

Owner	CEO	Date of approval	28 March 2023
Administrator	HR Legal SE	Next review date	March 2024
Approved by	Board of Directors DH		[4.0]
Policy No:	5.4		

*This Remuneration Policy has been prepared in accordance with Swedish regulation (FFFS 2011:1) in addition to the Danske Banks Groups Remuneration Policy and governance.*

*This policy, including the amendments made, is adopted by the Board of Directors of Danske Hypotek AB [publ] the "Company" on 28th March, 2023. When the word "business unit" is used, it shall be read as "the Company".*

*All of the paragraphs are not applicable for the Company and others have additional or justified requirement according to national legislation.*

*Amendments has been made to the following paragraphs:*

- *The remuneration practices and the Remuneration policy are gender neutral*
- *Introduction, objectives and the Group Strategy*
- *Remuneration Committee*
- *Definition of MRT and rules for deferral of variable pay*
- *Remuneration of the Board of Directors*
- *Miscellaneous - discloses and information of the Company's remuneration policy*

*Following paragraphs are not applicable for the Company:*

- *Remuneration to Executive Leadership Team*
- *Remuneration comprised by other special regulation*

# Remuneration Policy

## Introduction

This Remuneration Policy has been prepared in accordance with Swedish regulation (FFFS 2011:1) and aligned with the Danske Banks Groups Remuneration Policy in accordance with Sections 139 and 139a of the Danish Companies Act and 77d(1) in the Danish Financial Business Act.

The Remuneration Policy 2022 sets the framework for remuneration in Danske Bank Group and applies to all the Group's employees. The policy outlines the principles of the total remuneration by components and how the policy supports the achievement of the Group's strategy, long term interest and sustainability.

The Remuneration Policy is submitted for approval at the annual general meeting in March 2022 and will apply until the annual general meeting in 2026, unless material amendments are proposed or the Board of Directors otherwise determines that a revised Remuneration Policy should be brought for vote at an earlier General Meeting.

The remuneration practices and the Remuneration Policy are gender neutral.

## Policy objectives and linkage to the Group's strategy

The objective of the Group's Remuneration Policy is to:

- promote sustainable long-term value creation in the Group and thereby support Danske Bank's ambitions of becoming a Better Bank for all of the Group's stakeholders; customers, employees, society and shareholders
- ensure alignment between the interests of management and employees and the interests of the Group and the shareholders by ensuring that remuneration packages have a clear link to strategy
- support Danske Bank'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 Leadership Team, contributes to achieving the Group's ambitions, and long-term interests in several ways:

- 1) The applied performance criteria (KPIs) and associated targets for the Group's incentive programmes are closely aligned with the Group'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.
- 3) The share-based incentive pay under both the Short-Term-Incentive programme ("STI") and the Long-Term-Incentive programme ("LTI") provides a strong incentive to look after the Group's long-term interests. In particular, the fact that the share-based incentive pay for the Executive Leadership Team is deferred over a 5 year-period (four years for other material risk takers), and further retained for a period of minimum one year (six months for other material risk takers), ensures that the Executive Leadership Team and other material risk takers are continuously exposed to the development of the Group's share price.

The Group's general incentive structures supports the Group's business strategy including the risk strategy and the risk tolerance across all risk types such as credit, market, , operational, liquidity, reputational and other risks identified by the Group. The policy and the Group's incentive structures focus on ensuring sound and effective risk management through the following:

- a stringent governance structure for setting goals and communicating these goals to employees
- alignment with the Group'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 conflict of interests
- ensuring that the total bonus pool does not undermine or compromise the Group's nor the Company's capital base by including the policy and incentive structures in the capital and liquidity planning and setting
- ensuring that incentives to take risk are balanced with incentives to manage risk and ensuring that remuneration is aligned with risk and actual performance

*The above paragraph shall have the following amendment also applicable for the Company:*

*The policy and the Group's general incentive structures further ensure transparency in respect of the Group's and the Company's reward strategy. As a main rule, individual performance agreements (if any) are entered into with employees comprised by incentive schemes. On the basis thereof said employees have clear and predetermined KPIs, which are set in accordance with the Group's and the Company's overall strategy and applicable*

*regulation. Further, transparency is ensured by the Company's disclosure of this remuneration policy on its web site and by disclosure of the Annual Report. The Company's incentive schemes and procedures is part of the Group's published bonus procedures and guidelines.*

## Remuneration Committee

### **[Not applicable paragraph for the Company]**

The Board of Directors has established a Remuneration Committee. The Remuneration Committee works as a preparatory committee for the Board of Directors with respect to matters concerning remuneration. In particular, the Remuneration Committee focus on the Group's Remuneration Policy, the structure and governance of the incentive programmes as well as the remuneration of members of the Board of Directors, the Executive Leadership Team and key employees. These include; material risk takers, employees in charge of control and internal audit functions, and the employees receiving the highest remuneration. The Remuneration Committee's charter lays down the responsibilities of the remuneration Committee and is published at our website.

The Remuneration Committee consists of four members, of whom one is the Chairman of the Board of Directors. The Chairman of the Board of Directors is also the Chairman of the Remuneration Committee. Another member of the Remuneration Committee is an employee elected member of the Board of Directors. Other members of the Board of Directors, the Executive Leadership Team, and relevant employees of Danske Bank, such as Head of Total Rewards, participates in meetings of the Remuneration Committee at the request of the committee. Further, the Company Secretariat acts as secretariat to the Remuneration Committee. The composition of the Remuneration Committee, as well as the committee members' record of attendance are available on our website, [Committee meetings \[danskebank.com\]](https://www.danskebank.com/Committee-meetings).

The Remuneration Committee meets as a minimum three times a year.

*The above paragraph shall have the following wording applicable for the Company:*

*The Board of Directors of the Company has appointed a certain board member to assess the remuneration policy and the Company's incentive structures. A reference to the "Remuneration Committee" shall when applicable be read as the "appointed board member".*

## Corporate governance

Various control and compliance functions within the Group 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.

**[Not applicable paragraph for the Company]** On the basis of the recommendation of the Remuneration Committee, the Board of Directors reviews, considers and approves the incentive structure for the coming year. The aggregate bonus spend which is made up of bonus accrued under said structures is approved once a year by the Board of Directors based on basis of the recommendation of the Remuneration Committee.

*The above paragraph shall have the following wording applicable for the Company:*

*On the basis of the recommendation of the appointed board member, the Board of Directors of the Company decides on the performance based remuneration to all of the employees.*

The Group has established effective control procedures in order to ensure that payment of variable remuneration is effected in accordance with guidelines laid down 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 annual independent review annually by Internal Audit.

## Remuneration – all employees

At least once a year, during the performance and appraisal interviews, the individual employees and managers evaluate and document performance for 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 interviews.

The remuneration components are:

- base salary
- fixed allowances
- pension schemes and other benefits
- variable remuneration such as Short- term Incentive Programme and the Long -term incentive Programme
- 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. The base salary is payable mainly in cash but can in specific cases be paid partly in shares or other instruments as required by relevant legislation or the Group's policies.

### Fixed allowances

Fixed allowances are used but are limited to allowances governed by collective agreement or otherwise approved by the Group. The allocation of such allowances is governed by 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 set up 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, the Group has set guidelines in order to align benefits/routine packages offered to employees in various employment levels within the Group. 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 facilitating the right behaviour according to our purpose and cultural commitments and rewards performance in line with the Group's strategy and ambitions. The Group's incentive (or the Alternative Investment Fund Managers/Management Companies)

and at individual levels. All incentive programmes in the Group include performance at all three levels, where relevant. As a minimum, this applies to material risk takers.

The Group'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 programmes.

Variable remuneration must be based on an assessment of the performance against pre-determined KPI's and targets. Depending on the field of employment, the Group 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 the Group's commitment to integrity. Where relevant, this means that the Group integrates sustainability risks into the existing KPI structures of variable remuneration programmes, so that the variable pay for individuals covered by such programmes, will partly depend on sound risk management and/or compliance to group policies covering sustainability risks,

Examples of KPIs are listed below:

- return on equity (RoE)
- profit
- cost/income ratio and/or other cost related measures
- relative customer satisfaction performance measured 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 supporting the achievement of the Group's ambitions
- diversity and inclusion
- employee engagement
- sustainability
- 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, including those of customers. Employees are not encouraged 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 ban of employees being remunerated on the basis of sales of specific products.

A qualifying mechanism may be installed to ensure that variable pay lapses in general, if the Group incurs losses during a year. Further, if individual beneficiaries act in conflict with behavioural expectations such as. misconduct, the Executive Leadership Team, subsequently the Group's Remuneration Committee may 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 at which the employee works 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 the Group 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 subject to a variable pay limit of up to 50% of the base salary, possibly inclusive of pension. When 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 in the form of a 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 set certain minimum thresholds according to which bonuses exceeding the thresholds must be split into cash and shares or other adequate financial instruments. In accordance with the proportionality principle set forth in applicable legislation, 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, which 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 or Group'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, while long-term incentive programmes may have an accrual period of up to three years.

Deferral varies on the basis of position, geography and amount, from three to seven years. Employees receiving variable remuneration over a certain threshold will receive the part of the variable remuneration exceeding the threshold in the form of 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 Leadership Team is subject to a period of deferral of at least five years. 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 clawback provisions, a general deferral period of at least four years has been determined.

*The following shall apply for the Company regarding deferral. All of the Company's employees are considered as material risk takers within the Company, but not the Group and therefore due to Swedish legislation a minimum of 40 % of all variable remuneration in an amount in SEK equivalent to more than EUR 50 000 or more than a third of the employees total yearly variable remuneration shall be deferred for a minimum of five years. For material risk takers subject to "high" amount of variable remuneration, 60 % of all variable remuneration shall be deferred.*

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

In regard to all employees, disbursed as well as non-disbursed components are subject to clawback 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
- 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

Long-term incentives (LTI) can be applied to certain employees. The LTI may be subject to other/additional criteria, such as creation of shareholder value, that is, the remuneration is based on a rolling three-year performance on total shareholder return against peers.

### **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. Furthermore, buyout, sign-on, retention and guaranteed bonus are subject to- and paid in accordance with relevant legislation applicable to both Group and local entities. Such remuneration may not exceed one year's gross salary inclusive of pension, benefits and fixed supplements.

#### *Buyouts*

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

#### *Sign-on fees*

Sign-on fees are granted only by exception to attract 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 the form of a split between cash and shares. According to applicable legislation, the main rule is that the executive may not resign within a given period of time after the payment.

#### *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 criteria should be met (such as 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 the Group and 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 become eligible for 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 Leadership Team-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 must 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.

#### **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 the Group'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 local Remuneration Committees and regulatory qualitative and quantitative criteria. Members of the Executive Leadership Team and the Board of Directors are appointed material risk takers on an ongoing basis.

*All of the employees in the Company are members of the management team and are appointed material risk takers, including the Board of Directors of the Company, due to the Commission delegated regulation (EU) 604/2014.*

*The Company conducts annually a self-assessment in order to identify all staff whose professional activities have or may have a material impact on the institution's risk profile.*

To the extent control functions are comprised by incentive schemes, the Group 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**

*(Not applicable for the Company)*

### **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 can be found at [danskebank.com](https://www.danskebank.com). 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 Responsibility report at [danskebank.com](https://www.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, culture commitment , 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 Group policies on behalf of the non-employee.

## Remuneration of the Board of Directors

***(Not applicable for the Company)***

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 Danske Bank, are entitled to variable remuneration and staff benefits in accordance with their peers in the Group.

In addition to the Board of Directors' fixed fees to members of the Board of Directors and Committees, Danske Bank may pay social duties and similar taxes levied by foreign authorities in relation to the directors' fees. Danske Bank 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, Danske Bank 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 Danske Bank and its customers. The Company 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 during the employment.

Based on the recommendation of the Remuneration Committee, 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.

*The above paragraph shall have the following wording applicable for the Company:*

*Members of the Board of Directors not employed within the Group receive a fixed fee. Such Board members are not covered by incentive programmes and do not receive performance-based remuneration. The fees are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Company's size and complexity, the responsibilities and the time the Board members are expected to allocate to discharge their obligations as Board members. No pension contributions are payable on Board members' fees.*

## Remuneration of the Executive Leadership Team

***(Not applicable for the Company)***

## 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.

**(Not applicable paragraph for the Company)** Once a year at [danskebank.com](https://danskebank.com), the Group discloses information on the Group's remuneration practices and the remuneration to individual members of the Board of Directors and the Executive Leadership Team and on aggregated level for other material risk takers.

*The above paragraph shall have the following wording applicable for the Company:*

*Once a year at [danskehypotek.se](https://danskehypotek.se), the Company discloses its remuneration policy and thereby informs on the Company's remuneration practices. Information on the Group's procedures on Remuneration is also available for employees on the Group's intranet.*