



2022 Annual Report

THE PENSION SCHEME FOR
THE PHARMACY SECTOR



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Introduction

About the pension scheme

The Pension Scheme for the Pharmacy Sector (POA) manages the pension entitlements of pharmacy employees in Norway.

The Pension Scheme for the Pharmacy Sector was established in 1953 and is a statutory collective pension scheme. This means that eligible dispensing pharmacists and permanent employees in pharmacies are both entitled to and obliged to become members of the pension scheme. In addition to the employees at 1,045 pharmacies, the scheme has members from other businesses that are closely associated with the pharmacy sector, and whose employers have specifically applied for membership.

Administration

The Norwegian Act on the Pension Scheme for the Pharmacy Sector stipulates that the scheme shall be managed by the Norwegian Public Service Pension Fund in accordance with regulations issued by the Norwegian Ministry of Labour and Social Inclusion.

The Board of Directors of the Pension Scheme for the Pharmacy Sector is the scheme's decision-making body. The Board is headed by the CEO of the Norwegian Public Service Pension Fund and has four additional members, each with a personal deputy.

The Board is appointed by the Norwegian Ministry of Labour and Social Inclusion with a four-year mandate following nominations from the members' employers' associations and the employee unions. Two of the appointed members

represent employers, while pharmacists and technical personnel are each represented by one Board member.

Board of Directors 2022

- Chair: Tomas Berg, CEO of the Norwegian Public Service Pension Fund
- Kristin Juliussen, Director of Analysis and Investigation at the Spekter employers' association
- Trond A. Teisberg, Chief Negotiator at Virke/Enterprise Federation of Norway
- Kjell Morten Aune, Special Adviser at Parat/Norwegian Association of Pharmacy Technicians
- Greta Torbergsen, Secretary General of the Norwegian Association of Pharmacists

Pension benefits

The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), and disability pensions. Upon the death of a member, dependents may be entitled to dependents' pensions.

The retirement pension in the scheme is a defined-benefit pension. The total retirement pension from the Norwegian National Insurance Scheme and POA constitutes 66 per cent of the pension basis on full qualification (360 months), before life expectancy adjustment. The life expectancy adjustment may result in a pension lower than 66 per cent.

The annual cohorts up to and including 1958 have an individual guarantee that nevertheless ensures 66 per cent of the pension basis at the age of 67 after 30 years of qualifica-

tion, subject to certain conditions. The 1959-1962 annual cohorts also have an individual guarantee, but for these cohorts the guarantee supplement is gradually reduced.

The pension basis is maximised to ten times the basic amount of the Norwegian National Insurance Scheme. The pension is coordinated with the Norwegian National Insurance Scheme (gross pension). More information about the various benefits can be found at spk.no/apotekordningen.

The Pension Scheme for the Pharmacy Sector is a statutory collective pension scheme and the regulations are closely linked to public service pensions. As from 1 January 2020, the Storting has adopted a new model for public service pensions for the annual cohorts as from 1963, but POA is not subject to these regulatory adjustments.

The year 2022

2022 was a challenging year marked by weak equity markets and rising interest rates. The pension scheme has achieved good results over several years, thereby building up the necessary buffer capital to be able to cope with these market fluctuations.

Strong salary growth, more members and pension adjustments contributed to an increase in pension liabilities. In 2022, pensions were adjusted in the same way and at the same level as under the Norwegian National Insurance Scheme. Retirement pensions, contractual pensions (AFP) and dependents' pensions for persons over the age of 67 were adjusted by 3.53 per cent. Other pensions were adjusted by 4.77 per cent.

Key figures

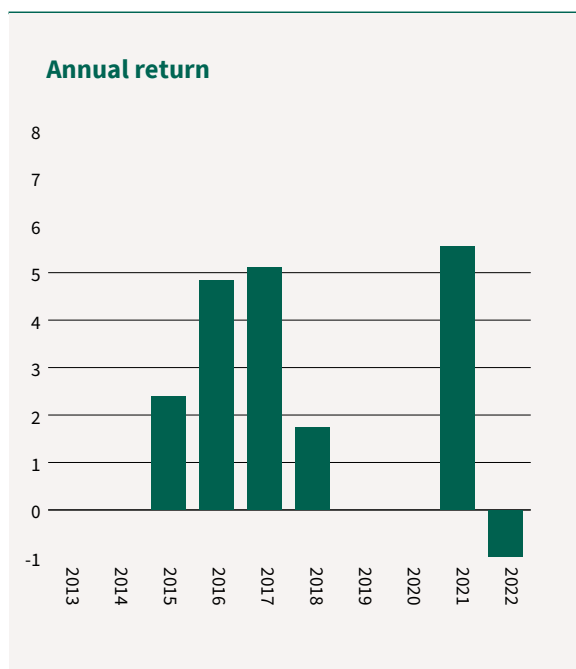
Key figures 2022

		2022	2021	2020
Employers and members				
Employers in the pension scheme (no. of pharmacies)	Number	1,045	1,031	988
Members	Number	23,624	22,781	23,606
Actively-employed members*	Number	8,903	8,780	8,380
Pensioners*	Number	6,438	6,179	6,030
Persons with entitlements from previous positions**	Number	8,283	7,822	9,196
Occupational pensions				
Accrued pension entitlements	NOK thousand	9,726,510	9,095,116	8,553,217
Pension premium	NOK thousand	859,772	812,640	771,483
Pensions paid	NOK thousand	425,104	387,169	353,169
Investment management				
Funds in the Pharmacy Scheme	NOK million	13,144	12,891	11,900
Annual return on funds (value-adjusted)	Per cent	-0.99	5.6	6.0

*The number stated is the number per policy. A member can have more than one policy. For example, a member who receives a partial disability pension from the pension scheme and works partly in an active position will have two policies.

** No longer work in an organisation linked to the Pension Scheme for the Pharmacy Sector, but have pension entitlements with us. As from 2021, only people with over 1/2 qualifying years are included.

Investment management

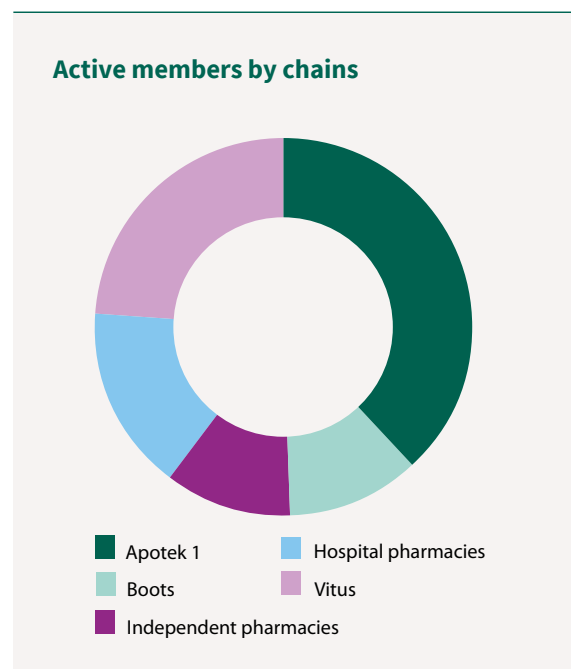


The assets of the pension scheme are invested in available-for-sale and hold-to maturity bonds, Nordic shares, real estate, foreign equity funds, alternative investment funds and loans to members.

The value-adjusted return in 2022 was -0,99 per cent. The average return for the past ten-year period has been 4,52 per cent.

[Read more on page 30.](#)

Actively-employed members

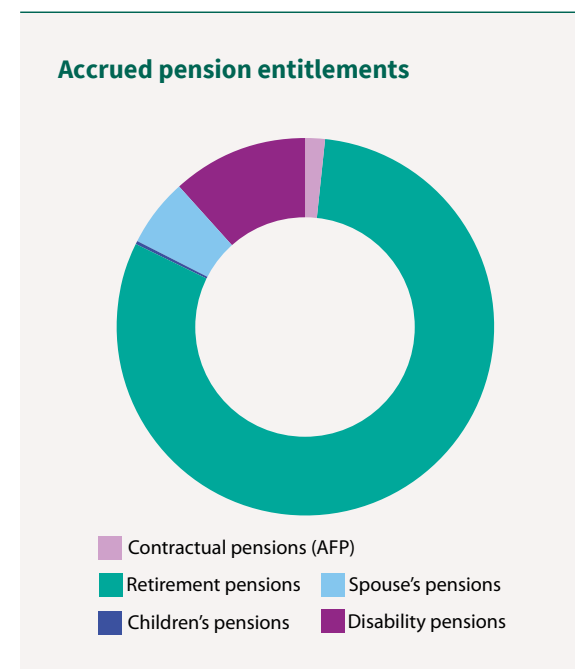


Actively employed	Apotek 1	Boots	Independent pharmacies	Hospital pharmacies	Vitus
Women	2,942	883	735	1,219	1,796
Men	455	132	238	181	322
Total	3,397	1,015	973	1,400	2,118
Change from 2021	16	9	74	85	-61

The table shows the number of members in employment positions (active members) per pharmacy chain, in total and by gender.

For more statistics, see page 33.

Pension



The Pension Scheme for the Pharmacy Sector comprises retirement pensions, contractual pensions (AFP), disability pensions and dependents' pensions (children's pension and spouse's pension).

Accrued pension entitlements (in NOK thousand)	
Contractual pensions (AFP)	170,741
Retirement pensions	7,851,678
Children's pensions	20,404
Spouse's pensions	557,500
Disability pensions	1,126,186
Total	9,726,510

Accrued pension entitlements in the scheme increased by NOK 631 million from 31 December 2021 to 31 December 2022. Retirement pensions and AFP comprise 82 per cent of the total accrued entitlements of NOK 9.7 billion.

[Read more on page 28.](#)

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**Annual
report by
the Board of
Directors**

Annual report 2022

for the Pension Scheme for the Pharmacy Sector

The Pension Scheme for the Pharmacy Sector (POA) achieved a negative result of NOK -13 million in 2022. The value-adjusted return on the total portfolio was -0.99 per cent. The solvency of the Pension Scheme for the Pharmacy Sector was by and large unchanged in 2022.

Organisation

The Pension Scheme for the Pharmacy Sector is managed by the Norwegian Public Service Pension Fund, Oslo. At the end of 2022, the pension scheme had three permanent employees. All employees are investment managers, and all are men. Ongoing follow-up of the employees is carried out by the Norwegian Public Service Pension Fund.

No discrimination may occur on the grounds of gender, race, age or ethnic background in the Pension Scheme for the Pharmacy Sector.

The members of the Board are appointed by the Norwegian Ministry of Labour and Social Inclusion. The Board of Directors is headed by the CEO of the Norwegian Public Service Pension Fund. The other Board members represent the Federation of Norwegian Enterprise (Virke), the Spekter

Employers' Association, the Norwegian Association of Pharmacists and the Norwegian Association of Pharmacy Technicians. As at 31 December 2022, the Board had five members: two women and three men. During the year the Board of the pension scheme held six Board meetings and dealt with 50 items of business.

No insurance has been taken out for members of the Board or for the general manager for their possible liability towards the undertaking and any third parties.

Sustainability/Corporate Social Responsibility

The pension scheme has guidelines for sustainable investments. For funds managed internally, this entails applying principles for active ownership and the exclusion of companies.

No investments may be made in, or loans extended to, companies that are in infringement of the conduct or product criteria set by the Board. In this connection, POA relies on the exclusion lists of the Government Pension Fund Global (GPF) and KLP. In overall terms, these two exclusion lists cover POA's investment universe.

For external management mandates, the manager is required to have explicit, formalised and transparent ESG processes.

The pension scheme's operations do not affect the external environment.

Members, contributions and benefit payments

At year-end 2022, employees at 1,045 pharmacies were members of the pension scheme. This is an increase by 13 pharmacies from 2021. The pension scheme also includes members who are not pharmacy employees, but who work in other positions associated with the pharmacy sector. At year-end, the fund had a total of 8,903 actively contributing members and 6,438 current pensioners.

Employees at pharmacies have mandatory membership of the pension scheme according to the more detailed provisions provided in the Act on the Pension Scheme for the Pharmacy Sector. Employees in other positions related to the pharmacy sector can apply for membership and can also apply for withdrawal.

In 2022, NOK 860 million was paid in premiums, compared with NOK 780 million in 2021. In addition, NOK 425 million

was paid in pensions, compared with NOK 387 million in 2021.

The premium rate was 18.1 per cent in 2022. The premium is divided between employees and employers. Employees paid a premium of 3.4 per cent of the contribution base, while employers paid a premium of 14.7 per cent.

The current old-age pension and the dependents' pension from the age of 67 were adjusted by 3.53 per cent in 2022, while the current disability pension and dependents' pension before the age of 67 were adjusted by 4.77 per cent.

Financial risk

The Board has adopted an investment strategy that clearly delineates which risks may be taken and which investments may be made. The strategy outlines that capital should be invested with a long-term perspective and with a moderate level of risk.

In the opinion of the Board, the scheme's investment strategy and authorisation structure provide a good level of control of the management of the scheme's assets.

Insurance risk

Risk management on the investment side and risk management in relation to the actuarial reserves are viewed together. The actuarial reserves are liabilities with a long time frame. The capital is therefore also invested in a long-term perspective.

The actuarial reserves compiled for 2022 are based on the actuarial assumptions for mortality in the case of longevity risk, and mortality for risk of death, from the basic elements in K2013. The assumed rates of disability are based on the K1963 calculation basis, boosted by a factor of 2.5. The calculation rate is 3.0 per cent.

Result

The result for the year is a loss of NOK 13 million. The equivalent result in 2021 was a profit of NOK 309 million. The net result related to financial assets was a loss of NOK 124 million in 2022. This includes changes in unrealised gains and losses. Unrealised losses on investments in equities, real estate and fixed interest securities contributed particularly to the negative result for financial assets in 2022. In 2021, the net profit related to financial assets was NOK 672 million.

In 2022, a total increase in pension liabilities (the premium reserve) of NOK 631 million was recorded. Growth in the total number of members, as well as salary increases and the adjustment of current pensions, all contribute to the increase in liabilities. In addition, the transition to K2013 contributes an increase of NOK 30 million over and above previously calculated additional provisions.

This year's loss of NOK 13 million will be charged to other retained earnings.

Financial position

As at 31 December 2022, the Pension Scheme for the Pharmacy Sector had assets totalling NOK 13,365 million.

Other retained earnings totalled NOK 2,637 million at year-end. This is a decrease of NOK 13 million from 2021. The pension scheme calculates the solvency margin requirement based on the rules that apply to private pension funds. As at 31 December 2022, the calculated solvency margin requirement totalled NOK 342 million. The solvency margin requirement must be covered by other retained earnings.

The scheme's free equity consists of other retained earnings in excess of the solvency margin requirement. Free equity

totalled NOK 2,295 million at the end of 2022. This is necessary buffer capital to cover random risks that are not covered by the premium. By comparison, free equity totalled NOK 2,333 million at the end of 2021.

As at 31 December 2022, NOK 952 million in net unrealised capital gains was allocated to the securities adjustment reserve. The securities adjustment reserve serves as a buffer against possible future falling market prices.

The buffer capital weakened somewhat through 2022. A negative return on the securities portfolio contributed to this deterioration. The return (value-adjusted) of -0.99 per cent in 2022 is better than the comparable reference index, but considerably weaker than the assumptions at the beginning of the year.

The pension scheme calculates capital requirements based on binding capital requirements from the Norwe-

gian Financial Supervisory Authority (Simplified Solvency Capital Requirements). The calculations are made under rules similar to those applying to private pension funds. The solvency capital requirement must cover the risk of loss of the pension fund's buffer capital and demonstrates the scheme's ability to withstand losses without threatening the scheme's continued operations. For calculation of the simplified solvency capital requirement, until 2032 pension companies can use a transitional rule for calculation of the fair value for insurance liabilities.

As at 31 December 2022, the buffer capital fulfils the capital requirement based on calculations of simplified solvency capital requirements using the transitional rule (solvency capital coverage of 192 per cent). The calculations show that the pension scheme also has a satisfactory financial position without recourse to the transitional rule (solvency capital coverage of 180 per cent).

Summary

The annual financial statements have been prepared under the going concern assumption. As at 31 December 2022, the pension scheme had set aside technical reserves in accordance with the provisions of Act No. 11 of 26 June 1953 on the Pension Scheme for the Pharmacy Sector.

In the opinion of the Board, the annual financial statements for the Pension Scheme for the Pharmacy Sector provide a satisfactory basis for assessing the results of the pension scheme's operations during 2022 and the scheme's financial position at year-end.

The Board considers the financial position at the end of the year to be satisfactory.

Together with the adopted investment strategy, the Board is of the opinion that this provides a satisfactory basis for meeting the challenges faced by the sector. The requirements concerning the going concern assumption are thereby satisfied.

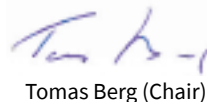
Oslo, 30 March 2023



Kristin Juliussen



Greta Torbergsen



Tomas Berg (Chair)

Tomas Berg (Chair)



Trond Teisberg



Kjell Morten Aune



**Financial
statements
and notes**

Income statement

	Note	2022	2021
TECHNICAL ACCOUNTS			
Premium income			
Premium income	14	859,771,744	812,640,221
Net income from investments in the collective portfolio			
Interest income and dividends, etc. from financial assets		334,820,302	280,624,033
Net operating income from real estate fund		50,482,172	52,586,562
Value adjustments on investments		-338,478,414	208,463,865
Realised profit and loss on investments		-163,185,899	109,258,786
Total net income from investments in the collective portfolio	18	-116,361,839	650,933,246
Insurance benefits			
Pensions paid	15	425,104,074	387,168,557
Recognised changes in insurance liabilities			
Change in premium reserve	11	631,393,600	542,116,000
Change in special liabilities	12	-9,959,894	-9,959,894
Change in securities adjustment reserve		-343,547,444	206,267,678
Total recognised changes in insurance liabilities		277,886,262	738,423,784
Insurance-related operating costs			
Administrative costs	16	28,608,810	31,346,570
Insurance-related administrative costs	17	16,775,941	17,167,704
Total insurance-related operating costs		45,384,751	48,514,274
Technical result		-4,965,182	289,466,851

	Note	2022	2021
NON-TECHNICAL ACCOUNT			
Net income from investments in company portfolio			
Interest income and dividends, etc. from financial assets		21,670,188	8,879,710
Net operating income from real estate fund		3,267,299	1,663,982
Value adjustments on investments		-21,906,948	6,596,365
Realised profit and loss on investments		-10,561,693	3,457,246
Total net income from investments in the company portfolio	18	-7,531,153	20,597,303
Other income			
Interest income on bank deposits, operations		100,644	105,172
Administrative costs and other costs linked to the company portfolio			
Administrative costs	16	962,419	1,036,492
Non-technical result		-8,392,928	19,665,984
Comprehensive income		-13,358,110	309,132,835
Transfers and allocations			
Allocated to/transferred from(-) other retained earnings	19	-13,358,110	309,132,835
Total allocations		-13,358,110	309,132,835

Balance sheet/Assets


	Note	31.12.2022	31.12.2021
ASSETS IN COMPANY PORTFOLIO			
INVESTMENTS			
Financial assets valued at amortised cost			
Investments held to maturity	2	100,792,620	79,772,333
Mortgage loans	3	1,382,874	1,270,528
Total financial assets valued at amortised cost		102,175,493	81,042,861
Financial assets measured at fair value			
Shares and mutual funds	4, 7	95,084,083	92,827,131
Fixed-income securities	5, 7	101,448,158	121,990,848
Financial derivatives	6, 7	843,639	0
Bank deposits		5,554,824	4,493,804
Total financial assets at fair value		202,930,704	219,311,784
Total investments in company portfolio		305,106,198	300,354,643
Receivables			
Receivables related to premium income	9	213,907,255	215,734,095
Receivables from brokers		0	0
Total receivables		213,907,255	215,734,095
Other assets			
Bank deposits, operations	8	6,950,861	20,597,136
Prepaid expenses and accrued income			
Accrued non-invoiced premiums		8,500,000	7,400,000
Accrued dividends		3,761,189	3,083,577
Prepaid expenses		15,624	14,200
Total prepaid expenses and accrued income		12,276,813	10,497,777
Total assets in company portfolio		538,241,127	547,183,651

	Note	31.12.2022	31.12.2021
ASSETS IN CLIENT PORTFOLIOS			
Investments in collective portfolio			
Financial assets valued at amortised cost			
Investments held to maturity	2	4,237,475,452	3,335,873,986
Mortgage loans	3	58,138,119	53,130,211
Total financial assets valued at amortised cost		4,295,613,571	3,389,004,197
Financial assets measured at fair value			
Shares and mutual funds	4, 7	3,997,479,868	3,881,792,109
Fixed-income securities	5, 7	4,265,035,281	5,101,343,792
Financial derivatives	6, 7	35,467,875	0
Bank deposits		233,533,288	187,919,331
Total financial assets at fair value		8,531,516,311	9,171,055,232
Total investments in collective portfolio		12,827,129,882	12,560,059,429
Total assets in client portfolios		12,827,129,882	12,560,059,429
Total assets		13,365,371,009	13,107,243,080

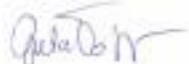
Balance sheet/equity and liabilities

	Note	31.12.2022	31.12.2021
Retained earnings			
Other accrued dividends	10, 13	2,637,149,888	2,650,507,997
Total retained earnings		2,637,149,888	2,650,507,997
Insurance liabilities			
Premium reserve	11	9,726,509,600	9,095,116,000
Special liability – for regulation of pensions	12	41,011,098	50,970,992
Securities adjustment reserve		951,564,564	1,295,112,008
Total insurance liabilities		10,719,085,262	10,441,199,000
Liabilities in company portfolio			
Financial liabilities measured at fair value			
Financial derivatives	6, 7	0	16,216
Expenses and income accrued			
Accrued expenses		3,763,687	3,887,201
Other current liabilities			
Liabilities to broker		0	409,867
Liabilities in client portfolios			
Financial liabilities measured at fair value			
Financial derivatives	6, 7	0	678,094
Expenses and income accrued			
Accrued expenses		5,372,172	10,544,704
Total equity and liabilities		13,365,371,009	13,107,243,080

Oslo, 30 March 2023


Tomas Berg (Chair)


Kristin Juliussen


Greta Torbergsen


Trond Teisberg


Kjell Morten Aune

The Pension Scheme for the Pharmacy Sector Statement of changes in equity

	Other accrued dividends	Total equity
Equity 31.12.2020	2,341,375,162	2,341,375,162
Added equity/profit on allocation	309,132,835	309,132,835
Equity 31.12.2021	2,650,507,997	2,650,507,997
Added equity/profit on allocation	-13,358,110	-13,358,110
Equity 31.12.2022	2,637,149,888	2,637,149,888

Cash flow statement

(Figures in whole NOK)	2022	2021
Premiums paid	860,489,057	779,665,821
Pensions paid	-425,104,074	-387,168,557
Change in mortgage loans	-5,068,527	9,066,206
Interest and dividend payments		
Interest payments	278,871,287	252,605,969
Dividend payments	100,247,372	91,656,419
Payments relating to operations	-52,054,507	-47,989,821
Net cash flow from operating activities (A)	757,380,608	697,836,036
Realised gain on sale of investments	264,341,319	241,233,424
Realised loss on sale of investments	-437,406,736	-127,218,338
Net payments/disbursements on purchase/sale of investments	-551,286,488	-757,358,999
Net cash flow from investing activities (B)	-724,351,905	-643,343,913
Payment of other equity	0	0
Net cash flow from financing activities (C)	0	0
Net cash flow in the period (A+B+C)	33,028,703	54,492,123
Cash and cash equivalents at 01.01	213,010,271	158,518,148
Cash and cash equivalents at 31.12	246,038,974	213,010,271

Notes

Note 1 | Accounting policies

As far as appropriate, the financial statements are presented in accordance with good accounting practice, the Norwegian Accounting Act and Regulation no. 1457 of 20 December 2011 on the annual accounts of pension enterprises. The information in the notes is prepared in accordance with Chapter 5 of the Norwegian Annual Accounting Regulations.

Pension premiums

Pension premiums are recorded as income as they accrue. Pension premiums are paid quarterly in arrears.

Interest income

Interest is recorded as income as it accrues.

Financial assets valued at amortised cost

Bonds classified as held-to-maturity and assets in the loans and receivables portfolio are valued at cost price, adjusted for recognised premium/discount. The premium/discount at the acquisition date is recognised in the income statement over the bond's remaining life.

Mortgages are booked at nominal value as at the balance sheet date.

Financial assets measured at fair value

Shares and mutual funds

Investments in shares and mutual funds are valued at fair value as at the balance sheet date. Fair value is equivalent to the market value. Market value is based on the closing listed price in 2022.

Shares in real estate funds are included in shares and mutual funds. The mutual fund shares are assessed at market value as at the balance sheet date. The market value is based on independent valuations of the properties.

Shares and mutual funds also include units in infrastructure

funds and specialty funds. The funds have calculated the value of the mutual fund units as at the balance sheet date in accordance with the industry standard.

Bonds

Investments in bonds are valued at fair value as at the balance sheet date. Changes in value are recognised in the income statement. Fair value is equivalent to the market value. Market value is equivalent to the tax assessment value for 2022.

Financial derivatives

Foreign currency forward contracts are booked at fair value as at the balance sheet date. Fair value is equivalent to the market value.

Securities valued at fair value are considered to be a single portfolio. The total of the market value minus the acquisition cost is the unrealised gain or loss on the portfolio. Any net unrealised gain in the collective portfolio is allocated to the securities adjustment reserve. Any net unrealised loss is recognised as an expense in the income statement.

Foreign currency

Bank deposits, together with receivables and liabilities denominated in foreign currencies, are recorded using exchange rates as at the balance sheet date.

Insurance liabilities

The calculations are based on the assumption that the pension scheme will continue to operate for as long as obligations exist towards its members as at the balance sheet date. Accordingly, account has been taken of all potential pension benefits provided for in the Act on the Pension Scheme for the Pharmacy Sector, both current benefits and benefits that may be relevant in the future. Account has also been taken of the contractual pension scheme (AFP) that allows for the drawing

of a pension from the age of 62, subject to certain criteria.

The cash value of all scheme members' pensions has been calculated on the basis of membership status as at the balance sheet date. This calculation has been carried out using standardised actuarial principles, and allowance has been made for discounting and calculation of risk. The calculations are based on a linear accrual of pension benefits from initial employment until retirement, subject to adjustment for any additional periods during which the member may previously have accrued pension entitlements.

The actuarial assumptions for mortality in the case of longevity risk and mortality for risk of death are based on the basic elements in K2013 with initial mortality and reduction (12;10), i.e. the parameters stated in the letter from the Norwegian FSA of 8 March 2013.

The assumed rates of disability are based on the K1963 calculation basis, boosted by a factor of 2.5.

The calculation rate is 3.0 per cent.

Retained earnings

Retained earnings consist of other retained earnings. Other retained earnings comprise the pension scheme's excess capital in relation to the pension scheme's commitments. As a minimum this equity must cover the estimated solvency margin requirement. The solvency margin requirement is described in more detail in Note 10. Other retained earnings in excess of the solvency margin requirement/minimum capital requirement are defined as free equity. There are no guidelines limiting the application of free equity in the Pension Scheme for the Pharmacy Sector.

Tax status

In a statement from 1998, the former Oslo Tax Office concluded that the Pension Scheme for the Pharmacy Sector is a tax-free institution. The pension scheme's financial statements therefore do not include any tax charge.

Note 2 | Investments measured at amortised cost

Bonds classified as held to maturity

Figures in NOK thousands

Issuer	Par value	Cost price	Book value	Market value
Government-guaranteed	0	0	0	0
Banking/finance	668,687	668,495	668,615	634,359
Municipality/county	25,000	23,835	24,419	22,930
Industry	1,962,340	1,930,076	1,931,620	1,840,828
Energy	365,000	367,238	365,332	350,974
Bonds held to maturity:	3,021,027	2,989,644	2,989,986	2,849,090
Interest earned			61,468	61,468
Total book value	3,021,027	2,989,644	3,051,454	2,910,558

Of which proportion in the collective portfolio 2,980,559

Of which proportion in the company portfolio 70,896

Book value 1.1.2022: 2,487,051

Additions 2022: 762,610

Disposals 2022: -215,016

Accrued premium/discount for the year: 2,134

Change in interest earned 2022: 14,675

Book value 31.12.2022: 3,051,454

Loans and receivables

Figures in NOK thousands

Issuer	Par value	Cost price	Book value	Market value
Government-guaranteed	0	0	0	0
Banking/finance	0	0	0	0
Municipality/county	70,000	70,000	70,000	66,801
Industry	1,209,000	1,206,212	1,207,658	1,164,254
Energy	0	0	0	0
Bonds held to maturity:	1,279,000	1,276,212	1,277,658	1,231,055
Interest earned			9,156	9,156
Total book value	1,279,000	1,276,212	1,286,814	1,240,210

Of which proportion in the collective portfolio 1,256,917

Of which proportion in the company portfolio 29,897

Book value 1.1.2022: 928,596

Additions 2022: 391,001

Disposals 2022: -40,000

Accrued premium/discount for the year: 845

Change in interest earned 2022: 6,371

Book value 31.12.2022: 1,286,813

Total investments measured at amortised cost

Of which proportion in the collective portfolio 4,237,476

Of which proportion in the company portfolio 100,793

Bonds held to maturity are traded in regulated marketplaces. All bonds are issued in NOK. The effective yield on bonds classified as held to maturity is 3.95 per cent. The effective yield is calculated on the basis of the effective yield on each bond. The average yield is weighted in relation to the relevant security's nominal value and totalled. The difference between book and nominal value is recognised in the income statement over the remaining life of the bond.

Bonds included in loans and receivables are not traded regularly on regulated marketplaces. All bonds are issued in NOK. The effective yield on bonds included in this portfolio is 3.95 per cent. The effective yield is calculated on the basis of the effective yield on each bond. The average yield is weighted in relation to the relevant security's nominal value and totalled. The difference between book and nominal value is recognised in the income statement over the remaining life of the bonds.

Note 3 | Mortgage loans

As from 1 June 2022, the mortgage scheme for members of the pension scheme was discontinued for new loan applications. Members who already had a mortgage will retain this mortgage for the remaining term. Mortgages are booked at nominal value as at the balance sheet date. No losses have been written off in the last five years. Hence, no general provisions are made for possible loan losses.

Borrowers with mortgage loans are partially covered by credit insurance, for which the pension scheme has self-insurance arrangements. No provisions have been made for potential claims as at the balance sheet date, since the number of claims and the amounts relating to them have been low in recent years.

Specification of the loan portfolio:

	Housing loans
Number	88
Amount	59,775,651
First due date	-356,133
Interest earned	101,475
Total	59,520,993
Of which proportion in the collective portfolio:	58,138,119
Of which proportion in the company portfolio:	1,382,874

The interest rate on mortgages increased from 1.30 per cent at the start of 2022 to 2.30 per cent at the end of the year.

Note 4 | Shares/mutual fund units

Shares

Company	Cost price	Book value
AF Gruppen Ord	8,460,832	14,380,000
Aker Bp Asa	10,074,208	12,772,200
Borregaard Asa	8,630,850	22,040,000
Elkem Asa	17,132,820	19,360,000
Elopak As	13,295,875	11,875,000
Europris Asa	9,620,463	24,027,500
Hexagon Composites	11,974,688	12,604,000
Kid	5,597,847	5,792,000
Lerøy Seafood Group	8,275,077	8,272,500
Mowi	10,176,030	8,360,000
Norske Skog Asa	16,883,705	31,298,150
Orkla Asa	7,862,278	7,094,000
Pioneer Property Group Asa	4,287,100	4,124,190
Ringerike Sparebank	8,163,151	14,788,332
Self Storage Group Asa	7,715,400	9,600,000
Sparebank 1 Sørøst-Norge (formerly Sbvog)	8,584,168	13,881,725
Sparebanken Midt Norge	13,457,222	15,288,000
Storebrand Asa	16,547,687	15,372,000
Tgs Nopec Geophysical Co	7,499,632	6,600,000
Vår Energi Asa	16,418,847	14,618,175
Yara International	16,839,572	19,377,000
Total Norwegian shares	227,497,452	291,524,772
Autostore Holdings Ltd.	9,272,664	5,377,500
Carlsberg A/S - B	24,888,753	23,949,802
Dometic Group AB	11,634,470	10,744,481
Dsv As	14,468,718	12,367,643
Huhtamaki Oyj	8,340,966	7,727,558
Investor Ab B-Aksjer	12,939,793	25,684,323
Novo Nordisk A/S-B	13,297,579	46,287,017
Sampo Oyj-A	19,510,527	26,654,197
Sandvik Ab	8,150,321	11,503,892
Subsea 7 S.A (formerly Acergy S.A.)	23,904,657	24,305,750
Upm-Kymmene Oyj	15,755,066	20,170,922
Volvo Ab-B	18,824,931	24,788,136
Total foreign shares	180,988,445	239,561,222
Total individual shares listed on the Oslo Stock Exchange/ VINX	408,485,897	531,085,994

Equity funds

Fund	Cost price	Book value
BlackRock World Index Fund	240,337,679	869,697,728
iShares Emerging Markets Index Fund (IE) – USD Flex Acc	67,398,256	82,928,729
Total foreign equity funds	307,735,934	952,626,457

Hedge funds/Speciality funds

Fund	Cost price	Book value
Archmore Infrastructure Debt Platform SCA	40,832,800	37,191,413
Cheyne Real Estate Credit (Crech) Fund Iv	53,223,740	60,549,866
Cheyne Real Estate Credit (Crech) Fund V	37,319,892	44,631,182
Cheyne Real Estate Credit (Crech) Fund VI	257,128,521	260,539,015
Pareto Real Estate Credit Fund	989,312	1,435,789
QVT A-1769	459,316,182	448,825,864
Sector Healthcare Fund Class A	20,402,707	40,978,378
Total foreign hedge funds/speciality funds	869,213,155	894,151,508

Real estate funds

Fund	Cost price	Book value
Aberdeen Real Estate Fund Norge I AS	3,175,833	3,896,619
Aberdeen Eiendomsfond Norge I IS	306,296,790	385,757,985
Pareto Eiendomsfelleskap AS/IS	427,763,408	674,303,417
Union Core Real Estate Fund AS	6,083,225	6,889,339
Union Core Real Estate Fund IS	602,239,253	643,852,632
Total real estate funds	1,345,558,508	1,714,699,991

Total shares and mutual funds	2,930,993,494	4,092,563,951
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Of which proportion in the collective portfolio	2,862,896,616	3,997,479,868
Of which proportion in the company portfolio	68,096,878	95,084,083

The portfolio of Nordic individual shares consists of shares listed on the main market of the Oslo Stock Exchange, Euronext Expand Oslo and Euronext Growth Oslo, as well as shares listed on Nasdaq Nordic, which includes the stock exchanges in Copenhagen, Stockholm and Helsinki. Limits have been imposed on the proportion of total assets that can be invested in shares in a single company, as well as for the overall maximum risk on the management of individual shares. The benchmark index for the Nordic equity portfolio is the VINX Nordic Benchmark Cap Net Index.

The BlackRock World Index Subfund mirrors the index of shares in developed markets. iShares Emerging Markets Index Fund mirrors shares in the emerging markets index – MSCI Emerging Markets Index. Combined, the two funds have almost the same risk profile as the global benchmark index MSCI All Country World Index.

Investments in speciality funds at year-end consisted of six different funds – two hedge funds, three funds that invest in real estate loans, a fund that invests in credit bonds against real estate mortgages, and an infrastructure investment fund. The benchmark index for the hedge fund investments for 2022 has, as previously, been the Global Hedge Fund Index.

Real estate investments consist of units in DEAS Eiendomsfond Norge I IS/AS (formerly Aberdeen), Pareto Eiendomsfelleskap AS/IS og Union Core Real Estate Fund IS/AS. The investments are posted at market value on the balance sheet date. The market value of the units is calculated based on independent valuations of the properties.

Note 5 | Fixed-income securities

Issuer	Cost price	Market value
Banking and finance	943,161,138	921,396,946
Municipality/county	730,867,500	671,551,604
Government-guaranteed	1,057,042,500	1,000,472,655
Industry	1,043,961,822	985,673,258
Energy	139,193,750	137,795,309
Subordinated loans	624,755,577	610,483,841
Total fixed-income securities classified as financial current assets	4,538,982,287	4,327,373,613
Interest earned		39,109,826
Total	4,538,982,287	4,366,483,438

Of which proportion in the collective portfolio	4,265,035,281
Of which proportion in the company portfolio	101,448,158

The fixed-income securities portfolio classified as financial current assets consists of fixed-income securities listed on the Oslo Stock Exchange, Oslo ABM and Nordic Nasdaq (Stockholm), as well as unlisted securities. All fixed-income securities classified as financial current assets are denominated in NOK, with the exception of one denominated in USD, four denominated in EUR and five denominated in SEK. Fixed-income securities issued in foreign currencies are currency hedged.

Note 6 | Financial derivatives

The purpose of using derivatives in asset management is to increase the effectiveness of the management of fund assets, including the potential to hedge investments. In principle, the pension scheme can only invest in listed (standardised) derivatives. The underlying securities must be securities in which the scheme can invest in accordance with applicable guidelines. Non-standardised (OTC) derivatives may only be used by POA for foreign currency forward contracts, as well as Forward Rate Agreements (FRA) and interest rate swaps to a limited extent.

As at 31 December 2022, investments were made in the following derivatives:

Currency purchased	Currency sold	Nominal amount in NOK	Fair value in NOK
NOK	EUR	-348,416,971	-3,377,719
NOK	USD	-776,093,612	33,518,602
NOK	GBP	-457,394,089	5,490,622
NOK	SEK	-155,770,805	1,648,372
NOK	DKK	-83,793,728	-968,363
Total foreign currency forward contracts		-1,821,469,206	36,311,514
Of which proportion in the collective portfolio			35,467,875
Of which proportion in the company portfolio			843,639

In addition to hedging currency exposure using foreign exchange futures, in 2022 POA undertook hedging of the foreign equity investments using stock options. These hedging arrangements were recognised in the financial statements at around NOK 15.3 million in 2022.

In order to streamline fixed income management, to a limited extent fixed income futures were traded in 2022. These resulted in a total accounting gain of around NOK 0.65 million.

Note 7 | Financial instruments measured at fair value

In accordance with the Norwegian Act relating to annual accounts for pension companies, financial instruments measured at fair value must be classified with regard to how fair value is measured. Such classification gives an indication of the relative uncertainty related to measurement of the different levels.

The regulation defines three calculation levels for how fair value is measured:

1. Fair value is measured using listed prices in active markets for identical financial instruments. No adjustment is made for these prices.
2. Fair value is measured using other observable input than the listed prices used in level 1, either directly (prices) or indirectly (derived from prices).
3. Fair value is measured using input which is not based on observable market data (non-observable input).

Fair value hierarchy of financial instruments measured at fair value:

	31.12.2022	Level 1	Level 2	Level 3
Shares and mutual funds	4,092,563,951	531,085,995	952,626,457	2,608,851,499
Bonds	4,366,483,438		4,366,483,438	
Financial derivatives	36,311,514		36,311,514	
Total	8,495,358,903	531,085,995	5,355,421,409	2,608,851,499

Note 8 | Bank deposits

Of bank deposits related to operations of NOK 6 950 861 as at 31 December 2022, NOK 107,808 concerns restricted tax deduction funds.

As security for various derivative positions, the pension scheme is obliged to provide collateral in the form of locked-in bank deposits held in margin accounts. As at 31 December 2022, there are no such locked-in bank deposits.

Note 9 | Receivables related to premium income -- loss on receivables

Receivables had a book value of NOK 213,907,255 and consisted of:

	31.12.2022	31.12.2021
Receivables related to premium income:	213,933,018	215,986,399
Receivable related to loans:	364,476	374,003
Provision for potential loss:	-390,239	-626,307
Total accounts receivable:	213,907,255	215,734,095

Receivables are posted at nominal value on the balance sheet date. Provision has been made for possible losses on receivables. Book losses on receivables are specified as follows:

	2022	2021
Realised loss on receivables:	253,374	0
Change in provision for potential loss:	-236,068	-5,037
Recorded loss on receivables:	17,306	-5,037

Note 10 | Solvency margin requirements

The pension scheme has calculated the solvency margin requirement using rules similar to those applicable to private pension funds in accordance with the new administrative regulations from the Norwegian Ministry of Labour and Social Inclusion with effect from 2011. As at 31 December 2022, the solvency margin requirement is estimated to amount to NOK 342,168,888. The basis for calculation of the solvency margin requirement is as follows (*figures in whole 1,000*):

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	8,094,382	4.00%	323,775
Mortality risk (uncovered risk, gross):	260,851	0.30%	783
Disability pension and premium exemption (gross risk premiums):	67,735	26.00%	17,611
Total solvency margin requirement as at 31 December 2022:			342,169

The solvency margin requirement must be covered by other retained earnings. Other retained earnings, less the solvency margin requirement, but with the addition of the securities adjustment reserve, total NOK 3,246,545,564. This constitutes the scheme's buffer capital.

For comparison, the calculation basis for the solvency margin requirement as at 31 December 2021 was as follows (*figures in whole 1,000*):

	Calculation basis	Calculation factor	Calculated solvency margin requirement
Premium reserve for retirement pensions:	7,526,478	4.00%	301,059
Mortality risk (uncovered risk, gross):	243,358	0.30%	730
Disability pension and premium exemption (gross risk premiums):	63,773	26.00%	16,581
Total solvency margin requirement as at 31 December 2021:			318,370

Note 11 | Premium reserve

The Pension Scheme for the Pharmacy Sector is only obliged to perform a technical calculation of future insurance liabilities every five years. The Board has nonetheless decided to perform such technical calculations annually. The results of these calculations are also used for accounting purposes.

The premium reserve is calculated as the present value of accrued pension entitlements as at the balance sheet date. The premium reserve must cover future pension entitlements accrued at the balance sheet date by the scheme's members. For the pension recipients, the premium reserve is the current value of remaining pension payments. Wherever possible the provision amount has been calculated in accordance with the guidelines applicable to private sector pension funds.

The actuarial assumptions for mortality in the case of longevity risk and mortality for risk of death are based on the basic elements in K2013. The transition to K2013 in 2022 entailed an increase in the premium reserve of NOK 30 million in addition to the additional provisions previously calculated.

The assumed disability rates are based on the K1963 calculation basis, boosted by a factor of 2.5.

The calculation rate is 3 per cent.

The administration reserve takes account of the expected future costs associated with the payment of pensions. The administration reserve is not calculated individually, but forms part of the premium reserve. The Pension Scheme for the Pharmacy Sector has opted to make provision for these future costs in the order of 4 per cent of calculated pension liabilities. Provision has been made in respect of current pensioners, actively contributing members and former employees with deferred pensions (i.e. employees who have left member-qualifying positions and have earned pension entitlements).

Note 12 | Special liability – for adjustment of pensions

A one-off settlement was made for the calculated costs of future adjustment of pensions for companies that withdrew from the pension scheme with effect from 1 January 2017 and 1 January 2018. The one-off settlement in 2017 amounted to NOK 87,883,720, while the one-off settlement in 2018 amounted to NOK 11,715,220. The one-off settlements were allocated as a special liability in the balance sheet.

The actual cost of the regulation of pensions each year is reflected in the premium reserve. The special allocation for the calculated adjustment cost is, therefore, reduced annually by 1/10 of the original amount. The remaining special liability as at 31 December 2022 totalled NOK 41,011,098.

Note 13 | Simplified solvency capital requirement

A new binding capital requirement – the simplified solvency capital requirement – entered into force for pension funds as from 1 January 2019. The requirement is a simplified version of the Solvency II regulations that apply to insurance companies and is based on the Norwegian Financial Supervisory Authority's stress test, with some adjustments.

The simplified solvency capital requirement as at 31 December 2022 amounts to NOK 1,742 million (NOK 1,798 million as at 31 December 2021). The buffer capital exceeds the simplified solvency capital requirement by NOK 1,598 million (NOK 1,852 million in 2021). This gives a solvency capital ratio of 192 per cent (203 per cent in 2021). In the calculation of buffer capital, consideration has been made of the transitional rule from the Norwegian Financial Supervisory Authority for the upward adjustment of the premium reserve to fair value. The transitional rule entails that the effect of the upward adjustment to fair value is distributed over 16 years. In the calculation, it is assumed that the remaining upward adjustment is 10/16 parts.

Without using the transitional rule, the buffer capital is estimated to exceed the simplified solvency capital requirement by NOK 1,397 million (NOK 1 200 million in 2021). This gives a solvency capital ratio of 180 per cent (167 per cent in 2021).

Note 14 | Premium contributions

Members contributed premium income totalling NOK 860,489,057 in 2022. By comparison, the book value of premium income was NOK 859,771,744. In 2021, members contributed premium income totalling NOK 779,665,821, while the book value of premium income was NOK 812,640,221. The differential between premium income and premium contributions is attributable to the change in invoiced, but unpaid premiums and the application of accrual accounting to premium income.

Note 15 | Pensions

Of the pension costs in the income statement, NOK 450,288 represents write-offs of pension benefit overpayments. The equivalent figure for 2021 was NOK 436,810.

Note 16 | Administrative costs

Total administrative costs amounted to NOK 29,571,229 (NOK 32,383,062 in 2021). The pension scheme had three employees in 2022. Pay and social security expenses for these three investment managers totalled NOK 5,295,297 in 2022 and are included in administrative costs.

Note 17 | Insurance-related administrative costs

The pension scheme is managed by the Norwegian Public Service Pension Fund. In 2022, NOK 16,597,984 was charged against income in respect of the purchase of administrative services for the pension scheme, including costs related to bookkeeping, actuarial services, administration of pensions and internal auditing (NOK 16,537,102 in 2021). Furthermore, NOK 372,235 was charged against income for audit services, including value added tax (NOK 339,186 in 2021). The entire amount is related to standard audit services. NOK 381,627 was charged against income for remuneration to Board members (NOK 376,835 in 2021). Various other costs, cost reimbursements and interest income from customers total NOK -575 905 in net terms (NOK -85,419 in 2021). The total insurance-related administrative costs were NOK 16,775,941 (NOK 17,167,704 in 2021).

In 2022, the following remuneration was paid to the Board members of the scheme:

Tomas Berg (Chair)	77,128
Trond Teisberg	75,122
Greta Torbergsen	73,206
Kristin Juliussen	77,128
Kjell Morten Aune	75,122
Urd Andestad, deputy	1,915
Katrine Andresen Roald, deputy	2,006
Total	381,627

Note 18 | Return on capital

The calculated return on the total portfolio is as follows:

Year:	2022	2021	2020	2019	2018
Return stated in percentage terms (value-adjusted):	-0.99	5.56	5.96	6.52	1.75
Return stated in percentage terms (recognised):	1.84	3.85	3.05	3.12	3.08

The return on capital shown above has been calculated in respect of the entire portfolio: i.e. both the collective and the company portfolios.

Note 19 | Analysis of result

Amounts in NOK million

	2022	2021
Changes in pension plan:	0.00	0.00
Interest result ¹⁾ :	-406.12	406.91
Risk result ²⁾ :	2.48	-4.61
Other result ³⁾ :	46.74	113.32
Administration result:	0.00	0.00
Insurance result:	-356.90	515.62

- 1) The interest result is the difference between the actual return and the calculation interest rate in the premium reserve.
- 2) The risk result is a comparison of risk income less risk expenses. Risk income comprises received and technically estimated risk premiums for mortality and disability, as well as mortality cross-subsidy. Risk expenses are supplemented by provisions for risk events.
- 3) Recognised difference between invoiced and actual calculated premium. A negative other result indicates the receipt of insufficient premium income.



**Auditor's
report**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Pension Scheme for the Pharmacy Sector

Opinion

We have audited the financial statements of The Pension Scheme for the Pharmacy Sector (the Pension fund), which comprise the balance sheet as of 31 December 2022, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Pension fund as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Pension fund in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the Board of Directors and Managing Director) is responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless management either intends to liquidate the Pension fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Pension fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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.

Oslo, 21 April 2023
ERNST & YOUNG AS

Johan-Herman Stene
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)

Independent auditor's report – The Pension Scheme for the Pharmacy Sector 2022

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Insight

Pension liabilities

The pension scheme's premium reserve is calculated at NOK 9.727 billion as at 31 December 2022. There is an increase of NOK 631 million compared to 31 December 2021.

The premium reserve is defined as the present value of accrued pension entitlements at the balance sheet date. The present value is found by discounting the expected future pension payments using a calculation interest rate of 3 per cent.

The following factors are also considered

- (i) probability of survival and of receiving a retirement pension,
- (ii) probability of losing working capacity and receiving a disability pension, and
- (iii) probability of dying and leaving family members who are entitled to a spouse or children's pension.

The calculations were made using the K2013 mortality basis and the K1963 disability tariff, strengthened by 250 per cent.

The calculation interest rate, one year's earnings for active members and adjustment of the pension basis or pension benefits, help to build up the premium reserve. On the other hand, pension payments reduce the premium reserve.

Insurance result of NOK -357 million

The insurance result is negative and can be split into three different results: interest result, risk result and other result.

Interest result of NOK -406 million

Interest income is negative, which means that the return (-0.99 per cent) on the pension assets has been lower than the calculation rate (3.0 per cent) in the premium reserve. The size of the pension assets is currently around NOK 3.6 billion higher than the premium reserve.

Risk result of NOK -2 million

The risk premium calculated according to the applicable tariffs this year proved to be higher than the increase in the net premium reserve as a consequence of actual risk events during the year. The entailed a positive risk result of NOK 2 million.

In total, reserve transactions amounting to NOK 57 million were carried out as a result of disability. This is taken from the at-risk community. NOK 57 million is returned to the at-risk community for reserve transactions resulting from death. Overall, reserve transactions as a result of risk events thus end at zero.

On the other hand, NOK 2 million in risk premium was added in 2022, including mortality cross-subsidy. The risk result is thereby positive at NOK 2 million.

Other result of NOK 47 million

Other result is positive. This is the difference between the premiums charged throughout the year and the premium calculated in the insurance system. The invoiced premium is calculated on the basis of a fixed percentage (18.1 per cent) of the pension basis. Actuarially calculated premiums are updated continuously throughout the year as a result of changes to members' pension entitlements.

Assessment of the pension scheme's financial position

In a pension scheme such as the Pension Scheme for the Pharmacy Sector (POA), in which the overall liabilities are secured through the accumulation of funds, the value of the funds allocated to pensions (assets) should at least correspond to the insurance reserves, in order to ensure a reasonable level of coverage in the scheme. This is in line with the requirements made of similar private schemes that are subject to the Norwegian Insurance Activities Act.

The overfunding under the scheme was NOK 3.6 billion at the end of 2022. This represents a decrease of NOK 357 million last year, as the total of the three aforementioned results.

It is primarily premium income and several years of good returns that have contributed to this significant overfunding. Income from premiums is considered to be reliable income, while the returns are more uncertain. The premium rate of 18.1 per cent will help the pension fund to continue to build up the necessary buffer.

A solvency requirement has been introduced for pension funds. The solvency requirement set out by the Norwegian Ministry of Finance in regulations is a simplified version of the Solvency II requirement. There are essentially two goals with a new capital requirement. They are to ensure that there is sufficient buffer capital, so that the pension fund will cope in a stressful situation, and that the premium reserve is calculated at a risk-free volatility-adjusted market rate, so that the long-term pension promises can be fulfilled with a high degree of certainty. The solvency requirement is based

on stress test I, which the pension funds and the Financial Supervisory Authority of Norway have used in recent years. The Board of POA has been presented with the solvency requirement amounts for each quarter in 2022.

The Pension Scheme for the Pharmacy Sector does not report to the Financial Supervisory Authority of Norway, but pension funds that do so must account for implemented, planned and evaluated measures in the stress test reporting if the buffer capital utilisation exceeds 200 per cent. The lowest buffer capital utilisation with no transitional rule was 50 per cent at the end of Q1 2022, but ended at 55 per cent at year-end. The yield curves from Eiopa are used to recalculate the premium reserve to "fair value." In addition, loss potential is calculated in terms of insurance risk and market risk.

Investment management

In a challenging market, asset management delivered a negative total return of -0.99 per cent in 2022. Assets under management increased slightly throughout the year to NOK 13.1 billion at the end of 2022.

The investment management of the Pension Scheme for the Pharmacy Sector (POA) must contribute to ensuring that the scheme can meet its long-term obligations without excessive premium variations, but at the same time achieve as high a return as possible within available risk capacity.

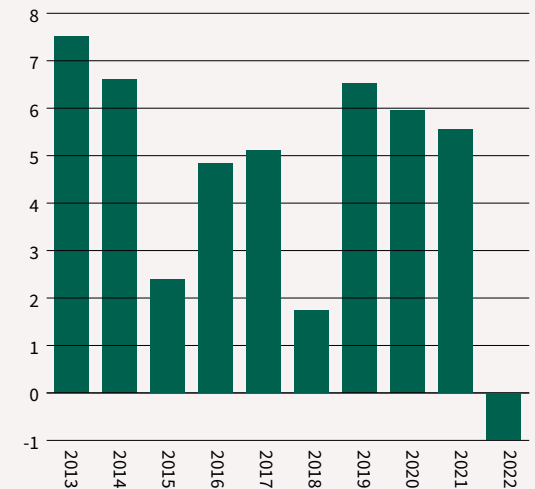
The Pension Scheme for the Pharmacy Sector's investment strategy has been adopted by the Board of Directors. The risk level of the investment portfolio must be such that the scheme has at least a 99 per cent probability of fulfilling the statutory capital requirements. The level of risk is furthermore set to preserve the buffer capital, and for the pension scheme to be able to maintain a satisfactory portfolio composition, even in years with major price falls in the financial markets.

Throughout 2022, as in previous years, POA has maintained a moderate level of risk in its investment portfolio.

Results in 2022

Weak stock markets and rising interest rates created a challenging investment climate in 2022, and for the first time since 2008, POA experienced a year of negative total returns. The total return on the investment portfolio was

Annual return



The chart shows the annual return for POA in the period from 2013 to 2022.

-0.99 per cent. Fluctuations in results from year to year are expected, and this year's result is well within a normal range of outcomes, given POA's level of risk. As shown in the chart on the previous page, the return over the past ten years has varied between -0.99 and 7.51 per cent. The average return has been 4.52 per cent.

Equity markets fell in the first three quarters of the year. Even though markets recovered some of the negative returns in the final quarter of the year, POA still ended with a negative return of -13.57 percent on the equity portfolio.

On the fixed income side, rising interest rates throughout the year contributed to losses on fixed-rate bonds. The portfolio earmarked for duration hedging ended with a return of -9.43 per cent. In the rest of the current fixed income portfolio, fixed-interest securities also delivered negative returns, while floating-rate fixed income portfolios and high-yield fixed-income securities contributed positively. Overall, current fixed-income investments have delivered a slightly positive return of 0.22 per cent in the past year.

The increase in interest rates has also affected property values, and valuations of real estate investments at year-end resulted in unrealised losses on the real estate portfolio.

Despite good current returns, real estate returns ended at -1.25 per cent in 2022, also for the first time since 2008.

POA has a significant proportion of its investments placed in bonds that are booked at amortised cost. These investments delivered a stable positive return contribution of 3.9 per cent in 2022. Together with a moderate risk profile for the investments, this helped to limit the negative market effects – and preserve the solvency of the scheme.

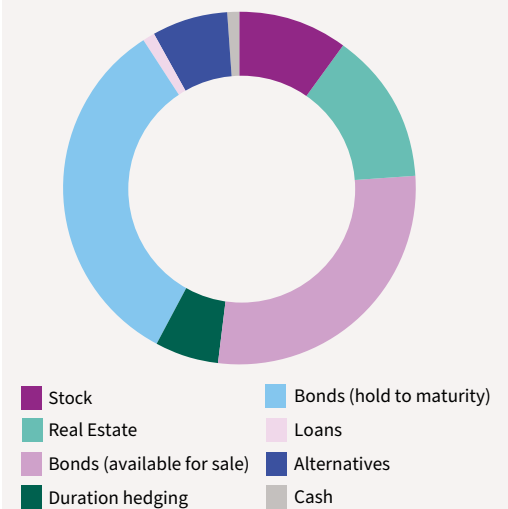
Asset allocation

At the end of the year, the pension scheme managed funds totalling NOK 13.1 billion. The portfolio increased by around NOK 230 million during 2022, as a consequence of a current liquidity surplus in the scheme.

Management has continued focus on identifying the investment opportunities offering optimum utilisation of the risk capacity of the Pension Scheme for the Pharmacy Sector. Allocations to the fixed asset portfolio increased during 2022, while allocations to the current portfolio were reduced equivalently.

In the investment plan for 2023, in line with the management's recommendation the Board decided to maintain the risk level from 2022 into 2023.

Asset allocation



The chart shows strategic allocations for the various asset classes at the beginning of 2023.

Statistics

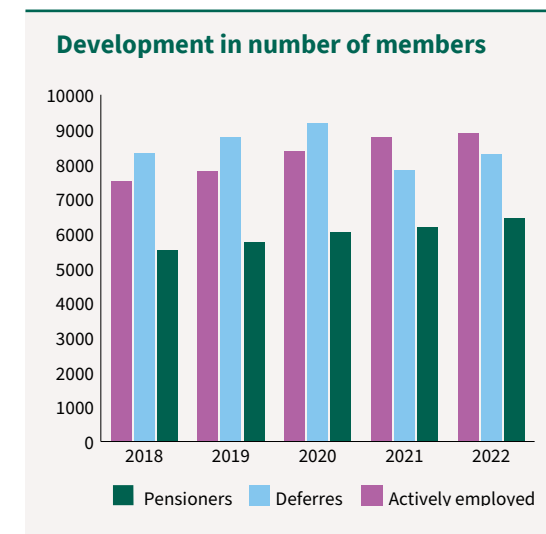
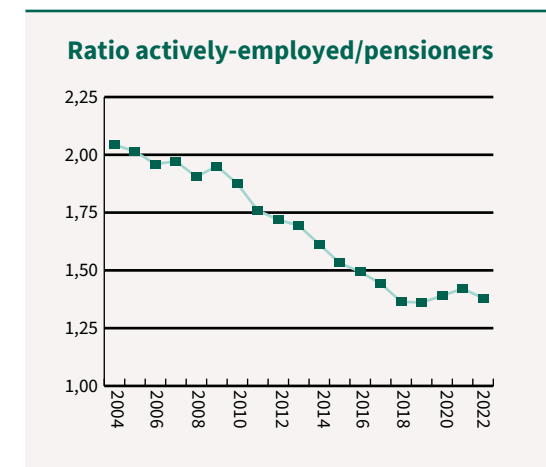
Members

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actively employed	7,274	7,422	7,585	7,645	7,704	7,527	7,812	8,380	8,780	8,903
Deferred*	6,564	6,767	7,175	7,522	7,925	8,331	8,770	9,196	7,822	8,283
Pensioners	4,295	4,600	4,951	5,121	5,338	5,517	5,739	6,030	6,179	6,438
AFP	312	310	293	269	264	288	273	271	310	312
Retirement pensions	2,202	2,513	2,955	3,165	3,368	3,484	3,693	3,916	3,975	4,235
Disability pensions	1,422	1,415	1,335	1,309	1,329	1,354	1,366	1,431	1,468	1,451
Spouse's pensions	338	343	342	352	348	360	374	380	394	415
Children's pensions	21	19	26	26	29	31	33	32	32	25
Ratio actively employed/pensioners	1.694	1.613	1.532	1.493	1.443	1.364	1.361	1.390	1.421	1.383
Ratio actively employed/pensioners and deferred	0.670	0.653	0.626	0.605	0.581	0.544	0.538	0.550	0.627	0.605

* Deferred are persons who do not have an occupational pension in POA today, but who have pension rights from previous employment. As from 2021, only people with over 1/2 qualifying years are included.

All the figures given are the number of policies. A person can have more than one policy. For example, a person can receive a partial disability pension and work partly in an active position. The person will then have two policies corresponding to these circumstances.

The graph at the top right shows the development in the ratio of active members (who are working) per pensioner in the pension scheme from 2004 to 2022. In 2004, there were more than 2 active members per pensioner in the scheme, while at the end of 2022 there were 1.38 active members per pensioner. The trend has been declining, as for the National Insurance Scheme, but has levelled off somewhat in recent years as a result of somewhat stronger growth in active members.

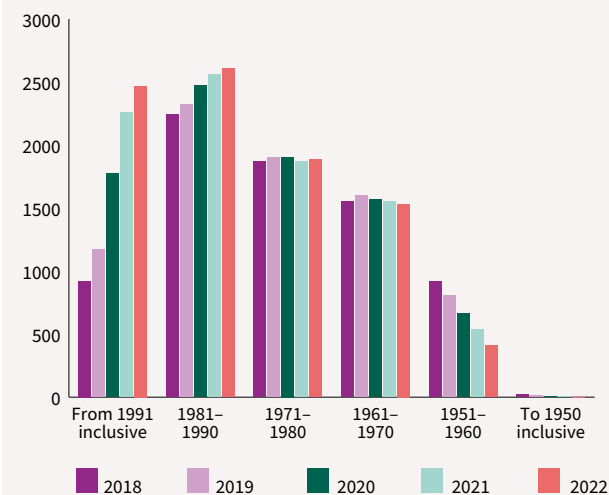


Actively-employed members

Position title	2022	Change from 2021
Pharmacy manager	1,065	-7
Pharmacist (Master)	1,688	146
Pharmacist (Bachelor)	1,696	-5
Pharmacy technician	4,244	-40
Office/Driver/Cleaning	210	29
TOTAL	8,903	123

The table shows the distribution of actively-employed members by position title.

Actively-employed members by year of birth



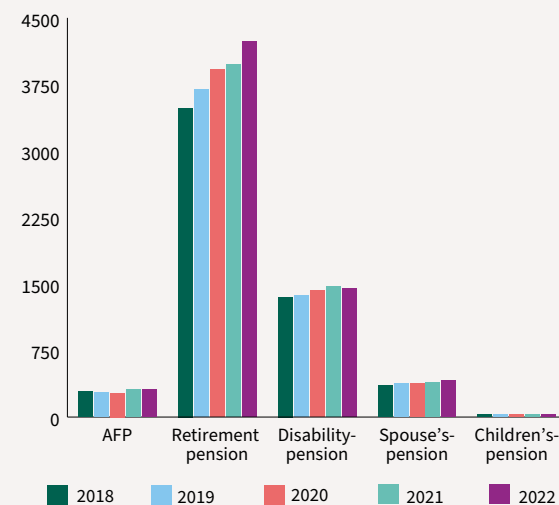
The chart shows the development in the number of actively-employed members in the pension scheme by year of birth from 2018 until today. The older age groups are moving out of the scheme, while the younger ones are entering.

Pensions paid in 2022

Type of pension	Gross paid	Coordination deduction	Net paid
Retirement pension	816	489	327
Disability pension	76	2	74
Dependents' pension	45	21	24
Total	937	512	425

The table shows the amount of pension benefit payments made in 2022, grouped by type of pension. The amounts are in millions of NOK. The gross amount shows the total amount paid by the National Insurance Scheme and the Pension Scheme for the Pharmacy Sector. The net amount shows the Pension Scheme for the Pharmacy Sector's share.

Pensions



The graph shows the development in the number of pensioners over the last five years. Retirement pension receivers account for most of the growth, but the number of disability pensioners has also increased somewhat in recent years.

The Pension Scheme for the Pharmacy Sector

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