

CODAN

CODAN A/S ANNUAL REPORT

1 January – 31 December 2021

The Annual Report 2021 has been reviewed and approved by
the Annual General Meeting on 25th March 2022



Chairman of the AGM

Gammel Kongevej 60
DK – 1850 Frederiksberg C
Company Reg. No. 56 77 12 12

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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*
Kim Hvirgel
Kenneth Anderson

*) Employee representative

Board of Management:

Vivian Lund, CEO
Claus Holmvang, CFO

Auditors

Auditors elected by the general meeting:

KPMG, Statsautoriseret Revisionspartnerselskab

Ownership

Scandi JV Co A/S, Gammel Kongevej 60, 1850 Frederiksberg C

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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 2021

Codan's ultimate parent company Scandi JV Co A/S prepares consolidated financial statements 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 forsikringsselskaber og tværgående pensionskasser*). Consolidated financial statements are therefore not prepared for the Codan Group.

Furthermore, as the Codan Group was sold from RSA Insurance Group plc in 2021 the result of Codan Group for the period 1 January -31 May 2021 is included in the consolidated financial statements for RSA Insurance Group plc which are prepared in accordance with applicable United Kingdom law.

The financial statements for 2021 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 forsikringsselskaber 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 2021 with significant improvement in the underwriting result in Denmark and Norway and further improvement of a continues strong result in our Swedish operation. As in 2020 the investment result was affected by the turmoil on the financial market caused by Covid-19, however, the investment result has stabilised during 2021. The profit for the year amounted to DKK 2,368 million compared to a profit of DKK 1,323 million in 2020.

Coronavirus outbreak

As in the previous year the Coronavirus ("Covid-19") outbreak has continued to impact the financial year 2021 where many countries again have been under lock-down and restrictions during larger periods.

For Codan A/S, most of the impact on business operations, assets and liabilities in 2021 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 was 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 impact on the investment result for 2021.

Dividend in 2021

In June 2021 Codan has received interim dividend of DKK 501 million from the Danish subsidiary Codan Forsikring A/S.

Capital injection

In June 2021 the company received a capital injection from Royal International Insurance Holding limited of DKK 3,168 million which in part was used to settle the loan from RSA Insurance plc.

Management's review

Loans from Group entities

In June 2021 the Company has settled the loan from its subsidiary Codan Forsikring A/S of DKK 500 million. The loan was obtained on an arm's length basis.

In June 2021 the Company has settled the loan from the RSA subsidiary RSA Insurance plc. of DKK 2,500 million. The loan was obtained on an arm's length basis.

The investment result for 2021 is affected by a DKK 135 million decrease in interest on loans from Group entities charges due to the repayment of the loans.

Acquisition of the RSA Group

In November 2020 a consortium consisting of the Danish insurer Tryg and Canadian insurer Intact Financial Corporation announced the intention to issue a bid with the purpose to acquire the full ownership of the RSA Group. The bid was subsequently approved by various regulatory bodies and accepted by the RSA shareholders and on 1 June 2021 the transaction completed.

As part of the transaction the Codan Group was carved out from being a subsidiary of the RSA Group to a subsidiary of Scandi JV Co A/S which is jointly owned by Tryg and Intact Financial Corporation. Furthermore, Tryg and Intact Financial Corporation have entered into a separation agreement that outline the procedures for a demerger of the Codan Group so that Tryg will have the sole legal ownership of Trygg-Hansa and Codan Norway while Intact Financial Corporation and Tryg will co-own Codan Denmark on a 50/50 economic basis.

As part of the transaction Chopin NewCo A/S was contributed into Codan A/S. During 2021 Chopin NewCo A/S applied for a license to become a non-life insurance company under the regulation of the Danish FSA. The insurance license was granted 1 Oct 2021 and Chopin NewCo A/S changed name to Chopin Forsikring A/S. Chopin Forsikring did not write any insurance business or have any other activities during 2021. Chopin Forsikring A/S will be utilized in the demerger of Codan Forsikring A/S.

Application for demerger og Codan Forsikring A/S

In August 2021 the board of directors of Codan Forsikring A/S filed an application to the Danish FSA for demerging Codan Forsikring A/S and subsequently merging the Danish part of the business into Chopin Forsikring A/S and the Swedish and Norwegian part of the business into the respective Swedish and Norwegian branches of Tryg Forsikring A/S. The demerger is expected to be approved by the DFSA and to be effective as of 1 April 2022.

Bid from Alm. Brand

Shortly after the take over from Tryg and Intact Finance Corporation, Alm. Brand announced an offer for the acquisition of the Danish part of the business which was accepted by Tryg and Intact. The take over is pending approval from the Danish FSA for the demerger and the Danish Competition and Consumer Authority. If this approval is granted Alm. Brand is expected to acquire the shares in Chopin Forsikring A/S including the demerged Danish business of Codan Forsikring A/S during Q2 2022.

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 applied 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 was introduced as of 1 January 2021 whereby Codan A/S became obligated to publish Solvency II returns on a group basis. This obligation, however, was passed on to Scandi JV Co A/S in June 2021 in connection to the acquisition of the shares in Codan A/S.

The Codan Group was from 1 January 2021 to 1 June 2021 subject to a solvency capital requirement and a minimum consolidated solvency capital requirement. The Danish Financial Supervisory Authority approved an internal model in December 2020 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.

Management's review

Profit for the year

In 2021, Codan generated a profit of DKK 2,368 million compared to a profit of DKK 1.323 million last year. The profit for the year is in line with the expectations of maintaining satisfactory insurance operating profits in Codan's subsidiaries which due to the future demerger of Codan Forsikring A/S has been classified as income from discontinued operations. The profit for 2021 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 discontinued operations amounted to DKK 2,422 million compared to a profit from subsidiaries of DKK 1,482 million last year.

Investments

The Company's investments consist of subsidiaries and other financial assets. The total investment return was DKK -52 million in 2021 compared to DKK 1,292 million in 2020 which was affected by the reclassification of investments in Codan Forsikring A/S to Assets classified as held for sale.

At 31 December 2021, the Company's investment portfolio consisted of the following assets (all amounts in DKK million):

Investments in Group entities

Profit from discontinued operations amounted to DKK 2.422 million for 2021 compared to Income from Group entities DKK 1,482 million in 2020.

Profit from discontinued operations (Income from Group entities) consists of a profit from Codan Forsikring A/S of DKK 2,313 million (DKK 1,598 million in 2020) and a loss from Chopin Forsikring A/S of DKK -39 million (DKK 0 million in 2020). 2021 was further affected by an adjustment for classification to assets held for sale according to IFRS 5 of DKK 148 million whereas 2020 was affected by an impairment write-down on goodwill related to the Norwegian branch of Codan Forsikring of DKK 116 million.

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 above 2020. Run-off gains have affected the profit by DKK 305 million against DKK 634 million in 2020 leaving the Company's combined ratio at 82.9% against 83.3% in 2020, which is better than the expected COR range of 85-90%.

Overall earned premiums, net of reinsurance, increased by DKK 816 million from DKK 13,655 million in 2020 to DKK 14,471 million in 2021, an increase of approx. 6.0%.

Gross earned premiums (gross premiums written less change in premium provision and change in profit margin and risk margin) has increased by 7.2% from DKK 14,137 million in 2020 to DKK 15,156 million in 2021. The increase is seen across all three countries but primarily in Sweden and Norway. The increase in Denmark is seen mostly within Fire and Content (Commercial Line) and within Workers Compensation partly offset by decrease in motor products, Marine, aviation and Cargo and Fire and Content (Personal Line). The increase in premium in Norway is seen across all lines of business except from Tourist assistance and Marine, aviation and Cargo. Measured in NOK, the Norwegian business experienced an increase in premium of 8.5%. Due to the increase in the NOK exchange rate the increase is 14.3% when measured in DKK. The Swedish branch reported an increase in gross earned premiums of 6.2% measured in SEK but the increase in the SEK exchange rates have had a positive effect when measured in DKK decreasing the reduction to 9.6%. The increase in Sweden mainly consists of an increase in Fire and Content, motor and personal accident which is partly offset by a decrease in tourist assistance.

Gross claims incurred increased by DKK 275 million from DKK 9,298 million in 2020 to DKK 9,574 million in 2021. Compared to the increase in premiums the increase in claims incurred is materially less leaving an improved claims ratio of 63.4 compared to 66.1 in 2020. The positive development with decreasing claims ratios is still largely attributed to Covid-19 where particularly Motor products and Fire and Contents experienced materially fewer claims during 2020 and 2021 principally as a result of Covid-19 restrictions. The positive devel-

Management's review

opment in claims incurred is, however, partly offset by increased claims related to Workers compensation and indirect property (Denmark), where claims incurred have increased by DKK 166 and DKK 96 million respectively and by

Run-off losses related to 3. party motor liability (annuities) In Sweden increasing claims by DKK 363 million compared to last year.

The gross expense ratio was 15.9% in 2021 compared with 17.0% in 2020. In 2021 the Company has continued to focus on reducing expenses. 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 vacated the high building in Codan-Hus in Denmark in December 2020 which has had a positive impact on the expenses in 2021.

Coronavirus outbreak

Although Codan Forsikring A/S experienced 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 has 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 A/S faced this with its high-quality investment portfolio and robust asset-liability matching. Nevertheless, market movements did have a short-term effect on the investment result for 2021.

Codan Forsikring A/S 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 A/S 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 A/S 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.

Equity investments

The Company's equity investments amounted to DKK 0.0 million at 31 December 2021 (DKK 1.7 million in 2020).

The Company's equity investments generated a negative return of DKK 0.0 million (against a negative return of DKK 2.4 million last year).

Bonds

The Company has during 2021 bought AAA-rated Danish Mortgage Bonds.

Management's review

At year end 2021 the Company's investments in bonds amounted to DKK 568.8 million (DKK 32.1 million in 2020). 50% portfolio (100% in 2020) have a total modified duration of less than a year from 31 December 2021. The remaining 50% have a total modified duration of 1-2 years from 31 December 2021. All bonds were rated AAA. The total return on the bond portfolio was DKK -1 million for 2021 (DKK -2 million in 2020).

Balance sheet

The total assets for Codan increased by DKK 2,359 million from DKK 9,462 million in 2020 to DKK 11,821 million at 31 December 2021. The increase is primarily attributed to the profit less dividend from Codan Forsikring A/S in 2021 and an increase in bonds.

Total equity amounted to DKK 11,819 million at 31 December 2021 compared to DKK 6,446 million in 2020. Apart from profit for the year, equity is particularly affected by a capital injection of DKK 3,168 million and currency revaluations in subsidiaries/assets classified as held for sale.

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. 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.

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.

Customers

One key focus for Codan Forsikring A/S 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 the 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 2021 was adopted by the Board of Directors 25 February 2021 and approved at the annual general meeting on 26 March 2021.

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.

Management's review

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 2021. 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 2021

Dividend for 2021

The Board of Directors proposes no declaration of dividend. The proposal will be considered by the annual general meeting on 25 March 2022.

Demerger and subsequent divestiture of Codan Forsikring DK and Privatsikring to Alm Brand

As part of the purchase of the RSA Group by Intact Financial Corporation and Tryg, Codan Forsikring A/S will be demerged. The Codan Forsikring DK business will be demerged into Chopin Forsikring and Forsikrings-selskabet Privatsikring A/S will become a 100% owned subsidiary of Chopin Forsikring A/S. Furthermore, the sole legal ownership of Trygg-Hansa, Holmia and Codan Norway will be transferred to Tryg Forsikring. Following the demerger, a reorganisation is expected to take place whereby Chopin Forsikring A/S will be transferred to Scandi JV Co 2 A/S. It is anticipated that the demerger and the reorganisation will take place on 1 April 2022.

On 11 June 2021 Alm Brand announced that a binding agreement has been reached with Intact Financial Corporation and Tryg to purchase the Danish portfolio of Codan Forsikring and Forsikrings-selskabet Privatsikring A/S. A successful demerger is a prerequisite for the transaction where Alm Brand will buy 100% of Chopin Forsikring. Regulatory approvals from the Danish FSA and the Danish Competition and Consumer Authority are pending. It is the expectation that all regulatory approvals will be obtained during H1 2022 and that the divestiture will happen shortly hereafter.

Other events

No other events of material importance to the Company's financial position or business affairs have occurred subsequent to 31 December 2021.

Outlook for 2022

Scandinavian economies are no longer expected to be negatively impacted by the Covid-19 outbreak in the extent that we have seen in 2020 and 2021 which may have an adverse impact on the Company's business for 2022. Recent events concerning the conflict between Russia and Ukraine will, however, most likely impact the Scandinavian economies in 2022.

Management's review

Due to the pending demerger of Codan Forsikring A/S 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 2022.

Sustainability Report

Codan Forsikring A/S publishes a separate sustainability report reflecting 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 published 25 March 2022.

The report also covers risks and the management of risks. The report can be found here: <https://www.codan.dk/om-codan/csr>.

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.

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 CSR-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

2021 was, even in regard to corporate social responsibility, affected by Covid-19 as 2020. 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 more than 75 % of the employees have chosen to do. This has also meant that we can reduce office space and that we will reduce transportation both time and CO2 emissions for our employees on a daily basis.

Make everyone well prepared, in an ever changing world.

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 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 people safe at the

Management's review

beach and in a long-term work aimed at preventing the growing mental illness amongst young people. The most significant initiatives of 2021 are summarised in the following paragraphs.

Traffic Safety in Denmark and Norway

For "Årets Refleksdag" (The Annual Reflector Day) Codan again 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. 100 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. Volunteers attended the relay in total donated DKK 15,701.

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 2021, the weather alert was sent out 59 times in Denmark. In all, more than 133,000 text messages were sent out, which is an increase from last year.

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. As a main sponsor Trygg-Hansa also provide the economical support that enables Bris to help children around the clock.

Trygg-Hansa is now, as a committed partner of Avicii Arena, further contributing to increased awareness of these issues. In December 2021, in connection with an event in Avicii arena, Trygg-Hansa launched the first part of a digital education in mental health. Approximately 400 invited junior high school students along with teachers and principals attended the launch.

The education "For all young people" focuses on brain health, adolescence, feelings and mental illness, as well as how alcohol and drugs affect the body and brain. The education is unique in its kind, it can be used as part of the teaching in all junior high schools in the country and the aim is to strengthen young people's opportunities to feel good during their teenage years.

Water Safety in Sweden

Trygg-Hansa has a long history of working with water safety. In addition to supporting the Swedish Life Saving Society's summer swimming schools the yearly water safety campaigns increases the awareness around water safety in the society. This year's campaign attracts attention to the importance of knowing how to perform Cardiopulmonary Resuscitation (CPR) for children. If CPR begins immediately in the event of a drowning incident, it can be the difference between life and death. The goals of the campaign were to raise awareness that knowledge of CPR saves lives and to get more people to educate themselves.

Trygg-Hansa have also donated the about 80 000 lifebuoys that are placed at beaches, waterways and boat clubs around the country.

Excellence in Customer Care

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 2021 to hand out reflectors in connection with the National Reflector Day while others chose to donate manpower during the Christmas event.

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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 was set to be cancelled due to restrictions in the last minute. However, the event was transformed into Christmas-on wheel event, where Christmas was brought to the lonely and un-resourceful families with food and presents. The Codan employees donated DKK 10,000 for presents for the children planned to participate in Christmas at Codanhus.

Football jersey Friday

For the first time, the Danish employees were involved in the national Football jersey Friday arranged by Danske Spil (Danish Lottery) in support of the Children's Cancer Association. The employees managed to collect a little over DKK 5,700 and it has been decided that we will participate again in 2022.

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.

Data ethics

Codan A/S is committed to working with data in an ethical manner and has in 2021 established Data Ethical Objectives to this effect.

The objectives relate to:

- Transparency in our use of data,
 - Acting in an transparent manner and sharing information in a clear and concise manner as to where and from whom we are collecting data and how it is used to support, advise and help our customers are important element of acting with integrity and in an ethical manner
- Keeping data safe
 - Keeping data safe is a corner stone of ensuring trust not just from customers and authorities but from society as a whole
- The use of artificial intelligence and algorithms
 - Where the use of artificial intelligence and algorithms are considered the ethical aspects of the intended process will be identified and weigh in as part of the decision-making process to the same level as any other aspect.

The objectives are a natural extension of the already existing instructions on Data Protection, Human Rights and in line with our commitment to our values, business principles and the UN Global Compact.

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 continuously measure, monitor, and manage the factors that influence the carbon footprint from our own operations (including electricity, heating, water, waste, paper and business travels). 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 2021, as well as in 2020, as 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.

Our reporting on Green House Gas emissions is then conducted in accordance with guidance set forth by the GHG protocol's corporate standard. Since 2020, CO₂e from our own operations (including business travel) have fallen by 6,8%.

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	2019	2020	2021	Change vs. 19	Change vs. 20
Scope 1 emissions	606	681	706	+16.5%	+3.7%
Scope 2 emissions	1,103	1,174	1,065	-3.5%	-9.2%
Scope 3 emissions	2,541	745	652	-74.3%	-12.4%
<i>(Of which business travel)</i>	2,371	608	532	-77.5%	-12.5%
Total emissions	4,250	2,600	2,424	-43.0%	-6.8%

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 Greenhouse Gas emissions, please see the CSR report: <https://www.codan.dk/om-codan/csr> (available 25 March 2022).

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 52% of all letters being sent via E-boks, including a notice of 40,000 customers regarding new Codan CVR in relations to demerger process.

Our Swedish branch has an ambitious plan to reduce the amount of paper send-outs to customers and move to digital customer communication. During 2021 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.

In 2021, about 30,500 chip repairs avoided more than 1,300 tonnes of carbon emissions and kept approximately 460 tonnes of glass waste out of landfill. In Sweden and Norway around 30% of claims ended in repairing instead of replacing. In Denmark the number was closer to 50%.

We also use smartphones to establish the extend of claims from a distance in order to reduce transportation and reduce time for our customers to get claims evaluated.

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.

In relation to rebuilding offices in Copenhagen, we have looked into sustainable ways of re-using the old furniture and found a supplier who, besides providing us with new furniture, had a plan for re-using the old; e.g. through re-selling, donating or re-using for other products.

Management's review

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.

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 Codans 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. As well as all of the offshore windfarms in Taiwan, providing green energy to yet another million households.

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. For detailed reporting on responsible business, please see our CSR report: <https://www.codan.dk/om-codan/csr>. (available 25 March 2022).

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 2021, 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, Codan 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.

Management's review

To ensure our own colleagues, and those who work in our supply chain, aren't at risk of becoming a victim of modern slavery. We launched a new modern slavery training module for our procurement and supply chain management teams end 2020. The training module was rolled out to all employees during 2021.

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.

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 2021 the pandemic situation with Covid-19 has continued to 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.

In Q1 2021, the acquisition of Codan by Tryg and Intact was approved by the authorities and Codan Forsikring A/S was sold from our previous owners RSA on June 1, 2021. Since then the focus has been the demerger of Codan Forsikring A/S separating the Danish business from its Scandinavian branches Trygg-Hansa and Codan NUF, which is planned to be executed in Q2, 2022. It is a long transaction period without employees getting a clear picture of the future. There is a retention risk of employees since there is uncertainty regarding future state of the organization and synergy realization. The risk is also that we are not able to attract and recruit the best people and competences, also due to uncertainty about future set-up.

There has been an extra focus on keeping our employees engaged and retain them throughout this period of insecurity and change. We have focused on transparent communication with our employees as well as leadership support and change management support.

Focus has also been on following up on people engagement and wellbeing as well as understanding and commitment to the acquisition.

Our People plan for 2021 has continued to be 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

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.

Management's review

A large proportion of our staff has continued to work from home during 2021 due to Covid-19. We have communicated country specific policy/guidelines based on a Scandi Flexible framework. We are establishing a model for flexible working offering our employees the opportunity to work from the office and from home going forward, provided that the role and position allows it. The ambition of Scandi Flexible framework is to offer our employees a sustainable and flexible way of working.

We have run health & wellness activities (seminars, competitions, etc.) both in Norway and in Sweden during 2021. 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 made mobile, easily accessible and learning that can be taken whenever/wherever. The platform was launched in December 2020. There is a continuous launch of new digital training modules and programs by HR and business and the engagement on the platform is continuously increasing with new learning communities being established for different parts of the business. We also have licenses with an external supply of digital trainings.

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 have implemented 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

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 in combination with the insecurity linked to the acquisition of Codan/Trygg-Hansa have put large demands on our leaders. We have been offering internal and external leadership development training initiatives as well as training 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.

HR, Change & Communications are central workstreams in the acquisition project to ensure support for our leaders in how to drive and lead in 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, setting new strategies or updating and clarifying existing ones. Codan Denmark implemented a new strategy "Sammen om Codan" in 2020, developed through a bottom-up and inclusive approach, involving many leaders and employees. Focus for 2021 has been a continued implementation of the strategy.

Management's review

Trygg-Hansa has announced a re-newed strategy for 2022 as they become part of the Tryg family.

It is 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?

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.

We have launched a benefit portal which enables personal, mobile and local benefit and rewards for every employee. We have during 2021 further developed the range of benefits offered through the platform.

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. Since then 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".

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, in 2020 we reviewed and updated our governance with clearer responsibility for I&D in each country's management team. Country Heads and management teams are respon-

Management's review

sible 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 were established during 2020 and have been active during 2021. Focus 2021 has been 1) analysis of gender equality data per division 2) securing that the right measures are prioritized in different areas 3) broadening the I&D perspective beyond gender and 4) ensuring the I&D perspective in leadership processes and in all communication and marketing.

In 2021 Trygg-Hansa participated in a JÄMIX survey to analyse our business from 9 different equality aspects, such as "equal opportunities for leadership career, salary levels, sickness rates, number of used parental days etc". The result was very positive, showing that Trygg-Hansa is above the industry median.

Focus within Codan Denmark has been to further implement their 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.

Our I&D ambassador network is still an important success factor for involvement, engagement and awareness in our organization. During 2020 and 2021 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, 2023. 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 2023. Furthermore, the diversity in gender composition for manager positions at all levels should reach a 40/60 ratio no later than 1st January 2023. 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 2021 the share of women on the Board of Directors for Codan Forsikring A/S, including employee relations representatives, was 33%.

The share of women on level 1-3 in the organization is 37% by end of 2021. This is a very positive 4 percentage point increase since 2020 when the share was 33%. The share of women on all management levels has also increased from 37.7% in 2020 to 40.5% in 2021. We see this as a very positive development and a result of a focus and commitment in the organization. We have achieved equal gender distribution in both the board and other management levels.

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.

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 and equity funds.

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 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's subsidiaries are adequately capitalized, the Board of Directors of each subsidiary has defined capital measures which are monitored on a regular basis.

For capital management purposes, the subsidiary, Codan Forsikring A/S 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 Codan Forsikring A/S 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 and the Danish insurance subsidiary, Forsikringselskabet Privatsikring A/S use the standard formula to calculate the solvency capital requirement.

Codan's equity amounted to DKK 11,819 million at 31 December 2021. During 2021, there has been a regulatory capital requirement at a Codan Group level with the Company being the ultimate parent within that group. The Codan Group has fulfilled internally and externally set capital thresholds. At the end of 2021, there has been no regulatory 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, Investeringsforeningen Nordea Invest Bolig; Investeringsforeningen Nordea Invest Engros; Investeringsforeningen Nordea Invest Kommune; 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; Biolnnovation Institute Fonden; Bll Holdings 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; Nordic I&P DK ApS; Scandi JV Co A/S; Forsikringselskabet Alm. Brand Liv og Pension A/S

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

Kim Hvirgel

Chairman of SENSORA International ApS, SENSORA ApS

Board Director of Scandi JV Co A/S

Kenneth Anderson

Board Director of Codan Forsikring A/S; Scandi JV Co A/S; Ireland Canada Chamber of Commerce, Montréal; Canadian Irish Studies Foundation

Management's review

Board of Directors

(Continued)

Marie Elisabeth Sandblom *

Directorships and executive positions in other enterprises

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

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

Vivian Lund

Directorships and executive positions in other enterprises

Chairman of Forsikringssselskabet Privatsikring A/S

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

CEO of Codan Forsikring A/S

Managing Director of Forsikringsorganisationernes Fællessekretariat F.M.B.A

Claus Holmvang

Managing Director and CFO of Codan Forsikring A/S

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 2021.

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 2021 and of its financial performance for the financial year 1 January to 31 December 2021. 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 2022

Board of Management



Vivian Lund
CEO



Claus Holmvang
CFO

Board of Directors



Lars Nørby Johansen
Chairman



Christer Arne Bjellert



Philip Wynford Moore



Marie Elisabeth Sandblom



Marianne Philip



Charlotte Claire Jones



Christian Sletten



Kenneth Anderson



Kim Hvirgel

Independent auditors' report

To the shareholders of Codan A/S

Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Business Act.

Audited financial statements

Codan A/S' financial statements for the financial year 1 January – 31 December 2021 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, and notes, including summary of significant accounting policies. The financial statements are prepared 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International 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 requirements and the IESBA Code.

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.

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.

Independent auditors' report

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 applicable 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 users taken on the basis of these financial statements.

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

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

Copenhagen, 25 March 2022

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	2021	2020
Investment return			
4	Interest income and dividends, etc.	2.9	1.8
5	Value adjustments	-4.5	-6.6
6	Interest expenses	-49.4	-184.3
	Investment management expenses	-0.8	-0.6
Total investment return		-51.8	-189.7
7	Other expenses	-11.9	-9.1
Profit before tax		-63.7	-198.8
8	Tax	10.0	39.7
Profit for the period from continuing operations		-53.7	-159.1
13	Profit from discontinued operations	2,422.0	1,481.8
Profit for the year		2,368.3	1,322.7
Proposal for the distribution of profit:			
	Transfer to reserve for net revaluation according to the equity method	2,422.0	1,481.8
	Distributed interim dividend	-	200.0
	Transferred to retained earnings	-53.7	-359.1
Profit for the year		2,368.3	1,322.7

Statement of comprehensive income:

	Currency translation adjustment, foreign subsidiaries	-166.9	289.5
	Currency translation adjustment, goodwill relating to foreign subsidiaries	1.8	-11.3
	Other comprehensive income	1.5	-3.4
Other comprehensive income		-163.6	274.8
Profit for the year		2,368.3	1,322.7
Total comprehensive income		2,204.7	1,597.5

Balance sheet at 31 December

Note	DKK million	2021	2020
Assets			
9 Intangible assets		-	886.2
10 Investments in Group entities		-	8,417.9
Total investments in Group entities		-	8,417.9
11 Equity investments		-	1.7
11 Bonds		568.8	32.1
Total other financial assets		568.8	33.8
Total investments		568.8	8,451.7
11 Receivables from Group entities		27.4	22.1
11 Other receivables		9.2	-
12 Total receivables		36.6	22.1
13 Assets classified as held for sale		11,133.1	-
14 Current tax assets		25.7	51.2
15 Deferred tax assets		0.1	15.8
11 Cash and cash equivalents		52.8	35.2
12 Total other assets		11,211.7	102.2
Accrued interest and rent		3.5	0.2
Total accrued income		3.5	0.2
Total assets		11,820.6	9,462.4

Balance sheet at 31 December

Note	DKK million	2021	2020
Equity and liabilities			
16 Share capital		931.1	860.0
Reserve for net revaluation according to the equity method		2,896.8	1,140.7
Translation reserve		-55.2	-57.0
Total reserves		2,841.6	1,083.7
Retained earnings		8,046.2	4,502.4
Total equity		11,818.9	6,446.1
Amounts owed to Group entities		-	3,009.2
Other payables		1.7	7.1
17 Total payables		1.7	3,016.3
Total equity and liabilities		11,820.6	9,462.4

Notes without reference

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Statement of changes in equity

DKK million

	Share capital	Net revaluation according to the equity method	Translation reserve	Proposed dividend	Retained earnings	Total equity
2021						
Equity, beginning of the year	860.0	1,140.7	-57.0	-	4,502.4	6,446.1
Changes in equity for 2021:						
Currency translation adjustment, foreign subsidiaries	-	-166.9	-	-	-	-166.9
Currency translation adjustment, goodwill relating to foreign	-	-	1.8	-	-	1.8
Other comprehensive income	-	1.5	-	-	-	1.5
Other comprehensive income	-	-165.4	1.8	-	-	-163.6
Profit for the year	-	2,422.0	-	-	-53.7	2,368.3
Total comprehensive income for the year	-	2,256.6	1.8	-	-53.7	2,204.7
Capital Increase	71.1	-	-	-	3,097.0	3,168.1
Dividends received from subsidiaries	-	-500.5	-	-	500.5	-
Changes in equity for the year	71.1	1,756.1	1.8	-	3,543.8	5,372.8
Equity, end of the year	931.1	2,896.8	-55.2	-	8,046.2	11,818.9

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	-	-	-11.3	-	-	-11.3
Other comprehensive income	-	-3.5	-	-	0.1	-3.4
Other comprehensive income	-	286.0	-11.3	-	0.1	274.8
Profit for the year	-	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

Notes to the financial statements

Note

1 Accounting policies

The annual report for 2021 of Codan A/S 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 and no.1592 of 9 November 2020 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 consists mainly of holding investments in general insurance companies conducting transactions in several different currencies, but primarily in DKK and SEK. The functional currency is the currency of the primary economic environment in which each individual company operates. Codan has adopted DKK as its presentation currency.

Codan's ultimate parent company is Scandi JV Co A/S, which prepares consolidated financial statements 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 and no. 1592 of 9 November 2020 on Financial Reports for Insurance Companies and Lateral Pension Funds (Nationwide Occupational Pension Funds). Consolidated financial statements have therefore not been prepared for the Codan A/S Group.

Changes in assumptions and estimates

No material changes in assumptions or estimates have been made during 2021.

Recognition and measurement

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets 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.

Notes to the financial statements

Note

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 financial statements:

Insurance contract liabilities in Group entities conducting general insurance business

The provisions for outstanding claims are 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 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.

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.

Notes to the financial statements

Note

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.

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.

Notes to the financial statements

Note

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

Up until the delisting of RSA Insurance Group plc. the RSA Group operated a long-term incentive plan (Performance Share Plan) for CEOs and other key employees. The scheme was based on various performance targets and is based on shares in RSA Insurance Group plc. After the purchase of the RSA group by Tryg and Intact this was replaced by a similar incentive plan based on shares in Intact Financial Corporation. For further details on the programs, 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 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.

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

Other income and expenses include items that are not attributable to the management of the Company's investments. Other expenses thus include part of Codan's staff costs and amortisation of intangible assets as well as an administration fee payable to the subsidiary Codan Forsikring A/S.

Tax

The Company is taxed jointly with the parent company Scandi Jv CO /S and 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.

Notes to the financial statements

Note

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 Scandi JV Co 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 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's subsidiary Codan Forsikring A/S 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 and no. 1592 of 9 November 2020 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 Codan Forsikring A/S ceases to carry on insurance business.

Profit from discontinued operations

Profit from discontinued operations is recognised as the result generated from the assets classified as held for sale net of tax. Any amortisations recognised within the discontinued operations subsequent to classification as assets held for sale is reversed.

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 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

Notes to the financial statements

Note

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.

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

Notes to the financial statements

Note

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.

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.

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 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 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.

Notes to the financial statements

Note

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.

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.

Assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

The assets classified as held for sale is presented net of liabilities directly associated with the assets held for sale.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recog

Notes to the financial statements

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nised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

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.

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).

Notes to the financial statements

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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

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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 underwriters in Codan's subsidiaries.

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-

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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 Codan's subsidiaries are 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 underwriters in Codan's subsidiaries.

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 of Codan's subsidiaries. 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 Codan's subsidiaries 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 primarily 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 2021 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

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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 2021. The 2021 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.

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. Codan's subsidiaries offer different limits of liability for terrorist attacks in the various regions but always within Codan subsidiaries' reinsurance limits. 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 2021, 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 and its 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.

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Note

Contractual repricing or maturity dates	DKK million					Total
	< 1 year	1-5 years	5-10 years	10-20 years	> 20 years	
2021						
Danish fixed rate mortgage bonds	284.8	284.0	-	-	-	568.8
Cash and cash equivalents	52.8	-	-	-	-	52.8
Receivables from Group entities	27.4	-	-	-	-	27.4
Financial assets	365.0	284.0	-	-	-	649.0
Amounts owed to Group entities	-	-	-	-	-	-
Other payables	1.7	-	-	-	-	1.7
Financial liabilities	1.7	-	-	-	-	1.7
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

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

	Effective interest rates (%)		Duration (Years)	
	2021	2020	2021	2020
Financial assets				
Danish fixed rate mortgage bonds	-0.5	-0.5	0.9	0.3
Financial liabilities				
Amounts owed to Group entities	-	2.5	-	0.3

Notes to the financial statements

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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			
	2021			
	EUR	NOK	SEK	Total
Assets classified as held for sale	-	43.5	-	43.5
Other loans, deposits with credit institutions, call deposits,	0.2	-	0.3	0.5
Amounts owed to Group entities	-	-	0.2	0.2
Currency risk	0.2	43.5	0.5	44.2

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

Equity risk

On 31 December 2021, Codan had invested a total amount of DKK 0 million compared to DKK 1,6 million in 2020 of its other financial assets in equities. In addition to this, Codan's subsidiaries had invested a total amount of DKK 1,589 million in equities on 31 December 2021 compared to DKK 1,594 million in equities on 31 December 2020.

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 2021 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 relatively 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

Notes to the financial statements

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Board of Directors' guidelines, and quarterly reports are submitted to the Board of Directors for the 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	2021	2020
Danish fixed rate mortgage bonds		568.8	32.1
Receivables from Group entities		27.4	22.1
Other receivables		9.2	-
Current tax assets		25.7	51.2
Cash and cash equivalents		52.8	35.2
Accrued interest and rent		3.5	0.2

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. The Company and its subsidiaries continue to closely monitor any potential impact on the control environment.

Risks associated with the acquisition of the RSA Group by Intact/Tryg and the subsequent demerger of the Scandinavian entity, have been managed by sustaining the established control environment. Heightened risks associated with the acquisition are continuously monitored and managed through established risk management processes and corporate governance framework.

Notes to the financial statements

Note

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.

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 company, Codan Forsikring A/S, and validated by, for example, sensitivity testing and stress & scenario testing. For the other insurance subsidiaries, the solvency capital requirement is calculated using the standard formula.

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

The above-mentioned capital measures are continuously monitored. 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

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3 Key figures and financial ratios

Five year summary	DKK million	2021	2020	2019	2018	2017
Total investment return		-51.8	-189.7	1,014.8	1,868.3	2,197.9
Profit for the year		2,368.3	1,322.7	1,044.9	1,887.4	2,195.3
Total equity		11,818.9	6,446.1	4,447.7	5,216.6	8,107.4
Total assets		11,820.6	9,462.4	8,965.2	9,741.9	10,334.0
Return on equity in %		25.2	24.3	21.6	28.3	26.2

Notes to the financial statements

Note	DKK million	2021	2020
4 Interest Income and dividends, etc.			
Interest income from bonds, loans and deposits		2.9	1.5
Other interest income		-	0.3
Interest income and dividends, etc.		2.9	1.8
5 Value adjustments			
Equity investments		-	-2.4
Bonds		-4.5	-4.2
Total investment assets		-4.5	-6.6
Value adjustments		-4.5	-6.6
Realised gains and losses on investments		-3.2	5.4
Unrealised gains and losses on investments		-1.3	-12.0
Value adjustments		-4.5	-6.6
6 Interest expenses			
Interest payable to Group entities		-48.4	-180.2
Other financial expenses		-1.0	-4.1
Interest expenses		-49.4	-184.3

Notes to the financial statements

Note	DKK million	2021	2020
7 Other expenses			
Administrative expenses			
Staff costs:			
Wages and salaries		-10.9	-7.9
Defined contribution schemes		-0.3	-0.1
Payroll tax		-0.5	-0.2
Total staff costs		-11.7	-8.2
Administration fee to Codan Forsikring A/S		-2.1	-6.3
Other administrative expenses		-1.0	-0.2
Transferred to investment management expenses		0.7	0.5
Reimbursement from Group entities		2.2	5.1
Total administrative expenses in Codan		-11.9	-9.1
Other expenses		-11.9	-9.1
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 19 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.

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

Intact Financial Corporation Stock Incentive Plan

	Vivian Lund		Claus Holmvang		Material Risk Takers	
	Shares	Value	Shares	Value	Shares	Value
Long-term Incentive Plan						
Beginning balance 1 June 2021	-	-	-	-	-	-
Granted during the year	-	-	-	-	608	-0.5
Balance 31 December 2021	-	-	-	-	608	-0.5

CEO and CFO as part of Board of Management from 1 June 2021, has not received any LTI for 2021. The value has been calculated as number of shares times the fair value at the exchange rate prevailing at 31 December 2021.

RSA-Group LTIP*	Ken Norgrove		Vivian Lund		Claus Holmvang		Material Risk Takers	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Long-term Incentive Plan (PSP)								
Beginning balance 1 January 2020	-	-	20,845	1.0	-	-	-	-
Adj. to beginning balance	-	-	-	0.2	-	-	-	-
Granted during the year	51,231	2.9	8,717	0.5	-	-	-	-
Vested during the year	-2,751	-0.2	-3,271	-0.2	-	-	-	-
Forfeited during the year	-	-	-3,230	-0.2	-	-	-	-
Balance 31 December 2020	48,480	2.7	23,061	1.3	-	-	-	-

RSA-Group LTIP*	Ken Norgrove		Vivian Lund		Claus Holmvang		Material Risk Takers	
	Shares	Value	Shares	Value	Shares	Value	Shares	Value
Long-term Incentive Plan (PSP)								
Beginning balance 1 January 2021	48,480	2.7	23,061	1.3	-	-	-	-
Adj. to beginning balance	-	-	-	-	-	-	-	-
Granted during the year	-	-	-	-	-	-	-	-
Vested during the year	-48,480	-2.7	-21,808	-1.3	-	-	-	-
Forfeited during the year	-	-	-1,253	-	-	-	-	-
Balance 31 December 2021	-	-	-	-	-	-	-	-

* 1. June 2021 all RSA shares were sold and the transaction completed

Notes to the financial statements

Note	DKK million	2021	2020
8 Tax			
Tax on total income for the year:			
Current tax expense		25.7	51.2
Change in deferred tax on temporary differences		-26.6	-12.2
Tax on total income for the year		-0.9	39.0
Adjustments relating to previous years:			
Current tax for previous years		-	-1.2
Adjustment of deferred tax at 1 January		10.9	1.9
Adjustments relating to previous years		10.9	0.7
Tax expense		10.0	39.7
Tax is included as follows:			
Tax in the income statement		10.0	39.7
Tax expense		10.0	39.7
Total tax on total income for the year can be explained as follows:			
Profit before tax		-63.7	-198.8
Total income		-63.7	-198.8
Applicable tax rate		22.0%	22.0%
Tax calculated on total income		14.0	43.7
Tax on permanent differences:			
Other equity investments		-	-0.5
Expenses disallowed for tax purposes		-	-4.2
Other adjustments		-14.9	0.0
Tax on total income for the year		-0.9	39.0
Adjustment of tax relating to previous years		10.9	0.7
Tax expense		10.0	39.7

Notes to the financial statements

Note	DKK million		
9 Intangible assets			
	Goodwill	Other intangible assets	Total intangible assets
2021			
Cost, beginning of the year	1,060.3	90.6	1,150.9
Currency translation adjustments, foreign subsidiaries	1.8	-	1.8
Transferred to Assets classified as held for sale	-1,062.1	-90.6	-1,152.7
Cost, end of the year	-	-	-
Amortisation and impairment, beginning of the year	-174.1	-90.6	-264.7
Transferred to Assets classified as held for sale	174.1	90.6	264.7
Amortisation and impairment, end of the year	-	-	-
Carrying amount, end of the year	-	-	-
Carrying amount, beginning of the year	886.2	-	886.2
Amortised on a straight-line basis over	N/A	5 and 10 years	
Amortisation is included in other expenses.			
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	-	-116.40
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	

Notes to the financial statements

Note

DKK million

9 Intangible assets (continued)

2021

Goodwill has been transferred to Asset classified as held for sale. Prior to transfer, Goodwill has been tested for impairment resulting in no need for impairment writedown.

2020	Net book value	Calculated headroom	WACC
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	

* 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	2021	2020
10 Investment in Group entities			
Cost, beginning of the year		8,220.2	8,220.2
Additions		71.0	-
Transferred to Assets classified as held for sale		-8,291.2	-
Cost, end of the year		-	8,220.2
Adjustments, beginning of the year		197.7	63.5
Total comprehensive income for the year		2,256.7	1,884.2
Dividend received from subsidiaries		-500.5	-1,750.0
Transferred to Assets classified as held for sale		-1,953.9	-
Adjustments, end of the year		-	197.7
Carrying amount, end of the year		-	8,417.9

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.

Unlisted shares	-	1.7
Equity investments:	-	1.7
Other listed bonds	568.8	32.1
Fixed rate bonds	568.8	32.1
Financial instruments measured at fair value	568.8	33.8
Assets measured at amortised cost:		
Receivables from Group entities	27.4	22.1
Other receivables	9.2	-
Cash and cash equivalents	52.8	35.2
Financial instruments measured at amortised cost	89.4	57.3
Financial instruments	658.2	91.1

12 Total receivables and other assets

All receivables and other assets are to be settled within 12 months, except from deferred tax assets.

Notes to the financial statements

Note	DKK million	2021	2020
13 Assets classified as held for sale			
Assets classified as held for sale consist of share in subsidiaries			
Cost, beginning of the year		-	-
Transferred from Investment in Group Entities		8,291.2	-
Transferred from Intangible assets		1,062.1	-
Cost, end of the year		9,353.3	-
Adjustments, beginning of the year		-	-
Transferred from Investment in Group Entities		1,953.9	-
Transferred from Intangible assets		-174.1	-
Adjustments, end of the year		1,779.8	-
Carrying amount, end of the year		11,133.1	-
The value of assets classified as held for sale can be broken down as follows:			
Chopin Forsikring A/S		31.3	-
Codan Forsikring A/S		10,213.8	-
Investments in Group entities		10,245.1	-
Goodwill allocated to assets classified as held for sale		888.0	-
Assets classified as held for sale		11,133.1	-

The carrying amount of Codan Forsikring A/S includes goodwill of DKK 461 million.

As a result of the upcoming demerger of Codan Forsikring A/S, with Swedish and Norwegian business being transferred to Tryg A/S and the Danish and marine business being transferred to Chopin Forsikring A/S, with an imminent sale to Alm. Brand A/S both Codan Forsikring A/S and Chopin Forsikring A/S has been classified as discontinued operation and assets classified as held for sale as of 1 June 2021.

The assets classified as held for sale has been subject to impairment test. The impairment test has been performed on the Swedish and Norwegian business as well as on the Danish business. The impairment test has not indicated any need for impairment.

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	2,461.8	10,213.8
Chopin Forsikring A/S	Frederiksberg	100.00	-39.6	31.3

Chopin Forsikring A/S entered the Codan Group on 1 June 2021.

Notes to the financial statements

Note	DKK million	2021	2020
14 Current tax assets and liabilities			
Current tax assets/liabilities (-), beginning of the year		51.2	11.7
Current tax for the year		25.7	51.2
Adjustment of current tax relating to previous years		-	-1.2
Corporation tax received/paid during the year		-51.2	-10.5
Current tax assets and liabilities (-), end of the year		25.7	51.2
15 Deferred tax assets and liabilities			
Deferred tax assets/liabilities (-), beginning of the year		15.8	26.1
Change relating to short-term payables		-0.7	0.7
Change relating to tax losses		-15.0	-11.0
Deferred tax assets/liabilities (-), end of the year		0.1	15.8
Specification of deferred tax assets and liabilities at the end of the year:			
Property and equipment		0.1	0.1
Short-term payables		-	0.7
Tax losses		-	15.0
Deferred tax assets/liabilities (-), end of the year		0.1	15.8
16 Share capital			
The company's fully paid share capital can be broken down as follows:			
2020	42,998,500 shares of DKK 20 each	860.0	860.0
2021	3,555,538 shares of DKK 20 each	71.1	-
Share capital		931.1	860.0

No shares carry special rights. All shares carry full dividend rights. The company does not hold own shares. Apart from the capital injection in 2021, there has been no change in the Share Capital during the past 5 years.

17 Total payables

No other payables fall due more than five years after the balance sheet date.

Notes to the financial statements

Note	DKK million			
18 Assets and liabilities measured at fair value				
	Quoted prices (Level 1)	Observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
2021				
Bonds	-	568.8	-	568.8
Assets measured at fair value	-	568.8	-	568.8
2020				
Equity investments	-	-	1.7	1.7
Bonds	-	32.1	-	32.1
Assets measured at fair value	-	32.1	1.7	33.8
Specification of level 3 assets				
		Equity investments 2021	Equity investments 2020	
Opening balance		1.7	12.3	
Total gains or losses for the period		-	-2.4	
Sales		-1.7	-8.2	
Closing balance		-	1.7	
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	

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.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset.

Level 3: Fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

Notes to the financial statements

Note	DKK million	
19 Related parties		
Information on related parties		
Scandi JV Co A/S owns 100% of the shares in Codan A/S.		
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 A/S, 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 all companies regarding 2020. For 2021, only the period as Board of Directors in Codan A/S during 2021 is presented in the table below.		
Remuneration of the Board of Directors	2021	2020
Lars Nørby Johansen (joined 27 April 2012)	-0.8	-0.7
Christer Arne Bjellert (joined 29 April 2015)	-0.2	-0.2
Philip Wynford Moore (joined 26 April 2018)	-0.6	-0.6
Charlotte Jones (joined 31 July 2019)	-	-
Marianne Phillip (joined 29 April 2011)	-0.6	-0.4
Kim Hvirgel (joined 1 June 2021)	-0.3	-
Kenneth Anderson (joined 1 June 2021)	-	-
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	-2.9	-2.3
Remuneration of the Board of Management	2021	2020
Wages and salaries (fixed remuneration)	-8.8	-7.9
Bonuses (variable remuneration)	-1.2	-2.7
Pension benefits (fixed remuneration)	-0.5	-0.2
Share-based payment (variable remuneration)	-	-
Retention awards (variable remuneration)	-1.3	-
Redundancy benefits (variable remuneration)	-7.1	-
Remuneration of the Board of Management	-18.8	-10.8
CEO (former EO) Vivian Lund	-6.1	-2.5
CFO Claus Holmvang	-2.6	-
Former CEO Ken Norgrove	-10.1	-8.3
Paid remuneration to the Board of Management	-18.8	-10.8
Number of employees in the Board of Management at 31 December	2	2

Notes to the financial statements

Note	DKK million	
19 Related parties (continued)		
Remuneration of Material Risk Takers	2021	2020
Wages and salaries (fixed remuneration)	-6.0	-6.8
Retention awards (variable remuneration)	-1.8	-
Bonuses (variable remuneration)	-	-
Pension benefits (fixed remuneration)	-0.6	-0.4
Share-based payment (variable remuneration)	-0.5	-
	-8.8	-7.2
Number of Material Risk Takers	5	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 former RSA Group do not receive Board fees. Charlotte Jones was employed by RSA Group for the period 1 January to 31 May 2021. The total remuneration for Charlotte Jones as Executive Director in RSA Group for the period 1 January to 31 May was DKK 4,8 million.

Redundancy benefits are included for former CEO in the table for 2021

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 Management/Leader Bonus (short-term, cash-based variable incentive plan). Bonuses earned in 2021 have been fully expensed in 2021 but will be paid out from 2022 on a pro-rata basis over a four or a five year deferral period depending on position.

Members of Board of Management and Material Risk Takers may participate in the Intact Financial Corporation 2010 Stock Incentive Plan (share-based variable incentive plan), see note 7.

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

19 Related parties (continued)

Related party transactions

No dividend was distributed in 2021 (DKK 200 million in 2020).

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 Scandi JV Co Group.

The company is a part of the Scandi JV Co 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 2021 Codans income thereof amounted to DKK 3.1 million (DKK 2.9 million in 2020) and the expense thereof amounted to DKK 0.0 million in 2021 (DKK 0.0 million in 2020).

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 2.1 million in 2021 (DKK 6.3 million in 2020).

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 2021 (DKK 0.0 million in 2020).

As of 31 December 2021 the company had a loan from the RSA subsidiary RSA Insurance plc. of DKK 0.0 million. (DKK 2,500.0 million in 2020). The loan was obtained on an arm's length basis. The interest expense amounted to DKK 46.8 million in 2021 (DKK 173.3 million in 2020).

Notes to the financial statements

Note

DKK million

20 Security

At 31 December 2021 and 31 December 2020, no assets were pledged as security.

21 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 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.

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.

22 Ownership information

Ownership

Scandi JV Co A/S, Gammel Kongevej 60, 1850 Frederiksberg C (CVR: 41 85 33 01), owns 100 % of the shares in Codan A/S.

Group relationship

Scandi JV Co A/S, Gammel Kongevej 60, 1850 Frederiksberg C, 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:

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