industry (DI) - responsible for DI's salary and labour market policy department
Appointed 17 April 2018. Appointed by the Confederation of Danish Industry.

Intra-group positions:

Industripension Holding A/S	Member of the Board of Directors
Industriens Pension Service A/S	Member of the Board of Directors
Audit Committee of Industriens Pensionsforsikring A/S	Member

Other positions:

Arbejdsmarkedets Tillægspension	Member of the Board of Representatives
National Employment Council	Member
Statistics Denmark	Member of the Board of Directors

Jukka Pertola (born 1960)

Professional board member
Appointed 22 February 2012. Appointed by the Confederation of Danish Industry.

Other positions:

Danish Academy of Technical Sciences	President
COWI A/S	Vice Chairman of the Board
GomSpace Group AB	Chairman of the Board
GomSpace A/S	Chairman of the Board
IoT Denmark A/S	Chairman of the Board
LEO Pharma A/S	Chairman of the Board
Monsenso A/S	Chairman of the Board
Siemens Gamesa Renewable Energy A/S	Chairman of the Board
Tryg A/S	Chairman of the Board
Tryg Forsikring A/S	Chairman of the Board

Rasmus Sejerup Rasmussen (born 1974)

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

Other positions:

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