



CODAN A/S REMUNERATION REPORT 2013

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Remuneration rules

With effect from 1 January 2011, new rules introduced an obligation for financial undertakings to draw up a remuneration policy, including rules on the payment of variable remuneration to the Board of Directors, Board of Management and material risk takers. Codan A/S ('Codan', the 'Company') has implemented the new rules and observes the special restrictions applicable to the remuneration of the Board of Directors, the Board of Management and material risk takers. Consequently, the Company complies with the provisions of sections 71 and 77a-d of the Danish Financial Business Act (*Lov om finansiel virksomhed*).

In accordance with section 77d of the Danish Financial Business Act, information about the total remuneration for members of the Board of Directors and the Board of Management is provided in the annual report. The information to be published under the remuneration rules is also available on the website www.codan.dk under 'Løn i Codan' (remuneration in Codan). The Company's remuneration rules are also published in this document.

Background

Codan A/S is the parent company of Codan Forsikring A/S ('Codan Forsikring') and Trygg-Hansa Forsikring AB ('Trygg-Hansa'). Codan is thus included in the group (the 'Group') with these companies.

Remuneration policy

23 April 2014, Codan's Board of Directors adopted an updated remuneration policy (the 'Remuneration Policy'), which applies to Codan A/S and its Danish subsidiaries. The policy was approved at the Company's general meeting on 25 April 2014. The purpose of the Remuneration Policy is to establish general rules on the structuring of remuneration programmes in Codan. The Remuneration Policy covers senior employees and material risk takers in Codan, Codan Forsikring A/S and Forsikrings-selskabet Privatsikring A/S.

Decision-making process

The Remuneration Policy and the respective remuneration programmes covered by the Remuneration Policy are laid down by Codan's Board of Directors. Codan's Board of Directors controls the remuneration of the Chief Internal Auditor.

Codan's and Codan Forsikring A/S's Boards of Directors have appointed a special committee, the Joint Nomination/Remuneration Committee, consisting of 2-4 members. The members of the committee are appointed by Codan's and Codan Forsikring A/S's Boards of Directors. From spring 2014, an employee representative will also join the committee, see section 77e(5) of the Danish Financial Business Act. The committee is responsible for preparing important remuneration-related decisions and for monitoring the implementation of and compliance with the Remuneration Policy.

Principles of variable remuneration

The Remuneration Policy stipulates that Codan must factor in the long-term impact of the Company's variable remuneration on the Company's results. In the laying-down of the basis for remuneration, special focus must be on ascertaining whether the results may subsequently be impacted by current and future risks. In the performance follow-up, special consideration must be given to the capital and liquidity requirements agreed in advance by the Company.

The individual variable remuneration programmes must be based on individual employee performance and business unit results as well as the Group's overall results, and in some

cases the results generated by other companies in the Group. In deciding the remuneration for individual employees, Codan must take account of qualitative criteria such as the employees' compliance with the internal policies and procedures as well as their compliance with the rules of conduct to be followed in relations with clients and investors. It is also taken into consideration whether the relevant employee has participated in or been responsible for conduct which has caused Codan to suffer significant losses or whether the employee has failed to meet the fit and proper requirements.

Codan wants to strike a suitable balance between fixed and variable remuneration while at the same time aiming to ensure that a portion of all employees' remuneration is based on employee performance.

Finally, Codan focuses on the size and costs of the extra capital required to cover the risks affecting the results for the period, the size and costs of the Company's liquidity risks and the possibility that future earnings prospects are not realised. In certain cases, the variable remuneration may be fixed at zero.

CODAN'S VARIABLE REMUNERATION PROGRAMMES 2013

Codan has a number of variable remuneration programmes which reward the employees in both the short and long term.

Short-term programmes

Since 2006, staff in the Danish part of 'the Group' have been covered by a short-term bonus scheme (the 'Bonus Scheme'), which is agreed between Codan Forsikring A/S and the staff association in Codan and its Danish subsidiaries and revised annually. As a main rule, all employees in Codan are covered by the Bonus Scheme, apart from employees in control functions (including Internal Audit), who are not covered. The purpose of the Bonus Scheme is to support Codan's performance management work, to reward a good work effort and to attract and retain competent employees. The result for the individual employee depends on Codan's financial results as well as the employee's performance relative to individually adapted targets.

The financial results are measured via COR¹, and are included in the Bonus Scheme to create a link between value creation in the Group and in the individual business areas. The assessment of individual performance targets takes qualitative criteria into account, such as compliance with internal rules and the employee's work compared with the Group's values. The weighting in the Bonus Scheme of the Group's/individual legal units' or divisions' financial results and the individual employee's performance depends on the employee's position in the organisation.

Long-term programmes

The management may participate in RSA Insurance Group plc's (the ultimate parent) Long Term Incentive Plan ('LTIP'). The purpose of the Long Term Incentive Plan is to increase focus on and interest in RSA Insurance Group plc's long-term objectives. The design of the plan includes various types of share grant, most of which are based on performance criteria. LTIP entails typical share grants with three-year vesting and/or goal achievement periods.

¹ Combined operating ratio

RISK IMPACT OF CODAN'S REMUNERATION PROGRAMMES

The primary risk associated with Codan's remuneration programmes is linked to the variable remuneration. Codan wants to strike a balance between fixed and variable remuneration components and to ensure that the variable remuneration does not inspire excessive risk acceptance.

The variable remuneration is therefore limited to an amount or grant agreed in advance in proportion to the base salary. The portion of variable remuneration relative to the fixed remuneration generally increases in line with the level of seniority in the organisation.

To limit remuneration-related risks, the disbursement of at least 40% of the variable remuneration (60% in connection with large amounts) for material risk takers must be deferred for at least three years. The variable remuneration, the disbursement of which has been deferred, may lapse in part or in full if it turns out at a later point that the criteria on which the calculation of the variable remuneration component was based are not fulfilled at the time of disbursement, or if the Company's situation has seriously deteriorated compared with its situation at the time of the calculation of the variable remuneration, or if the relevant risk taker has participated in or been responsible for conduct which has caused Codan to suffer significant losses or if the risk taker has failed to meet the fit and proper requirements. Codan may thus refrain from disbursing deferred variable remuneration if its financial position would thereby deteriorate significantly, particularly if Codan would subsequently no longer be deemed to be a going concern.

To ensure Codan's compliance with the Remuneration Policy, Internal Audit once a year independently controls whether the remuneration paid by the Company is in accordance with the Remuneration Policy. Internal Audit reports the results of its control to the Board of Directors once a year at the time when the financial statements are complete.

Identification of material risk takers

Codan has identified the Company's group of material risk takers on the basis of the Company's risks² and the risk the individual employee may assume. The group of material risk takers consists of part of the Group Management and other material risk takers. The Company has performed a risk assessment for the 'material risk takers' group with a view to identifying staff with significant influence on the Company's risk level. Through its risk management procedure and the limits defined, the Company has adequately reduced the risk impact for other staff to ensure that these can no longer be deemed to materially impact the Company's risk level.

The Remuneration Policy, which defines the Company's material risk takers, is reviewed and updated at least once a year to ensure that the risk-taker definition is up-to-date and to identify any new material risk takers.

In 2013, Codan A/S had the following three material risk takers:

1. CEO
2. Group Director and General Counsel
3. Chief Internal Auditor

The Chief Actuary and the Investment Manager are employed by Codan Forsikring A/S, but also perform work for Codan A/S and Privatsikring A/S. The Chief Actuary's and the Investment Manager's remuneration is included in the remuneration report for Codan Forsikring A/S.

² Please refer to the annual report for a description of the Company's risks

PUBLICATION OF VARIABLE REMUNERATION COSTS 2013

Amount (DKK '000)

Reference to Executive Order no.122					Total
6	Total amount of remuneration earned in the financial year	Amount earned			7,926
Reference to Executive Order no. 122 ³			Board of Directors	Board of Management ⁴	Other material risk takers ⁵
7 a ⁶	Total fixed remuneration earned in the financial year	Amount earned	1,618	5,400	0
7 a	Total number of recipients of fixed remuneration	# of recipients	6	2	0
7 a	Total variable remuneration earned in the financial year	Amount earned	0	2,526	0
7 a	Total number of recipients of variable remuneration	# of recipients	0	2	0
7 b	Cash portion of the total variable remuneration earned	Amount earned	0	700	0
7 b	Share portion of the total variable remuneration earned	Amount earned	0	1,825	0
7 c	Amounts paid in the financial year of the total variable remuneration earned	Amount earned	0	511	0
7 c	Amounts deferred in the financial year of the total variable remuneration earned	Amount earned	0	2,014	0
7 d	Amounts allocated of the total sum of deferred variable remuneration	Amounts allocated	0	4,829	0
7 d	Amounts paid of the total sum of deferred variable remuneration	Amounts paid	0	12	0
7 d	Reduced amounts of the total sum of deferred variable remuneration	Amounts reduced	0	0	0
7 e	Total amount of remuneration paid to new employees in the financial year	Amounts paid	0	0	0
7 e	Total number of recipients of remuneration paid to new employees in the financial year	# of recipients	0	0	0
7 e	Total amount of severance pay paid in the financial year	Amounts paid	0	0	0
7 e	Total number of recipients who were paid severance pay in the financial year	# of recipients	0	0	0
7 f	Total amount of severance pay granted in the financial year	Amounts allocated	0	0	0
7 f	Total number of recipients who were granted severance pay in the financial year	# of recipients	0	0	0
7 f	Maximum amount of severance pay granted to a single person in the financial year	Amounts allocated	0	0	0

³ Codan A/S has prepared the 2013 Remuneration Report according to the Executive Order no. 122, as the company awaits further guidance from the Danish FSA regarding the Executive Order issued in March 2014

⁴ Remuneration amounts shown reflect Codan A/S' share of Board of Management expenses

⁵ Chief Internal Auditor now included to protect individual employee's remuneration

⁶ This and other lines in the form refer to section 15(1), item 7

Reported remuneration earned for 2013 is based on short-term variable remuneration earned during 2013 (paid in the first half of 2014) and long-term variable remuneration earned under RSA's Long Term Incentive Plan with allocation in the second quarter of 2013. The long-term variable remuneration is allocated in the second quarter and concerns 2013. The period for earning of remuneration relates to 2013 and represents the best possible picture of long-term remuneration earned.