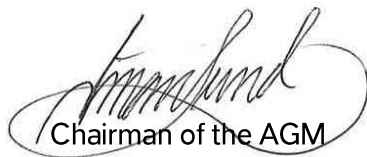


CODAN A/S

ANNUAL REPORT

1 January – 31 December 2020

The Annual Report 2020 has been reviewed and approved by
the Annual General Meeting on 26th March 2021



Chairman of the AGM

Contents

General information	1
Management's review	2
Financial review	2
Sustainability Report	8
Risk management in Codan	17
Capital structure	19
Directorships and executive positions	20
Statement by the Management on the annual report	22
Independent Auditor's report	23
Income statement	25
Statement of comprehensive income	25
Balance sheet at 31 December	26
Statement of changes in equity	28
Notes to the financial statements	30

General information

**Board of Directors and
Board of management**

Board of Directors:

Lars Nørby Johansen, Chairman
Christer Arne Bjellert*
Charlotte Claire Jones
Philip Wynford Moore
Marie Elisabeth Sandblom*
Marianne Philip
Christian Sletten*

*) Employee representative

Board of Management:

Kenneth Norgrove, CEO
Vivian Lund, EO

Auditors

Auditors elected by the general meeting:

KPMG, Statsautoriseret Revisionspartnerselskab

Ownership

RSA Insurance Group plc., 20 Fenchurch Street, London, England, owns 100 % of the shares in Codan A/S, through the wholly owned subsidiary Royal International Insurance Holding Limited, England

Address, etc.

Gammel Kongevej 60
DK – 1850 Frederiksberg C
Telephone: +45 33 21 21 21
Fax: +45 33 55 21 22
www.codan.dk
Company Reg. No. 56 77 12 12

Management's review

Financial review

The Company's principal activity

Codan A/S ('Codan') is a financial insurance holding company whose principal activity is to own and manage general insurance companies in Scandinavia, primarily through the Danish subsidiary Codan Forsikring A/S, which offers general insurance products to personal and commercial customers on the Scandinavian markets.

Annual Report 2020

Codan's ultimate parent company RSA Insurance Group plc prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements are therefore not prepared for the Codan Group.

The financial statements for 2020 have been prepared in accordance with the Danish Financial Business Act (*Lov om finansiel virksomhed*), including the Danish Financial Supervisory Authority's Executive Order on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds (*Bekendtgørelse om finansielle rapporter for forsikringselskaber og tværgående pensionskasser*).

The accounting policies are described further in Note 1 to the annual report.

A summary of key figures and financial ratios is provided in Note 3 to the annual report.

Major events

Codan A/S had a very strong 2020 with significant improvement in the underwriting result in Denmark and further improvement of a continues strong result in our Swedish operation whereas the investment result was hit by turmoil on the financial market caused by Covid-19. The profit for the year of DKK 1,323 million compared to a profit of DKK 1,957 million in 2019.

Coronavirus outbreak

During the spring of 2020 Europe experienced a rapid development in the outbreak and spread of Coronavirus ("Covid-19"). The global pandemic has had a large impact on the financial year 2020 where many countries has been under lock-down and restrictions during most of the year.

For Codan A/S, most of the impact on business operations, assets and liabilities in 2020 is not a direct consequence of the outbreak, but a result of the measures taken to contain it.

Being part of the RSA Group, Codan has benefitted from an early, thorough, and well-coordinated operational Risk Assessment, monitoring of the Coronavirus spread and common management actions to mitigate the risks and to prevent material business disruption.

Furthermore, financial markets have been affected by the Covid-19 outbreak. Financial market volatility were noticeably higher and yields lower. Codan faced this with its high-quality investment portfolio and robust asset-liability matching. Nevertheless, market movements did have a short-term on the investment result for 2020.

Dividend in 2020

In June 2020 Codan has received interim dividend of DKK 200 million from the Danish subsidiary Codan Forsikring A/S and in December 2020 Codan has received an additional interim dividend of DKK 1,550 million.

In June 2020 Codan distributed interim dividend to the parent company, Royal International Insurance Holdings Ltd, amounting to DKK 200 million.

In December 2020 Codan repaid DKK 1,000million of the loan from the the RSA subsidiary RSA Insurance plc. and further repaid DKK 500million of the loan to Codan Forsikring A/S.

Loans from Group entities

As of 31 December 2020, the Company had a loan from its subsidiary Codan Forsikring A/S of DKK 500 million. The loan was obtained on an arm's length basis. The loan expires in 2023.

Management's review

As of 31 December 2020, the Company had a loan from the RSA subsidiary RSA Insurance plc. of DKK 2,500 million. The loan was obtained on an arm's length basis. The loan expires in 2047.

The investment result for 2020 is affected by a DKK 25 million increase in interest on loans from Group entities charges in connection with partial repayment of the loans.

Profit for the year

In 2020, Codan generated a profit of DKK 1.323 million compared to a profit of DKK 1.957 million last year. The profit for the year is in line with the expectations of maintaining satisfactory insurance operating profits in Codan's subsidiaries. The profit for 2020 has been impacted by the balance on the technical account from general insurance as well as the investment result of the subsidiary Codan Forsikring A/S. The profit from subsidiaries amounted to DKK 1.482 million compared to a profit from subsidiaries of DKK 2,090 million last year.

Investments

The Company's investments consist of subsidiaries and other financial assets. The total investment return was DKK 1.292 million in 2020 compared to DKK 1,930 million in 2019.

At 31 December 2020, the Company's investment portfolio consisted of the following assets (all amounts in DKK million):

	2020	2019
Investment in Group entities	8,417.9	8,283.7
Equity investments and units in open-ended funds	1.7	12.3
Bonds	32.1	190.0
Cash and cash equivalents	35.2	15.9
	8,486.9	8,501.9

Investments in Group entities

Income from Group entities amounted to DKK 1.482 million for 2020 compared to DKK 2.090 million in 2019.

Income from Group entities consists of a profit from Codan Forsikring A/S of DKK 1,598 million (DKK 2,086 million in 2019). 2020 was further affected by an impairment write-down on goodwill related to the Norwegian branch of Codan Forsikring DKK of 116 million whereas 2019 was affected by release of provisions related to purchase of the Norwegian business of Codan Forsikring A/S.

Codan Forsikring A/S

Codan Forsikring A/S offers almost all types of general insurance products to private individuals and companies in the Nordic countries. Codan Forsikring A/S holds a leading position in the general insurance market in Scandinavia and offers a comprehensive range of general insurance products. The Company has branches in Norway, Sweden and the USA.

The profit for the year is in line with expectations with balance on the technical account well above 2019. Run-off gains have affected the profit by DKK 634 million against DKK 657 million in 2019 leaving the Company's combined ratio at 83.3% against 87.6% in 2019, which is better than the expected COR range of 85-90%.

Overall earned premiums, net of reinsurance, declined by DKK 473 million from DKK 14,128 million in 2019 to DKK 13,655 million in 2020, a decrease of approx. 3.3%.

Gross earned premiums (gross premiums written less change in premium provision and change in profit margin and risk margin) has declined by 4.5% from DKK 14,807 million in 2019 to DKK 14,137 million in 2020. The decrease is primarily caused by decreasing premiums in Denmark and Norway (measured in DKK) but also Sweden (measured in DKK) has experienced decreasing premiums in 2020. The decrease in Denmark is seen across most lines of business but in particular on Tourist Assistance due to Covid-19 and within Workers Compensation and Commercial Property where the decrease is part of the strategy to improve the underwriting profitability. The decrease in premium in Norway is primarily driven by decrease in Tourist and Motor products. Measured in NOK, the Norwegian business experienced a decrease in premium of 4.8%. Due to the decrease in the NOK exchange rate the decrease is 12.9% when measured in DKK. The Swedish branch reported a de-

Management's review

cline in gross earned premiums of 1.4% measured in SEK but the increase in the SEK exchange rates have had a positive effect when measured in DKK decreasing the reduction to 0.7%. The decrease in Sweden mainly consists of a decrease in Fire and Content and motor products which, however, is partly offset by a material increase in personal accident.

Gross claims incurred decreased by DKK 863 million from 10,161 million in 2019 to DKK 9,298 million in 2020. The positive development with decreasing claims ratios is largely attributed to Covid-19 where particularly Motor products (DKK 559 million improvement) and Fire and Contents (DKK 690 million improvement) experienced materially fewer claims during 2020 principally as a result of Covid-19 restrictions. The positive development in claims incurred is however partly offset by increased claims related to Personal Accident (Sweden), where claims incurred have increased by DKK 437 million.

The gross expense ratio was 17.0% in 2020 compared with 16.0% in 2019. In 2020 the Company has continued to focus on reducing expenses, however, an increase in the number of employees has increased staff costs in 2020. The Company's updated strategy and three-year plan have some clear objectives that include delivering on growth opportunities and improving the expense base. As a part of this strategy the company has vacated the high building in Codan-Hus in Denmark in December 2020.

Coronavirus outbreak

Although Codan Forsikring A/S expedited an increased number of claims due to Covid-19 in particular from Travel policies (including the different covers: Medical Examination, Evacuation, Cancellations and Quarantine), Covid-19 also had a favourable impact on other lines of business. The company has experienced materially fewer claims particularly related to Motor and House and Contents products, with many people working from home for large periods of the year and, in general, staying at home more than usual.

A small number of litigation claims for business interruption (BI) have been filed. Codan Forsikring A/S conducted a thorough claims assessment process for all BI claims received. Most business interruption coverages are not expected to be eligible under their terms for Covid-19 claims. In areas of litigation, the claims assessment is supported with legal advice and consequently claims reserves are generally not held in respect of adverse outcome beyond the cost of litigation, with the Strawberry Group case being the most prominent. Strawberry Group is a chain of around 200 hotels mainly within Scandinavia seeking indemnity for loss of income relating to the consequences of Covid-19 restrictions and change in travel behaviour.

Furthermore, financial markets have been affected by the Covid-19 outbreak. Financial market volatility were noticeably higher and yields lower. Codan Forsikring faced this with its high-quality investment portfolio and robust asset-liability matching. Nevertheless, market movements did have a short-term on the investment result for 2020.

Codan Forsikring responded to the need for high numbers of staff to work from home, and continued to support customers, with its Business Continuity Management (BCM) plans working well.

The operational resilience setup of Codan Forsikring was put to the test during Covid-19 and is continuing to operate well with customer service being maintained at high levels, well organized and plentiful communication to employees, with networks and system availability working well. Codan Forsikring continues to prepare and test contingency plans with priority to customer-facing operations.

The vast majority of the Company's total workforce have been working from home with a remote working setup. Critical security controls were established, and user manuals were distributed to inform the employees of required behaviour.

All major outsourcing partners were contacted to understand their BCM readiness, and services have been closely monitored.

Correction related to Swedish debtors in Codan Forsikring A/S

During the last few years Codan Forsikring has had an increased focus on debtors in Sweden and the complexity of the systems and processes related to this. In 2020 it became clear that a portion of the Swedish debtor balance could not be supported by underlying information from the Swedish policy systems. A dedicated task force was formed to analyse and investigate the root cause and magnitude of the issue. In Q42020, the team

Management's review

advised that new IT reports had been developed for these systems and, after analysis, there was identified to be a high degree of confidence that they were now sufficient to support balances in the general ledger. The impact on Income from Group entities was a decrease of DKK 209m. Please see Note 1 for more details.

The task force combined team members from Financial Accounting, Finance IT, Business IT and Underwriting who have all invested a significant amount of resources to understand and quantify the key root causes behind the misstatement of the debtor balances. The error accumulated over the lifetime of the policy systems but despite significant effort it has not been possible to establish the timing of the error.

Equity investments

The Company's equity investments amounted to DKK 1.7 million at 31 December 2020 (DKK 12 million in 2019).

The Company's equity investments generated a negative return of DKK 2.4 million (against a positive return of DKK 0.4 million last year).

Bonds

The Company has during 2020 bought and sold AAA-rated Danish Mortgage Bonds. The total bond holdings have decreased due to strategical decisions.

At year end the Company's investments in bonds amounted to DKK 32.1 million (DKK 190 million in 2019). The full portfolio (100%) have a total modified duration of less than a year at day of reporting. All bonds were rated AAA. The total return on the bond portfolio was DKK -2 million for 2020 (DKK -1 million last year).

Balance sheet

The total assets for Codan decreased by DKK 94 million from DKK 9,556 million in 2019 to DKK 9,462 million at 31 December 2020. The decrease is primarily attributed to the profit less dividend from Codan Forsikring A/S in 2020 offset by a decrease in goodwill related to Norwegian branch of Codan Forsikring A/D DKK and a decrease in bonds.

Total equity amounted to DKK 6,446 million at 31. December 2020 compared to DKK 5,049 million in 2019. Apart from profit for the year, equity is particularly affected by dividend payments of DKK 200 million and currency revaluations in subsidiaries.

Business initiatives

Key strategies

The Codan Group has a strong commitment to the following strategic initiatives, enabling market leading performance within targeted areas:

- Deliver on our customers' needs and our brand ambitions – close to customers with an effortless experience. Supported by an agile customer-centric delivery model
- Clear and strong ownership of entire profit and loss account
- Improve cost effectiveness through process optimisation and digitalisation
- Innovation and fast paced execution improving digital journey

The Group is focused on protecting its leadership positions in key areas such as Motor and Personal Accident whilst also actively seeking to improve profitability across all three regions and achieving contribution from all areas that it operates within.

Market conditions

The Danish insurance market remains attractive, where the impact of disruption and aggregators remains low. Growth is modest, and the market is mature. The general theme is that larger competitors tend to focus on profit margin improvements whilst continuing growing. Competitors are offering increased number of digital customer platforms as well as continued releases of new and updated products.

Management's review

The Swedish insurance market is demonstrating similar characteristics where growth is also limited, and a few major companies compete for the majority of the market. Digitalization has shown a high level of adaption in Sweden and digital distribution is starting to become standard, especially within the personal lines segment.

In Norway the market is still dominated by a small number of insurance companies. The historic high level of strong profitability has been impacted by increasing losses in the market, and it is still to be seen if loss ratios will recover fully. Covid-19 has impacted negatively on New Business and positive by lower Claims Frequency particular in Motor Segment.

Customers

One key focus for Codan Forsikring is to continue to deliver on the brand and customer journey and to have a customer focused mind-set in all parts of the business, across all countries and product lines. This comes from understanding customer needs and requirements, and in turn adapt our service and propositions to meet the expectations set by the customers.

Variable remuneration

Codan has adopted a Remuneration Policy for Codan Group which contains specific remuneration schemes for the Board of Directors, Board of Management and employees with material influence of the Company's risk profile (Material Risk Takers). The Remuneration Policy for 2020 was adopted by the Board of Directors 19 February 2020 and approved at the annual general meeting on 31 March 2020.

The Chairman reports on the Remuneration Policy each year in connection with the annual report at the general meeting. At the general meeting the remuneration of the Board of Directors was approved for the current year. Remuneration to the Board of Management and the Material Risk Takers is approved by the Board of Directors according to the requirements in the Remuneration Policy.

Codan strives to achieve an appropriate balance between the remuneration of the management, predictable risk and value creation for the Company's shareholders both short and long term.

Remuneration Committee

The Board of Directors met for nine scheduled meetings in 2020. The Board of Directors of Codan has set up a Remuneration Committee in accordance with the Rules of Procedure of the Board of Directors. The Remuneration Committee consists of three members, of which one is an employee representative. The Committee advises the Board of Directors in remuneration matters.

The Board of Directors receives a fixed fee and is not compensated by any form of variable remuneration or pension scheme. Their remuneration is based on trends in peer companies. The members of the Board of Directors employed at the RSA Insurance Group do not receive any remuneration. The Board of Management is employed on a contractual basis and receives competitive remuneration including base salary, bonus, pension contribution, share based variable remuneration and other benefits.

No experts have been consulted to support the Remuneration Committee.

Codan complies with the Executive Order on remuneration policies and remuneration in insurance undertakings and insurance holding undertakings.

For more information on Codan's performance criteria, variable remuneration restrictions, usage of fixed and variable compensation in the Remuneration Policy refer to:

<https://www.codan.dk/om-codan/rapporterogfinans>.

Events subsequent to 31 December 2020

Dividend for 2020

The Board of Directors proposes no declaration of dividend. The proposal will be considered by the annual general meeting on 26 March 2020.

Brexit

Following the UK General Election in December 2019, the UK and European Union ratified the withdrawal agreement and the UK left the EU at the end of January 2020. During 2020, the transitional arrangements ap-

Management's review

plied during which time the nature of the ongoing relationship was negotiated. The transitional agreement ended 1 January 2021. Consequently, sub-group supervision of the Codan Group will be in effect as of 1 January 2021 and will be obliged to publish Solvency II returns.

The Codan Group is from 1 January 2021 subject to a solvency capital requirement and a minimum consolidated solvency capital requirement. The Danish Financial Supervisory Authority has in December 2020 approved an internal model for the purpose of calculating the solvency capital requirement.

Also, as part of the end of the Brexit transition period, the Danish subsidiary Forsikringselskabet Privatsikring A/S has as per 1 January 2021 reverted to using the standard formula for calculating the solvency capital requirement.

Other events

No other events of material importance to the Company's financial position or business affairs have occurred subsequent to 31 December 2020.

Outlook for 2021

Scandinavian economies are expected to be negatively impacted by the Covid-19 outbreak in 2020 which may have an adverse impact on the Company's business for 2021 – pending roll out of vaccines.

In November 2020 Tryg Insurance and Canadian Intact announced a bid for RSA Group, which will result in a separation of the Scandinavian business. The merger is pending regulatory approval.

As it is too early to assess the full impacts from Covid-19, in addition to the pending merger with Tryg and Intact, the management of Codan does not consider it appropriate to make any further statements as to the expected developments in the result, interest rate, currency rates and stock markets or the expected value adjustments for 2021.

Codan's insurance subsidiaries continue to focus on delivering profitable growth in their insurance operations. New ways of working and a revised go to market approach are supporting the delivery of the growth plans. Growth is expected in the subsidiary Privatsikring following the win of the 2020 Nykredit distribution partnership.

Management's review

Sustainability Report

RSA Group issues a report on non-financial issues according to UK requirements, which is equivalent to the sustainability report requirements introduced in Danish accounting acts (Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies). The sustainability report is part of the RSA Strategic Report 2020, published 25 March 2021 and the information required is set out on pages 32-39.

Since this report covers the business of Codan Group, a separate Codan Group report has not been prepared. Codan Group refers to RSA Group's report in regard to risks and the management of risks. The report can be found here: <https://www.rsagroup.com/investors/reports/>.

Corporate Social Responsibility

Codan is committed to be a responsible company by running its business in a way that makes their employees proud to be a part of, ensuring financial strength and transparency, putting customers first and delivering long-term value to its environment and society.

As part of RSA Insurance Group plc. (hereafter referred to as RSA) Codan's corporate social responsibility (CSR) work is aligned with RSA's CSR strategy, which is available on the website: <https://www.rsagroup.com/responsibility/our-strategy> where annual CR reports are also available for download.

Business model

Codan A/S ('Codan') is a financial insurance holding company whose principal activity is to own and manage general insurance companies in Scandinavia, primarily through the Danish subsidiary Codan Forsikring A/S, which offers general insurance products to personal and commercial customers on the Scandinavian markets.

In our business model we have identified the following significant SCR-related risks:

- **Environment/Climate:** CO2 reduction related to travels and use of paper.
- **Anti-bribery and corruption:** Anti-Bribery and Corruption Policy and Conflicts of Interest, Gifts and Hospitality Policy
- **Human rights:** Securing a responsible supply chain
- **Social/employee:** Customer and employee safety and accident prevention
- **Customer privacy and data security:** Compliance with GDPR policy

Covid-19 affecting initiatives

2020 was, even in regard to corporate social responsibility, affected by Covid-19. Some initiatives had to be changed to adapt to the restrictions in society and others to be cancelled or postponed.

One of the biggest implications of Covid-19, has been on the way we work in Codan Forsikring. After local governments closed down for business and encouraged private companies to send employees home to work, we decided to do that for all employees. Focus has been on providing employees with the best possible work environment at home. Both with facilitating online physical training, inspiration as to how to best host online meetings with colleagues and customers and including social online elements to the workday to ensure well-being both physically and mentally. In Denmark this has even led to an initiative to more flexibility in working from home going forward, which will be affected in 2021, when employees will work from the office again.

Smarter Tomorrow

As an insurance company, we have good insight into what creates concern and insecurity in people's lives. We have for a long time been working to reduce the number of injuries in a variety of areas, such as crime, fire, traffic, online safety, and water, through communication campaigns to increase awareness of risks as well as through strategic partnerships. We have also chosen to engage in social challenges such as keeping children

Management's review

safe online and in a long-term work aimed at preventing the growing mental illness amongst young people. The most significant initiatives of 2020 are summarised in the following paragraphs.

Traffic Safety in Denmark and Norway

“Årets Refleksdag” (The Annual Reflector Day). Codan partnered up with “Børneulykkesfonden” (The Child Accident Prevention Foundation). The purpose of the Annual Reflector Day is to increase traffic safety by creating awareness about how much reflectors increase people's visibility in the dark. 102 Codan employees volunteered to hand out 55,000 reflectors in the streets of Denmark as well as in schools, pre-schools, and nurseries. As a new add-on initiative Codan and The Child Accident Prevention Foundation also organised “Refleksstafetten” (The Reflector Relay). Volunteers from all over Denmark could participate in the relay, where they each ran a distance in a special reflector costume to create awareness about traffic safety and gather cash donations to The Child Accident Prevention Foundation. 53 volunteers attended the relay and in total donated DKK 45,000.

Codan Forsikring in Norway supported the annual National Reflector Day in Norway on 17th October. This is an important safety campaign to prevent accidents in traffic, especially targeting families with children. Codan in Norway therefore conducted an internal campaign as well as SoMe outreach and competition where people could ask for reflector vests with the aim to keep children safe when traveling to and from school, sport activities after school etc. This campaign reached 16,000 people and Codan branded reflectors were donated to kids around the country.

Preventing accidents caused by weather

Considering the changing climate and the risks that more extreme weather poses to our business, customers, and stakeholders, this is an important issue to address for us as an insurance company. We are actively trying to prevent accidents caused by weather by offering a free SMS service that everyone can sign up for – also non-customers. In 2020, the weather alert was sent out 68 times to 15,223 people in Denmark, which is an increase from last year.

Water safety in Sweden

Water safety is very close to our Swedish brand Trygg-Hansa. Trygg-Hansa have been working with water safety since the first lifebuoy was donated in 1954 and today more than 80,000 of Trygg-Hansa buoys can be found close to water all over Sweden. The partnership with Swedish lifesaving society extends in principle as far back in time as the lifebuoy. Trygg-Hansa have been supporting their summer swimming schools for many years. The support means among other things, enabling more swimming instructors to be trained and insuring the children during their time in the swimming school. The children learn water habits and practical swimming exercises as well as how to throw lifebuoys. Learning to swim involves more than just being able to swim a certain distance, it is also about learning what risks are associated with staying in and at the water. Summer swimming schools are for children between the ages of 5 and 12 and all teaching takes place out-doors. During this summer, 32,600 children learned more about water safety and have been given the opportunity to learn how to swim. Furthermore, 25 new swimming instructors were trained.

Trygg-Hansa's yearly summer campaigns also contribute to increased awareness in society about water safety. Recent years' campaigns have touched on the risks of alcohol and swimming and that drowning often takes place in silence. This year's campaign focused on the importance of keeping both eyes on the children when on the beach. More than one in four parents has at some point lost control of a child on the beach, according to a survey commissioned by Trygg-Hansa. At the same time, drowning is the most common fatal accident among children up to the age of six. With a back-ground in this, Trygg-Hansa has launched the app Badläge "Swimmode". When the app is activated, the mobile phone is blocked from anything other than emergency calls, so that it is easier to stay focused on the children.

Supporting mental well-being in Sweden

There is an increasing problem with still more children and young people suffering from mental illness in Sweden. As an insurer of approximately 750,000 children and young people, we have a responsibility to respond to this challenge. Since 2018 our Swedish branch have a collaborative partnership with one of Sweden's leading organizations of children's rights in society, Barnens rätt i samhället (Bris).

Together with Bris, Trygg-Hansa aim to increase awareness and knowledge about children's mental health and how important it is to get the required help and support as soon as possible. During 2020 Trygg-Hansa also launched a new initiative, “The teenage temperature”, that helps adults to strengthen the dialogue and relation-

Management's review

ship with teenagers in their vicinity through conversation. Since the campaign was launched in September more than 48,000 people have taken and submitted the initial test that is part of the material and the number of unique visitors to the site were about 122,000.

Excellence in Customer Care

Family aid-a service to our customers

Based on our insights into the situation of many Swedish families, Trygg-Hansa offer a unique service Family Aid, to all customers with a child insurance. Family aid provides guidance on issues relating to community protection and helps families with different difficulties to get a holistic approach to their situation. As a customer you are entitled to guidance regardless of diagnosis and you do not need to be entitled to any compensation from the insurance. Since "Family-aid" was introduced in 2013 the number of customers using the service have increased continuously.

Active in Communities

As a responsible company we want to give back to society in various ways. All employees have the possibility to spend two paid days on volunteer work every year. Employees may choose the project themselves, so they can use their skills where they best see fit. Many utilised this opportunity in 2020 to hand out reflectors in connection with the National Reflector Day while others chose to donate manpower during the Christmas event.

Christmas at Codanhus

For many years, Codan has hosted a Christmas event together with the Red Cross on Christmas Eve for people who, for lack of family or funds, do not have other ways to spend Christmas. Unfortunately, due to Covid-19, the Christmas event has been cancelled. However, the event is set to continue next year if the circumstances allow.

Hotline for kids and youth

In Codan Norway, Kors på halsen (cross my heart) is The Red Cross hotline where kids and youth can make anonymous calls and tell/ask about anything that troubles them. Codan has supported the organisation for two years. Codan has donated NOK 85,000 (about £ 8,500). The organisation will participate in an internal seminar in November 2019 and has also supported Codan in media stories related to ID theft and online safety.

DaneAge – visiting friends

In the beginning of 2020, we initiated a collaboration with DaneAge Society to help them recruit more volunteers to visit elderly people to prevent loneliness. The campaign was a huge success with more than 1,500 persons signing up ending up in 1,210 pairs with elderly people. Some of the new volunteers are employees in Codan. However, due to Covid-19 and to ensure safety of one of the most vulnerable groups, this campaign was redirected from being physical meetings between people to be phone friends.

Managing the everyday well

We are committed to managing our operations in a responsible and transparent way. This means being responsible in our investment and underwriting practices, thoughtful in our choice of suppliers and partners, and mindful of our environmental impact. We must also ensure we have robust practices in place to protect our own data and that of our customers and govern our business with integrity.

Sustainable operations reducing our climate and environmental impact

We are committed to reduce our business' environmental impact and contribution to climate changes and to promote sustainable working practices amongst employees and suppliers. We measure, monitor, and manage the factors that influence our overall carbon footprint and report our consumption of energy (including fuel), water and paper as well as business travels to RSA on a quarterly basis. We actively encourage our employees to facilitate online meetings instead of travelling and, when possible, travel by train instead of flying. While emissions from business travel have fallen significantly in 2020, 75% compared to 2019, is a result of travel restrictions linked to Covid-19, we have gained valuable experience and knowledge of how to continue to minimize travel in favour of digital meetings.

The RSA reporting on Green House Gas emissions is then conducted in accordance with guidance set forth by the GHG protocol's corporate standard. Since 2018 CO₂e from our own operations (including business travel) have fallen by 58%. CO₂e/Full Time Employee (FTE) for Codan decreased by 39%.

Management’s review

	2018	2019	2020	Change vs. 19	Change vs. 18
Scope 1 emissions	500	606	681	+12%	+36%
Scope 2 emissions	1,389	1,103	1,174	+6%	-15%
Scope 3 emissions	4,369	2,541	745	-71%	-83%
<i>(Of which business travel)</i>	4,216	2,419	609	-75%	-86%
Total emissions	6,258	4,250	2,600	-39%	-58%

Definitions:

Scope 1: Direct emissions from the Group’s activities, including use of Company-owned vehicles.

Scope 2: Indirect emissions from imported energy; electricity, district cooling and district heating.

Scope 3: Emissions relating to RSA activities not within our direct control, including business travel, water supply, paper and waste generated.

For more detailed information about RSA reporting on Greenhouse Gas emissions, please see the CR report from RSA: <https://www.rsagroup.com/responsibility/resources/> (available 31 March 2021).

Less printing

In Denmark, a thrust was made to ensure internally commissioned documents such as policies and charges were not printed centrally anymore. With the new solution, a system generated pdf is sent to internal recipient for control before e-mailing to customer. This approach can be used 90% of the time. This means no printing, no postal cars, no waste of internal resources and envelopes. Additionally, a solution for mass-printing has been expanded to be able to handle E-boks mailing. This led to 60% of all letters being sent via E-boks, including a notice of 40,000 customers regarding NBCR terror coverage.

Our Swedish branch has an ambitious plan to reduce the amount of paper send-outs to customers and move to digital customer communication. During 2020 the number of printed pages was reduced by 15% and the number of customers who choose to receive their insurance papers on My Pages increased by 8%.

Our contribution to a circular economy through more sustainable handling of claims

When it comes to reducing the environmental impact and to achieving a more sustainable way of handling claims there are several benefits of a circular economy, where the aim is not only to recycle, but also to repair and reuse. Within Motor we have a long tradition of reusing and repairing parts from damaged cars as much as possible. This is an important part of our agreement with our suppliers and regularly followed up as KPIs.

Also, by encouraging customers to repair chipped windscreens promptly, we’re promoting more sustainable claims. Repairing a chip instead of replacing a windscreen not only saves time, it’s also more cost-effective and resource efficient. Each windscreen being repaired instead of replaced with a new one saves approximately 59 kg CO₂ emissions.

In 2020, about 27,000 chip repairs avoided more than 1,500 tonnes of carbon emissions and kept approximately 400 tonnes of glass waste out of landfill.

Responsible Supply Chain

We’re committed to work with partners who share our values and who seek to have a positive social and environmental impact. Above all, we seek to partner with suppliers who uphold our high standards of conduct, providing safe working conditions, treating workers with dignity and respect, acting fairly and ethically, and using environmentally responsible practices. We expect all our suppliers to integrate the requirements included in Codan’s Supplier Code of Conduct into their businesses.

Responsible Underwriting

Climate Change and Low Carbon Policy

Climate change will impact the insurance industry, with changing weather patterns and increasing frequency and severity of extreme events causing damage to property and disruption to global supply chains. We recognise the important role the insurance sector plays in understanding and responding to a changing climate.

Management's review

RSA Group and Codan intends to build on our existing leadership position as a provider of renewable energy insurance and support the energy sector as it repositions and invests in this transition. RSA will therefore aim progressively to rebalance the risks we underwrite in favour of renewable energy production. [Read more about the policy on RSA Group's website.](#)

Making a green difference - globally

Codan continues to support the transformation to renewable energy and insuring a fossil-free tomorrow.

We are proud to be regarded as a leading insurance partner for offshore wind among the major stakeholders in the industry and in a market that is growing globally. Codan insured the first offshore wind farm ever built and have maintained a leading position in the industry ever since. We are the insurer of a large portion of European offshore wind; a position obtained through extensive technical skillsets and a partnership approach towards project developers, manufacturers and other industry stakeholders.

As the renowned insurance leader for offshore wind; Codan continues to support and grow with the global industry development. For instance, we are actively involved in the Seagreen offshore windfarm in Scotland. This will become one of the largest offshore windfarms in the world and will deliver clean energy to more than 1 million homes when constructed.

From an onshore view, we are proud to have developed a 25% market share of wind in Sweden whilst maintaining our market leading position in Denmark. We continue to invest resources in understanding and insuring solar cell parks throughout Europe and we remain involved as insurer for the BIO4 project in Denmark which is working to change the local heat supply in Copenhagen from coal to sustainable biomass which will make heating much more climate-friendly.

Business Ethics

To us, being a responsible business means that we should always act ethically, respect human rights, treat our employees with dignity and respect and aim to minimise our impact on the environment and the climate. Being a responsible business also means being open and transparent with our stakeholders about how we manage our operations and deliver our products. We are a signatory to the UN Global Compact, which means we are committed to implement universal sustainability principles and to take steps to support UN goals. As part of RSA we are also signatory to The UNEP FI Principles for Sustainable Insurance. For detailed reporting on responsible business, please see CR report from RSA: <https://www.rsagroup.com/responsibility/> (available 31 March 2021).

Anti-bribery and corruption

As part of the RSA Group, all employees are trained in anti-corruption and bribery at least once every year and hence also in 2020, and we have internal controls in place to ensure we live up to both official legislation as well as our own strict governance on this area.

Human rights

As a signatory to the UN Global Compact since 2007, RSA has made a commitment to protect human rights and make sure that the business is not involved in human rights abuses. Our Group-wide Human Rights and Whistleblowing policies as well as our Code of Conduct, used in all our supplier contracts, help us to embed the protection of human rights across our operations.

Protection of Human Rights is important across our entire business and we work actively to avoid all kinds of harassments and discriminations.

Still, from a materiality perspective it is in relation to our procurement activities we need to be aware of the main risks.

To ensure our own colleagues, and those who work in our supply chain, aren't at risk of becoming a victim of modern slavery RSA Group launched a new modern slavery training module for our procurement and supply chain management teams end 2020. The training module is intended to be rolled out within our RSA Scandinavia during 2021.

Management's review

Through training of our procurement team and ongoing work on supplier assessments, we are working on ensuring the correct policies and procedures are in place for all our supply chain partners.

Training

Part of being a responsible business includes a continuous education of our employees to ensure they are capable of handling their tasks and that they are aware of the latest rules and legislations. Therefore, it is mandatory across our business for employees to undergo regular e-learning courses. These courses include modules all employees must take e.g. GDPR training and courses targeted towards the business area in which the individual employee works.

One local example of training comes from the Norwegian branch with six live training sessions on GDPR, AML and incident management. The scope is training of all staff and raising awareness of the importance of being compliant.

Our People

The cornerstone of Codan's performance and success is the ability to attract, retain and develop the best people. High performing and engaged colleagues are our most important asset. We strive to be a company people want to join, want to stay with for a long time and are proud to be a part of. We put focus on development of the individual employee and leader.

In 2020 the pandemic situation with Covid-19 has put extra demands on us as an organization in terms of remote leadership and in terms of keeping our employees engaged and in a good health state, both physically and mentally.

Therefore our People plan for 2020 has been with extra focus on engagement, divided into 7 different engagement drivers.

1. Wellbeing
2. Development
3. Pride
4. Leadership
5. Direction
6. Recognition
7. Teamwork & Cooperation

Wellbeing

A large proportion of our staff has successfully been working from home since the outbreak of Covid-19. We have run several Covid-19 pulse surveys covering areas such as "wellbeing", "employee enablement" and "leadership" to identify areas where we should put in more efforts. Overall, the surveys have shown a high employee engagement and trust in how we as a business has handled the Covid-19 situation.

We have had a close follow-up on sickness rates, health care matters, personnel turnover to monitor and ensure wellbeing and engagement. We have been working with the business to reduce sickness by ensuring leadership capabilities for new leaders and knowledge on how to handle sick leave and we have been working with an external partner to improve work environment and reduce sickness in Sweden.

We have run health & wellness activities (seminars, competitions, etc.) both in Norway and in Sweden during fall of 2020. We have experienced a high participation and a positive feedback among our employees.

Development

Upskilling and reskilling of our employees will be increasingly important in the whole organization in order to ensure a sustainable and successful organization with employees who are engaged and have the right capabilities to deliver on our goals. We have focused our efforts on building a learning culture that enables employees to drive their own performance and development. We have done this by upskilling our internal Learning & Development resources in how to build modern and efficient blended/digital learning. We have also implemented a new Learner Experience & Performance platform as a digital enabler for this transition with focus on learning

Management's review

made mobile, easily accessible and learning that can be taken whenever/wherever. We were launching this new platform in December 2020 with several possibilities for both our employees and leaders to develop their skills within many different areas. We will continue developing the platform and the content during 2021.

We have also focused on the onboarding process and experience for new employees and leaders. We have developed a Get On Board-program consisting of pre-boarding and onboarding modules with the aim to get our new employees and leaders quickly up to speed and feeling welcomed to our company.

We are in the midst of implementing a job catalogue with a transparent and consistent structure of jobs within our different functions, supporting career paths and succession planning and facilitating mobility within the organization as well as enabling effective attraction, development and retention of critical talent.

Pride

Feeling proud of our work, colleagues and employer is highly important to engagement. We have initiated a more regular follow-up on engagement and pride through employee surveys where we will track all seven engagement drivers to see where we are strong and where we should put more focus as an organization.

We focus on clearly communicating why we exist and the purpose of our company. We do this to our newly employed in our Get On Board-program and also to our existing employees by linking our strategy and goals to an overall purpose.

We want people to be proud to work for Codan/Trygg-Hansa and how we encourage a culture where everybody can be themselves and develop to their full potential. We are aiming for an inclusive and diverse work environment. For more detailed information about how we work with Inclusion & Diversity, see section "Diverse and inclusive workplace".

Leadership

The Covid-19 situation during 2020 has put large demands on our leaders and their ability to lead remotely. We have been running training sessions and coaching leaders in leading from home and how to support employees with motivational guidelines, tools and activities to minimize psycho-social effects.

We have also trained leaders in Change Leadership and how to lead through change. To additional support we have an internal network of more than 50 change ambassadors who are trained to support the business in driving change.

We run succession planning exercises in our leadership teams to identify potential successors for our leadership positions in order to build a strong internal leadership pipeline. We focus on setting development goals for all our leaders and in particular identified successors.

Direction

Our countries have run strategy programs and communication during the year, setting new strategies or updating, clarifying existing ones. E.g. Codan Denmark has implemented a new strategy "Sammen om Codan", developed through a bottom-up and inclusive approach, involving many leaders and employees.

It is also important for our employees to understand how their own work contributes to our company strategy and goals. We have focused on training and supporting our leaders and employees in breaking down strategy into SMART (Specific, Measurable, Actionable, Relevant and Time-Bound) goals. We have also focused on improving leaders' skills in coaching and giving feedback, evaluating performance and having dialogues with employees. All leaders and employees are expected to have continuous dialogues about both business (what) and behaviour (how) goals. Employees should be able to understand what is expected from them, how they are performing and what they need to develop.

We believe that every employee should be able to answer to four questions:

- What am I accountable for?
- Why is what I do important?
- How am I performing?
- How should I develop to improve?

Management's review

We have clarified what is expected in terms of behaviours for both our leaders and our employees. We have clear leadership behaviours at different leadership levels and leading self-behaviours for our employees. Our leadership and leading self-behaviours are well integrated in our different People processes, such as performance management, recruitment, succession planning etc.

Recognition

We have been running local recognition programs during the year within different areas. As an example, we were nominating role models for Inclusion & Diversity in Sweden and we have been celebrating a Technical Excellence Award recognizing individuals and teams within our insurance technical disciplines.

We have launched a benefit portal which enables personal, mobile and local benefit and rewards for every employee.

Teamwork & Cooperation

Behaviours such as “Cooperating across our organization, being open minded in collaboration with colleagues, breaking down silos, acknowledging the importance of other functions” are embedded into our leadership and leading self-behaviours that our leaders and employees get assessed on.

We are encouraging and enabling cooperation and sharing of knowledge and best practice through our Learner Experience platform where communities easily can share skills and insights with each other.

Apart from focusing on our seven engagement drivers in our People plan, we have also strengthened how we attract and recruit the best people and capabilities to our company. During 2019 we established an internal Talent Acquisition hub to handle external recruitments to our business. After a year we see clear benefits in how we can enable a best-in-class experience for both candidates and hiring managers and our internal recruiters have gained a solid business understanding that enables more high-quality recruitments. We now have a better overview of how to source, find and attract our key critical competences and capabilities.

Diverse and inclusive workplace

Focus on Inclusion & Diversity (I&D)

Diversity at Codan stretches beyond gender and covers all aspects, such as ethnicity, nationality, disability, sexual orientation etc.

Our I&D vision is defined as “A culture where everybody can be themselves and develop to their full potential to be their best for our customers everyday”.

Our global RSA Inclusion & Diversity Steering group, with representatives from Codan A/S and Codan Forsikring A/S, meets quarterly to follow up on diversity measures, to share best practice and activity plans.

In 2018 a regional Inclusion & Diversity council for Scandinavia were formed with the mandate to define and implement the Scandinavia I&D agenda. All country and Nordic functions top management teams were represented in this council. To ensure that we focus on the most important areas and that we set goals and take measures where it makes the most difference, we have in 2020 reviewed and updated our governance with clearer responsibility for I&D in each country's management team. The number of participants in our Scandinavian I&D council have been reduced while Country Heads and management teams are responsible for approval of country I&D targets, follow-up and ensuring that the most efficient governance structure is in place.

Within our Swedish branch, Trygg-Hansa, a Country I&D council with representatives from Trygg-Hansa management team have been established during 2020. The main focus has been to start analysing gender equality data per division to understand the needs within each part of the organization and thereby create better conditions for improvements using relevant measures. Focus has also been on ensuring the I&D perspective in leadership processes as well as in all communication and marketing.

For the second year in a row, in connection with International Women's Day, Trygg-Hansa paid attention to employees which in various ways lead the way for equality, equality and diversity. Everyone at Trygg-Hansa could nominate their colleagues as a “Role model for equality”.

Management's review

Focus within Codan Denmark has been to develop and start the implementation of a new behaviour-based strategy with strong focus on training and communication. The strategy has a strong focus on behaviour from leaders and employees, including how we work together and include different views and opinions. The most important work during the year has been Leadership Development to make leaders more skilled in pursuing objective leadership based on facts with a focus on behaviour.

Codan has also had a big focus on men's paternity leave, which was extended in new agreements, both for employees and managers. Men's paternity leave is seen as a long-term driver for greater joint responsibility for family life and thus women's opportunities in the job market.

The main overall Scandinavian focus during 2020 has continued to be to build I&D awareness in the organization.

Our I&D ambassador network is still an important success factor for involvement, engagement and awareness in our organization. During 2020 the network in Sweden launched a series of video podcasts about I&D on the Swedish intranet site. Updates on I&D progress and plans are also shared with the network through newsletters and regular meetings.

Focus on women in management positions

Codan A/S and Codan Forsikring A/S have a minimum target on our Board of Directors of 33% females. This should be kept and sustained until Jan 1, 2022. It is the aim of the Company to increase the share of females on level 1-3 in the organization. The diversity in gender composition should reach a 34/66 ratio no later than 1st January 2022. Furthermore, the diversity in gender composition for manager positions at all levels should reach a 40/60 ratio no later than 1st January 2022. These targets should be valid for both genders, so we should not allow for any of the genders to be underrepresented. In addition, Codan has signed the Charter for More Women in Management (Denmark).

By end of 2020 the share of women on the Board of Directors for Codan Forsikring A/S, including employee relations representatives, was 43%. This is the same distribution as during 2019.

The share of women on level 1-3 in the organization is 33% by end of 2020. This is a very positive 4 percentage point increase since 2019 when the share was 29%. Our target remains to increase further and reach 34% women on level 1-3 before 2022.

The share of women on all management levels has also increased from 34.4% in 2019 to 37.3% in 2020. This is a good progress towards our target to reach 40% women on all management levels before 2022.

The long-term aim for more women in management positions is to achieve a representation better reflecting the general distribution of women and men at Codan. Also, the efforts will contribute to our CSR objective of creating a sustainable future and providing equal opportunities for our employees and talent pool in society.

For each recruitment and internal promotion to a managerial position we have an active focus on gender balance, and we will work towards appointing a higher % of female leaders. In our succession planning process, we aim for an equal gender composition and we work with leadership and skills development continuously.

Management's review

Risk management in Codan

The overarching strategy and guidelines for Codan are set out by the Company's Board of Directors. The connection between strategic considerations on accumulated risks in the business operations through day-to-day decisions on whether to enter into agreements with customers, partners, suppliers and others are reviewed and challenged through continuous assessment of Codan's subsidiaries risk profiles by the Own Risk & Solvency Assessment (ORSA) committee, which serves as an advisory body to the CEO and senior management. Risk profiles are reported to the Board of Directors quarterly. For further information on risk management, see Note 2.

Codan's subsidiaries have implemented the necessary and relevant monitoring systems, business processes and controls in order to minimise risks. The most significant risks for the Codan group are outlined below:

Insurance risks

The Codan Group's insurance risks comprise:

- Underwriting Risk covers the (non-catastrophe) risks of unexpected or unplanned losses arising from acceptance of risk that deviates from target risk mix or portfolio strategy, inaccurate pricing or inadequate control over risk accumulation.
- Claims Risk covers the risk of unexpected or unplanned losses arising from new legal and regulatory requirements or inadequate claims management.
- Reserve Risk covers the risks of unexpected or unplanned losses arising from incorrect technical reserves.
- Reinsurance Risk covers the risk of unexpected or unplanned losses arising from the reinsurance protection that deviates from the reinsurance strategy.

Codan's exposure to underwriting risk, claims risk, reserve risk and reinsurance risk is exclusively indirect via the Company's subsidiaries.

For a risk description of the underwriting, catastrophe and reserve risks of subsidiaries, please refer to the Annual Report for 2020 of Codan Forsikring A/S.

Financial risks

Financial risks consist of market risk, credit risk, and liquidity risk. Market risk is the most important of these for Codan since a significant part of the assets of the Company's subsidiaries consist of investment assets. Market risk is the risk that movements in the financial markets affect the value of assets and liabilities, and thereby the Company's capital base and return. Note that Codan's exposure to financial risk is primarily indirect via the Company's subsidiaries. The financial risks described below are considered on an aggregated level, i.e. including subsidiaries.

Codan's has reduced its direct investment portfolio over the year and the remainder, other than investments in subsidiaries, is invested mainly to short- and medium-term bonds (87%), equity (6%), and cash (7%). Codan's subsidiaries have the majority of their investments in Danish and Swedish government and mortgage bonds. The vast majority of the bonds is considered liquid and can be sold at short notice close to market price.

Market risks

Interest rate risk

Changes in interest rates are one of the main financial risks that Codan is exposed to, mainly through its subsidiaries. If interest rates decrease, the value of bond portfolios held by Codan's subsidiaries will rise. At the same time, technical provisions increase in connection with downwards changes in the discount rate. Changes in interest rates thus have an opposite profit and loss effect on assets and liabilities.

Equity risk

The value of the equity portfolio fluctuates in line with movements in the stock markets. The equity portfolios held by subsidiaries consists primarily of direct investments in listed European equities, whereas the equities held directly by Codan are focused on a few unlisted shareholdings.

Management's review

Spread risk

Spread risk is the risk that the value of bonds with an inherent credit element declines due to spread increases caused, for example, by an increase in risk aversion in the market. Codan is exposed to spread risk mainly via investments in mortgage bonds and corporate bonds through its subsidiaries. However, the spread risk is considered limited as the subsidiaries primarily hold AAA-rated mortgage bonds and investment grade corporate bonds.

Currency risk

Currency risk arises as a result of a mismatch in the value of assets and liabilities in the same foreign currency. Codan has a large net exposure to SEK through one of its subsidiaries which, however, mitigates this risk through the use of currency derivatives. Apart from the SEK exposure, Codan has limited currency risk as the technical provisions in subsidiaries are generally matched by investments in the same currency. In Codan's financial statements, results and equity of subsidiaries are translated into DKK. Consequently, significant changes in foreign exchange rates may affect Codan's results and equity.

Inflation risk

Inflation risk is the risk that claims payments in future years will escalate given an increase in inflation due to indexation of claims cash flows. A significant part of the technical provisions in Codan's subsidiaries is index-linked, and Codan is consequently exposed to inflation through its subsidiaries. Codan also has direct exposure to inflation risk as annuities linked to Swedish Motor business are generally indexed with a consumer price index. The inflation risk is mitigated through the holding of investment assets that increase in value when inflation rises. Further, inflation derivatives are used to reduce this risk.

Liquidity risk

Most of Codan's investments held in Codan's subsidiaries are in liquid, listed bonds that can be liquidated at short notice. Further, should the need arise; Codan has a committed credit facility in place.

Credit risk

Credit risk (default risk) is the risk of incurring a loss in case a counterparty cannot meet its obligations. Codan's investment portfolio in its subsidiaries consists primarily of AAA-rated Danish and Swedish government and mortgage bonds, for which the credit risk is considered very low. In addition, a limited number of European and US corporate bonds are held, though with a credit rating of at least BBB. Codan's counterparty-related credit risks are primarily tied to holdings of cash and deposits in banks, exposure on reinsurance counterparties and through derivative contracts to mitigate foreign currency and inflation risks.

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, customer harm or loss to reputation the undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to the activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Other risks

The Company also faces strategic risks, reputational risks and emerging risks. Strategic risks are the risks that arise from strategic decisions and planning, that can affect the Company's ability to run its business and/or its capital adversely. Reputational risk is the risk that the Company's intrinsic value is deteriorated through negative perceptions in the market, while emerging risks are risks that the Company may face over a period of time that transcend the normal planning horizon. Emerging risks can for instance relate to technological development, medical advances, and climate changes.

Codan manages these risks on an ongoing basis in line with the Company's risk appetite and quarterly reports operational risks to the Board of Directors. Where the risk exposure is considered outside risk appetite, actions are required to mitigate and manage the risk in within a reasonable timeframe. An annual assessment is performed of the direct and indirect financial impact that could arise in various scenarios identified through the risk profiles.

Management's review

Capital structure

Codan is subject to the rules governing intermediate insurance holding companies and bases its capital management approach on these rules. The rules stipulate that as of 1 January 2016 when Solvency II became effective, capital requirements and own funds does not apply for intermediate insurance holding companies when the ultimate parent is based in the European Union. To ensure the Company is adequately capitalized the Board of Directors of Codan has defined capital measures which is monitored on a regular basis.

For capital management purposes, the Codan Group uses an internal capital model to assess and calculate capital requirements and scenarios. The model is used to calculate the solvency capital requirement (SCR) and for performance review purposes capital allocations are derived from the model. The model is further used for assessing impact of major strategic decisions and updates to the operational plan. The model has been developed over a number of years in cooperation with the RSA Group and was approved by the College of Supervisors in December 2015. Over the years, a number of changes have been made to the model and in connection with Brexit and the end of the transition period, the Danish Financial Supervisory Authority approved an internal model for the Codan Group in December 2020.

The model is fitted for the Codan insurance subsidiaries and is continuously developed, which includes an annual reparameterization. The model is a cash flow-based stochastic model, which models underwriting risk, reserving risk, catastrophe risk, counterparty risk, investment risk and operational risk. Within this model framework, with run-off on existing obligations and new business for one year, the solvency capital requirement is calculated as the capital required to withstand a worst-case scenario, defined as a once in every 200-year occurrence. The Swedish insurance subsidiary, Holmia Livförsäkring AB uses the standard formula to calculate the solvency capital requirement and as from 1 January 2021 Forsikringsselskabet Privatsikring A/S will revert to using the standard formula.

Codan's equity amounted to DKK 6,446 million at 31 December 2020. In 2020, there has been no regulatory required capital requirement at a Codan level since the Company was an intermediate insurance holding company.

Management's review

Directorships and executive positions

Board of Directors

At the time of adoption of the Annual Report, the members of the Company's Board of Directors held the following directorships and executive positions in other enterprises.

Board of Directors

Lars Nørby Johansen, Chairman

Directorships and executive positions in other enterprises

Chairman of Codan Forsikring A/S; Dansk Vækstkapital Komplementar ApS; Dansk Vækstkapital K/S Fonden Til Støtte Af Den Selveje Inst Pindestrup Centeret; Fonden Oluf Høst Museet; Københavns Lufthavne A/S; Montana Furniture A/S; Den selvejende institution kunstmuseet Trapholt; William Demant Invest A/S; William Demant Fonden; DMA International ApS

Deputy Chairman of ARP-Hansen Hotel Group A/S

Board Director of Danmarks Underholdningsorkester A/S; Kadeau ApS; Bornholms Mosteri A/S; Den Erhvervsdrivende Fond Bornholms Mosteri

Managing Director of Efterår 2019 ApS

Philip Wynford Moore

Board Director of Codan Forsikring A/S; Bank of Ireland (UK) plc; Wesleyan Assurance Society; Skipton Building Society

Trustee of The Royal British Legion

Governor of Hart Learning Group/North Hertfordshire College

Marianne Philip

Chairman of Gerda og Victor B. Strands Fond; Gerda og Victor B. Strand Holding A/S; Investeringsforeningen Nordea Invest, Bestyrelsesforeningens Center for Cyberkompetencer A/S, Komitéen for god fondsledelse; Ingrid Zachariaes Fond, Ferdinand Andersens Familielegat; Axcelfonden; Copenhagen Capacity Fonden til Markedsføring og erhvervsfremme i Region Hovedstaden

Deputy Chairman of Bitten og Mads Clausens Fond; Novo Nordisk Fonden; Norli Pension Livsforsikring A/S, LIFE Fonden, LIFE A/S; Nordea Funds OY; BioInnovation Institute Fonden; BII Holdings A/S; Danmarks Genopretningsfond A/S

Board Director of Codan Forsikring A/S; Axcelfuture; Aktieselskabet af 1. januar 1987; Brenntag Nordic A/S; Brenntag Nordic AB; Kirsten og Peter Bangs Fond

Charlotte Claire Jones

Board Director of Codan Forsikring A/S; Ascentus Insurance Ltd; Canadian Northern Shield Insurance Company; The Johnson Corporation; Quebec Assurance Company; Roins Financial Services Limited; Royal & Sun Alliance Insurance Company of Canada; Royal & Sun Alliance Insurance plc; RSA Insurance Group plc; Unifund Assurance Company; Western Assurance Company

Marie Elisabeth Sandblom *

Board Director of Codan Forsikring A/S, Förbundsstyrelsen för Forena

Christian Sletten *

Board Director of Codan Forsikring A/S; Codan Fonden; Codan Koncernens Medarbejderfond; Petra Slettens Fond

Christer Arne Bjellert *

Board Director of Codan Forsikring A/S

*) Employee representative

Management's review

Board of Management

Pursuant to section 80 of the Danish Financial Business Act, the Board of Directors of Codan Forsikring A/S has approved that the members of the Board of Management of the Company, held or hold the following directorships and executive positions.

Board of Management

Kenneth Norgrove

Directorships and executive positions in other enterprises

Board Director of Insurance Ireland; RSA Broker Motor Insurance Ireland Limited; Benchmark Underwriting Limited

Executive Member of RSA Insurance Group Plc

CEO of Codan Forsikring A/S

Vivian Lund

Chairman of Forsikringselskabet Privatsikring A/S

Board Director of Forsikring & Pension (F&P); Finanssektorens Arbejdsgiverforeningen (FA); Codan Fonden; Codan Koncernens Medarbejderfond

Managing Director of Codan Forsikring A/S; Forsikringsorganisationernes Fællessekretariat F.M.B.A

Statement by the management on the annual report

The Board of Directors and the Board of Management have today considered and approved the annual report of Codan A/S for the financial year 1 January to 31 December 2020.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2020 and of its financial performance for the financial year 1 January to 31 December 2020. It is also our opinion that the Management's review gives a true and fair view of developments in the Company's activities and financial position and describes the major risks and uncertainties which the Company is facing.

We recommend the annual report for adoption at the annual general meeting.

Copenhagen, 25 March 2021

Board of Management



Kenneth Norgrove
CEO



Vivian Lund
EO

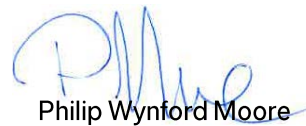
Board of Directors



Lars Nørby Johansen
Chairman



Christer Arne Bjellert



Philip Wynford Moore



Marie Elisabeth Sandblom



Marianne Philip



Charlotte Claire Jones



Christian Sletten

Independent auditors' report

To the shareholders of Codan A/S

Opinion

We have audited the financial statements of Codan A/S for the financial year 1 January – 31 December 2020 comprising income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Business Act.

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 are independent of the Company 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, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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

Emphasis of Matter – Investment in Group entities

We draw attention to Note 1 in the financial statements, which describes the write-off of unsupported Swedish receivables in the subsidiary Codan Forsikring A/S amounting to DKK 209 million and the description of the adjustment and impact on the financial statements.

Our opinion is not modified in respect of this matter.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and for such internal control that 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 financial statement users made on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the company 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

Independent auditors' report

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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

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

Copenhagen, 25 March 2021

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Henrik Barner Christiansen
State Authorised
Public Accountant
mne10778



Kim Schmidt
State Authorised
Public Accountant
mne 34552

Income statement

Note	DKK million	2020	2019
Investment return			
		1,481.8	2,090.4
4	Income from Group entities		
	Interest income and dividends, etc.	1.8	2.6
5	Value adjustments	-6.6	-3.1
6	Interest expenses	-184.3	-159.0
	Investment management expenses	-0.6	-1.1
	Total investment return	1,292.1	1,929.8
7	Other expenses	-9.1	-8.2
	Profit before tax	1,283.0	1,921.6
8	Tax	39.7	35.5
	Profit for the year	1,322.7	1,957.1
Proposal for the distribution of profit:			
	Transfer to reserve for net revaluation according to the equity method	1,481.8	2,085.7
	Distributed interim dividend	200.0	1,200.0
	Transferred to retained earnings	-359.1	-1,328.6
	Profit for the year	1,322.7	1,957.1
Statement of comprehensive income			
	Currency translation adjustment, foreign subsidiaries	289.5	-159.8
	Currency translation adjustment, goodwill relating to foreign subsidiaries	-11.3	0.8
	Other comprehensive income	-3.4	2.8
	Other comprehensive income	274.8	-156.2
	Profit for the year	1,322.7	1,957.1
	Total comprehensive income	1,597.5	1,800.9

Balance sheet at 31 December

Note	DKK million	2020	2019
Assets			
9	Intangible assets	886.2	1,013.9
10	Investments in Group entities	8,417.9	8,283.7
	Total investments in Group entities	8,417.9	8,283.7
11	Equity investments	1.7	12.3
11	Bonds	32.1	190.0
	Total other financial assets	33.8	202.3
	Total investments	8,451.7	8,486.0
11	Receivables from Group entities	22.1	0.4
11	Other receivables	-	0.6
12	Total receivables	22.1	1.0
13	Current tax assets	51.2	11.7
14	Deferred tax assets	15.8	26.1
11	Cash and cash equivalents	35.2	15.9
12	Total other assets	102.2	53.7
	Accrued interest and rent	0.2	1.0
	Total accrued income	0.2	1.0
	Total assets	9,462.4	9,555.6

Balance sheet at 31 December

Note	DKK million	2020	2019
Equity and liabilities			
15 Share capital		860.0	860.0
	Reserve for net revaluation according to the equity method	1,140.7	1,122.9
	Translation reserve	-57.0	-45.7
	Total reserves	1,083.7	1,077.2
	Retained earnings	4,502.4	3,111.4
	Total equity	6,446.1	5,048.6
	Amounts owed to Group entities	3,009.2	4,502.7
	Other payables	7.1	4.3
16 Total payables		3,016.3	4,507.0
	Total equity and liabilities	9,462.4	9,555.6

Notes without reference

- 1 Accounting policies
- 2 Risk information
- 3 Key figures and financial ratios
- 17 Assets and liabilities measured at fair value
- 18 Related parties
- 19 Security
- 20 Contingent assets, contingent liabilities and financial liabilities
- 21 Ownership information

Statement of changes in equity

DKK million

	Share capital	Net revaluation according to the equity method	Translation reserve	Proposed dividend	Retained earnings	Total equity
2020						
Equity, beginning of the year	860.0	1,122.9	-45.7	-	3,111.4	5,048.6
Changes in equity for 2020:						
Currency translation adjustment, foreign subsidiaries	-	289.5	-	-	-	289.5
Currency translation adjustment, goodwill relating to foreign subsidiaries	-	-	-11.3	-	-	-11.3
Other comprehensive income	-	-3.5	-	-	0.1	-3.4
Profit for the year	-	286.0	-11.3	-	0.1	274.8
	-	1,481.8	-	-	-159.1	1,322.7
Total comprehensive income for the year	-	1,767.8	-11.3	-	-159.0	1,597.5
Dividend paid	-	-	-	-200.0	-	-200.0
Distributed interim dividend	-	-	-	200.0	-200.0	-
Dividends received from subsidiaries	-	-1,750.0	-	-	1,750.0	-
Changes in equity for the year	-	17.8	-11.3	-	1,391.0	1,397.5
Equity, end of the year	860.0	1,140.7	-57.0	-	4,502.4	6,446.1

Statement of changes in equity

DKK million

	Share capital	Net revaluation according to the equity method	Translation reserve	Proposed dividend	Retained earnings	Total equity
2019						
Equity, beginning of the year	860.0	444.2	-46.5	-	3,190.0	4,447.7
Changes in equity for 2019:						
Currency translation adjustment, foreign subsidiaries	-	-159.8	-	-	-	-159.8
Currency translation adjustment, goodwill relating to foreign subsidiaries	-	-	0.8	-	-	0.8
Other comprehensive income	-	2.8	-	-	-	2.8
Profit for the year	-	-157.0	0.8	-	-	-156.2
	-	2,085.7	-	-	-128.6	1,957.1
Total comprehensive income for the year	-	1,928.7	0.8	-	-128.6	1,800.9
Dividend paid	-	-	-	-1,200.0	-	-1,200.0
Distributed interim dividend	-	-	-	1,200.0	-1,200.0	-
Dividends received from subsidiaries	-	-1,250.0	-	-	1,250.0	-
Changes in equity for the year	-	678.7	0.8	-	-78.6	600.9
Equity, end of the year	860.0	1,122.9	-45.7	-	3,111.4	5,048.6

Notes to the financial statements

Note

1 Accounting policies

The annual report for 2020 of Codan Forsikring has been prepared in accordance with the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 and no. 1442 of 3 December 2018 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds).

General information

The annual report is presented in DKK, rounded to the nearest million by one decimal. The business of Codan Forsikring consists mainly of selling general insurance products on the Scandinavian market and investing in Scandinavian securities. The Company has branches in Norway, Sweden and USA.

Codan's ultimate parent company is RSA Insurance Group plc, which prepares consolidated financial statements in accordance with applicable United Kingdom law. Consolidated financial statements have therefore not been prepared for the Codan Group.

The accounting policies remain unchanged from the Annual Report for 2019.

Changes in assumptions and estimates

In 2020 we have introduced a volatility adjusted EIOPA curve for calculating discounting insurance contract provisions. The effect of this change on assumptions amounts to DKK 201 million.

No other material changes in assumptions or estimates have been made during 2020.

Correction of misstatements from prior years

During 2020 it was identified that a portion of the Swedish debtor balance was not supported by underlying information from the Swedish policy systems. A dedicated task force was formed to analyse and investigate the root cause and magnitude of the issue. In summary, this led to a total net write-off of DKK 266 million before tax. Analyses identified that the error had accumulated over several years but despite significant effort it has been impracticable, even with the lowest degree of certainty, to conclude which accounting year(s) the errors in the Swedish debtor balances should be allocated to. As a consequence of this, the correction has been made through the income statement in 2020 in accordance with IAS 8.

The root cause behind the Swedish debtor issue was a lack of data insight, and the allocation of the write-off between premium and bad debt is based on extrapolation from data analyses made. From the insights gained through all the work it is clear that a higher proportion of the issue relates to premium rather than bad debt. The write-off impacts the following line items:

Profit & Loss:

Income from Group entities	DKK	-209 million
Result after tax	DKK	-209 million

Balance Sheet:

Investments in Group entities	DKK	-218 million
Total assets	DKK	-218 million
Reserve for net revaluation according to the equity method	DKK	-218 million
Total equity and liability	DKK	-218 million

Notes to the financial statements

Note

Recognition and measurement

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets and property and equipment are measured at cost on initial recognition. Subsequent measurements are made as described for each individual item below. Measurement at amortised cost involves recognition of a constant effective interest rate over the life of the asset or liability. Amortised cost is calculated as the original cost less repayments and with addition/deduction of the accumulated amortisation of the difference between cost and the nominal amount. In this way, capital gains and losses are allocated over the life of the asset or liability.

Assets are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, it is probable that future economic benefits will flow to the Company and the value of the asset can be measured reliably. Financial instruments are recognised in accordance with this principle, and the trade date is used as the date of recognition.

Liabilities are recognised in the balance sheet when, due to an event occurring before or on the balance sheet date, the Company has a legal obligation, and when it is probable that future economic benefits will flow from the Company and the value of the liability can be measured reliably.

The recognition and measurement of assets and liabilities take into account information received after the balance sheet date but before the presentation of the annual report if such information proves or disproves circumstances prevailing on the balance sheet date.

Income is recognised in the income statement as earned. Expenses incurred to achieve the earnings for the year, including depreciation, amortisation, impairment losses and provisions, are recognised in the income statement. Adjustments resulting from changes in accounting estimates of items previously recognised in the income statement are also recognised in the income statement. Value adjustments of financial assets and liabilities which are measured at fair value are also recognised in the income statement, unless otherwise stated below.

Key assumptions and estimates

Determination of the carrying amount of assets and liabilities requires an estimate of how future events will affect the value at the balance sheet date. Estimates having a material impact on the financial reporting are, for example, made in connection with the determination of technical provisions, depreciation, amortisation and impairment losses, pension obligations as well as contingent assets and liabilities. The assumptions and estimates used are reviewed on a continuous basis and are, among other things, based on historical experience and expectations of future events.

The estimates used are based on assumptions, which the management believes to be reasonable, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur. Codan Forsikring is furthermore subject to risks and uncertainties that could cause actual results to differ from the estimates used.

Risk management is described in Note 2.

The following accounting assumptions and estimates are considered material to the annual report:

Insurance contract liabilities

The provision for outstanding claims is generally affected by key actuarial assumptions and estimates, including expectations of the number and size of claims incurred but not yet reported as well as inflation developments. In some cases, the historical data forming part of the actuarial methods do not necessarily reflect the expected future level of claims, for instance in connection with amended legislation, legal practice or the practice of the Danish National Board of Industrial Injuries for awarding compensation, where an a priori estimate of the effect is prepared. This estimate is communicated to the business and forms the basis of premium changes necessitated by an expected change in the level of claims.

Notes to the financial statements

Note

For general insurance companies, a run-off result is calculated as the difference between:

- a. the provision for outstanding claims in the opening balance sheet, adjusted for currency translation differences and discounting effects, and
- b. the sum of claims paid during the financial year relating to claims incurred in previous financial years, and that part of the provision for outstanding claims relating to claims incurred in previous financial years.

Run-off results for the past five years are shown in the five-year summary in Note 3.

Deferred tax

The tax liability arising on a temporary difference between the carrying amount and the tax value is generally recognised as deferred tax. If the temporary difference is negative, and it is considered likely that it can be used to reduce future tax liabilities, a deferred tax asset will be recognised.

Deferred tax assets have been recognised on the basis that future taxable profits will be available against which these deferred tax assets can be utilised. The evidence for the future taxable profits is a forecast consistent with the three-year operational plans prepared by the relevant businesses, which are subject to internal review and challenge. Where relevant, the forecast includes extrapolations of the operational plans using assumptions consistent with those used in the plans.

Contingent liabilities

Contingent liabilities, including the outcome of pending legal proceedings, are inherently uncertain. The management has estimated these on the basis of legal assessments of the specific cases.

Business combinations

Newly acquired or established entities are included in the financial statements from the date of acquisition or foundation. Entities sold or terminated are included in the income statement up to the date of disposal. Comparative figures are not restated for entities recently acquired, sold or terminated.

Identifiable assets, liabilities and contingent liabilities of newly acquired entities are measured at fair value at the date of acquisition.

The cost of business combinations is measured as the total fair value at the date of acquisition of transferred assets, known or predicted liabilities, and all costs directly attributable to the business combination.

Positive balances (goodwill) between the cost of business combinations and the fair value of identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill under intangible assets.

Goodwill is not amortised but tested at least annually for impairment and written down to the recoverable amount through the income statement if the carrying amount is higher. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

In connection with intra-group business combinations or portfolio transfers, the aggregation method is used whereby the difference between the purchase consideration and the net assets acquired is recognised directly in equity and comparative figures are restated.

When the initial accounting for a business combination can be determined only provisionally, any adjustments to goodwill and the fair values of assets, liabilities and contingent liabilities are recognised within 12 months of the date of acquisition. Subsequently, goodwill will only be adjusted as a result of changes in estimates of contingent purchase considerations. If, 12 months after the acquisition, it is ascertained that the fair value of assets or liabilities at the date of acquisition differs from the values initially recognised, the adjustments are recognised in the income statement.

Notes to the financial statements

Note

Intra-group transactions

Business transactions between group companies are conducted on market-based conditions or on a cost-covering basis.

Foreign currency translation

The Company's functional currency is DKK in respect of business and investments originating from Denmark. The functional currencies used by the Company's branches in Sweden and Norway are the currencies of the respective countries.

On initial recognition, foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of transaction. Exchange differences resulting from translation at the exchange rate prevailing at the date of transaction and the exchange rate prevailing at the date of payment are recognised in the income statement as value adjustments.

Receivables, payables, other monetary items as well as non-monetary items recognised on the basis of the fair value in foreign currency are translated at the exchange rate prevailing at the balance sheet date. The difference between the exchange rate prevailing at the balance sheet date and the exchange rate prevailing at the time when such receivables or payables arose or were recognised in the latest annual report is recognised in the income statement as value adjustments.

Results of foreign branches are translated into the presentation currency (DKK) at the exchange rate prevailing at the date of transaction. An average exchange rate for the period is used as the exchange rate at the date of transaction to the extent that this does not significantly distort the presentation. The value of foreign branches is translated at the exchange rates prevailing at the balance sheet date. Currency translation differences are recognised directly in equity as part of the translation reserve. If the foreign entity is disposed of, any currency translation differences will be recognised in the income statement in connection with the disposal.

Goodwill and other fair value adjustments of assets and liabilities arising on the acquisition of foreign entities are treated as belonging to the foreign entity and are translated at the exchange rate ruling at the balance sheet date.

Individual areas in the annual report

Expenses

Expenses are recognised in the income statement as other expenses and as investment management expenses. As a rule, expenses that are not attributable to a function will be distributed proportionally on the basis of the amount of the directly attributable expenses.

Financial instruments

In connection with the acquisition and disposal of financial instruments under normal market conditions, the trade date is used as the date of recognition or the date where the asset/liability is no longer recognised in the balance sheet. When the financial instrument is recognised, an asset/liability equal to the agreed price is also recognised. On the disposal of a financial instrument, an asset/liability equal to the agreed price is similarly recognised. The liability or the asset will no longer be recognised in the balance sheet on the settlement date.

Incentive schemes

The RSA Group operates a long-term incentive plan (Performance Share Plan) for CEOs and other key employees. The scheme is based on various performance targets and is based on shares in RSA Insurance Group plc. For further details on the program, see note 7.

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is

Notes to the financial statements

Note

determined by reference to the fair value of the options or shares granted. The fair value is determined at the grant date. At each balance sheet date, the Company revises the estimates of the number of options expected to be exercised. The Company recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Share options are included in the disclosure on remuneration to management as the share options are earned, whereas the disclosure on incentive schemes includes share options as they are issued.

Income statement

As regards the technical account in the income statement, reference is made to the specifications in 'General insurance contracts' and 'Operating expenses'.

Investment return

Interest and interest-related income from bonds, other securities, loans and receivables, including indexation of index-linked bonds and dividends on equity investments, are recognised in interest income and dividends, etc.

Total value adjustments, including currency translation adjustments as well as net gains and losses from the sale of assets falling within the group of investments in the balance sheet, are recognised as value adjustments.

Interest on and interest-related expenses in connection with payables and liabilities are recognised as interest expenses. Borrowing costs are charged to the income statement as incurred, as borrowing costs related to qualifying assets are not capitalised (e.g. in connection with the construction of Group-occupied properties).

Costs attributable to trading in and management of the Company's investments are recognised as investment management expenses. The investment return further includes income from Group entities, which consists of the Company's share of Group entities' net profit after tax.

Other income and expenses

Income and expenses which are not attributable to the Company's insurance portfolio or investments and profit from sale of portfolios are included in other income and expenses.

Tax

The Company is taxed jointly with the Danish subsidiary Codan Forsikring A/S and the Danish subsidiaries of this company. Full allocation is made to all jointly taxed companies. Tax for the year, consisting of current tax for the year, any change in deferred tax and adjustments relating to previous years, is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The Company is subject to the Danish tax prepayment scheme. Additions, deductions and allowances relating to tax payments are included in 'Interest income and dividends, etc.' and 'Interest expenses'. Tax payments are made to Codan A/S, which, according to the rules on joint taxation, acts as administration company.

Current tax liabilities and assets are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax on taxable income for previous years and tax paid on account.

Deferred tax liabilities are measured using the balance sheet liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, no provision is made for deferred tax on temporary differences arising from amortisation of goodwill disallowed for tax purposes and other items where such differences – except in connection with acquisitions – have arisen at the date of acquisition without having an impact on the financial results or the taxable income. In those

Notes to the financial statements

Note

cases where the tax base can be determined according to alternative taxation rules, deferred tax liabilities will be measured on the basis of the planned use of the asset and the settlement of the liability.

Deferred tax assets, including the tax base of tax losses that may be carried forward, are recognised in 'Other assets' at the value at which they are expected to be used, either through elimination of tax on future earnings or by offsetting against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax is measured according to the tax rules and at the tax rates in the respective countries which, based on the legislation in force at the balance sheet date, will apply when the deferred tax liability is expected to be settled or when the deferred tax asset is expected to be realised. Change in deferred tax resulting from changes in tax rates is recognised in the income statement with the proportion attributable to the profit for the year, and directly in equity with the proportion attributable to transactions recognised directly in equity.

The Company does not make provisions for deferred tax on contingency funds. According to the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 and no. 1442 of 3 December 2018 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds) a provision for deferred tax on contingency funds should only be made if it is likely that a situation will arise within the foreseeable future which will result in taxation. In the opinion of the management, taxation will only take place if the insurance portfolio is transferred or if the Company ceases to carry on insurance business.

Other comprehensive income

In a separate section named "Other comprehensive income", following the income statement, the below listed value changes are recognised:

- Exchange rate adjustments arising from revaluation of transactions and balance sheet items, including goodwill, for entities with a functional currency that differs from the presentational currency of Codan Forsikring A/S (DKK).
- Changes in value of hedges instruments which relates to hedging of fluctuations in future cash flow.
- Changes in value of hedges instruments which relates to hedging of currency exposure on investments in foreign entities.
- Changes in actuarial gains and losses related to pension obligations

For each item recognised under other comprehensive income the related tax effects are recognised as separate items under other comprehensive income as well.

Balance sheet

Assets

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at the amount corresponding to the excess of the cost of acquisition of the Company's interest in an acquired entity over the Company's interest in the fair value of the acquired assets and liabilities at the time of acquisition. Goodwill relating to acquisitions prior to 2004 is recognised at the carrying amount at 1 January 2004. This goodwill has thus been recognised on the basis of the cost recognised in accordance with the previous accounting policies less amortisation and impairment losses up to 1 January 2004. Reference is made to the section 'Business combinations'. The carrying amount of goodwill is allocated to cash-generating units at the date of acquisition. Cash-generating units are determined in accordance with the business structure, and goodwill is tested for impairment at the end of the financial year. In connection with intra-group business combinations, existing goodwill is allocated to the new cash-generating unit in which the activities creating the goodwill are included.

Notes to the financial statements

Note

The carrying amount of goodwill is tested for impairment together with all other assets in the cash-generating unit to which goodwill has been allocated and is written down to the recoverable amount through the income statement if the carrying amount is higher.

Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

Impairment losses on goodwill are not reversed.

Development projects

Development projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and development opportunities in the Company can be demonstrated, and where the intention is to produce or use the project outcome, are recognised as intangible assets, provided that the cost can be determined reliably and that there is sufficient certainty that the asset will generate economic benefits exceeding costs.

Costs include materials and services attributable to the Company's development activities.

All other costs associated with developing or maintaining computer software are recognised in the income statement as incurred.

Completed development projects are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The amortisation period is usually three years but can be five to seven years. Development projects in progress are measured at cost less any impairment losses.

The Company's development activities include the development of IT programs and platforms as well as major strategic efforts within insurance systems.

Other intangible assets

Customer lists acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment losses. The amortisation period for customer lists is five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Acquired computer software licences are measured at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. The depreciation period is usually three years.

Property and equipment

Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses, if any.

Cost comprises the acquisition cost and costs directly attributable to the acquisition up to the date when the asset is available for use. Subsequent costs are included in the carrying amount when it is probable that they will result in future economic benefits and can be measured reliably. Costs of normal repairs and maintenance are charged to the income statement.

The basis of depreciation is the cost less the residual value and any impairment losses, and depreciation is charged on a straight-line basis over the estimated useful lives of the assets, which are mainly in the range from three to ten years. The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Gains and losses on assets disposed of or scrapped are determined by comparing proceeds with the carrying amount. Gains and losses are recognised in the income statement.

Notes to the financial statements

Note

Leasing

It is assessed whether a contract is, or contains, a lease at the time of inception. A lease contract exists when the underlying asset is identifiable, Codan has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and Codan holds the right to direct the use of the asset.

Right-of-use assets (ROU assets) and corresponding lease liabilities are recognised with respect to all lease agreements in which Codan Forsikring is the lessee, excluding short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

At inception or on reassessment of a contract that contains lease components, the consideration in the contract is allocated to each lease component based on their relative stand-alone prices.

ROU assets and lease liabilities are recognised at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the commencement date, any initial direct cost incurred, estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset and/or lease incentives received.

ROU assets are tested for impairment.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. Alternatively, if this rate cannot be readily determined, the incremental borrowing rate is used. Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments and a corresponding adjustment is made to the carrying amount of the ROU asset.

Impairment of intangible assets and property and equipment

Goodwill, finalised development projects and development projects in progress are tested for impairment in connection with the annual report and during the year if there is any indication of impairment. The carrying amount of other intangible assets and property and equipment is reviewed at least annually to determine whether there is any indication of impairment. If there are indications of impairment, the carrying amount is written down to the estimated recoverable amount of the asset if this is lower than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the expected value in use.

Impairment losses on development projects and other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates underlying the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

Investments in Group entities

Investments in Group entities are measured according to the equity method, which means that the value is equal to the proportion of equity in the entities which corresponds to the ownership interest and is calculated in accordance with the accounting policies applied by the Company.

The profit or loss of Group entities is included in the parent company income statement for the same financial year. The profit or loss of Group entities is transferred to the reserve for net revaluation according to the equity method under equity. This reserve may not be used for dividend or distribution. The reserve in the parent company is reduced by dividend payments from Group entities.

Other financial assets

Financial assets are measured at fair value, and value adjustments are included in the income statement.

Notes to the financial statements

Note

The fair value of listed securities is determined on the basis of the closing price at the balance sheet date, or, if such a price is not available, another public price which is deemed to be the closest possible equivalent.

For securities that are not listed on a stock exchange, or for which no market price exists which reflects the fair value of the asset, the fair value is determined using valuation techniques, the purpose of which is to determine the transaction price which would result from arm's length transactions between independent parties at the date of measurement. These techniques include the use of similar recent arm's length transactions between independent parties, reference to other instruments that are substantially the same and a discounted cash flow analysis. All value adjustments of financial assets are recognised in the income statement as value adjustments.

Currency translation adjustments are recognised directly in the income statement.

Receivables

Receivables, including deposits with ceding undertakings and receivables arising from insurance contracts, are recognised at fair value and subsequently measured at amortised cost using the effective interest method, which usually corresponds to the nominal value in respect of short-term non-interest-bearing receivables and floating rate receivables.

An estimated provision for expected losses is recognised in the income statement when there is a clear indication that the asset is impaired. The recognised provision is measured as the difference between the asset's carrying amount and a possible lower recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks as well as securities with a maturity of less than three months at the date of acquisition which are readily convertible into cash and which are subject to insignificant risks of changes in value.

Prepayments and accrued income

Prepayments and accrued income are measured at cost, equivalent to the measurement made on initial recognition.

Liabilities

Equity

Share capital

Shares in Codan A/S are recognised at nominal value.

Reserve for net revaluation according to the equity method

The reserve includes net revaluation of investments in Group entities according to the equity method.

The Swedish contingency reserve is reported as an untaxed reserve. Changes are recognised through profit or loss. The basis for calculation is based on a directive from the Swedish Financial Supervisory Authority on a so-called normal plan for calculating the contingency reserve. The directive indicates the maximum amount that may be allocated to the contingency reserve, based on written premiums and the provision for claims outstanding in certain lines of insurance. Codan Forsikring Swedish branch continuously calculates the maximum scope for provisions. At year-end the Company had not utilised the maximum scope.

Translation reserve

The translation reserve comprises exchange differences arising from the translation of the equity of foreign subsidiaries and branches at the beginning of the year at the exchange rates prevailing at the balance sheet date and from the translation of income statements from the exchange rate prevailing at the date of transaction into the exchange rates prevailing at the balance sheet date.

Notes to the financial statements

Note

The reserve also comprises foreign currency translation of intangible assets relating to acquisitions. The translation reserve has been determined in accordance with the guidelines issued by the Danish Financial Supervisory Authority as from 1 January 2004.

Currency translation adjustments are recognised in the income statement if the foreign entity is dissolved or disposed of.

Proposed dividend

Proposed dividend is shown as a separate item under equity. Dividend distribution is recognised as a liability at the time of approval by the annual general meeting (time of declaration).

Payables and liabilities, general information

Amounts owed to credit institutions are measured at fair value. The fair value of amounts owed to credit institutions usually corresponds to the nominal value. Other financial liabilities are measured at amortised cost, which usually corresponds to the nominal value in respect of short-term non-interest-bearing payables.

The capitalised residual lease obligation in respect of finance leases is also recognised as liabilities.

Provisions

Provisions for jubilee bonuses and payments on retirement are gradually accumulated over the period of employment. The liability is calculated by taking into account expected staff turnover based on the Company's experience.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation.

On measurement of provisions, the expenditure required to settle the obligation is discounted if the amounts fall due more than 12 months after the period in which they are earned. A pre-tax discount rate is used that reflects the current market interest rate level and the risks specific to the obligation.

Methods for calculating financial ratios

The financial ratios have been calculated in accordance with the the Danish Financial Business Act, including the Danish Financial Supervisory Authority's executive orders no. 937 of 7 July 2015 and no. 688 of 1 June 2016 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). The ratios included in the five-year summary have been calculated as follows:

Return on equity in % Profit for the year in relation to average equity.

Notes to the financial statements

Note

2 Risk information

Risk management and control

For Codan and its subsidiaries it is important that risks are managed in a controlled manner. This requires structured risk management that covers all situations that could affect the future operation and development of the Company.

The Board of Directors is responsible for establishing a framework for risk management and risk control. The Company's risk management must permeate the organisation, and efforts are made to ensure accountability and transparency in terms of clear ownership of risks and the management of these within the risk appetite framework.

The Boards of Directors of Codan and its subsidiaries are responsible for ensuring the soundness of the companies regarding capital requirements, liquidity, financial position and business practice. Codan's subsidiaries operate in accordance to a three-lines of defence model. Business functions charged with running day-to-day operational activities make up the first line of defence. Risk and Compliance units makes up the second line of defence, and Internal Audit make up the third line of defence.

The Risk function ensures that relevant risk information is discussed and addressed by presenting its independent view to the relevant committees. The risk function also monitors the risk management system and suggest amendments in terms of risk strategy and risk appetite, to be adopted by the board of directors.

The Compliance function serves in a supporting role to ensure that operations are conducted in accordance with internal requirements as well as monitors regulatory compliance in the business.

Internal Audit performs independent risk management assessments on a regular basis in accordance with the agreed Internal Audit Year Plan and verifies that controls are appropriate for their purpose. Internal Audit reports to the Board of Directors on a quarterly basis.

The Own Risk & Solvency Assessment (ORSA) committee ensures that the CEO and the management on a quarterly basis receive adequately prepared and detailed material as a basis for their respective decisions. The Committee serves as an advisory body and reports to the CEO. The work of the ORSA forms the basis of risk reporting to the Board of Directors.

As an integral part of the reporting, it is monitored whether the Company's exposure is within the risk appetite as defined by the Board of Directors.

Insurance risks

The Underwriting Policy, issued by the Boards of Directors of Codan's subsidiaries, determine the risk the companies can accept. These guidelines clearly describe the risk appetite per insurance class and specifies the maximum acceptable limits that the Board is prepared to allocate to the various risks that have been evaluated, priced and accepted by the Company's underwriters.

Codan's subsidiaries build on underwriting capability as one of the key drivers of a sustainable, profitable performance. To support the sound implementation of the Underwriting Policy, an underwriting framework outlines the classes and nature of the insurance risks which the subsidiary is willing to underwrite, how these are to be priced and the levels of capital that are acceptable to put at risk.

The focus of the Underwriting function is to ensure that premiums charged are sufficient to cover the cost of claims and expenses and provide a suitable margin for delivering a sustainable return for shareholders. Codan Forsikring places major focus on risk selection and risk quality and takes a disciplined approach to pricing in order to meet these objectives. A majority of the customers are offered a premium which is set according to tariffs and risk factors calculated by pricing actuaries. For major commercial customers, pre-

Notes to the financial statements

Note

miums are based on the respective companies' operations and performance history. The authority exercised by the respective underwriters is controlled by a personal underwriting licence based on underwriter's capabilities.

Codan's subsidiaries place great emphasis on portfolio management to provide overview to their front-line underwriting activities and ensure that a clear strategy is defined for each class of business and at an aggregate level across the portfolio. Each portfolio manager/product director reviews and communicates an annual Portfolio Strategy Statement. It outlines the direction of the portfolio, establishes a clear underwriting risk appetite and sets clear financial targets for the coming year. As part of Codan's Risk Management Framework, the portfolio manager/product director makes assessments against a standard set of KPIs on a quarterly basis. These are reported by the Underwriting function to the Board of Directors in an effort to monitor portfolio performance, identify areas of interest and plan risk mitigation actions.

The subsidiaries' ability to underwrite a diversified portfolio of business is another key control in relation to insurance risk. An annual operational business plan is adopted by the Board of Directors of each subsidiary. This plan lays out the operating targets for each line of business, insurance classes within which insurance may be underwritten and in which geographical areas and sectors the Company is willing to underwrite insurance risks. The plan also stipulates quantitative maximum limits of exposure in various risk areas. The business plan is implemented in the organisation via Portfolio Strategy Statements and underwriting guidelines issued to the Company's underwriters.

To ensure that tariffs remain updated and are positioned to deliver the results set out in the business plans of subsidiaries, dedicated Personal and Commercial Pricing teams follow a structured pricing process. The pricing and portfolio management teams interact and challenge each other to ensure a clear link between portfolio strategy and pricing actions. All insurance contracts have terms with limits specified in the authority delegated by the Board of Directors. The ability to alter the terms of a contract is controlled via the Delegated Authority Framework. All policies have a built-in right for the Company to decline a renewal or to amend the terms and conditions in connection with renewal. Exceptions are handled through Executive Licence Extensions or Special High-Risk Licences.

Codan's subsidiaries review the insurance risks accepted on a regular basis and assess these in relation to the underwriting, reinsurance and capital policies adopted.

Insurance risk concentrations

Risk limitation is also conducted through reinsurance. Insurance business is by nature exposed to major fluctuations. By ceding business to reinsurers, the consequences of very large claims can be limited, and the size of exposures can thus be managed, and the Company's equity protected. The costs of Codan's subsidiaries per claim event, their net retention and the upper limit to which the reinsurance protection covers costs per claim event vary from product to product. The amount of net retention is decided by the Board of Directors in Codan's subsidiaries. The level is reviewed annually by the Board of Directors to ensure that it is acceptable.

The insurance risks of Codan's subsidiaries are geographically located in Denmark, Sweden and Norway from where the majority of the premium income derives.

To ensure that Codan's subsidiaries' exposure to underwriting risk and remaining an appropriate capital base, a structured reinsurance programme is in place to protect the subsidiaries against large losses on individual risks as well as catastrophe events such as weather-related events. Codan's subsidiaries are included in the Codan Group's overall reinsurance programme.

Non-catastrophe risks

The Codan Group's reinsurance programme for 2020 was primarily an excess of loss programme with a maximum retention of DKK/NOK 100 million for any one risk (SEK 125 million for the Swedish branch), in respect of buildings, contents and business interruption insurance. The retention for personal accident claims was DKK 100 million, DKK/NOK 25 million (SEK 30 million for the Swedish branch) for liability and

Notes to the financial statements

Note

DKK 30 million (SEK 40 million for the Swedish branch) for motor third party liability claims. In respect of Renewable off-shore Energy sector the retention was USD 22,5 million.

In respect of Marine Hull business Codan Forsikring has a 100% Quota Share for claims related to insurance contracts written in 2020. The 2020 Quota Share Treaty is placed with RSA Insurance Ltd and placed on market terms and Codan Forsikring receives commission. All other reinsurance contracts are purchased on a Scandinavian or global basis, thereby reducing costs.

Additionally, a Multiline aggregate cover protecting against frequency of losses between DKK 20 million og DKK 100 million was bought for 2020. This cover protects the entities in the Codan Group on the Property, Engineering and Catastrophe business.

The Codan Group offers its customers insurance cover for conventional terrorist attacks, and the risk is re-insured both on a per risk and a per event basis. The Codan Group offers different limits of liability for terrorist attacks in the various regions but always within the Company's reinsurance limit. If additional cover is needed, the Codan Group will purchase additional cover in the reinsurance market. From July 2019 a new Law (no 367 af 9 april 2019) came into force in Denmark. According to this law a state scheme takes on the cover for Nuclear, Chemical, Biological and Radioactive (NCBR) Terror Risk. There may be some residual NCBR exposures not covered by the State Scheme which will remain with Codan. In the other Territories this peril is excluded in the original policies. Predicting the number of claims arising from such events still poses a challenge, but the objective of the Codan Group is to control the allocation of resources to the individual risk.

Storm and catastrophe risk

Codan Forsikring has together with other companies in the RSA Group taken out reinsurance cover for catastrophic events. In respect of natural disaster, reinsurance cover for a once-in-200-years event has been purchased, with a combined RSA Group retention of GBP 25 million (CAD 75 million for claims occurring in North America, Central America and the Caribbean). The same reinsurance programme will cover property claims where more than one risk is involved in a non-natural perils-loss event.

For personal accident and life catastrophe events of a sudden nature, like a ferry accident or a tsunami, Codan Forsikring has a shared reinsurance contract with the rest of the Codan Group companies. In 2020, the maximum net retention for Codan Forsikring was DKK 100 million per event.

Reinsurance contracts are associated with a certain level of credit risk. This is described in more detail under the section on financial risks below. Reinsurers' creditworthiness is monitored on a regular basis to ensure that the contracted reinsurance cover is maintained.

Reserving risk

The reserving risk, i.e. the risk that technical provisions will not be sufficient to settle incurred claims, is managed primarily through actuarial methods and through careful, continuous monitoring of reported claims.

The documentation for determining the level of provisions to cover future risks is based on the Codan Group's experiences and generally accepted actuarial techniques for estimating provisions. The Codan Group uses numerous statistical methods and analyses to determine the likely outcome of future claims payments. These methods and analyses are affected by the uncertainty that exists in estimating future payments while taking into account the amount and date of payment.

Claims trends and reserve levels in Codan's subsidiaries are reviewed quarterly and form the documentation for reserve reporting. The Reserve Committee reviews the reserve methodology and monitors the development of reserves. The Reserve Committee, which is chaired by the CFO, serves in an advisory role, reports to the CEO and meets at least once every quarter.

Notes to the financial statements

Note

Financial risks

Codan's exposure to financial risks is primarily indirect via its subsidiaries. The financial risks described below are considered on an aggregated level, i.e. including subsidiaries, while the tables show Codan's direct exposure.

Market risks and investment strategy

The Company's investment strategy is balanced to achieve a number of goals and to ensure compliance with laws and regulations.

Through close internal and external portfolio management and control, the aim is to maximise the return while at the same time ensuring:

- Legislative and risk compliance
 - Ensuring that investments are in compliance with the investment rules set out in legislation
 - Ensuring full compliance with the Investment Policy laid down by the Board of Directors
 - Ensuring that the exposure of the investment portfolio is within the limits set
- Operational efficiency
 - Ensuring that liability cash flows are reflected in the structure of the investment portfolio
 - Ensuring that an investment management policy has been adopted
 - Ensuring cost control

Investment management

Codan has chosen an outsourcing strategy for managing its investments. External portfolio managers have been approved by the Board of Directors, and their investment authority is subject to Codan's investment policy laid down by the Board of Directors.

The investment policies of Codan and its subsidiaries lay down criteria for limiting and managing risks relating to individual investments and for concentration of risks. The Investment Committee monitors compliance with the investment strategy. The Committee serves in an advisory role, reports to the CEO and meets at least once every quarter and when required by circumstances.

Liquidity and interest rate risks

The majority of investments held by Codan's subsidiaries are in liquid listed bonds. Codan maintains conservative investment guidelines with a large share of the portfolios consisting of government bonds and highly rated securities. Further, should the need arise; Codan has a committed credit facility in place.

The short-term liquidity of Codan and its subsidiaries is monitored through ongoing cash management. Long-term cash management is managed and reviewed on an ongoing basis in connection with ALM-reporting (Asset Liability Management) to the management.

Changes in interest rates are among the risk factors which affect Codan's financial risks – either directly or through its subsidiaries. A significant aspect of Codan's risk management is to have a portfolio of fixed-income securities in the subsidiaries, which acceptably balances the opposing P&L effects of interest rate movements on assets and liabilities.

The Company's direct exposure with respect to fixed income assets and various liabilities is shown in the table below.

Notes to the financial statements

Note

Contractual repricing or maturity dates	DKK million					Total
	< 1 year	1-5 years	5-10 years	10-20 years	> 20 years	
2020						
Danish fixed rate mortgage bonds	32.1	-	-	-	-	32.1
Cash and cash equivalents	35.2	-	-	-	-	35.2
Receivables from Group entities	22.1	-	-	-	-	22.1
Financial assets	89.4	-	-	-	-	89.4
Amounts owed to Group entities	509.2	-	-	-	2,500.0	3,009.2
Other payables	7.1	-	-	-	-	7.1
Financial liabilities	516.3	-	-	-	2,500.0	3,016.3
2019						
Danish fixed rate mortgage bonds	-	-	-	-	190.0	190.0
Cash and cash equivalents	15.9	-	-	-	-	15.9
Receivables from Group entities	0.4	-	-	-	-	0.4
Financial assets	16.3	-	-	-	190.0	206.3
Amounts owed to Group entities	1,002.7	-	-	-	3,500.0	4,502.7
Other payables	4.3	-	-	-	-	4.3
Financial liabilities	1,007.0	-	-	-	3,500.0	4,507.0

The table below shows the effective interest rate and duration of financial assets and liabilities at 31 December.

	Effective interest rates (%)		Duration (Years)	
	2020	2019	2020	2019
Financial assets				
Danish fixed rate mortgage bonds	-0.5	1.8	0.3	1.4
Financial liabilities				
Amounts owed to Group entities	2.5	3.5	0.3	0.3

Notes to the financial statements

Note

Currency risk

Currency risk may arise as a result of a mismatch in the value of assets and liabilities in the same foreign currency. If currency exposure is outside certain defined limits, it is minimised through currency derivatives. Codan has a large net exposure to SEK through one of its subsidiaries, which, however, mitigates this risk through the use of FX forward contracts. Apart from the SEK exposure, Codan has limited currency risk as the technical provisions in subsidiaries are generally matched by investments in the same currency. In Codan's financial statements, results and equity of subsidiaries are translated into DKK. Consequently, significant changes in foreign exchange rates may affect Codan's results and equity.

The Company's most significant currency exposures are detailed in the table below (stated in DKK).

Currency risk	DKK million			
	2020			
	EUR	NOK	SEK	Total
Intangible assets	-	41.7	-	41.7
Other loans, deposits with	0.2	-	1.6	1.8
Receivables from Group entities	-	-	-0.4	-0.4
Currency risk	0.2	41.7	1.2	43.1

	2019			
	EUR	NOK	SEK	Total
Investments in Group entities				
Intangible assets	-	169.3	-	169.3
Currency risk	-	169.3	-	169.3

Equity risk

On 31 December 2020, Codan had invested a total amount of DKK 1,6 million in 2020 compared to DKK 12,3 million in 2019 of its other financial assets in equities. In addition to this, Codan's subsidiaries had invested a total amount of DKK 1,594 million in equities at 31 December 2020 compared to DKK 1,935 million in equities at 31 December 2019.

Inflation risk

A significant part of technical provisions in Codan's subsidiaries is index-linked, and Codan is consequently exposed to inflation through its subsidiaries. The inflation exposure is to some extent reduced by investments in inflation-linked assets. Further, inflation derivatives are used to limit this risk.

Real estate risk

Codan has, through the investment portfolio held by subsidiaries, 4% of assets invested in shares of public property companies. Some of these companies, particularly those focused on retail and offices, have exhibited a high degree of volatility during 2020 due to the impact of Covid-induced lockdowns.

In addition, Codan has a further exposure to property risk via closed end private debt funds whose loans are backed by commercial property. The real estate risk of these funds is considered low.

Credit risks

Codan has a policy for receivables from policyholders and reinsurers. In accordance with this policy, reinsurance contracts are only concluded with selected sound reinsurers in order to reduce the credit risk. The credit risk in respect of reinsurers is monitored continuously. For a reinsurer to be considered, a rating of at least A- (Standard & Poor's) or the equivalent is normally required. This minimum standard is set out in the Board of Directors' guidelines, and quarterly reports are submitted to the Board of Directors for the

Notes to the financial statements

Note

purpose of monitoring and evaluating the exposure.

Credit risk relating to investments

Codan's investment portfolio in its subsidiaries consists primarily of AAA-rated Danish and Swedish government and mortgage bonds. Codan's credit and counterparty risks are primarily tied to holdings of US and European corporate bonds, holdings of cash and deposits in banks and exposure on reinsurance counterparties and through derivative contracts to mitigate foreign currency and inflation risks– all through its subsidiaries. For public corporate bonds, issuers must have a credit rating of at least BBB-. Furthermore, Codan through its subsidiaries has an exposure to unrated loans via funds. These investments are made to achieve a higher return and build a more diversified investment portfolio.

Codan's maximum direct exposure to credit risk is shown in the table below.

Maximum credit risk	DKK million	2020	2019
Danish fixed rate mortgage bonds		32.1	190.0
Receivables from Group entities		22.1	0.4
Other receivables		-	0.6
Current tax assets		51.2	11.7
Cash and cash equivalents		35.2	15.9
Accrued interest and rent		0.2	1.0
Maximum credit risk		140.8	219.6

As financial markets are affected by the Corvid-19 outbreak Codan continues to monitor this closely.

Operational risks

Operational risk is the risk of loss (economic or reputational) resulting from inadequate or failed internal processes, people and systems, or from external events.

Codan focuses on maintaining good internal control through suitable routines and instructions, clearly defined responsibilities and division of duties between employees, IT support with automated reconciliation, controls and authorisation systems, and internal information and reporting processes to meet the management's requirements for information on the Company's risk exposure.

Responsibility for management of risks rests with the risk owner in the relevant business function. It is the risk owner's responsibility to assess and report to the Enterprise Risk Management function on the size and nature of the risks and related controls, with the supporting rationale of the assessments including gauging against prevailing risk appetite. This information is reported periodically to the Own Risk & Solvency Assessment (ORSA) committee and subsequently provided to the Board of Directors with risk reporting.

In relation to the Covid-19 outbreak Codan is prepared for high levels of staff absence as many roles can work from home. For employees working in contact-centres detailed contingency plans are in place. Please also refer to the management review description of the Coronavirus outbreak. During the pandemic the Company maintained a log of all changes potentially affecting the control environment. The Company continues to closely monitor any potential impact on the control environment.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, customer harm or loss to reputation the undertaking may suffer as a result of not complying with laws, regulations and administrative provisions as applicable to the activities. Deficient compliance may lead to increased operational risks, risk of legal sanctions, supervisory sanctions, financial loss or loss of reputation.

Notes to the financial statements

Note

Codan focusses on maintaining a good internal control environment by having implemented appropriate routines and instructions with clearly defined roles and responsibilities for the employees. The Compliance function monitors that the business remains compliant.

The day-to-day responsibility to manage compliance risk rests with the risk owners in the respective business areas. It is the responsibility of the risk owner to evaluate and manage the risk, with support from the Compliance function. The Compliance function delivers quarterly reports on compliance risks to the Board of Directors, and the CEO.

The ultimate responsibility of the business to ensure proper compliance risk management rests with the Board of Management and the Board of Directors.

Emerging risks

Emerging risks are identified in Codan's subsidiaries in risk assessment workshops with input from industry surveys and reports and reported to the Board of Directors and senior management on a yearly basis.

Capital and solvency

Codan and its insurance subsidiaries calculate and monitor solvency across a variety of measures. Capital measures include accounting equity, own funds, and capital requirements as set out in the Danish Financial Supervisory Authority's regulation and the Solvency II regulation. The solvency capital requirements have been calculated using an internal model for the Danish insurance subsidiaries, and validated by, for example, sensitivity testing and stress & scenario testing. For the Swedish insurance subsidiary, the solvency capital requirement is calculated using the standard formula.

The Board of Directors has established measures to monitor the capital position which is based on an overall risk assessment.

Codan continuously monitors the above-mentioned capital measures. A capital scorecard is reported to the Board of Directors and an advisory Capital Management Committee. All capital requirements are currently met.

Dividend potential

When the distribution of profits is determined, the above-mentioned risks and capital position form part of the assessment as to whether dividends can be distributed in accordance with the Danish Financial Business Act and the Companies' Act.

Notes to the financial statements

Note

3 Key figures and financial ratios

Five year summary	DKK million	2020	2019	2018	2017	2016
Total investment return		1,292.1	1,929.8	1,014.8	1,868.3	2,197.9
Profit for the year		1,322.7	1,957.1	1,044.9	1,887.4	2,195.3
Total equity		6,446.1	5,048.6	4,447.7	5,216.6	8,107.4
Total assets		9,462.4	9,555.6	8,965.2	9,741.9	10,334.0
Return on equity in %		23.0	41.2	21.6	28.3	26.2

Notes to the financial statements

	DKK million	2020	2019
4 Interest Income and dividends, etc.			
Interest income from bonds, loans and deposits		1.5	2.5
Income from units in open-ended funds and other equity investments		-	0.1
Other interest income		0.3	-
Interest income and dividends, etc.		1.8	2.6
5 Value adjustments			
Equity investments		-2.4	0.3
Bonds		-4.2	-3.5
Total investment assets		-6.6	-3.2
Other value adjustments		-	0.1
Value adjustments		-6.6	-3.1
Realised gains and losses on investments		5.4	-5.3
Unrealised gains and losses on investments		-12.0	2.1
Other realised gains and losses		-	0.1
Value adjustments		-6.6	-3.1
6 Interest expenses			
Interest payable to Group entities		-180.2	-155.6
Other financial expenses		-4.1	-3.4
Interest expenses		-184.3	-159.0

Notes to the financial statements

	DKK million	2020	2019
7 Other expenses			
Administrative expenses			
Staff costs:			
Wages and salaries		-7.9	-7.3
Defined contribution schemes		-0.1	-0.1
Payroll tax		-0.2	-0.4
Total staff costs		-8.2	-7.8
Administration fee to Codan Forsikring A/S		-6.3	-4.2
Other administrative expenses		-0.2	-1.1
Transferred to investment management expenses		0.5	1.0
Reimbursement from Group entities		5.1	3.9
Total administrative expenses in Codan		-9.1	-8.2
Other expenses		-9.1	-8.2
Average number of full-time employees during the year		1	1

Remuneration of the Board of Directors and the Board of Management is disclosed in note 20 Related parties.

Incentive schemes

The Company is covered by the Performance Share Plan/Long Term Incentive Plan established by RSA Insurance Group plc (RSA). Members of the board of Management and Material Risk Takers may be eligible to this incentive scheme. The members of the Board of Directors of the Company do not receive any incentive-based remuneration.

The Structure of the plan allows for different types of awards to be made. All awards are settled in the form of ordinary shares in RSA.

Performance Shares

Performance Shares is an award where the outcome of the Company performance measures determines the number of shares that vest. Conditional long-term incentive awards are granted annually in the form of Performance Shares and may vest wholly or partially subject to company performance conditions.

A retention period applies to vested Performance Shares. Awards can be reduced or otherwise amended, provided the action is fair and justifiable, for example, to guard against a windfall award or the converse generated by an accounting treatment. Vesting can be adjusted downwards for current or future risk exposure. Before vesting, they will normally lapse if the participant leaves and may be subject to performance conditions.

Performance conditions are reviewed for each new cycle and set in line with the Company's operational plan, long-term strategy and considering shareholder interests. The normal maximum LTIP opportunity is 40 % of salary.

Deferred Bonus Shares

Deferred Bonus Shares is an award made when part of a bonus is deferred in shares i.e. not paid immediately. For Material Risk Takers 50 % of the bonus is deferred into a share award for a period of three/four years, and 50 % is awarded in cash. Deferred Bonus Shares are generally retained if the employee leaves the Group unless the employee is dismissed for cause. The awards are not subject to performance conditions. Awards are subject to malus and claw back provisions, which is reviewed annually.

Notes to the financial statements

Note

Restricted Shares

Restricted Shares is an award made for recruitment purposes or in highly exceptional circumstances, such as retention. This would be considered as a 'one-off' award. Where an exceptional award is made, full disclosure will be given on

	Ken Norgrove		Patrick Bergander		Vivian Lund		Material Risk Takers	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Long-term Incentive Plan (PSP)								
Beginning balance 1 January 2019	-	-	122,495	5.2	12,880	0.5	-	-
Adj. to beginning balance	-	-	-	0.7	-	0.1	-	-
Adj. to prior year	-	-	-	-	-	-	-	-
Adj. due to change in Risk-takers	-	-	-	-	-	-	-	-
Granted during the year	-	-	23,012	1.1	7,965	0.4	-	-
Vested during the year	-	-	-25,430	-1.2	-	-	-	-
Forfeited during the year	-	-	-16,937	-0.8	-	-	-	-
Lapsed during the year	-	-	-	-	-	-	-	-
Balance 31 December 2019	-	-	103,140	5.0	20,845	1.0	-	-

	Ken Norgrove		Patrick Bergander		Vivian Lund		Material Risk Takers	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Long-term Incentive Plan (PSP)								
Beginning balance 1 January 2020	-	-	103,140	5.0	20,845	1.0	-	-
Adj. to beginning balance	-	-	-	0.9	-	0.2	-	-
Adj. to prior year	-	-	-	-	-	-	-	-
Adj. due to change in Risk-takers	-	-	-	-	-	-	-	-
Granted during the year	51,231	2.9	1,615	0.1	8,717	0.5	-	-
Vested during the year	-2,751	-0.2	-22,651	-1.3	-3,271	-0.2	-	-
Forfeited during the year	-	-	-10,159	-0.6	-3,230	-0.2	-	-
Lapsed during the year	-	-	-	-	-	-	-	-
Balance 31 December 2020	48,480	2.7	71,945	4.1	23,061	1.3	-	-

The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2019 and 31 December 2020. Adjustment to beginning balance is due to fair value and exchange rate.

No Long Term Incentives has been granted regarding 2020

Notes to the financial statements

Note	DKK million	2020	2019
8 Tax			
Tax on total income for the year:			
Current tax expense		51.2	11.7
Change in deferred tax on temporary differences		-12.2	24.8
Tax on total income for the year		39.0	36.5
Adjustments relating to previous years:			
Current tax for previous years		-1.2	-2.0
Adjustment of deferred tax at 1 January		1.9	1.0
Adjustments relating to previous years		0.7	-1.0
Tax expense		39.7	35.5
Tax is included as follows:			
Tax in the income statement		39.7	35.5
Tax expense		39.7	35.5
Total tax on total income for the year can be explained as follows:			
Profit before tax		1,283.0	1,921.6
Reversal of income from Group entities		-1,481.8	-2,090.4
Total income		-198.8	-168.8
Applicable tax rate		22.0%	22.0%
Tax calculated on total income		43.7	37.1
Tax on permanent differences:			
Other equity investments		-0.5	0.1
Expenses disallowed for tax purposes		-4.2	-0.7
Tax on total income for the year		39.0	36.5
Adjustment of tax relating to previous years		0.7	-1.0
Tax expense		39.7	35.5

Notes to the financial statements

Note	DKK million		
9 Intangible assets			
	Goodwill	Other intangible assets	Total intangible assets
2020			
Cost, beginning of the year	1,071.6	90.6	1,162.2
Currency translation adjustments, foreign subsidiaries	-11.3	-	-11.3
Cost, end of the year	1,060.3	90.6	1,150.9
Amortisation and impairment, beginning of the year	-57.7	-90.6	-148.3
Impairment losses recognised in the income statement	-116.4	0.0	-116.4
Amortisation and impairment, end of the year	-174.1	-90.6	-264.7
Carrying amount, end of the year	886.2	-	886.2
Carrying amount, beginning of the year	1,013.9	-	1,013.9
Amortised on a straight-line basis over	N/A	5 and 10 years	
Amortisation is included in other expenses.			
2019			
Cost, beginning of the year	1,070.8	90.6	1,161.4
Currency translation adjustments, foreign subsidiaries	0.8	-	0.8
Cost, end of the year	1,071.6	90.6	1,162.2
Amortisation and impairment, beginning of the year	-57.7	-90.6	-148.3
Amortisation and impairment, end of the year	-57.7	-90.6	-148.3
Carrying amount, end of the year	1,013.9	-	1,013.9
Carrying amount, beginning of the year	1,013.1	-	1,013.1
Amortised on a straight-line basis over	N/A	5 and 10 years	
	Net book value	Calculated headroom	WACC
2020			
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of Trygg-Hansa Försäkrings AB	886.2	20,028.6	8.16%
Acquired goodwill in relation to the purchase of Norwegian portfolios relating to Codan Forsikring A/S*	-	-	8.92%
Total goodwill 2020	886.2	20,028.6	
2019			
The value of goodwill can be broken down as follows:			
Acquired goodwill in relation to the purchase of Trygg-Hansa Försäkrings AB	885.2	21,546.8	7.61%
Acquired goodwill in relation to the purchase of Norwegian portfolios relating to Codan Forsikring A/S*	128.7	583.8	9.07%
Total goodwill 2019	1,013.9	22,130.6	

* Headroom calculation is based on the Operational Plan, which does not reflect uncertainties, which have been applied in the impairment test.

Notes to the financial statements

Note	DKK million	2020	2019
10 Investment in Group entities			
Cost, beginning of the year		8,220.2	8,220.2
Cost, end of the year		8,220.2	8,220.2
Adjustments, beginning of the year		63.5	-615.2
Total comprehensive income for the year		1,884.2	1,928.7
Dividend received from subsidiaries		-1,750.0	-1,250.0
Adjustments, end of the year		197.7	63.5
Carrying amount, end of the year		8,417.9	8,283.7

The carrying amount of investments in Group entities includes goodwill of DKK 469 million (DKK 459 million in 2019).

The value of investments in Group entities can be broken down as follows:

Codan Forsikring A/S	8,417.9	8,283.7
Investments in Group entities	8,417.9	8,283.7

Equity in Group entities, which has formed the basis for the calculation of the Codan Group's shares as specified above, has been determined in accordance with Codan's accounting policies.

All subsidiaries are separate entities.

Additional information on investments in Group entities:

	Registered office	Ownership interest %	Results	Equity
Companies carrying on insurance business:				
Codan Forsikring A/S	Frederiksberg	100.00	1,598.5	8,417.9

Results and equity in Group entities as stated above are in accordance with the latest Annual Report.

Notes to the financial statements

Note	DKK million	2020	2019
11 Financial instruments (assets)			
The company's financial instruments below are broken down by the method according to which the assets are measured in the balance sheet.			
Assets measured at fair value:			
Financial instruments measured at fair value are adjusted through the income statement.			
Equity investments:			
Unlisted shares		1.7	12.3
Equity investments:		1.7	12.3
Other listed bonds		32.1	190.0
Fixed rate bonds		32.1	190.0
Financial instruments measured at fair value		33.8	202.3
Assets measured at amortised cost:			
Receivables from Group entities		22.1	0.4
Other receivables		-	0.6
Cash and cash equivalents		35.2	15.9
Financial instruments measured at amortised cost		57.3	16.9
Financial instruments		91.1	219.2
12 Total receivables and other assets			
All receivables and other assets are to be settled within 12 months, except from deferred tax assets.			
13 Current tax assets and liabilities			
Current tax assets/liabilities (-), beginning of the year		11.7	37.1
Current tax for the year		51.2	11.7
Adjustment of current tax relating to previous years		-1.2	-2.1
Corporation tax received/paid during the year		-10.5	-35.0
Current tax assets and liabilities (-), end of the year		51.2	11.7

Notes to the financial statements

	DKK million	2020	2019
14 Deferred tax assets and liabilities			
Deferred tax assets/liabilities (-), beginning of the year		26.1	0.2
Change relating to property and equipment		-	-0.1
Change relating to short-term payables		0.7	-
Change relating to tax losses		-11.0	26.0
		15.8	26.1

Specification of deferred tax assets and liabilities at the end of the year:

Property and equipment	0.1	0.2
Short-term payables	0.7	-
Tax losses	15.0	25.9
	15.8	26.1

15 Share capital

The company's fully paid share capital can be broken down as follows:

42,998,500 shares of DKK 20 each	860.0	860.0
	860.0	860.0

No shares carry special rights. All shares carry full dividend rights. The company does not hold own shares. There has been no change in the Share Capital during the past 5 years.

16 Total payables

Loan to parent company DKK 2,500 million fall due 31 May 2047. No other payables fall due more than five years after the balance sheet date.

Notes to the financial statements

Note DKK million

17 Assets and liabilities measured at fair value

	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
2020				
Equity investments	-	-	1.7	1.7
Bonds	-	32.1	-	32.1
Assets measured at fair value	-	32.1	1.7	33.8

2019				
Equity investments	-	-	12.3	12.3
Bonds	-	190.0	-	190.0
Assets measured at fair value	-	190.0	12.3	202.3

Specification of level 3 assets

	Equity investments 2020	Equity investments 2019
Opening balance	12.3	12.0
Total gains or losses for the period	-2.4	0.3
Sales	-8.2	-
Closing balance	1.7	12.3

Change in unrealised gains or losses for the period included in profit or loss for assets held at the end of the reporting period

-2.4	0.3
-------------	------------

The investment in financial assets classified at level 3 are primarily investments in other equities. The fair value calculations are based upon the latest received reporting, annual reports and other informations from the companies.

Notes to the financial statements

Note	DKK million
-------------	--------------------

18 Related parties**Information on related parties**

RSA Insurance Group plc., 20 Fenchurch Street, London, England owns 100% of the shares in Codan through a wholly-owned subsidiary in England and consequently holds a controlling interest in the company.

Board of Directors, Board of Management and employees

The Company's related parties furthermore include members of the Board of Directors and the Board of Management of Codan, the boards of directors, the boards of management and executives of Group entities as well as their related family members. Related parties also include companies in which the above persons have significant interests.

Apart from normal management remuneration, no transactions, except for those listed below, were entered into during the year with the Board of Directors, the Board of Management, executives, major shareholders or other related parties.

Remuneration of the Board of Directors, Board of Management and Material Risk Takers are allocated between the Company and the Company's subsidiaries. The specifications below contain the total

Remuneration of the Board of Directors	2020	2019
Lars Nørby Johansen (joined 27 April 2012)	-0.7	-0.7
Gunilla Astrid Henriette Asker (resigned 30 August 2018)	-	0.2
Christer Arne Bjellert (joined 29 April 2015)	-0.2	-0.2
Scott Egan (resigned 22 March 2019)	-	-
Charlotte Jones (joined 31 July 2019)	-	-
Philip Wynford Moore (joined 26 April 2018)	-0.6	-0.6
Marianne Phillip (joined 29 April 2011)	-0.4	-0.4
Maria Elisabeth Sandblom (joined 29 April 2015)	-0.2	-0.2
Christian Sletten (joined 4 May 2000)	-0.2	-0.2
Remuneration to the Board of Directors	-2.3	-2.1
Remuneration of the Board of Management	2020	2019
Wages and salaries (fixed remuneration)	-7.9	-7.4
Bonuses (variable remuneration)	-2.7	-0.7
Pension benefits (fixed remuneration)	-0.2	-1.2
Share-based payment (variable remuneration)	-	-1.7
Redundancy benefits (variable remuneration)	-	-6.5
Remuneration of the Board of Management	-10.8	-17.6
CEO Ken Norgrove	-8.3	-3.4
EO Vivian Lund	-2.5	-2.9
Former CEO Patrick Bergander	-	-11.3
Paid remuneration to the Board of Management	-10.8	-17.6
Number of employees in the Board of Management at 31 December	2	2

Notes to the financial statements

Note	DKK million	
18 Related parties (continued)		
Remuneration of Material Risk Takers	2020	2019
Wages and salaries (fixed remuneration)	-6.8	-6.4
Pension benefits (fixed remuneration)	-0.4	-0.5
Remuneration of Material Risk Takers	-7.2	-6.8
Number of Material Risk Takers	4	4

The group of Material Risk Takers are determined by the Board of Directors. Material Risk Takers include employees who on the basis of their job positions have a significant influence on the Company's risk profile.

The members of the Board of Directors are paid fixed remuneration and are not participating in pension schemes or incentive schemes.

Members of the Board of Directors employed by RSA Group do not receive Board fees. Board member Scott Egan was replaced by Charlotte Jones on 31st July 2019. The total remuneration for Charlotte Jones as Executive Directors in RSA Group for 2020 was DKK 14,9 million. Other Board members employed in RSA Group do not have any Executive Directorship positions within the Group entity.

The above specification includes the total remuneration for employment. CEO Ken Norgrove replaced Patrick Bergander as CEO on 13th September 2019. Ken Norgrove has a dual payroll, in Denmark (see table) and in his home Country. The total remuneration (incl. home country) for Ken Norgrove for full year 2020 as CEO is DKK 9,7 million (2019 DKK 4,1 million for the period as CEO). Redundancy benefits are included for former CEO for the 12 months' notice period in the table for 2019.

The Board of Management and Material Risk Takers receive fixed remuneration consisting of base salary, pension benefits and other benefits such as company care, telephone and health insurance.

Members of the Board of Management and Material Risk Takers may receive variable pay in the form of RSA Top 50 Bonus Plan (short-term, cash-based variable incentive plan). Bonuses earned in 2020 have been fully expensed in 2020 but will be paid out from 2021 on a pro-rata basis over a three or a four year deferral period depending on position.

Members of Board of Management and Material Risk Takers may participate in RSA Insurance Group plc's Long Term Incentive Plan (share-based variable incentive plan), see note 6. No Long Term Incentives has been granted regarding 2020.

The group of Material Risk Takers are determined by the Board of Directors. Material Risk Takers include employees who on the basis of their job positions have a significant influence on the Company's risk profile.

Notes to the financial statements

Note **DKK million**

18 Related parties (continued)

Related party transactions

In 2020, DKK 200 million were distributed as dividend to RSA Insurance Group plc.

The main part of the company's administrative tasks are carried out by its subsidiary Codan Forsikring A/S, while the company's own employees also carry out tasks for other companies in the Codan Group.

The company is a part of the Codan Group, whose companies work in a Nordic operating model. This means that there is co-operation on management, projects and certain functions in between the companies. In 2020 Codan's income therefrom amounted to DKK 2.9 million (DKK 3.2 million in 2019) and the expense therefrom amounted to DKK 0.0 million in 2020 (DKK 0.0 million in 2019).

Administration fees payable to and receivable from subsidiaries are settled on a cost-covering basis. Administration fee payable to Codan Forsikring A/S amounted to DKK 6.3 million in 2020 (DKK 4.2 million in 2019).

Agreements on interest on inter-company balances on an arm's length basis were made. Codan's interest income from other Group companies amounted to DKK 0.0 million in 2020 (DKK 0.0 million in 2019).

As of 31 December 2020 the company had a loan from the RSA subsidiary RSA Insurance plc. of DKK 2,500.0 million. (DKK 3,500.0 million in 2019). The loan was obtained on an arm's length basis. The interest expense amounted to DKK 173.3 million in 2020 (DKK 152.5 million in 2019).

19 Security

At 31 December 2020 and 31 December 2019, no assets were pledged as security.

20 Contingent assets, contingent liabilities and financial liabilities

Contingent assets

The company is involved in a few tax-related lawsuits, but in the Management's opinion, these lawsuits do not have a significant impact on the company's financial position.

Contingent liabilities

The company entered into inter-company agreements on the provision of administrative services, property management, etc.

The company is jointly registered with the majority of the Group's Danish companies for the purpose of payment of VAT and payroll tax and is jointly and severally liable for the payment of such taxes.

The company is jointly and severally liable together with other companies participating in the joint taxation for any dividend tax and royalties imposed within the joint taxation payable by 1 July 2012 or later.

Likewise, the company is jointly and severally liable together with other companies participating in the joint taxation for any company tax imposed within the joint taxation from and including the income year 2013.

Notes to the financial statements

Note

21 Ownership information

Ownership

RSA Insurance Group plc., 20 Fenchurch Street, London, England, owns 100 % of the shares in Codan A/S, through the wholly owned English subsidiary Royal International Insurance Holding Limited, England.

Group relationship

RSA Insurance Group plc., 20 Fenchurch Street, London, England, prepares consolidated financial statements, in which Codan A/S is included as a subsidiary. This is both the highest and lowest level at which consolidated financial statements are prepared. The consolidated financial statements can be required at:

www.rsagroup.com/investors/.