Remuneration Policy on Variable Pay
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A. Context

1. Introduction

This Remuneration Policy covers Codan A/S, Codan Forsikring A/S, Trekroner A/S and Privatsikring A/S, jointly referred to as the “Danish General Insurance Group”. The companies in the Danish General Insurance Group are jointly referred to as the “Companies” and individually as a “Company”.

The policy is adopted by each of the Board of Directors and by the General Meeting.

Similar guidelines are adopted for Trygg-Hansa Försäkringsaktiebolag (publ), Sveland Sakförsäkringar AB and Holmia Livförsäkring AB (the "Swedish General Insurance Group").

The “Danish General Insurance Group” and the “Swedish General Insurance Group” will jointly be referred to as the “Group”.

With reference to the Danish Financial Business Act (the “FBA”) Section 71(1) no. 9 and 77a-77d and the Danish Executive Order on Remuneration Policy and Public Disclosure of Salaries and Remuneration, (the “EOR”), the Companies have prepared and adopted this Remuneration Policy.

Work process

In connection with preparing and implementing this Remuneration Policy, a project group has been set up with participation from Legal, Finance, HR and Compliance, and a Steering Group with participants from Denmark, Sweden, Norway and England has been appointed.

To ensure a Remuneration Policy which complies with the FBA and EOR, especially in the assessment of which job roles of the Company must be regarded as Material Risk Takers, the project group has cooperated with various external advisors, including:
- The Financial Employers organization
- The law firm Kromann Reumert
- The Consulting Firm Novare Compensation
- FSA, and
- Finansinspektionen.

The extensive analytical work has resulted in this Policy and its Appendices.

2. Purpose

The overall purpose of the Remuneration Policy is
- to create an overarching framework governing how variable pay programs are modelled in the “Danish General Insurance Group”,
- to create a policy similar to the policy adopted in the Swedish General Insurance Group,
• to ensure, that pension contribution and severance payment similar to variable pay, which is paid to the members of Board of Directors, the members of the Board of Management, employees who are Material Risk Takers, and employees in the control functions and actuaries in the actuarial department, is paid out in accordance with the rules in the “FBA” and the “EOR”,
• to have taken the relevant measures to comply with the new regulation following from the FBA and EOR, and
• to ensure a remuneration practice in compliance with sound and efficient risk management.

The intention of this policy is to comply with the relevant rules in the FBA and the EOR. Therefore, to the extent that the principles set forth in this Remuneration Policy are more restrictive than the said rules, this Remuneration Policy shall be interpreted in accordance with the interpretation of the rules in FBA and/or EOR.

3. Scope

The Remuneration Policy includes general rules on remuneration in the Danish General Insurance Group and rules on variable payment to the members of Board of Directors, the members of the Executive Management, employees who are Material Risk Takers, and employees in the control functions and actuaries in the actuarial department.

4. Validity

The Remuneration Policy is implemented with effect from 1 January 2011 and the provisions on variable pay shall apply to decisions and agreements on variable compensations made after 1 January 2011 in accordance with the provisions of the FBA.

5. Material Risk Takers

The Board of Directors of the Companies must every year assess a list on possible Material Risk Takers and decide which job roles are to be considered Material Risk Taker roles.

A Material Risk Taker is an individual who has a job role which implies that this individual in a material way may affect the risk profile of the Company or Companies in which the individual is employed and/or conduct work. The following criteria shall apply when determining whether an individual is a Material Risk Taker:

Finance:
- individual(s) who performs final sign-off on input to the Annual Accounts of the Company
- individual(s) who performs final sign-off in relation to decisions regarding the reserves of the Company
- individual(s) who has the ultimate responsibility in relation to investment decisions of the Company
- individual(s) who performs final sign-off on input to the capital model of the Company
Risk:
- individual(s) with an underwriting authority of more than DKK 25 million.
- individual(s) who has final recommendation right for the Board of Directors
- indiviudual (s) who performs final sign-off in relation to pricing decisions

Reinsurance:
- individual(s) who performs final sign-off in relation to decisions on reinsurance

Operations:
- individual(s) with an operational authority of more than DKK 30 million.

Individuals who processes and provides input to the decisions referred to above without performing the final sign-off on the said decisions are for the purposes of this Remuneration Policy considered as processors and thus not within the definition of a Material Risk Taker.

Based on the above criteria the Board of Directors have listed the individual employees or groups of employees who on the basis of their job roles are covered by the specific rules in FBA and/or EOR regarding variable payment, as well as those who are considered to be Material Risk Takers on the basis of the criteria set forth above, cf. the attached Appendix 1.

6. Remuneration Committee

Codan A/S and Codan Forsikring A/S have established a joint Nomination/Remuneration Committee. The Remuneration Committee must at all times consist of 2-4 members from the Board of Directors of Codan Forsikring A/S or Codan A/S, appointed by the Board of Directors of Codan Forsikring A/S.

The Remuneration Committee will be responsible for preparing compensation decisions, and decisions on actions to follow up on the implementation of this Remuneration Policy.

Trekroner Forsikring A/S and Forsikringsselskabet PrivatSikring A/S are not part of the said Nomination/Remuneration Committee. In relation to the said Companies, the Board of Directors of the said Companies will thus manage the tasks that the Nomination/Remuneration Committee manages on behalf of Codan A/S and Codan Forsikring A/S.

7. Guiding principles for variable compensation programs

a. The responsibility of the Board of Directors
   The Board of Directors will, when taking decisions on the structure of variable compensation programs, consider how the risks are affected and managed in the Companies.

b. Risk-taking
   Variable compensation shall be consistent with and promote effective risk management and must not encourage excessive risk taking.
c. **Long-term**
Remuneration of individual employees shall not prevent long-term interests. The total remuneration for a particular period may not jeopardize the ability to collectively report positive results over an economic cycle.

d. **Performance measurement**
The Board of Directors must consider how variable compensation in the long term can affect the business results.

When determining the basis for variable compensation it must be considered that the business result subsequently can be affected by current and future risks. The actual costs must be taken into consideration when measuring the impact on the performance. This is to maintain the capital and liquidity arising from the activities that the performance measurement concerns. Variable Compensation programs are based on both the employee's performance, the department of the employee, the Company's and/or the Group’s performance.

e. **Non-financial criteria**
When considering the remuneration of the individual employee, qualitative-based and non-financial criteria must be taken into account, including compliance with internal policies and procedures and respecting the rules of conduct towards customers and investors.

f. **Fixed and variable payment**

a. **Balance between fixed and variable remuneration**
At all times the balance between fixed and variable remuneration must be appropriate. The following factors should be considered when deciding upon the division between the variable and fixed elements:

1) the amount and cost of the additional capital required to cover the risks that affect earnings for the period
2) the extent and cost of the liquidity risk
3) the possibility that expectations about future revenues do not materialize, and

The Companies will ensure that the total amount of variable compensation does not limit the Companies’ ability to strengthen their capital base.

b. **The variable compensation elements**
When deciding on variable compensation programs, the Companies will seek and encourage a long-term value creation and apply a balanced risk horizon.

8. **Variable payment**

The principles for variable payment are set forth in Appendix 2.
9. **Restrictions – Deferral, lock-up and claw back**

The variable payment shall be made according to the rules in Appendix 2.

If any payment is made or any shares etc. are granted based on assumptions related to the results that turn out to be wrong, and the recipient knew this, the amount of the variable payment must be paid back.

10. **Individual agreements and contracts**

Provisions in individual employment agreements on variable compensation during the notice period or after the end of employment, must comply with this Policy.

Guaranteed variable compensation to Material Risk Takers shall be exceptional and only be allowed in connection with hiring new staff and then be limited to the first 12 months.

11. **Collective Bargaining agreements – Ligningslovens § 7 A**

Variable payment following from a collective agreement entered into between any of the Companies and one or more unions, is not covered by the FBA or the EOR. Thus, the restrictions otherwise applicable to variable payment according to this Remuneration Policy are not applicable to variable payments made in accordance with such collective agreements.

Any variable payment which according to FBA or EOR is not covered by the restrictions in the said acts, is not covered by the restrictions in this Remuneration Policy.

12. **Conflicts of Interest**

In the development of variable compensation programs it shall be taken into account that the compensation does not jeopardize the employee's objectivity and does not conflict with the Companies' best interests.

13. **Remuneration for Executive Management**

The Board of Directors of the Companies decides on the remuneration for the members of the Board of Management. The decisions made by the Board of Directors shall follow the guidelines included in this Remuneration Policy.

No person will be involved in decisions relating to his or her own remuneration.
14. Compensation to employees in control functions and actuaries in Actuary functions

**Control Functions**
Employees whose work is to review and control the Company activities, e.g. the risk control function, the compliance function and Internal Audit (jointly referred to as “Control Functions”), must be independent of the business entities they review and control. Further, such functions must have the appropriate powers and resources and receive compensation regardless of the business areas they review and control. Employees in Control Functions shall receive compensation that allows the employment of qualified and experienced staff for these functions. The final decision on whether to pay only fixed or also variable payment in accordance with the Company’s general employee bonus scheme to the employees in Control Functions is taken by the HR Director considering aspects such as market practice and developments in legislation.

**Actuary**
Employees working as actuaries shall be remunerated with variable payment, however, the variable payment must not depend on the financial result of a department in which the actuary is working.

15. Pension

As a principal rule the Companies enter into pension schemes with their employees according to applicable collective agreements. The Companies pension schemes are based on the contribution and not on defined pension (“tilsagnspension”).

16. Severance Payment

As a principal rule, the Companies do not enter into agreements regarding severance payment (“golden parachutes”) when entering into employment contracts with members of the Board of Directors, members of the Board of Management, employees who are Material Risk Takers, and employees in the control functions and actuaries in the actuarial department.

17. Reporting and Control

The Board of Directors must on an annual basis review this Remuneration policy and must if necessary amend the Policy.

The Board of Directors are responsible for ensuring that appropriate control processes are implemented to ensure that the Companies comply with the Remuneration Policy. The Head of Internal Audit is appointed to conduct this control, and the Head of Internal Audit shall report the result of it’s control to the Board of Directors or the Nomination/Remuneration Committee annually before the Annual Report of the Companies is published or more frequent if deemed necessary.
The Board of Directors is responsible for ensuring that the review is performed in accordance with the applicable legislation. The Nomination/Remuneration Committee can, however, conduct all work and prepare all relevant issues regarding the Remuneration Policy.

B. Mandatory requirements
This Remuneration Policy is mandatory according to the FBA.

C. Contract points for queries or guidance
The owner of this policy is responsible for yearly review and update.
Owner: HR Director, Ditte Marstrand Wulf, e-mail; dmw@codan.dk and phone:+ 45 30 37 78 40
Contact: Lawyer, Helle Nøhr Larsen, e-mail: hno@codan.dk, and phone: + 45 30 37 81 19

These guidelines have been adopted by the remuneration Committee and by the Board of Directors of the Danish General Insurance Group subject to the consent of the General Meeting.

<table>
<thead>
<tr>
<th>History</th>
<th>Author</th>
<th>Comments</th>
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<tbody>
<tr>
<td>2010</td>
<td>Helle Nøhr Larsen</td>
<td>New policy / guideline</td>
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Appendix 1

List of 1) members of Board of Management in the Danish General Insurance Group (Codan A/S, Codan Forsikring A/S, Trekroner A/S and Privatsikring A/S) 2) material risk takers in the Danish General Insurance Group, and 3) employees in control functions in the Danish General Insurance Group

Registered Executive Officers – members of Board of Management

Board of Management Codan A/S – i.e. Material risk taker

Board of Management Codan Forsikring A/S – i.e. Material risk taker

Board of Management Trekroner Forsikring A/S – i.e. Material risk taker

Board of Management Forsikringsselskabet PrivatSikring A/S – i.e. Material risk taker

Material Risk Takers
Regarding “Material Risk Taker”: the definition of a Material Risk Taker is an individual whose activities have a material impact on the risk profile on one or more companies in the Danish General Insurance Group in a material way. The following criteria shall apply when determining whether an individual is a Material Risk Taker:

Finance:
- individual(s) who performs final sign-off on input to the Annual Accounts of the Company
- individual(s) who performs final sign-off in relation to decisions regarding the reserves of the Company
- individual(s) who has the ultimate responsibility in relation to investment decisions of the Company
- individual(s) who performs final sign-off on input to the capital model of the Company

Risk:
- individual(s) with an underwriting authority of more than DKK 25 million.
- individual(s) who has final recommendation right for the Board of Directors
- individual(s) who performs final sign-off in relation to pricing decisions

Reinsurance:
- individual(s) who performs final sign-off in relation to decisions on reinsurance

Operations:
- individual(s) with an operational authority of more than DKK 30 million.

Individuals who processes and provides input to the decisions referred to above without performing the final sign-off on the said decisions are for the purposes of this Remuneration Policy considered as processors and thus not within the definition of a Material Risk Taker.
Roles assessed to be Material risk taker roles

**COO** – member of the Senior Executive Team – **Material risk taker**

**CFO** – member of the Senior Executive Team – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Director Personal Lines** – member of the Senior Executive Team – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Director Commercial Lines** – member of the Senior Executive Team – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Risk Director** – member of the Senior Executive Team – responsible for strategy and risk policy – **Material risk taker**

**Investment Manager** – Head of Investment and Treasury – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Chief Actuary** – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Chief Reassurance** – responsibility and authority to make material financial decisions in Codan – **Material risk taker**

**Head of Financial Reporting** – Material risk Taker – decides how to account, responsible for tax – material impact on our financial result – **Material risk taker**

**Pricing and Underwriting Director Personal Lines** – Material risk taker - has all responsibility all uw delegated authority regarding personal line – **Material risk taker**

**UW Director Commercial** – Material risk taker has all responsibility and all uw delegated authority on commercial – **Material risk taker**

**UW Nordic Risk Solutions** - has very large UW delegated authority and responsibility regarding International Business – **Material risk taker**

**Director of Pricing, portfolio and risk** – according to Martin Thomson the Director of Pricing do have material impact on the risk profile of the company – **Material risk taker**

Employees assessed not to be considered material risk takers

**Director of Strategy, Marketing and Communication** – not member of the Senior Executive Team – no material influence on the company’s risk profile, thus **Not Material risk taker**

**Regional Chief Auditor – Head of Internal Audit** – observer in the Senior Executive Team – no material influence on the company’s risk profile, thus **Not Material risk taker**

**Director HR** – member of the Senior Executive Team – no material influence on the company’s risk profile, thus **Not Material risk taker**
Director external Communications and Customers – member of the Senior Executive Team – no material influence on the company’s risk profile, thus Not Material risk taker

Head of Internal Control – solely control, thus no material influence on the company’s risk profile and Not Material risk taker

Manager Reserving – no material influence on the company’s risk profile, thus Not Material risk taker (Chief Actuary responsible for the area)

Manager Capital Modelling – makes assessment but does not make final decision, and has not material impact on the risk profile – calculate solvency outside FCF enviroment – Not Material risk taker (CFO and Chef Actuary are responsible for the area and makes final decisions)

Chief Actuary in Trygg-Hansa – no material influence on the company’s (Codan’s) risk profile, thus Not material risk taker

Commercial Director Denmark – P/L responsible – reports to the Commercial Director, who has actual responsibility, thus Not material risk taker

Branch officers – assessment performed

Branch officer in Norway – reports to the Commercial Director – who has actual responsibility, thus Not material risk taker

Branch officer in Finland – reports to the Commercial Director – who has actual responsibility, thus Not material risk taker

Branch officer in Sweden and Commercial Director in Sweden - reports to the Personal Line Director who has actual responsibility, thus Not material risk taker

Branch officer in Estonia – is assessed not to be Material Risk Taker.

CEO’s in our subsidiaries in the Baltic’s have been assessed. However, as they are employed in an independent company, and as they does not perform work for either Codan A/S or Codan Forsaking A/S they are not Material Risk Taker according to the Danish rules.

Control functions and actuaries (Not material risk takers – but covered by the less intervening provisions of section 11 of the Act)

1. All employees in Internal Control.
2. All employees in Internal Audit.
3. Employees in actuary functions:
   Svend Haastrup
   Pernille Jul Overby
   Tom Persson
   Brian Due Jensen
Nicola O'Regan
Lars Max jensen
Tine Buch Kromann
Maria Gleerup

Solvency II
Martin Englund

Capital Modelling
Lise Geer Mosekilde
Johannes Morsing
Rasmus Ellehauge Hansen
Jesper Walbum (pr 1.1.2011)
Asger Thorbjørn Thøgersen
8. Variable payment

The variable payment to the members of the Board of Management and the Board of Directors may not exceed 50 % of the fixed salary or fee inclusive of pension contribution. For the group identified as other Material Risk Takers an appropriate maximum on variable payment must be decided.

It is decided that variable payment to Material Risk Takers must as a main principle not exceed 100 % of fixed salary inclusive of pension contribution. However, the variable compensation may under certain conditions, if both the personal performance as well as the financial results of one or more of the Companies is extremely good, increase to up to 160 % of the fixed salary inclusive of pension contribution. The variable compensation maximum limit applicable to Material Risk Takers will be assessed on an ongoing basis to ensure an appropriate balance between the fixed and variable payment and sound risk management. The limit may be changed at any time by the Board of Directors of the companies in the “Danish General Insurance Group”, subject to the consent of the General Meeting. Every year the Remuneration Committee (or Board of Management in Trekroner Forsikring A/S and Forsikringsselskabet PrivatSikring A/S) shall decide the size of variable payment that Material Risk Takers must receive as a maximum. The decision shall be based on the principles and purposes of this Remuneration Policy.

At least 50 % of the variable payment to the members of the Board of Management and Board of Directors and Material Risk Takers must be granted as shares, share based instruments or subordinated debt. However, only 12,5 % of the fixed salary or fee inclusive of pension contribution must be granted to the members of the Board of Management and Board of Directors as share options or similar instruments. Pursuant to the FBA appropriate restrictions must apply on the shares, share based instruments or subordinated debt, e.g. the employees must not sell the shares or the other instruments, and must not enter any agreement to ensure or otherwise hedge the value of the shares or the like.

9. Restrictions – Deferral, lock-up and claw back

For the members of the Board of Management and the Board of Directors at least 40 % (60 % if considered “a bigger amount” subject to the individual terms and conditions) of the variable pay will be deferred over at least a four year period. The deferred amounts will only be paid if the conditions stipulated at the time of granting are still satisfied. If the Companies or one of the Companies do not meet the capital- or solvency requirements provided for in the FBA and other conditions defined by the Danish FSA the deferred amounts must not be paid out.

For Material Risk Takers at least 40 % (60% if considered “a bigger amount” subject to the individual terms and conditions) of the variable pay will be deferred over at least a three year period. The deferred amounts will only be paid if the conditions as stipulated at the time of granting are still satisfied. If the Companies or one of the Companies do not meet the capital- or solvency requirements provided for in the FBA, or if the FSA assess there is an obvious risk for this situation to occur, the Board of Directors can decide not to pay out the deferred amounts.
The deferral requirements included in this provision relates all to parts of the variable payments and thus to both the cash and share based elements.

**Lock-up period**

Regarding both the non-deferred and the deferred share based instruments (shares, share based instruments or subordinated debt), these will be subject to a lock-up period according to the provisions in the FBA. The lock-up period will be specified when granting the shares or the share instrument.

If share options are granted, the lock-up period will be similar to the westing period if possible. If this, according to law, is not possible, the lock-up period will be the shortest possible additional to the westing period.

**Claw back**

If any payment of variable payment made, based on assumptions related to the results that can be proven wrong, and the recipient knew this, the amount of the variable payment must be paid back.