

# Annual Report

2020



**pensionskassen**  
Jordbrugsakademikere & Dyrleger

**PHOTO**

Christoffer Regild (page 4)

**DESIGN**

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

“Our website is popular. With more than 40,000 visits and almost 20,000 member log-ins during 2020.”



# Strong member activity in a turbulent year

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

Due to the coronavirus pandemic, in the month of May, we were one of the first pension providers to hold our annual general meeting online. At the AGM, we welcomed Mads Smith Hansen as the new CEO of the pension fund.

The online meeting made it possible for all members to safely participate from home, which 90 members of the pension fund did.

In the light of the long process of transitioning to a new and modern pension product, the Board of Directors submitted a proposal to the annual general meeting in 2020 that all new business is to be written in a unit-linked product. The proposal was adopted effective from 1 January 2021. Whether existing members are to be able to individually switch to a unit-linked product will be decided at the annual general meeting in 2021.

The financial market turmoil had many check their pension, and our members consulted us for advisory services 3,400 times last year. They did so either by telephone, chat, an online meeting or a meeting in person.

Our website is popular. With more than 40,000 visits and almost 20,000 member log-ins during 2020. On our website, our members can get a snapshot of their pension savings, for example.

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

The pension fund currently has 10,829 members, whose pension savings accrued interest at an interest rate on policyholders' savings of 2.6% in 2020.

Our investments were affected by the economic turmoil, and the return for 2020 ended at DKK 347 million, corresponding to 2.3%. Over a seven-year period, members of the Pension Fund for Agricultural Academics and Veterinary Surgeons have achieved an accumulated return of 49.2%.

Our portfolio is composed in a way that affected us in the short term, when the equity markets dropped in the spring, resulting in a highly unsatisfactory return. Later, the return was significantly improved, and this trend has continued into 2021.

The pension fund's increased focus on responsible investments produced results in 2020. One of the Sampension community's targets is for the carbon footprint of our equity investments to fall each year and to always be less than would be the case if the investments were made passively in the global equity market. In 2020, the total carbon footprint of the community's listed equity portfolio was reduced by some 20%. This was realised following a similar reduction in 2019. The total absolute carbon emissions of the portfolio also fell to 1.4 million tonnes in 2020, against 1.8 million tonnes in 2019.

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



**Erik Bisgaard Madsen**  
Chairman of the Board of Directors





# Management's review

## 1

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## Five-year key figures and financial ratios

<b>Five-year key figures DKKm</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Premiums	435.5	421.5	411.3	386.1	374.8
<i>Pension benefits paid, profit/loss</i>	-283.8	-259.7	-289.2	-282.4	-268.7
<i>Pension benefits paid, equity</i>	-85.5	-87.9	-60.0	-38.8	-44.6
Total pension benefits paid	-369.3	-347.6	-349.1	-321.3	-313.4
Investment return	346.8	1,409.7	-325.1	1,048.0	959.2
Total pension operating expenses	-5.2	-5.1	-5.8	-5.6	-10.7
Technical result	25.1	14.8	-10.0	2.4	68.9
Technical result of health and accident insurance	-0.7	-1.5	-0.1	1.7	-0.6
Profit/loss for the year	93.6	312.7	-82.7	236.4	279.2
Total pension provisions	10,818.0	10,487.5	9,513.9	9,587.7	8,883.7
Excess capital	812.4	794.7	728.9	735.9	685.9
Equity	3,705.4	3,697.3	3,472.5	3,615.2	3,417.7
Total assets	15,867.3	15,960.0	14,458.2	14,688.0	13,230.9
Total consolidated assets	15,868.5	15,961.1	14,459.3	14,689.1	15,453.0

<b>Five-year financial ratios</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Return ratios</b>					
Rate of return related to average-rate products	2.3%	10.3%	-2.3%	8.1%	7.9%
<b>Expense ratios</b>					
Expenses as a percentage of provisions	0.05%	0.05%	0.06%	0.06%	0.13%
Expenses per member (DKK)	480	489	560	552	1,065
<b>Other return ratios</b>					
Return on equity after tax	2.5%	8.7%	-2.3%	6.7%	8.5%
Return on excess capital	2.8%	10.3%	-2.3%	8.3%	7.9%
<b>Capital structure ratios</b>					
Solvency coverage ratio	275%	316%	283%	360%	451%
<b>Health and accident insurance</b>					
Gross claims ratio	129.5%	183.4%	95.2%	22.2%	147.6%
Gross expense ratio	5.5%	5.8%	5.9%	6.9%	6.0%
Combined ratio	135.0%	189.2%	101.2%	29.1%	153.6%
Operating ratio	135.0%	189.2%	101.2%	29.1%	153.6%

Reference is made to "Definitions of financial ratios" on page 55.

## Members and pension schemes

The Pension Fund for Agricultural Academics and Veterinary Surgeons (PJD) is a member-owned pension fund established in 1983. PJD has just under 11,000 members, most of whom are graduates of the Faculty of Life Sciences at the University of Copenhagen (formerly the Royal Veterinary and Agricultural University) or have similar educational backgrounds. The pension fund also admits employees of enterprises or associations affiliated with the profession.

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

Pension schemes with PJD consist of pension savings and, for most premium-paying and inactive members, insurance components covering certain critical illnesses, loss of earning capacity and death. Pension savings earn interest according to an average-rate principle, which means that the rate of interest on policyholders' savings reflects the average return achieved over time. The rate of interest on policyholders' savings is fixed by the pension fund according to collective principles.

As of 1 January 2021, all new members of the pension fund get our new 3 i 1 Livspension unit-linked pension product. Subject to the expected approval by the general meeting, existing members will also be able to choose 3 i 1 Livspension after the summer of 2021.

## Premiums and benefits

Premium income of

DKK **436** mill.

### Premium income

Premiums grew by 3.3% from DKK 421.5 million in 2019 to DKK 435.5 million in 2020. Regular premiums grew by DKK 11.4 million, while single premiums and transfers increased by DKK 2.6 million.

Premium income, DKKm	2020	2019	Change (%)
Regular premiums	389.5	378.1	3.0
Single premiums etc.	46.0	43.4	5.8
<b>Total premiums</b>	<b>435.5</b>	<b>421.5</b>	<b>3.3</b>

The number of members at 31 December 2020 was 10,829 against 10,632 at 31 December 2019, an increase of 1.9%.

Number of members	31.12.2020	31.12.2019	Change (%)
Premium-paying members in active employment	5,555	5,455	1.8
Paid-up policies etc.	2,843	2,795	1.7
Pensioners	2,431	2,382	2.1
<b>Total number of members</b>	<b>10,829</b>	<b>10,632</b>	<b>1.9</b>

### Benefit payments

Total benefits paid amounted to DKK 369.3 million in 2020 against DKK 347.6 million in 2019, including supplementary pensions financed via equity. The increase was primarily attributable to regular benefit payments and surrenders.

# Expenses

For a number of years, PJD has made targeted efforts to reduce its expenses, which are among the lowest in the industry: The lower the expenses, the greater the proportion of contributions and returns will be allocated to savings. Ensuring low investment and administration expenses is a priority at PJD.

## Efficient investment management

Internal and external management efficiency is very important to PJD. We use cost-benefit analyses to assess whether the various portfolios should be managed internally or externally.

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

## Investment expenses

Investment expenses include expenses incurred by PJD, which are disclosed directly in the financial statements, and indirect expenses incurred when investing in external funds, investment associations, etc. Investment expenses as a percentage of member savings were 0.60% in 2020 compared with 0.54% in 2019. The increase was mainly driven by expenses in connection with investments in externally managed private equity funds.

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

## Administrative expenses per member of DKK 480

Pension administrative expenses amounted to DKK 5.2 million in 2020 against DKK 5.1 million in 2019.

- Expenses per member amounted to DKK 480 in 2020 against DKK 489 in 2019
- Expenses expressed as a percentage of provisions were 0.05% in 2020, unchanged compared with 2019.

## Total APR of 0.9%

Our website, [pjdension.dk](http://pjdension.dk), provides information to members on annual expenses expressed in Danish kroner and as a percentage (APR). The total APR for 2020 was 0.9% against 0.8% for 2019, calculated for a member with conditionally guaranteed benefits and savings of DKK 1 million and annual contributions of DKK 50,000. APR includes an annual administration fee of DKK 480 per member, 0.1% of members' regular premiums, investment expenses as set out above and a risk premium of 0.25%.

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**Administrative  
expenses per  
policyholder**

DKK **480**

# Investments and returns

## The global economy and financial markets

At the beginning of 2020, we expected that the upswing lasting since the end of the financial crisis in 2010 would continue for another year, although particularly the trade dispute between the USA and China as well as Brexit would slightly weaken the upswing. Instead, 2020 was dominated by a high degree of uncertainty as an unknown virus broke out in China in the beginning of the year and subsequently spread to the rest of the world, causing the global economy to plunge into its

deepest recession since World War II. The coronavirus pandemic led to a sudden lockdown of major parts of society, resulting in economic collapses. The recession was severe, but relatively short-lived, as historical fiscal and monetary relief packages supported the economy. The spring brought along increasing economic activity and the loss of jobs and growth was less severe than initially expected. As the winter season set in, a new wave of coronavirus hit. It was once again necessary to drastically lock down most economies and offer even more fiscal and monetary relief packages to keep economies afloat. The global growth is expected to have dropped some 4% in 2020, while it only decreased by 0.1% in 2009 during the financial crisis. The service sector has been, and still is, particularly hard hit, while industrial production appears to have gotten through 2020 relatively unscathed. The lockdowns have led to an accumulated spending and investment need which may kick growth into gear once we emerge from the coronavirus pandemic.

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

### **Investment strategy**

Our investment strategy aims to maximise the long-term return in a responsible manner and within the given risk framework.

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

### **Investment return of DKK 346.8 million or 2.3%**

PJD's total return was 2.3% in 2020. All asset classes, except for real estate and infrastructure, made positive contributions to the total return. With a return of 5.7% in DKK terms, listed equities were the largest contributor, it being noted that this asset class represents a much larger proportion than the other asset classes with high absolute returns, see the table below. The return on PJD's listed equities for 2020 was affected by the value equities generating a lower return than growth equities (-30 percentage points) in 2020, it being noted that the portfolio has a relatively larger proportion of value equities. Private equity, commodities and forestry as well as bonds subject to credit risk also performed well, but their impact on the total return was limited due to relatively moderate asset holdings.

Investment return by asset class	Distribution (%) at 31.12.2020	Return (%)
Bonds etc. subject to low credit risk	39.5	0.4
Bonds etc. subject to high credit risk	12.6	1.9
Listed equities	26.2	5.7
Private equity	6.8	8.1
Real estate and infrastructure	9.5	-4.7
Commodities and forestry	2.4	16.1
Global macro hedge funds	2.4	7.5
Other (premiums)	0.6	-0.1
<b>Net return after currency hedging etc.</b>		<b>2.3</b>

Investment return of

2.3%

PJD's overall return in 2020 was DKK 346.8 million before tax on pension returns, compared with a return of DKK 1,409.7 million in 2019. For a more detailed specification of holdings and returns, see note 19 to the financial statements.

### Five-year returns

Over the past five years, DKK 100 worth of savings has grown to just under DKK 129.



Five-year return of

28.5%

### Sharpe ratio (risk-adjusted return)

The table below shows the risk-adjusted return measured for the period 2016-2020. The risk-adjusted return illustrates the performance of the return relative to the assumed risk. The risk is measured on the basis of the historical volatility (standard deviation) over a given period of time. The higher the risk-adjusted return, the better the investment. If the risk-adjusted return is calculated on the basis of the excess return relative to a risk-free interest rate (of 0%), it is referred to as the Sharpe ratio.

Sharpe ratio 2016-2020	Accumulated return	Annualised return	Annualised standard deviation	Risk-adjusted return
PJD	28.5%	5.2%	6.1%	0.8

## Corporate social responsibility

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

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

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

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

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**3** initiatives

**to increase  
responsible  
investments**

### Responsible investments

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

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

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

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

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**Reduction in carbon  
footprint by**

**21** %

### Significant reduction in equity portfolio's carbon footprint

In 2020, the carbon footprint of the pension fund's listed equity portfolio was significantly reduced by 21%. The carbon footprint is measured by reference to the weighted average carbon intensity, as recommended by TCFD when assessing a portfolio's emissions and climate risk exposure. In 2020, our listed equity portfolio's total CO<sub>2</sub> emissions were at 92,479 tonnes, relative to 163,118 tonnes in 2019.

The companies in which PJD has invested continue their energy efficiency procedures and their transition away from fossil energy sources. PJD has defined a target for the carbon footprint of its equity investments. CO<sub>2</sub> emissions must fall over time and be less than the CO<sub>2</sub> volume that would be emitted if the investments were made passively according to the general investment guidelines defined by the Board of Directors. We met both targets in 2020.

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

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

### Green investments

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

### Active ownership

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

### Screening and critical dialogue

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

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

### Dialogue on improvement

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

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

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

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276

Excluded companies

## Voting

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

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

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

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

## Key ESG indicators provide comparability and transparency

Together with our partners in the joint management company, PJD has decided to support the pension industry's request for a common standard by publishing an overview of its ESG ratios calculated according to the guidelines published by FSR - Danish Auditors, Nasdaq and the Danish Finance Society in June 2019. In the following, we only include key indicators directly related to PJD, while key indicators for the joint management company are available in Sampension Liv's statutory report on corporate social responsibility (in Danish only) at [sampension.dk/aarsrapport](http://sampension.dk/aarsrapport).

The key ESG indicators show, among other things:

- The carbon footprint of the equity portfolio plunged, see page 13
- Governance data show that the Board of Directors of PJD represents an equal gender distribution as defined in the Danish Business Authority's guidelines
- The item Taxes paid includes tax on pension returns, which depends on the realised investment return for the year. This is the key explanation of the fluctuations. In addition, we paid a relatively lower amount of tax deducted at source in 2020, as payment of three months' tax deducted at source has been deferred to 2021 due to the Danish government's coronavirus relief packages.

<b>The Pension Fund for Agricultural Academics and Veterinary Surgeons</b>	<b>Unit</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>E - Environmental data</b>				
<b>The listed equity portfolio's CO2 emissions</b>				
Total emissions	Tonnes/CO2e	92,479	163,118	-
Financed emissions	Tonnes/EURm	153	220	-
Carbon intensity	Tonnes/EURm	196	250	-
Weighted average carbon intensity	Tonnes/EURm	163	206	-
<b>S - Social data</b>				
Taxes paid	DKKm	176	224	193
<b>G - Governance data</b>				
Gender diversity, Board of Directors	%	33	33	33
Board meeting attendance	%	97	93	100

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

# Financial results, solvency capital requirement and total capital

## Profit of DKK 93.6 million

PJD realised a profit of DKK 93.6 million for 2020 against a profit of DKK 312.7 million for 2019. The profit or loss for the year consists mainly of the share of the investment return for the year allocated to equity, the risk premium and the technical result of health and accident insurance for the year. The profit for 2020 was in line with expectations.

Profit of

**93.6** mill.  
DKK

The Board of Directors proposes that the profit for the year be transferred to equity. Equity stood at DKK 3,705 million at 31 December 2020 compared with DKK 3,697 million at 31 December 2019. A total of DKK 86 million was distributed as supplementary pension benefits in 2020.

## Solvency requirements and total capital

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

<b>Solvency capital requirements and total capital DKKm</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
Total capital	4,518	4,492
Solvency capital requirement (SCR)	1,640	1,423
Minimum capital requirement (MCR)	410	356
Excess capital	2,877	3,069
<b>Solvency coverage ratio relative to SCR</b>	<b>275%</b>	<b>316%</b>
Solvency coverage ratio relative to MCR	1102%	1263%

The solvency coverage ratio - i.e. total capital relative to the solvency capital requirement - was 275% at 31 December 2020. The decline relative to 31 December 2019 was mainly due to higher solvency capital requirement resulting from declining bonus potentials. The solvency coverage ratio is still at a very robust level.

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

## Provisions for pension contracts

Pension provisions are computed at market value based on assumptions of mortality and disability and probability of policy surrenders and conversions into paid-up policies. Market values are calculated using the Solvency II discount curve. Provisions are also determined using the Danish FSA's benchmark for expected future increases in longevity. PJD has determined a number of conditions for the reduction of basic rate of interest.

Pension provisions stood at DKK 10,818 million at 31 December 2020 compared with DKK 10,487 million at 31 December 2019. The increase was mainly driven by a drop in the discount rate and the transition to new market value parameters.

The bonus ratio, reflecting the bonus potential in relation to members' savings, fell to 28.9% at 31 December 2020 against 35.6% at 31 December 2019. This was driven by a decline in individual bonus potentials due to a fall in interest rates.

Bonus potential and bonus ratios	31.12.2020		31.12.2019	
	DKKm	%	DKKm	%
	Bonus potentials	Bonus ratio	Bonus potentials	Bonus ratio
Collective bonus potential	605	-	614	-
Individual bonus potentials	2,314	-	2,869	-
<b>Total bonus potentials</b>	<b>2,918</b>	<b>28.9</b>	<b>3,483</b>	<b>35.6</b>

## Outlook for 2021

### Interest rate of

1.5%

PJD anticipates moderate growth in the number of members and premiums in 2021.

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

At 1 January 2021, the interest rate on policyholders' savings was fixed at 1.5% before tax on pension returns for conditionally guaranteed pensions.

The return on equity depends on developments in the financial markets. Based on an unchanged level of interest rates, PJD expects a return on equity after tax on pension returns for 2021 of about DKK 50-80 million. The expected result is affected by the fact that no risk premium is allocated to guaranteed pension schemes from 2021. This will also result in APR of these pension schemes dropping from 0.9% to 0.7%.

## Other matters

### Uncertainty in recognition and measurement

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

### Events after the balance sheet date

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



# About the pension fund

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# Management structure

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

## Board of Directors

The Board of Directors consists of nine members. Five are elected by and among the pension fund's members, one is appointed by JA, one is appointed by the Trade Union for Employed Veterinarians (ADO) and two are elected at the general meeting following nomination by the Board of Directors. One of the last-mentioned two board members must have the qualifications required to be an expert member of the Audit- & Risk Management Committee. The other must have experience from the pension industry or the financial sector.

The Board of Directors held eight board meetings, one seminar and one feature day in 2020.

An overview of other directorships held by the members of the Board of Directors and the Executive Board is provided on pages 23-25.

## Audit- & Risk Management Committee

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

The Audit- & Risk Management Committee is chaired by Søren Kaare-Andersen, MSc (Econ.). By virtue of his professional career and educational background, Søren Kaare-Andersen meets the qualification requirements set out in the rules on audit committees. He also complies with the requirements of independence.

The two other members appointed by the Board of Directors to serve on the Audit- & Risk Management Committee in 2020 were the following: Johannes Elbæk (Deputy Chairman of the Board of Directors) and Anders Larsen (Board member).

The Audit- & Risk Management Committee held four meetings in 2020.

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

- to oversee the financial reporting process
- to prepare the Board of Directors' reviews and resolutions involving risk documents regarding the pension fund's capital, solvency and operational matters
- to oversee the effectiveness of risk management systems, internal control systems and the internal audit function
- to oversee the statutory audit of the financial statements; and
- to oversee and verify the independence of the auditors.

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

Reporting to the whistleblowing scheme is made via a whistleblowing IT platform and screened by the Danish law firm Kromann Reumert, which manages the whistleblowing scheme. Subsequently, Kromann Reumert informs the chairman of the Audit- & Risk Management Committee and the person in charge of the compliance function via the IT platform. No reports were filed in 2020.

## Nomination Committee

The Board of Directors of PJD has established a Nomination Committee. The Committee is intended to make recommendations to the Board of Directors with a view to ensuring a better recruitment base for the Board of Directors and providing a well-described basis for discussion of recruitment and retention.

In 2020, the Nomination Committee consisted of Erik Bisgaard Madsen (Chairman of the Board of Directors, Chairman of the Committee until 22 June 2020), Kirsten Holst Sørensen (Board member, Chairman of the Committee as from 22 June 2020), Henning Otte Hansen (Board member) and Louise Bundgaard (Board member). The Committee held two meetings in 2020.

## Committee for Responsible Investment

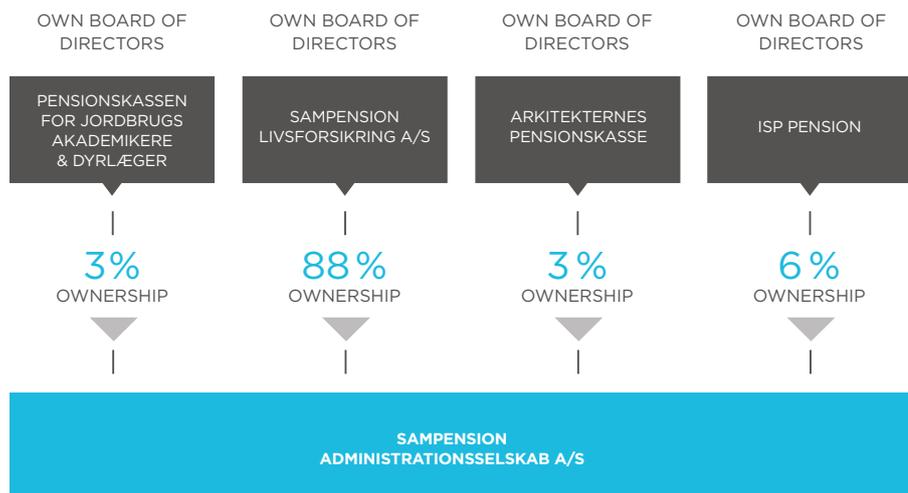
The responsible investment policy was approved by all four parties of the Sampension community. The boards of directors have set up a cross-functional committee to make proposals for ESG-related decisions. The Committee is charged with considering the environmental, social and governance aspects of investment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

Erik Bisgaard Madsen (Chairman of the Board of Directors) and Louise Bundgaard (Board member) represented PJD's members on the Committee in 2020. The Committee held three meetings in 2020.

## Organisation and management

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

### The Sampension community



▼ Ownership and administrative agreements with equal conditions

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

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

### Remuneration

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

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

See note 5 to the financial statements or, for more information (in Danish only), go to [pjdension.dk/bestyrelse](http://pjdension.dk/bestyrelse).

### Gender composition of the Board of Directors

The current composition of the Board of Directors represents an equal gender distribution with three of the members, corresponding to 33.3%, being women and six members, corresponding to 66.7%, being men. This distribution is consistent with the Danish Business Authority's guidelines on an equal gender composition of the board of directors.

We have accounted for the gender composition at other management layers in the statutory report on corporate social responsibility available at [pjdension.dk/aarsrapport](http://pjdension.dk/aarsrapport).

## Group structure



Sorte Hest Ejendomspartnerselskab was not merged into PJD in 2020 as expected, and the company's activities will continue for the time being.

# Management and other directorships

## Executive Board

Mads Smith Hansen, Chief Executive Officer

## Chief actuary

Steen Ragn

## Internal audit

Gert Stubkjær, Group Chief Internal Auditor

## Independent auditors

PwC

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Denmark

## Annual General Meeting

The Annual General Meeting will be held on 12 April 2021.

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## Other directorships

The following sets out the directorships in other companies held by the members of the Board of Directors and the Executive Board. The list does not include directorships in wholly-owned subsidiaries of the Pension Fund for Agricultural Academics and Veterinary Surgeons.

Name and basic data	Education and employment	Years on the Board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
Erik Bisgaard Madsen, born 1955, Chairman	MSc (Veterinary Medicine), Ph.D., Associate Dean Politics & Communication, Faculty of Life Sciences, University of Copenhagen	25 years	April 2019 to April 2022, elected by the members	Yes	Chairman of the board of directors of Housing Foundation Copenhagen Deputy chairman of the board of directors of Food & Bio Cluster Denmark F.M.B.A. Member of the board of directors of FBBCD A/S Member of the board of directors of Sampension Administrationselskab A/S Member of the board of directors of the Danish Dairy Research Foundation Member of the board of directors of Hallegård Slagtehus ApS Member of the board of directors of Innoflow ApS Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering Member of the nomination committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons

<b>Name and basic data</b>	<b>Education and employment</b>	<b>Years on the Board</b>	<b>Term/ appointment</b>	<b>Member of AP</b>	<b>Other directorships and fiduciary positions</b>
Johannes Elbæk, born 1961, Deputy Chairman	MSc (Agriculture), HD, Director of Agricultural Centre, Vestjysk Bank	20 years	April 2019 to April 2022, elected by the members	Yes	Member of the Audit- & Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons Director of Agricultural Centre, Vestjysk Bank A/S Owner of J.Elbæk Consulting
Louise Bundgaard, born 1979	MSc (Veterinary Medicine), Ph.D., Postdoc at the Department of Clinical Veterinary Medicine at the University of Copenhagen	4 years	April 2020 to April 2023, appointed by the Trade Union for Employed Veterinarians (ADO)	Yes	Member of the joint committee for responsible investment of Sampension Livsforsikring A/S, the Architects' Pension Fund, the Pension Fund for Agricultural Academics and Veterinary Surgeons and the Pension Fund for Technicians and Bachelors of Engineering Member of the nomination committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons Member of the board of directors of the Biomedicine Profession, DVA Member of the board of directors of European Tissue Repair Society Member of the Animal Experiments Inspectorate
Henning Otte Hansen, born 1959	MSc (Agriculture) and MSc (Economics and Business Administration), HD, Ph.D., Senior Adviser, Department of Food and Resource Economics (IFRO) at the University of Copenhagen	3 years *)	May 2018 to April 2021, elected by the members	Yes	Chairman of the board of directors of Disposal CC ApS Member of the board of directors of Statsautoriseret revisor Oluf Christian og hustru Julie Rasmine Olsens mindefond Member of the board of directors of the Association of Agricultural Academics (JA) Chairman of the negotiation committee of the Association of Agricultural Academics (JA) Member of the nomination committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons
Hans-Henrik Bramaholm Jørgensen, born 1955	MSc (Agriculture)	18 years	November 2019 to December 2021, appointed by JA	Yes	Chairman of the board of directors of JA
Søren Kaare-Andersen, born 1958	MSc (Econ.), CEO of the Bikuben Foundation	6 years	April 2018 to April 2021, elected at the general meeting following nomination by the Board of Directors	No	Chairman of the Audit- & Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons Chairman of the Audit- & Risk Management Committee of the Architects' Pension Fund Chairman of the advisory committee of Nasdaq OMX Cph

[continued next page](#)

\*) Henning Otte Hansen was elected to the Board of Directors on 22 May 2018. Henning Otte Hansen also served on the Board from 10 November 2009 to 9 April 2018

Name and basic data	Education and employment	Years on the Board	Term/ appointment	Member of AP	Other directorships and fiduciary positions
					<p>Chairman of the board of directors of Høbbet A/S</p> <p>Chairman of the board of directors of Bifi A/S</p> <p>Chairman of the board of directors of Roskilde Kulturservice A/S</p> <p>Chairman of the board of directors of Skitse ApS</p> <p>Chairman of the board of directors of the Bikuben Foundation New York inc.</p> <p>Deputy chairman of the board of directors of the Hjem til Alle alliance</p> <p>Deputy chairman of the board of directors of Enkotec A/S</p> <p>Member of the board of directors of the Architects' Pension Fund</p> <p>Member of the board of directors of the Museum Council of the National Museum of Denmark</p> <p>Member of the board of directors of NunaFonden</p> <p>Member of the board of directors of KAB</p> <p>Member of the board of H. P. Lorentzens Stiftelse</p> <p>CEO of the Bikuben Foundation</p>
Anders Larsen, born 1967	MSc. (Econ.), HD, F&R Partner with Whitecroft Capital Management	3 years	April 2018 to April 2022, elected at the general meeting following nomination by the Board of Directors	No	Member of the Audit- & Risk Management Committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons
Ilse Ankjær Rasmussen, born 1956	MSc (Agriculture), Member of the academic staff of the International Centre for Research in Organic Food Systems (Aarhus University)	3 years	April 2018 to April 2021, elected by the members	Yes	
Kirsten Holst Sørensen, born 1963	MSc (Agriculture), HD (Organisation and Management), Head of Organic Farming/ Innovation, SEGES	9 years	April 2020 to April 2023, elected by the members	Yes	<p>Member of the board of directors of ICROFS</p> <p>Member of the board of Økologi Inspiration til Jordbrugeren</p> <p>Special adviser to the Ecological Council</p> <p>Chairman of the nomination committee of the Pension Fund for Agricultural Academics and Veterinary Surgeons</p>
Mads Smith Hansen, born 1969, CEO					<p>COO of Sampension Livsforsikring A/S</p> <p>COO of Sampension Administrationselskab A/S</p> <p>CEO of the Architects' Pension Fund</p>



# Financial statements

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# Group and Parent Company Financial Statements

Note	INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
2	Premiums	435,462	421,525	435,462	421,525
	<b>Premiums</b>	<b>435,462</b>	<b>421,525</b>	<b>435,462</b>	<b>421,525</b>
9	Income from group enterprises	-	-	-270	1,620
	Income from investment properties	1,512	1,546	0	0
3	Interest income, dividends etc.	140,848	156,457	140,855	156,462
4	Market value adjustments	241,491	1,288,998	243,193	1,288,886
	Interest expenses	-1,319	-960	-1,261	-894
	Investment management expenses	-35,729	-36,358	-35,715	-36,392
	<b>Total investment return</b>	<b>346,802</b>	<b>1,409,682</b>	<b>346,802</b>	<b>1,409,682</b>
	<b>Tax on pension returns</b>	<b>-50,519</b>	<b>-213,783</b>	<b>-50,519</b>	<b>-213,783</b>
6	Benefits paid	-283,783	-259,678	-283,783	-259,678
	<b>Total insurance benefits</b>	<b>-283,783</b>	<b>-259,678</b>	<b>-283,783</b>	<b>-259,678</b>
12	<b>Total change in provisions</b>	<b>-330,717</b>	<b>-972,255</b>	<b>-330,717</b>	<b>-972,255</b>
11	<b>Change in surplus capital</b>	<b>-17,674</b>	<b>-65,834</b>	<b>-17,674</b>	<b>-65,834</b>
5	Administrative expenses	-5,154	-5,138	-5,154	-5,138
	<b>Total net operating expenses</b>	<b>-5,154</b>	<b>-5,138</b>	<b>-5,154</b>	<b>-5,138</b>
	<b>Transferred return on investments</b>	<b>-69,310</b>	<b>-299,678</b>	<b>-69,310</b>	<b>-299,678</b>
	<b>TECHNICAL RESULT</b>	<b>25,106</b>	<b>14,840</b>	<b>25,106</b>	<b>14,840</b>
7	<b>TECHNICAL RESULT OF HEALTH AND ACCIDENT INSURANCE</b>	<b>-664</b>	<b>-1,493</b>	<b>-664</b>	<b>-1,493</b>
	<b>Investment return on equity</b>	<b>85,365</b>	<b>356,049</b>	<b>85,365</b>	<b>356,049</b>
	<b>PROFIT BEFORE TAX</b>	<b>109,807</b>	<b>369,396</b>	<b>109,807</b>	<b>369,396</b>
	<b>Tax on pension returns for equity</b>	<b>-16,158</b>	<b>-56,737</b>	<b>-16,158</b>	<b>-56,737</b>
	<b>PROFIT FOR THE YEAR</b>	<b>93,649</b>	<b>312,660</b>	<b>93,649</b>	<b>312,660</b>
	<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>NET PROFIT FOR THE YEAR</b>	<b>93,649</b>	<b>312,660</b>	<b>93,649</b>	<b>312,660</b>

# Group and Parent Company Financial Statements (continued)

Note	BALANCE SHEET DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
	<b>ASSETS</b>				
8	<b>Investment properties</b>	<b>7,837</b>	<b>9,539</b>	<b>0</b>	<b>0</b>
9	Investments in group enterprises	0	-	18,200	18,471
	<b>Total investments in group enterprises</b>	<b>0</b>	<b>0</b>	<b>18,200</b>	<b>18,471</b>
	Investments	3,461,905	3,084,963	3,461,905	3,084,963
	Units in mutual funds	4,097,898	5,145,236	4,097,898	5,145,236
	Bonds	7,572,058	7,084,919	7,572,058	7,084,919
	Loans secured by mortgage	40,789	43,200	40,789	43,200
10	Derivative financial instruments	372,469	209,345	372,469	209,345
	Deposits with credit institutions	77,055	217,277	77,055	217,277
	<b>Total other financial investment assets</b>	<b>15,622,174</b>	<b>15,784,941</b>	<b>15,622,174</b>	<b>15,784,941</b>
	<b>TOTAL INVESTMENT ASSETS</b>	<b>15,630,011</b>	<b>15,794,480</b>	<b>15,640,374</b>	<b>15,803,412</b>
	<b>Total receivables arising from direct insurance contracts</b>	<b>20,140</b>	<b>17,477</b>	<b>20,140</b>	<b>17,477</b>
	<b>Other receivables</b>	<b>24,336</b>	<b>17,671</b>	<b>24,180</b>	<b>17,618</b>
	<b>TOTAL RECEIVABLES</b>	<b>44,475</b>	<b>35,148</b>	<b>44,320</b>	<b>35,094</b>
	Cash and cash equivalents	136,693	69,523	125,244	59,555
	Other	1,590	0	1,590	0
	<b>TOTAL OTHER ASSETS</b>	<b>138,283</b>	<b>69,523</b>	<b>126,835</b>	<b>59,555</b>
	Interest receivables	39,370	46,215	39,370	46,215
	Other prepayments	16,381	15,732	16,381	15,732
	<b>TOTAL PREPAYMENTS</b>	<b>55,752</b>	<b>61,947</b>	<b>55,752</b>	<b>61,947</b>
	<b>TOTAL ASSETS</b>	<b>15,868,521</b>	<b>15,961,098</b>	<b>15,867,280</b>	<b>15,960,009</b>

BALANCE SHEET		GROUP		PENSION FUND	
Note	DKKt.	2020	2019	2020	2019
<b>EQUITY AND LIABILITIES</b>					
	Retained earnings	3,705,386	3,697,278	3,705,386	3,697,278
	<b>TOTAL EQUITY</b>	<b>3,705,386</b>	<b>3,697,278</b>	<b>3,705,386</b>	<b>3,697,278</b>
11	Surplus capital	812,419	794,744	812,419	794,744
	<b>TOTAL SUBORDINATED LOAN CAPITAL</b>	<b>812,419</b>	<b>794,744</b>	<b>812,419</b>	<b>794,744</b>
12	Pension provisions	10,812,746	10,482,029	10,812,746	10,482,029
7	Provision for claims outstanding	5,258	5,425	5,258	5,425
	<b>TOTAL PENSION PROVISIONS</b>	<b>10,818,004</b>	<b>10,487,454</b>	<b>10,818,004</b>	<b>10,487,454</b>
13	Payables to credit institutions	87,871	309,811	87,871	309,811
14	Other payables	444,841	671,811	443,601	670,721
	<b>TOTAL DEBT</b>	<b>532,712</b>	<b>981,622</b>	<b>531,472</b>	<b>980,532</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,868,521</b>	<b>15,961,098</b>	<b>15,867,280</b>	<b>15,960,009</b>
1	<b>ACCOUNTING POLICIES</b>				
15	<b>CONTINGENT ASSETS AND LIABILITIES</b>				
16	<b>CHARGES</b>				
17	<b>REALISED RESULT AND DISTRIBUTION OF REALISED RESULT</b>				
18	<b>FINANCIAL INSTRUMENTS RECOGNISED AT FAIR VALUE</b>				
19	<b>OVERVIEW OF ASSETS AND RETURNS</b>				
20	<b>FIVE-YEAR FINANCIAL HIGHLIGHTS AND RATIOS, GROUP AND PENSION FUND</b>				
21	<b>RISK MANAGEMENT</b>				

## Statement of changes in Equity

DKKt.	GROUP		PENSION FUND	
	2020	2019	2020	2019
Equity at 1 January	3,697,278	3,472,542	3,697,278	3,472,542
Profit for the year	93,649	312,660	93,649	312,660
Supplementary pensions	-85,541	-87,924	-85,541	-87,924
<b>Equity at 31 December</b>	<b>3,705,386</b>	<b>3,697,278</b>	<b>3,705,386</b>	<b>3,697,278</b>
<b>Total capital</b>				
Equity			3,705,386	3,697,278
Surplus capital			812,419	794,744
<b>Total</b>			<b>4,517,804</b>	<b>4,492,022</b>

# Notes to the financial statements

## 1 Accounting policies

### GENERAL INFORMATION

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

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

#### Distribution of realised result

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

A proportionate share of the return for the year on the investment portfolio is allocated to equity and excess capital (total capital).

An amount (risk premium) representing 0.5% of custody accounts is allocated to pension agreements with unconditional commitments and 0.25% of custody accounts is allocated to pension agreements with conditional commitments. The remainder, corresponding to the realised result for the year less the calculated amount allocated to total capital, is allocated to members.

The technical result of health and accident insurance is allocated to total capital.

#### Recognition and measurement

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

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

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

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

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

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

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

#### Accounting estimates

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

The estimates and judgments are based on assumptions that management finds reasonable but which are inherently uncertain and unpredictable. The assump-

tions may be incomplete, and unforeseen future events or circumstances may arise.

The areas in which management's estimates and judgments have the most material effect on the consolidated and the parent company financial statements are:

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

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

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

The most significant level 3 investment assets are:

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

## Corporate information and consolidation policies

Group enterprises are included in the consolidation. The consolidated financial statements are prepared on the basis of the financial statements or other reporting of all consolidated enterprises, restated to the accounting policies applied by the Group.

Consolidation was made by adding items of a uniform nature line by line and by eliminating intra-group balances as well as intra-group income and expenses.

Investments in group enterprises are set off against the pension fund's share of the equity value of each group enterprise at the year-end date.

Newly acquired or divested group enterprises are recognised in the consolidated financial statements from the date of acquisition or until the date of divestment, respectively.

### Intra-group transactions

Intra-group transactions are made in writing and settled on market terms.

## INCOME STATEMENT

### Technical result

#### Premiums

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

#### Investment return

#### Income from investments in group enterprises

Income from investments in group enterprises covers the pension fund's proportionate share of total profit after tax, restated to the accounting policies applied by the Group.

#### Income from investment property

The item covers income from manage-

ment of investment property net of management costs, but before deduction of mortgage interest.

#### Interest income and dividends, etc.

The item covers interest for the year from financial investment assets and cash and cash equivalents, indexation of index-linked bonds and dividends on equity investments, including equities and investment funds. Interest income from loans to group enterprises is also included.

#### Market value adjustments

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

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

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

#### Interest expenses

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

#### Investment management charges

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

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

#### Tax on pension returns

The tax on pension returns computed

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

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

#### Benefits paid

Benefits paid comprise the pension benefits paid in the year. However, the share of pension benefits paid allocated to equity is recognised directly in equity.

#### Change in pension provisions

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

#### Change in excess capital

The item comprises the year's change in excess capital, which consists of individual special bonus provisions.

#### Pension operating expenses

Pension operating expenses comprise an administrative fee in accordance with the management contract with Sampension Administrationselskab A/S and direct expenses incurred. Administrative expenses are divided into pension business and investment business.

#### Transferred return on investment

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

#### Technical result of health and accident insurance

The technical result of health and accident insurance is calculated in accordance with the rules governing non-life insurance.

# Notes to the financial statements (continued)

Premium income consists of premiums falling due during the year.

Claims expenses represent claims paid during the year and adjusted for changes in outstanding claims provisions. The investment return includes the share of the overall investment return attributable to health and accident insurance and is calculated in accordance with the rules governing life insurance. The technical result of health and accident insurance is recognised in a single line of the income statement and is specified in a note.

## **Tax on pension returns allocated to equity**

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

## **Other comprehensive income**

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

## **BALANCE SHEET**

### **Investment assets**

#### **Investment property**

On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the property and any directly associated costs. Subsequently, investment properties are measured at fair value.

For investment properties, fair values are determined according to the DCP method. Fair values determined according to the DCF method are based on the expected cash flow from income and expenses on individual properties for a relevant planning period, the terminal value at the end of the planning period and a discount curve corresponding to the planning period.

Properties that the company plans to sell at the balance sheet date are measured at fair value, corresponding to the expected selling price less any costs in connection with the sale.

#### **Investments in group enterprises**

Enterprises in which the pension fund exercises control are recognised as group enterprises. Enterprises in which the Group holds more than 50% of the voting rights are generally classified as group enterprises. However, the determining factor is whether the ownership interest provides real influence, as measured individually for each enterprise by the ability to influence activities, management structures, financial decisions and risk factors.

Investments in group enterprises are measured at the proportionate share of the equity value in accordance with the most recent annual reports or other reporting of the enterprises, restated to the Group's accounting policies.

#### **Investments and units in mutual funds**

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

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

#### **Bonds**

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

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

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

#### **Loans secured by mortgage**

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

#### **Derivative financial instruments**

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

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

#### **Deposits with credit institutions**

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

#### **Receivables**

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

#### **Other assets**

##### **Cash and cash equivalents**

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

### **Other**

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

### **Prepayments**

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

### **Subordinated loan capital**

#### **Excess capital**

Excess capital comprises individual special bonus provisions. Excess capital accrues interest at the same rate as equity and is included in total capital to cover the solvency capital requirement.

Excess capital is accumulated as 5% of premiums.

### **Pension provisions**

#### **Pension provisions**

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

The pension fund has a single contribution group.

#### **Guaranteed benefits**

Guaranteed benefits comprise obligations to pay benefits. Guaranteed benefits are calculated as the present value of the benefits guaranteed by the insurance policy (conditional or unconditional) plus the present value of the expected future administration costs and less the present value of the agreed future contributions.

### **Individual bonus potential**

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

### **Collective bonus potential**

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

### **Profit margin**

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

### **Risk margin**

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

### **Outstanding claims provisions**

Outstanding claims provisions relating to health and accident insurance consist of amounts in cover of claims incurred but not yet paid at year-end. Outstanding claims provisions relating to health and accident insurance are calculated on the basis of information on the size of claims plus an amount estimated on the basis of past claims experience in cover of incurred but not reported claims (IBNR provisions). Outstanding claims provisions relating to health and

accident insurance run off by way of regular benefits are calculated at their present value using actuarial principles by discounting expected future payments. Discounting is calculated by applying the yield curve published by EIOPA in accordance with the Solvency II Directive or a yield curve as close as possible thereto.

### **Liabilities**

#### **Payables to credit institutions**

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

#### **Other debt**

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

## **FINANCIAL HIGHLIGHTS**

The pension fund's financial highlights are prepared in accordance with the provisions of the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds. For additional information, see Definitions of financial ratios on page 55. The consolidated financial highlights are the same as those for the pension fund with the exception of Total assets. Financial highlights are not prepared for the Group, as it comprises one pension fund only.

## Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>2</b>	<b>Premiums</b>				
	Regular premiums	389,493	378,095	389,493	378,095
	Single premiums	45,970	43,430	45,970	43,430
	<b>Total premiums</b>	<b>435,462</b>	<b>421,525</b>	<b>435,462</b>	<b>421,525</b>
	<b>Premiums by policyholder's address</b>				
	Denmark	385,647	373,750	385,647	373,750
	Other EU-countries	2,779	2,873	2,779	2,873
	Other countries	1,067	1,472	1,067	1,472
	<b>Total</b>	<b>389,493</b>	<b>378,095</b>	<b>389,493</b>	<b>378,095</b>
	Number of policyholders	10,829	10,632	10,829	10,632
<b>3</b>	<b>Interest income and dividends etc.</b>				
	Dividends from investments	29,633	34,706	29,640	34,712
	Dividends from units in mutual funds	56	0	56	0
	Interest from bonds	108,070	106,248	108,070	106,248
	Interest on loans secured by mortgage	871	1,602	871	1,602
	Other interest income	343	1,498	343	1,498
	Indexation	650	932	650	932
	Interest swap instruments	1,225	11,471	1,225	11,471
	<b>Total interest income, dividends, etc.</b>	<b>140,848</b>	<b>156,457</b>	<b>140,855</b>	<b>156,462</b>
<b>4</b>	<b>Market value adjustments</b>				
	Investment properties	-1,702	112	0	0
	Investments	-26,630	458,279	-26,630	458,279
	Units in mutual funds	179,044	1,160,230	179,044	1,160,230
	Bonds	65,813	116,110	65,813	116,110
	Loans secured by mortgage	-1,907	1,646	-1,907	1,646
	Derivative financial instruments	6,033	-450,236	6,033	-450,236
	Cash and demand deposit	20,840	2,857	20,840	2,857
	<b>Total value adjustments</b>	<b>241,491</b>	<b>1,288,998</b>	<b>243,193</b>	<b>1,288,886</b>

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>5</b>	<b>Administrative expenses</b>				
	The PJD pension fund has signed a management agreement with Sampension Administrationssselskab A/S and forms part of this joint management company. All employees are employed with and paid by Sampension Administrationssselskab A/S. The pension fund's share of these payroll costs are settled through the management fee. Remuneration payable to the Board of Directors is paid directly by the pension fund. The CEO and control function staff are also employed with the pension fund. Administrative expenses relating to pension and investment activities include the following staff costs:				
	Remuneration to the Board of Directors	-1,163	-1,163	-1,163	-1,163
	<b>Total staff costs</b>	<b>-1,163</b>	<b>-1,163</b>	<b>-1,163</b>	<b>-1,163</b>
	<b>Remuneration to the Executive Board, the Board of Directors and material risk takers</b>				
	Remuneration to the Executive Board and employees whose activities have a material impact on the company's risk profile is distributed on the basis of ownership interests to the units that form a part of and are owners of the joint management company Sampension Administrationssselskab A/S. PJD has a 3% (2019: 3%) ownership interest in Sampension Administrationssselskab A/S. PJD's share of CEO Hasse Jørgensen's total remuneration of DKK 1.6 million for the period 01.01-31.03.2020 (2019: DKK 6.1 million) amounts to DKK 0.049 million (2019: DKK 0.183 million). PJD's share of CEO Mads Smith Hansen's total remuneration of DKK 2.8 million for the period 01.04-31.12.2020 amounts to DKK 0.085 million.				
	<b>Board remuneration</b>				
	Erik Bisgaard Madsen			-240	-240
	Johannes Elbæk			-182	-182
	Louise Bundgaard			-90	-90
	Henning Otte Hansen			-90	-90
	Hans-Henrik Bramaholm Jørgensen			-90	-90
	Søren Kaare-Andersen			-140	-140
	Anders Larsen			-135	-135
	Ilse Ankjær Rasmussen			-94	-94
	Kirsten Holst Sørensen			-102	-102
				-1,163	-1,163
	Number of people			9	9
	<b>Fixed salary, including pension, of employees whose activities have a material impact on the company's risk profile*)</b>			<b>-357</b>	<b>-447</b>
	Number of people			7	8
	<b>Remuneration to chief actuary</b>				
	The fee is paid by the joint management company and settled through the management fee.			-161	-100

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

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

No sign-on bonuses or severance payments have been made to members of the Executive Board, Board of Directors or to employees whose activities have a material impact on the company's risk profile.

In accordance with the Danish executive order on remuneration policy and public disclosure of salaries in financial institutions and financial holding companies, the company has disclosed certain information regarding its remuneration policy etc. Such information is provided on the company's website [pjdension.dk/om-pensionskassen/struktur-og-ledelse/bestyrelse](http://pjdension.dk/om-pensionskassen/struktur-og-ledelse/bestyrelse)

Note 5 continued on next page

# Notes to the financial statements (continued)

Note 5 continued

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>Remuneration for auditors elected by the Annual General Meeting</b>					
<b>PwC, Statsautoriseret Revisionspartnerselskab</b>					
	Statutory audit	-186	-189	-154	-150
	Assurance engagements	-27	-27	-27	-27
	Tax advice	-77	-104	-77	-104
	Other services	0	0	0	0
		<b>-290</b>	<b>-319</b>	<b>-258</b>	<b>-280</b>

All amounts and rates are stated including VAT.

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

<b>6</b>	<b>Benefits paid</b>				
	Retirement and annuity benefits	-303,807	-288,054	-303,807	-288,054
	Payment at surrender etc.	-60,816	-46,031	-60,816	-46,031
	Premium relating to group life schemes	-4,702	-13,517	-4,702	-13,517
	<b>Total pension benefits paid</b>	<b>-369,324</b>	<b>-347,602</b>	<b>-369,324</b>	<b>-347,602</b>
	Recognised in the income statement	-283,783	-259,678	-283,783	-259,678
	Distributed from equity	-85,541	-87,924	-85,541	-87,924
	<b>Total benefits paid</b>	<b>-369,324</b>	<b>-347,602</b>	<b>-369,324</b>	<b>-347,602</b>
<b>7</b>	<b>Technical result of health and accident insurance</b>				
	Result for the year of disablement insurance:				
	Premiums for the year	2,195	2,084	2,195	2,084
	Claims paid	-3,010	-2,553	-3,010	-2,553
	Claims provisions	167	-1,270	167	-1,270
	Expense allowance	-120	-120	-120	-120
	Return on investments	104	366	104	366
	<b>Total result for the year of disablement insurance</b>	<b>-664</b>	<b>-1,493</b>	<b>-664</b>	<b>-1,493</b>
	Provision for claims outstanding 31. December	5,258	5,425	5,258	5,425

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>8</b>	<b>Investment properties</b>				
	Cost at 1 January	16,000	16,000	0	0
	<b>Cost at 31 December</b>	<b>16,000</b>	<b>16,000</b>	<b>0</b>	<b>0</b>
	Write-downs at 1 January	-6,460	-6,572	0	0
	Write-downs during the year	-1,702	112	0	0
	<b>Write-downs at 31 December</b>	<b>-8,163</b>	<b>-6,460</b>	<b>0</b>	<b>0</b>
	<b>Fair value at 31 December</b>	<b>7,837</b>	<b>9,539</b>	<b>0</b>	<b>0</b>
	Average rates of return applied to assess the market value at each type of properties:				
	Commercial property	12.07%	16.74	-	-
	Weighted average of rates of return	12.07%	16.74	-	-
<b>9</b>	<b>Investments in group enterprises</b>				
	Sorte Hest Ejendomspartnerselskab, Gentofte:				
	Ownership			100%	100%
	Profit			-288	1,593
	Equity			17,959	18,247
	Komplementarejendomselskabet Sorte Hest ApS, Gentofte:				
	Ownership			100%	100%
	Profit			19	27
	Equity			242	224
				Included in annual report	
	Total equity			18,200	18,471
	<b>Total investments in group enterprises</b>			<b>18,200</b>	<b>18,471</b>

## Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
<b>10</b>	<b>Derivative financial instruments</b>				
	<b>2020</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	Interest rate hedging instruments etc.:				
	Interest swaps	196,361	307,601	196,361	307,601
	Swaptions	13,040	13,632	13,040	13,632
	CDS's	30,491	711	30,491	711
	Option på futures				
	Total interest rate hedging instruments	239,893	321,944	239,893	321,944
	Currency-based derivative financial instruments	132,576	6,639	132,576	6,639
	<b>Total derivative financial instruments</b>	<b>372,469</b>	<b>328,582</b>	<b>372,469</b>	<b>328,582</b>
	Fair value included in the item Derivative financial instruments	<b>372,469</b>		<b>372,469</b>	
	Fair value included in the item other debt see note 14		<b>328,582</b>		<b>328,582</b>
	Net carrying value (asset)	<b>43,887</b>		<b>43,887</b>	
	<b>DKKt.</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	Agreements have been concluded to post collateral for derivative financial instruments.				
	The Pension fund has received collateral in the form of liquid bonds equal to a fair value of	103,213	47,591	103,213	47,591
	The Pension fund has provided collateral in the form of liquid bonds equal to a fair value of (liability)	-29,038	-256,791	-29,038	-256,791
	<b>Net collateral</b>	<b>74,175</b>	<b>-209,200</b>	<b>74,175</b>	<b>-209,200</b>
	In addition, equity futures used for effective portfolio management purposes had a total exposure of DKK -228 million (2019: DKK -583 million). Bond futures used for hedging interest-rate risk on the bond portfolio had a total exposure of DKK 465 million (2019: DKK -933 million). As gain/losses are settled on current basis, the fair value is nil.				
	<b>2019</b>	<b>Positive fair value</b>	<b>Negative fair value</b>	<b>Positive fair value</b>	<b>Negative fair value</b>
	Interest rate hedging instruments etc.:				
	Interest swaps	120,896	190,501	120,896	190,501
	CAP's	2,759	1,329	2,759	1,329
	Swaptions	17,245	19,502	17,245	19,502
	CDS's	33,503	0	33,503	0
	Option på futures	167	5,051	167	5,051
	Total interest rate hedging instruments	174,571	216,382	174,571	216,382
	Currency-based derivative financial instruments	34,774	135,803	34,774	135,803
	<b>Total derivative financial instruments</b>	<b>209,345</b>	<b>352,185</b>	<b>209,345</b>	<b>352,185</b>
	Fair value included in the item Derivative financial instruments	<b>209,345</b>		<b>209,345</b>	
	Fair value included in the item other debt see note 14		<b>352,185</b>		<b>352,185</b>
	Net carrying value (liability)		<b>142,840</b>		<b>142,840</b>

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>11</b>	<b>Surplus capital</b>				
	Surplus capital beginning of year	794,744	728,910	794,744	728,910
	Transferred to equity, adjustment	-26	0	-26	0
	Transferred from pension provisions	21,445	20,552	21,445	20,552
	Paid out to customers	-22,968	-21,453	-22,968	-21,453
	Return for the year	19,224	66,736	19,224	66,736
	<b>Total surplus capital</b>	<b>812,419</b>	<b>794,744</b>	<b>812,419</b>	<b>794,744</b>
<b>12</b>	<b>Pension provisions</b>				
	<b>Change in gross pension provisions is specified as follows</b>				
	Pension provisions, beginning of year	10,482,029	9,509,774	10,482,029	9,509,774
	Collective bonus potential, beginning of year	-613,695	0	-613,695	0
	Accumulated value adjustment, beginning of year	-91,952	-121,410	-91,952	-121,410
	Individual bonus used to cover losses, beginning of year	0	56,511	0	56,511
	<b>Retrospective provisions, beginning of year</b>	<b>9,776,382</b>	<b>9,444,875</b>	<b>9,776,382</b>	<b>9,444,875</b>
	Premiums	435,462	421,525	435,462	421,525
	Addition of interest after tax on pension returns	198,066	190,669	198,066	190,669
	Insurance benefits	-256,114	-224,708	-256,114	-224,708
	Cost addition after addition of cost bonus	-5,485	-5,940	-5,485	-5,940
	Risk gain/loss after addition of risk bonus	-13,637	-10,028	-13,637	-10,028
	Members' group life premiums	-9,563	-8,861	-9,563	-8,861
	Transferred to surplus capital	-21,445	-20,552	-21,445	-20,552
	Other	-1,911	-10,599	-1,911	-10,599
	<b>Retrospective provisions, end of year</b>	<b>10,101,757</b>	<b>9,776,382</b>	<b>10,101,757</b>	<b>9,776,382</b>
	Accumulated value adjustment, end of year	106,436	91,952	106,436	91,952
	Collective bonus potential, end of year	604,553	613,695	604,553	613,695
	<b>Pension provisions, end of year</b>	<b>10,812,746</b>	<b>10,482,029</b>	<b>10,812,746</b>	<b>10,482,029</b>
	<b>Pension provisions are specified as follows</b>				
	Guaranteed benefits	7,808,091	6,914,595	7,808,091	6,914,595
	Individual bonus potential	2,313,804	2,869,203	2,313,804	2,869,203
	Collective bonus potential	604,553	613,695	604,553	613,695
	Risk margin	86,299	84,536	86,299	84,536
	<b>Total pension provisions</b>	<b>10,812,746</b>	<b>10,482,029</b>	<b>10,812,746</b>	<b>10,482,029</b>
	Profit margin on pension agreements is nil, as all profit is allocated to members.				
	<b>Change in provisions are specified as follows</b>				
	Change in provisions for pension provisions	-330,717	-972,255	-330,717	-972,255
	<b>Change in provisions, Income statement</b>	<b>-330,717</b>	<b>-972,255</b>	<b>-330,717</b>	<b>-972,255</b>
	<b>Pension provisions categorised by technical rate of interest</b>				
	The pension fund has a single contribution group, but it categorises provisions on the basis of the nature of the guarantees.				
	Unconditional guarantees (technical rate of interest 1.5% - 4.25%)	141,337	132,901	141,337	132,901
	Conditional guarantees (technical rate of interest -0,75%)	10,066,856	9,735,433	10,066,856	9,735,433
	<b>Pension provisions categorised by technical rate of interest</b>	<b>10,208,194</b>	<b>9,868,334</b>	<b>10,208,194</b>	<b>9,868,334</b>
	Collective bonus potential	604,553	613,695	604,553	613,695
	<b>Total Pension provisions</b>	<b>10,812,746</b>	<b>10,482,029</b>	<b>10,812,746</b>	<b>10,482,029</b>
	<b>Supplementary ratios relating to pension provisions</b>				
	Bonus rate	28.9%	35.6%	28.9%	35.6%
	Return on customer funds after costs but before tax	2.1%	10.1%	2.1%	10.1%

## Notes to the financial statements (continued)

Note	DKKt.	GROUP		PENSION FUND	
		2020	2019	2020	2019
<b>13</b>	<b>Payables to credit institutions</b>				
	Repos	87,871	309,811	87,871	309,811
	<b>Total payables to credit institutions</b>	<b>87,871</b>	<b>309,811</b>	<b>87,871</b>	<b>309,811</b>
	From the bank loans the following fall due in the coming year	87,871	309,811	87,871	309,811
	After five years the outstanding balance will be:	0	0	0	0
<b>14</b>	<b>Other debt</b>				
	Derivative financial instruments, according to note 10	328,582	352,185	328,582	352,185
	Payables relating to bond purchase	22,523	107,848	22,523	107,848
	Debt relating to settlement of repos	0	102,313	0	102,313
	Sundry financial liabilities	545	6,058	545	6,058
	Provision for tax on pension returns payable and other	93,191	103,407	91,950	102,317
	<b>Total other debt</b>	<b>444,841</b>	<b>671,811</b>	<b>443,601</b>	<b>670,721</b>
<b>15</b>	<b>Contingent liabilities</b>				
	The Company has committed itself at a later date to invest in funds etc. amounting to	1,078,503	1,790,320	1,078,503	1,790,320
	<b>Total contingent liabilities</b>	<b>1,078,503</b>	<b>1,790,320</b>	<b>1,078,503</b>	<b>1,790,320</b>
<b>16</b>	<b>Charges</b>				
	Margin deposits relating to futures	36,600	37,913	36,600	37,913
	Bonds sold as part of repo debt	47,412	309,811	47,412	309,811
	Net assets registered in cover of 'Total provisions for insurance, net of reinsurance amounting to	11,186,210	10,845,469	11,186,210	10,845,469
	The amount related to the following items:				
	Investments and units in mutual funds			4,865,232	5,203,114
	Bonds			6,320,978	5,642,355
	Total assets earmarked as security for policyholders' savings			11,186,210	10,845,469
<b>17</b>	<b>Realised result and distribution of realised result</b>				
	Investment return before tax on pension returns			346,802	1,409,682
	Change in market value adjustment			-14,484	29,458
	Basic rate of interest added			71,557	-2,441
	Expense result			330	802
	Risk result			13,637	10,028
	Other			1,910	10,599
	<b>Realised result</b>			<b>419,752</b>	<b>1,458,128</b>
	Tax on pension returns			-50,519	-213,783
	<b>Available for allocation after tax on pension returns</b>			<b>369,234</b>	<b>1,244,344</b>
	Allocated to pension savers:				
	Bonus added			-269,623	-188,229
	Transferred to/from collective bonus potential			9,143	-613,695
	Individual bonus used to cover losses			0	-56,511
	<b>Investment return and risk premium allocated to base capital</b>			<b>108,753</b>	<b>385,909</b>
	<b>Expense result in DKK</b>			<b>330</b>	<b>802</b>
	<b>Expense result as a percentage of technical provisions</b>			<b>0.003%</b>	<b>0.008%</b>
	<b>Risk result in DKK</b>			<b>13,637</b>	<b>10,028</b>
	<b>Risk result as a percentage of technical provisions</b>			<b>0.13%</b>	<b>0.11%</b>

Note

## 18 Financial instruments recognised at fair value

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

### Level 1 - quoted market prices

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

### Level 2 - observable inputs

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

### Level 3 - non-observable inputs

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

DKKt.	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Investment properties	0	0	7,837	0	0	9,539
Investments	1,134,706	0	2,327,199	891,972	0	2,192,992
Units in mutual funds	4,097,898	0	0	5,145,236	0	0
Bonds	5,471,610	605,189	1,495,259	4,639,822	925,645	1,519,452
Loans secured by mortgage	0	0	40,789	0	0	43,200
Derivative financial instruments	0	372,469	0	0	209,345	0
Deposits with credit institutions	77,055	0	0	217,277	0	0
<b>Total financial assets</b>	<b>10,781,269</b>	<b>977,658</b>	<b>3,871,084</b>	<b>10,894,307</b>	<b>1,134,990</b>	<b>3,765,183</b>
<b>Financial liabilities</b>						
Repos	87,871	0	0	309,811	0	0
Derivative financial instruments	0	328,582	0	0	352,185	0
Payables relating to bond purchase and settlement of	22,523	0	0	210,161	0	0
<b>Total financial liabilities</b>	<b>110,394</b>	<b>328,582</b>	<b>0</b>	<b>519,972</b>	<b>352,185</b>	<b>0</b>
<b>Total net assets</b>	<b>10,670,875</b>	<b>649,076</b>	<b>3,871,084</b>	<b>10,374,335</b>	<b>782,805</b>	<b>3,765,183</b>

Note 18 continued on next page

## Notes to the financial statements (continued)

Note 18 continued

### 18 Financial instruments recognised at fair value (continued)

#### Specification of valuation based on Level 3

DKKt.	Value at 1 Jan. 2020	Value adjustments included in market value adjustments	Purchase/ sale/ settlement	Value at 31 Dec. 2020
Investment properties	9,539	-1,702	0	7,837
Investments	2,192,992	-5,727	139,934	2,327,199
Bonds	1,519,452	-18,348	-5,845	1,495,259
Loans secured by mortgage	43,200	-1,907	-504	40,789
<b>Total</b>	<b>3,765,183</b>	<b>-27,684</b>	<b>133,585</b>	<b>3,871,084</b>

DKKt.	Value at 1 Jan. 2019	Value adjustments included in market value adjustments	Purchase/ sale/ settlement	Value at 31 Dec. 2019
Investment properties	9,428	112	0	9,539
Investments	1,786,197	86,675	320,120	2,192,992
Bonds	909,278	10,335	599,839	1,519,452
Loans secured by mortgage	79,774	1,646	-38,219	43,200
<b>Total</b>	<b>2,784,676</b>	<b>98,767</b>	<b>881,740</b>	<b>3,765,183</b>

For further details on valuation techniques and inputs, see Note 1 Accounting Policies and Note 8 Investment properties.

**19 Overview of assets and returns, pension fund**

Assets and returns DKKm.	Market value		Return 2020 % p.a.
	Beg. of year	End of year	
<b>Land and buildings</b>	<b>1,458</b>	<b>1,441</b>	<b>-7.3%</b>
Listed investments	5,254	4,271	3.6%
Unlisted investments	1,400	1,509	3.8%
<b>Total Investments</b>	<b>6,654</b>	<b>5,780</b>	<b>3.5%</b>
Government- and mortgage bonds	4,564	5,001	-0.3%
Index-linked bonds	332	328	-0.9%
Credit bonds, investment grade and non-investment grade	2,177	2,564	1.9%
Loans etc,	43	41	-2.4%
<b>Total bonds and loans etc.</b>	<b>7,116</b>	<b>7,933</b>	<b>0.4%</b>
<b>Other investment assets</b>	<b>-104</b>	<b>71</b>	<b>-2.2%</b>
<b>Derivative financial instruments to hedge the net change in assets and liabilities</b>	<b>-102</b>	<b>126</b>	<b>-</b>
<b>Total</b>	<b>15,022</b>	<b>15,349</b>	<b>2.3%</b>

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

On the company website: [pjdension.dk/om-pensionskassen/finansiel-information/aktiver](http://pjdension.dk/om-pensionskassen/finansiel-information/aktiver) the combined equity portfolio of the Pension Fund for Agricultural Academics and Veterinary Surgeons can be found.

## Notes to the financial statements (continued)

### 21 Five-year key figures and financial ratios

#### Five-year financial highlights

DKKm.	2020	2019	2018	2017	2016
Premiums	435.5	421.5	411.3	386.1	374.8
Benefits	-283.8	-259.7	-289.2	-282.4	-268.7
Investment return	346.8	1,409.7	-325.1	1,048.0	959.2
Total net operating expenses	-5.2	-5.1	-5.8	-5.6	-10.7
Technical result	25.1	14.8	-10.0	2.4	68.9
Result of health and accident insurance	-0.7	-1.5	-0.1	1.7	-0.6
Profit for the year	93.6	312.7	-82.7	236.4	279.2
Total provisions for insurance contracts	10,818.0	10,487.5	9,513.9	9,587.7	8,883.7
Surplus capital	812.4	794.7	728.9	735.9	685.9
Total equity	3,705.4	3,697.3	3,472.5	3,615.2	3,417.7
Total assets	15,867.3	15,960.0	14,458.2	14,688.0	13,230.9
Total assets, group	15,868.5	15,961.1	14,459.3	14,689.1	15,453.0

#### Five-year financial ratios

	2020	2019	2018	2017	2016
<b>Return ratios</b>					
Rate of return related to average-rate products	2.3%	10.3%	-2.3%	8.1%	7.9%
<b>Expense ratios</b>					
Expense ratio for provision	0.05%	0.05%	0.06%	0.06%	0.13%
Expenses in DKK per policyholder	480	489	560	552	1,065
<b>Return ratios</b>					
Return on equity after tax	2.5%	8.7%	-2.3%	6.7%	8.5%
Return on surplus capital, samt rate as equity	2.8%	10.3%	-2.3%	8.3%	7.9%
<b>Health and accident insurance</b>					
Gross claims ratio	129.5%	183.4%	95.2%	22.2%	147.6%
Gross expense ratio	5.5%	5.8%	5.9%	6.9%	6.0%
Combined ratio	135.0%	189.2%	101.2%	29.1%	153.6%
Operating ratio	135.0%	189.2%	101.2%	29.1%	153.6%

Reference is made to "Definitions of financial ratios" on page 55.

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## 21 Risk management

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

1. Risks that are largely within the company's control and that the pension fund's risk management system regularly identifies, measures, monitors and reports on. These risks comprise investment, insurance and operational risks.
2. Risks that are beyond the company's control and are largely framework conditions, to which the pension fund's activities must be adjusted in case of changes. External risks comprise regulatory risk, reputational risk and a number of other external and strategic risks. These risks are monitored by the organisation and are reflected in the company's strategy.

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

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

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

### **Pension schemes and total capital**

In 2020, the pension fund had one common investment portfolio for its pension provisions and total capital, i.e. equity and excess capital. Effective from 2021, new members get 3 i 1 Livspension, which is a unit-linked product with lifecycle investment adjustment and the option of choosing risk profile.

The majority of the pension fund's members have average-rate pension schemes that are conditionally guaranteed, meaning that the members generally bear the financial risks.

In addition, the pension fund has a small portfolio of unconditional average-rate pension schemes, in which the risks relate to the correlation between investment assets and pension provisions.

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

The pension fund applies the Solvency II discount curve exclusive of volatility adjustment for the computation of pension provisions. The discount curve is based on market rates up until the 20-year mark, after which the curve converges towards an ultimate forward rate determined by the authorities equal to long-term inflation and real growth forecasts.

## **FINANCIAL RISK**

Given the members' conditionally guaranteed or unit-linked pensions, the financial risks arise predominantly from the investments in which the total capital is placed.

The portfolio comprises exposures to listed equities, bonds subject to material credit risk, real estate and infrastructure as well as private equity.

Due to the pension fund's unconditionally guaranteed pensions, there is no current need to hedge the interest rate risk on the pension provisions. The interest rate risk is thus a relatively insignificant risk factor for the pension fund.

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

## Notes to the financial statements (continued)

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The pension fund invests in illiquid assets, for which valuation and risk measurement are subject to greater uncertainty than listed equities, for example. Illiquidity involves a risk that large selling transactions over a short period of time result in a loss. The Board of Directors has defined a framework for investing in illiquid asset classes that reflects these considerations. The risk management system comprising, among other things, a valuation committee was set up with a view to ensuring ongoing market valuation and management of illiquid assets.

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

### **Responsible investments**

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

### **INSURANCE RISK**

Insurance risk includes the risk of increased longevity, changes in disability rates, conversions into paid-up policies and surrenders. The various risk elements are analysed on an ongoing basis.

The pension fund calculates pension provisions using the Danish FSA's model for longevity assumptions based partially on the pension fund's own past experience and partially on the Danish FSA's benchmark for expected future longevity improvements.

All risk amounts are covered for own account. No reinsurance contracts have been concluded for pension insurance. The risk sum is the difference between accumulated reserves and reserves to be provided to meet future pension and insurance benefits in the event of a customer's disability or death.

### **OPERATIONAL RISK**

The pension fund's operational risks comprise the risk of direct or indirect losses resulting from inappropriate or inadequate internal processes, human or system error or losses resulting from external events, including legal risks.

In order to reduce operational risk, PJD has set up procedures to monitor and minimise risk in relation to the pension business and the investment business. PJD records operational incidents on an ongoing basis and follows up and reports to the Audit- & Risk Management Committee and, in exceptional circumstances, directly to the chairmanship of the Board of Directors.

### **OUTSOURCING**

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

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

### **SOLVENCY AND FINANCIAL CONDITION REPORT**

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

# Statement by Management

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The Board of Directors and the Executive Board have today considered and approved the Annual Report of the Pension Fund for Agricultural Academics and Veterinary Surgeons for the financial year 1 January – 31 December 2020.

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

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

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

Hellerup, 8 March 2021

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## **Executive Board**

Mads Smith Hansen  
Chief Executive Officer

/ Pernille Henriette Vastrup  
Chief Financial Officer

## **Board of Directors**

Erik Bisgaard Madsen  
(Chairman)

Johannes Elbæk  
(Deputy Chairman)

Louise Bundgaard

Henning Otte Hansen

Hans-Henrik Bramaholm Jørgensen

Søren Kaare-Andersen

Anders Larsen

Ilse Ankjær Rasmussen

Kirsten Holst Sørensen

# Internal auditor's report

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## Opinion

In our opinion, the consolidated and parent company financial statements of the Pension Fund for Agricultural Academics and Veterinary Surgeons give a true and fair view of the Group's and the pension fund's assets, liabilities and financial position at 31 December 2020, and of the results of the Group's and the pension fund's operations for the financial year ended 31 December 2020 in accordance with the Danish Financial Business Act in respect of the consolidated and the parent company financial statements.

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

## Basis of opinion

We have audited the consolidated and parent company financial statements of the Pension Fund for Agricultural Academics and Veterinary Surgeons for the financial year ended 31 December 2020. The consolidated and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

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

## Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and parent company 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 consolidated financial statements or the parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Hellerup, 8 March 2021

Gert Stubkjær  
Group Chief Auditor

# Independent Auditor's Report

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To the members of Pensionskassen for Jordbrugsakademikere & Dyrlæger.

## Opinion

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

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

## What we have audited

The Group Financial Statements and the Parent Financial Statements of Pensionskassen for Jordbrugsakademikere & Dyrlæger for the financial year 1 January - 31 December 2020 comprise income statement and statement of other comprehensive income, balance sheet, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Pension Fund. Collectively referred to as the "Financial Statements".

## Basis for opinion

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

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

## Independence

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

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

## Appointment

We were first appointed auditors of Pensionskassen for Jordbrugsakademikere & Dyrlæger on 3 April 2017 for the financial year 2017. We have been reappointed annually by the general assembly for a total period of uninterrupted engagement of 4 years including the financial year 2020.

## Key audit matters

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

Key audit matters	Hvordan vi har behandlet det centrale forhold ved revisionen
<p><b>Measurement of pension provisions</b></p> <p>The Group's pension provisions total DKK 10,818 million, which constitutes 68% of the Group's balance sheet total.</p> <p>The provisions primarily consist of traditional life insurance provisions.</p> <p>The provisions are based on actuarial principles and involves material accounting estimates associated with the actuarial assumptions concerning the timing and amounts of future payments to the policy-holders.</p> <p>The actuarial assumptions comprise mainly yield curve used for discounting, life span, mortality, disability, probability of buy backs and paid-up policies as well as costs.</p> <p>We focused on measurement of pension provisions as the statement of the provisions is complex and subjective and thus largely based on accounting estimates.</p> <p>We refer to the mention of "accounting estimates" in note 1 and note 12, "Pension provisions" to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We assessed and tested procedures and relevant internal controls established to ensure that pension provisions are measured correctly.</p> <p>During our audit, we had our own actuaries assess the actuarial models and assumptions applied by the Group as well as the calculations made, including the present value of future cash flows.</p> <p>We assessed and challenged the most material actuarial assumptions such as yield curve used for discounting, life span, mortality, disability, probability of buy backs, probability of conversion to paid-up policies and costs based on our experience and knowledge of the sector with a view to assessing whether these assumptions are in accordance with regulatory and accounting requirements. This comprised an assessment of the continuity of the basis for the statement of the provisions.</p>
<p><b>Measurement of unlisted investment assets</b></p> <p>Unlisted investment assets comprise investments in equity funds, infrastructure funds, unlisted shares and corporate bonds, etc and are included in the items:</p> <ul style="list-style-type: none"> <li>• Investments</li> <li>• Bonds</li> </ul> <p>Unlisted investment assets are measured at an estimated fair value based on valuation models and assumptions, including accounting estimates, which are not observable by any third party and which have a material effect on the Financial Statements.</p> <p>We focused on the measurement of unlisted investments as the statement is complex and subjective and thus largely based on accounting estimates.</p> <p>We refer to the mention of "accounting estimates" in note 1 and note 18, "Financial instruments recognised at fair value", to the Group Financial Statements and the Parent Financial Statements.</p>	<p>We examined, assessed and tested procedures and relevant internal controls for the measurement of unlisted investments.</p> <p>We assessed and tested the valuation models applied by Management.</p> <p>We tested on a sample basis the consistency between the assumptions applied and the calculation of fair values.</p> <p>We tested on a sample basis the applied fair values against relevant reporting from external fund managers.</p> <p>We moreover examined and tested relevant internal controls with respect to existence, valuation, accuracy, etc. in the internal process for verification of valuations.</p> <p>We challenged the accounting estimates forming the basis of the calculation of the fair values based on our knowledge of the portfolio and the market development.</p>

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## Statement of management review

Management is responsible for Management's Review.

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

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Business Act.

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

## Management's responsibilities for the Financial Statements

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

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Pension Fund or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Pension Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s and the Pension Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group and the Pension Fund to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the Audit- & significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Hellerup, 8 March 2021

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 3377 1231

Per Rolf Larssen  
State Authorised Public Accountant  
mne24822

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State Authorised Public Accountant  
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# Definitions of financial ratios

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## Danish FSA financial ratios

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

### Pension

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

The financial ratio is calculated on a money-weighted basis.

Expenses as a percentage of provisions =  $\frac{\text{Operating expenses relating to pension activities for the year} \times 100}{\text{Pension provisions at beginning of year} + \text{weighted average contributions and benefits paid in respect of average-rate products}}$

Expenses per policyholder (DKK) =  $\frac{\text{Operating expenses relating to pension activities for the year}}{\text{Average no. of members}}$

Return on equity after tax =  $\frac{\text{Profit after tax} \times 100}{\text{Weighted average equity}}$

Return on surplus capital, allocated at same rate as equity =  $\frac{\text{Return on surplus capital before tax} \times 100}{\text{Weighted average surplus capital}}$

Solvency coverage ratio =  $\frac{\text{Solvency capital requirement} \times 100}{\text{Total capital at year end}}$

### Supplementary financial ratios

Bonus rate (%) =  $\frac{\text{Individual and collective bonus potentials at year end} \times 100}{\text{Total custody accounts at year end}}$

Return on customer funds after deduction of expenses and before tax =  $\frac{(\text{Weighted average provisions} + \text{weighted average surplus capital} + \text{tax on pension returns}) \times 100}{\text{Pension provisions at beginning of year plus surplus capital at beginning of year} + \text{weighted average cashflows}}$

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

### Health and accident insurance

Gross claims ratio =  $\frac{\text{Gross claims expenses} \times 100}{\text{Gross premium income}}$

Gross expense ratio =  $\frac{\text{Operating expenses relating to insurance activities} \times 100}{\text{Gross premium income}}$

Combined ratio =  $\frac{\text{Gross claims expenses} + \text{operating expenses relating to insurance activities} \times 100}{\text{Gross premium income}}$

Operating ratio =  $\frac{\text{Gross claims expenses} + \text{operating expenses relating to insurance activities} \times 100}{\text{Gross premium income} + \text{technical interest}}$

### Sharpe ratio

The risk-adjusted return illustrates the performance of the return relative to the assumed risk. The risk is measured on the basis of the historical volatility (standard deviation) over a given period of time. The higher the risk-adjusted return, the better the investment. If the risk-adjusted return is calculated on the basis of the excess return relative to a risk-free interest rate, it is referred to as the Sharpe ratio.

The risk-adjusted return =  $\frac{\text{Return}}{\text{Risk}}$

Sharpe ratio =  $\frac{\text{Return} - \text{risk-free interest rate}}{\text{Risk}}$

