

Ejer	Bestyrelsen	Dato for godkendelse	25 marts 2022
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Aflønningspolitik i Danica Pension

Anvendelsesområde

Politikken gælder for Danica koncernen, det vil sige Danica Pension Livsforsikringsaktieselskab og Danica Kapitalforvaltning K/S samt alle medarbejdere i de pågældende selskaber.

En gennemgang af Danske Banks Remuneration Policy viser, at politikken i en tilrettet version dækker omfang og behov for Danica Pension.

Når der står ”The Group” i denne politik, menes der Danske Bank-koncernen. Når der står ”Danica Pension” i denne politik, menes der alle ovennævnte Danica-selskaber. Når der står ”Board of Directors” eller ”Executive Board” i denne politik, menes der bestyrelsen eller direktionen i alle ovennævnte Danica-selskaber.

Udenlandske Danica-datterselskaber vedtager en tilsvarende politik tilrettet lokale forhold.

Politikken gøres tilgængelig internt i Danica på Portalen samt på Danicas hjemmeside.

Policy objectives and linkage to Danica Pension's strategy

The objectives of Danica Pension's Remuneration Policy are to:

- promote sustainable long-term value creation in Danica Pension and thereby support Danica Pension's ambitions of becoming the preferred "Tryghedsrådgiver" for all of Danica Pension's stakeholders; Customers, Employees, Society and Shareholders;
- ensure alignment between the interests of management, employees and the interests of Danica Pension and the shareholders by ensuring remuneration packages have a clear link to strategy; and
- support Danica Pension's ability to attract, motivate and retain qualified and high-performing employees in a competitive international market by enabling an appropriate total remuneration package.

The Remuneration Policy, including in particular the remuneration of the Executive Board, contributes to achieve Danica Pension's ambitions and long-term interests in several ways:

- 1) the applied performance criteria (KPIs) and associated targets for Danica Pension's incentive programmes are closely aligned with Danica Pension's strategy and ambitions;
- 2) the distribution between bonus payments in cash and shares seeks to ensure a balance between short-term and long-term results; and
- 3) the variable pay from the Incentive programme provides a strong incentive to look after Danica Pension's long-term interests. In particular, the fact that the share-based incentive pay for the Executive Board is deferred over a 4 year period including other material risk takers, and further retained for a period of 6 months including other material risk takers, ensures that the Executive Board and other material risk takers are continuously exposed to the development of The Group's share price.

Danica Pension's general incentive structure supports Danica Pension's business strategy including the risk strategy and the risk appetite across all risk types such as credit, market, sustainability, operational, liquidity, reputational and other risks identified by Danica Pension. The Policy and Danica Pension's incentive structures focus on ensuring sound and effective risk management through:

- a stringent governance structure for setting goals and communicating these goals to employees;
- alignment with Danica Pension's ambitions, and key priorities on short and longer term basis;
- alignment with the principle of protection of customers, shareholders and Alternative Investment Funds managed by Alternative Investment Fund Managers ensuring prevention of conflicts of interest;
- ensuring that the total bonus pool does not undermine or endanger Danica Pension's capital base by including the policy and incentive structures in the capital and liquidity planning and setting; and
- ensuring that incentives to take risk are balanced with incentives to manage risk and ensuring that remuneration is aligned to risk and actual performance.

Corporate Governance

Various control and compliance functions within The Group and Danica Pension are involved in the process with regard to the implementation of the Policy and incentive structures to ensure that risk, capital and liquidity limits are not exceeded. The Group's Risk Committee assesses whether the incentive structure is commensurate with The Group's risks, capital and liquidity and evaluates the probability and timing of the remuneration.

A bonus pool is allocated in the budget for performance-based remuneration. The bonus pool is approved as part of the budget.

The Group has established effective control procedures in order to ensure that payment of variable remuneration is conducted in accordance with guidelines set by the Board of Directors, if any, applicable incentive structures and applicable regulation. The practices and procedures with regard thereto are clear, well-documented and transparent, and the procedures are subject to at least one independent review annually by Group Internal Audit.

Remuneration – all employees

At least annually, during the performance and appraisal dialogues, the individual employees and managers evaluate and document performance in the past period/ year and set new goals. Decisions on adjustment, if any, of the employee's base salary or on annual variable pay are made on the basis of these dialogues.

The general remuneration components are:

- Base salary
- Fixed allowances
- Pension schemes and other benefits
- Variable remuneration e.g. short-term and long-term incentives
- Exceptional remuneration components

Base salary

Base salary is determined on the basis of the role and position of the individual employee, including professional experience, seniority, education, responsibility, job complexity, local market conditions, etc. Base salary is payable mainly in cash but can in specific cases be payable partly in shares or other instruments as required by relevant legislation or Danica Pension's Policies.

Fixed allowances

Fixed allowances are used, but are limited to allowances governed by collective agreement or otherwise approved by Danica Pension. Furthermore, allocation of such allowances are governed by the "Remuneration Governance".

Pension schemes and other benefits

Pension schemes guarantee employees a basic cover in the event of critical illness or death and pension payments upon retirement. In general, employees are covered by mandatory defined contribution plans with a pension insurance company. The pension contributions of employees subject to collective bargaining agreements are regulated by the collective agreement. Further, pension schemes are construed and offered to employees in accordance with local practises and regulation.

Other benefits are awarded on the basis of individual employment contracts and local market practice. As a main rule, Danica Pension has set guidelines in order to align benefits/routine packages offered to employees in various employment levels within Danica Pension. The benefit offered to certain groups of employees could be mobile telephone, internet, newspaper, company car, health insurance and health checks, assistance from health providers and other benefits in kind, such as insurance cover and/or indemnification for costs related to the conduct of certain employees during the employment.

Variable remuneration

Variable remuneration supports driving the right behaviour according to our purpose and cultural commitments, and reward performance in line with Danica Pension's strategy and ambitions. Danica Pension's incentive programmes include performance targets at Group, Unit (or Alternative Investment Fund Manager/Management Companies), and at individual level, where relevant. As a minimum, this applies to material risk takers.

Danica Pension's incentive structures are overall divided into:

- 1) Management programmes (KPI scorecards);
- 2) Profit pools for revenue producing units (e.g. Capital Market and Asset Management programmes); and
- 3) Employee award programme

Variable remuneration must be based on an assessment of the performance against predetermined KPIs and targets. Dependant on the field of employment, Danica Pension sets and uses an appropriate balance of financial, non-financial, absolute, relative, internal and external KPIs, balancing short-term and long-term objectives. Risk KPIs are further applied to ensure a strong risk management and compliance culture, facilitating Danica Pension's commitment to integrity. Examples of KPIs are listed below:

- return on equity (RoE)
- profit
- cost/income ratio and/or other cost related measures
- customer satisfaction relative performance against peers
- compliance with legislation and/or internal business/ conduct procedures
- observance of The Group's and business units' risk management and compliance culture
- actions and performance which supports the achievement of Danica Pension's ambitions
- diversity and inclusion
- employee engagement
- sustainability metrics, including sustainability risk metrics relevant to the management of investments and liabilities
- expected loss or similar risk measures

The KPIs are designed to prevent conflicts of interest and thus ensure that employees are remunerated in alignment with serving the best interest of all stakeholders, inclusive of customers. Employees are not incentivised to sell specific products to customers if other products would serve the customers better or be more suitable for the customer in accordance with best practice, customer analyses, etc. Where applicable, the Group has implemented a prohibition of employees being remunerated on sale of specific products.

A qualifying mechanism is installed to ensure variable pay lapses in general if The Group is loss bearing during a year. Further, if individual beneficiaries act in conflict with behavioural expectations, e.g. misconduct, the Executive Board, subsequently the Board of Directors will reduce any earned bonus partly or in full.

The Board of Directors has determined a maximum percentage of variable remuneration relative to the fixed remuneration in order to ensure an appropriate balance between fixed and variable pay. This percentage varies according to the type of position held by the employee and the business unit in which the employee is employed and local requirements. The maximum limit on variable remuneration remains at 200% of fixed remuneration including base salary and pension. This level of variable remuneration will, in practice, apply only to a small minority of employees and be offered only to enable Danica Pension to match market terms. The limit is reduced in jurisdictions where a lower maximum cap is required by applicable legislation. Most employees covered by incentive schemes have a cap on variable pay at 25%. Furthermore, certain employees and senior management are comprised by a variable pay limit of up to 50% of the base salary, possibly inclusive of pension. Calculating the ratio between fixed and variable remuneration, institutions are, pursuant to applicable legislation, allowed to apply a discount rate of 25% subject to requirements for deferral and instruments. However, The Group does not apply this notional discount rate.

Variable remuneration may be disbursed as cash bonus, shares, share-based instruments, including conditional shares and other generally approved instruments, all on the basis of applicable local legislation. Where relevant and applicable, the Board of Directors has determined certain minimum thresholds according to which bonuses exceeding the thresholds shall be split into cash and shares or other adequate financial instruments. In accordance with the proportionality principle set forth in applicable regulation, the thresholds and the split vary within different business units and positions and are set according to the employees' impact on the specific risk profile, market practice within the business unit in question and in order to offer competitive remuneration packages. However, alignment of the interests of the employees, The Group, the customers and the shareholders, Alternative Investment Funds and/or UCITS managed by management companies is always ensured.

Variable remuneration is awarded in a manner, that promotes sound risk management, includes ex-post risk adjustments and does not induce excessive risk-taking. This means that if the variable remuneration exceeds the minimum threshold determined by the Board of Directors the variable pay will be split in shares (or other instruments) and cash, part of which will be deferred in accordance with national legislation and Danica Pension's guidelines. Further, the default accrual period for short-term variable remuneration is one year. For a limited number of employees the accrual period is two years.

Deferral varies on the basis of position, geography and amount, from three to four years. Employees receiving variable remuneration over a certain threshold will have the part of the variable remuneration exceeding the threshold granted in conditional shares or other applicable instruments and deferred for one to three years. For material risk takers, deferral is applied according to mandatory legislation and Group policies. The Executive Board is subject to at least four years' deferral. The deferral period for other material risk takers has been assessed, the purpose being to ensure adequate ex-post risk adjustment according to applicable legislation. Given the nature of the business, the business cycle, its risks, the individual's activities and applied pay-out structures, including back testing and claw back provisions, a general deferral period of at least four years has been decided.

Non-disbursed variable components are subject to back testing (as a minimum for employees identified as material risk takers). Back testing criteria are determined by Group HR in accordance with applicable law.

Concerning all employees, disbursed as well as non- disbursed components are subject to claw back if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate.

Variable remuneration is awarded by ensuring:

- an appropriate balance between fixed and variable components;
- that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the variable component possible;
- that no hedging of deferred shares takes place for employees who are identified as material risk takers; and
- that material risk takers cannot dispose of the share- based instruments for an appropriate period of time after transfer of the instruments to the risk taker.

Exceptional remuneration components

Exceptional remuneration components such as buyout, sign-on fees as well as retention awards and guaranteed bonus are granted only in exceptional cases.

Any buyout or sign-on fee is agreed in connection with the employment and is not granted for periods longer than one year. Further, buyout, sign-on, retention and guaranteed bonus are subject to and paid in accordance with relevant legislation applicable for both Group and for local entities. Such remuneration may not exceed one year's gross salary inclusive of pension, benefits and fixed supplements.

Buyouts

Buyouts are only granted in by exception. All requirements for variable remuneration apply, including deferral, retention and clawback.

Sign-on fees

Sign-on fees are only granted in by exception for attracting the key candidate at the executive level. Sign-on fees for executives are preferably paid in shares with required deferral and holding period. However, in some cases the sign-on fee can be paid in cash, or in a split between cash and shares. According to applicable legislation, as a main rule conditional on the executive not resigning within a given period of time after the pay.

Retention awards

Retention awards and guaranteed bonus are only used in extraordinary cases to retain individuals for a predefined period. The retention period must be set as a specific period or by defining an event when the retention condition should be met (e.g. restructuring, wind-down, divestment etc.). The retention awards should not be granted to merely compensate for performance-related remuneration not paid due to insufficient performance, or the institution's financial situation.

Severance payments

Severance payments are payable in accordance with relevant local legislation and applicable collective agreements. The overall policy and agreements on severance pay are determined by Group HR and relevant control functions. Severance pay constitutes an appropriate compensation for termination initiated by Danica Pension, is decided upon consideration of the individual's responsibility and decision-making powers and it is taken into account that it must not constitute a reward for failure or misconduct. Normally, severance pay is linked to seniority, as employees earn entitlement to severance pay throughout their years of service. Most employees are entitled to severance pay solely pursuant to legislation or collective agreement. Under specific individual agreements, certain key employees are entitled to additional severance pay pursuant to legislation or collective agreement of up to a maximum of 12 months' base salary while certain managers (below Executive Board-level) are entitled to a maximum of up to 24 months' base salary.

For the avoidance of doubt and subject to applicable legislation and collective bargaining agreements, no severance payment agreed from 1 January 2015 onwards may include any variable remuneration, pension or other benefits. Further, unless otherwise required by law, collective agreements or agreements entered into prior to 1 January 2018, severance pay, inclusive of salary during a notice period, cannot exceed a total of two years' salary and benefits.

Remuneration of the Board of Directors

In line with market practice, members of the Board of Directors receive a fixed annual base fee. No member of the Board of Directors is entitled to receive any variable remuneration, or pension contribution except for the members elected by the employees, or where required in accordance with local regulations. Employee elected members of the Board of Directors, in their role as employees of Danica Pension, are entitled to variable remuneration and staff benefits in accordance with their peers in Danica Pension.

In addition to the Board of Directors' fixed fees to members of the Board of Directors and Committees, Danica Pension may pay social duties and similar taxes levied by foreign authorities in relation to the directors' fees. Danica Pension may also pay any outlays and travel expenses incurred in connection with a Director's discharge of his or her duties as a member of the Board of Directors. Further, Danica Pension may pay costs associated with granting telephones, newspapers, safe boxes and security facilities installed at the private addresses of the members of the Board of Directors as deemed necessary by the Board of Directors in order to protect the individual member of the Board of Directors and to safeguard the interests of Danica Pension and its customers. Danica Pension will pay all costs associated with the above security facilities, including tax, if necessary, instalment of equipment, monthly fees etc. Further, members of the Board of Directors could be offered insurance cover and/or indemnification for costs related to the conduct while they are members of the Board of Directors.

The Board of Directors submits proposals for remuneration of the members of the Board of Directors to the Annual General Meeting for approval every year.

Remuneration of the Executive Board

The remuneration of the Executive Board reflects The Group's desire to attract, motivate and retain qualified members of the Executive Board, and to offer a competitive total remuneration package with an appropriate balance between fixed and variable pay.

In connection with the annual assessment of the remuneration of the Executive Board, developments in market practice are assessed. The Chairman of the Board of Directors proposes to the Board of Directors for approval remuneration of the CEO of Danica Pension on a recommendation from the Head of Personal Customers (P&BC until May 1 2022) with grand parenting from Danske Bank's CEO. The Chairman of the Board of Directors also proposes to the Board of Directors for approval remuneration of CFO, CCO and COO at Danica Pension on a proposal from the CEO of Danica Pension with grand parenting from Head of Personal Customers (P&BC until May 1 2022).

The remuneration of the Executive Board may consist of:

- Base salary
- Pension and other benefits
- Incentive programme
- Exceptional remuneration components

Base salary

Base salary is the guaranteed cash awarded to the members of the Executive Board on a monthly basis. The level of base salary reflects the nature of the role in terms of responsibility and complexity in combination with the individual ExBo member's experience and contribution to Danica Pension in terms of long-term sustainable value creation.

Once a year the Board of Directors reviews the base salary level of the Executive Board. Off-cycle reviews and adjustments may be conducted on request and is subject to approval by the Board of Directors.

Pension and other benefits

Members of the Executive Board will be comprised by a Group pension scheme according to which a fixed percentage (20%) of the salary will be paid into the collective pension scheme entitling the Executive member to appropriate pension payment upon retirement. In some cases, pension is paid to the Executive as a cash allowance.

In addition to the general benefits offered to Danica Pension's employees, the Executive Board are entitled to additional benefits, however, subject to individual agreements. Two examples are included below:

Security: security arrangements are provided for the Executives as deemed necessary by the Board of Directors in order to protect the individual Executive and to safeguard the interests of Danica Pension and its customers.

Insurance: Insurance cover/or indemnification for costs related to the conduct during the employment.

Incentive programme

The purpose for the ExBo incentive programme is to incentivize the achievement of certain annual KPIs and targets for the relevant year, guided by the longer-term ambitions.

The KPIs and targets applied for calculating bonus are decided in advance of the performance period, usually in December.

In connection with the year end process, the annual performance is assessed as actual results achieved against the predetermined targets and may include audited financial figures.

Performance for any qualitative KPI(s) will be at the Board of Directors' discretion, if applicable. In case of extraordinary circumstances and/or unforeseen events, the Board of Directors may decide to deviate from the KPI results and targets. The target pay-out is set at 25% of members of the Executive Board individual base salary. The pay-out opportunity ranges from 0% to 50% (max). In line with applicable regulation, variable remuneration is subject to rules on split payments (cash and shares) and deferral (4years deferral and 6 months retention). Further, all variable remuneration is subject to back testing and malus.

The performance of Executive Board members is assessed once a year based on written performance agreements in accordance with the earlier described criteria containing both financial and non-financial KPIs. The yearly variable remuneration to members of the Executive Board cannot exceed the limit of 50% of the yearly base salary, however, subject to applicable legislation.

Exceptional remuneration components

Exceptional compensation elements such as buyout and sign-ons are described for all employees earlier in the Policy and applies for the ExBo as well. The exceptional components for members of the ExBo are subject to individual agreements and relevant regulations.

Notice terms

As a main rule, the CEO is entitled to a notice period upon termination from Danica Pension of 12 months, and to terminate his/her own position with a notice of 6 months (effective as of 1 January 2022). Other members of the Executive Board have notice of termination under the Danish Salary Employees Act plus two months. During such notice period, the Executive Board members are only entitled to full salary and benefits to the extent the Executive does not obtain other income during the notice period. CEO of Danica Pension Executive Board is not entitled to severance pay, however the other members of the Executive Board may have this under individual contracts.

The Remuneration Report and/or the Annual Report specifies the Executive Board remuneration.

Material risk takers and control functions

The remuneration of material risk takers and employees in control functions is subject to specific conditions laid down in applicable national legislation, EU rules and relevant guidelines.

Once a year, subject to the policy of conducting an annual assessment process, where applicable on a consolidated, sub-consolidated and individual institution basis, the Board of

Directors designates employees in Danica Pension's internal control functions and employees who are material risk takers.

In accordance with the regulations applicable, the designation of material risk takers is made subject to internal criteria set by the Board of Directors and regulatory qualitative and quantitative criteria. Members of the Executive Board and the Board of Directors are appointed material risk takers on an ongoing basis.

To the extent control functions are comprised by incentive schemes, Danica Pension ensures that control functions are remunerated for delivering their best performance in the specific role and that the variable remuneration does not compromise employees' objectivity and independence.

Remuneration comprised by other special regulation

Special legislation regulates the Alternative Investment Fund Managers within The Group. Variable remuneration to any such employees is created in order to ensure compliance with regulation within this area.

Under certain conditions, incentives in the form of carried interest payable from such Alternative Investment Funds to the Alternative Investment Fund Managers are exempted from this Remuneration Policy and are paid in accordance with applicable legislation.

The assessment of performance of Alternative Investment Fund Managers is set in a multi-year framework appropriate to the life cycle of the Alternative Investment Funds managed by the Alternative Investment Fund Manager. This is done in order to ensure that the assessment process is based on longer-term performance and that the actual payment of variable components of remuneration is spread over a period, which takes account of the life cycle of the Alternative Investment Funds it manages. Further, their investment risks are also taken into consideration.

Some functions within The Group are comprised by other special regulations, and performance agreements covering employees in such functions are construed in accordance with applicable mandatory law, including, but not limited to, UCITS, IDD, Solvency II, the Disclosure Regulation etc. This includes e.g. specific measures ensuring that the structure of remuneration does not provide incitement to take excessive risks as governed by the risk management framework with respect to environmental, social or governance events or conditions with actual or potential negative impact on the value of clients' investments, or as relevant the value of liability, adjusting as relevant the variable remuneration to address such exposure.

Finally, to the extent bonus is agreed on in collective agreements between The Group or employer organisations and unions, any such agreements will, to the extent necessary, be exempted from this Policy in accordance with EU and national legislation.

Diversity and equal pay

An employee's total remuneration package is determined on the basis of the role and position of the individual employee, professional experience, seniority, education, responsibility, job complexity, local market conditions, the results of The Group, the business unit in which the employee is employed and the individual's performance, etc.

The Group has for several years adopted a strategy and policy on Diversity and Inclusion which is implemented in Danica Pension. The objectives of that Policy imply that the remuneration of individuals is set with no regard to gender, race, ethnic origin, political views, sexual orientation, age or other discriminatory factors. The Group constantly strives to promote equality within The Group both with respect to employment, career development, promotions, equal pay etc. This implies that to overcome gender pay gaps, The Group does not focus only on pay but more broadly on diversity and inclusion to ensure a more even distribution of women in particularly higher managerial positions and in positions within professional areas with higher market remuneration levels. The Group has implemented numerous initiatives to achieve its ambitions within diversity and equal pay and regularly performs internal reviews in order to ensure that The Group lives up to the set strategy and targets. Further information on this can be found in the Sustainability report at danskebank.com.

Non-employees of The Group

When cooperating with non-employees of The Group, such as agents, independent contractors/consultants, temporary workers from temp agencies etc., The Group strives to ensure that the terms and conditions in the contract lives up to The Group's business and risk strategy, long-term interest of The Group, purpose, cultural commitments, avoid conflict of interests and does not encourage excessive risk-taking or the mis-selling of products. Accordingly, as an overall starting point non-employees are remunerated with a fixed hourly fee or a fixed project fee and do not receive variable pay. In alignment with the above set criteria the Chief Procurement Officer can in extraordinary and exceptional cases decide to deviate from fixed remuneration and agree on project bonuses etc. However, in any and all cases such bonus shall respect the criteria above and may not reward any kind of failure or misconduct/non-compliance with Danica Policies on behalf of the non-employee.

Miscellaneous

To the extent legally acceptable under applicable law, the Board of Directors may deviate from this Policy in individual cases, if justified by extraordinary and exceptional circumstances.

Some entities and units within The Group have remuneration policies and guidelines that apply in addition to The Group's Remuneration Policy. Such entities may implement policies that deviate from The Group Policy in order to meet local requirements and practises, for example to set different caps for variable remuneration, to extend periods of deferral for variable remuneration or to apply access or restrictions regarding the use of instruments. However, if employees in any such entity have a significant impact on The Group's risk profile, The Group will ensure that the variable remuneration to any such employees fulfils the requirement set out in this Policy and applicable legislation. Any material deviations from this policy must be reported to the owner of the Policy.

Evaluering

Aflønningspolitikken gennemgås årligt af bestyrelsen og ændringer vedtages af generalforsamlingen.