

Danske Bank International S.A.'s Remuneration Policy, 2021

Purpose

This remuneration policy of Danske Bank International S.A. ("DBI") applies to all members of staff whatever their place of work, their hierarchic positioning or their function.

The policy is subject to approval the Board of Directors and however when approved, the policy will apply to remuneration earned from 1 January 2021 despite the actual date of approval.

The policy and DBI's general incentive structures reflect DBI's and the Danske Bank Group's ("Group's") objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that

- DBI is able to attract, develop and retain high-performing and motivated employees in a competitive international market
- employees are offered a competitive and market aligned remuneration package making base salaries a significant remuneration component
- employees feel encouraged to create sustainable results
- there is a convergence of interests of
 - o shareholders
 - o customers and
 - o employees

The policy and the DBI's general 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 DBI's and the Group's business strategy, values, key priorities and long-term goals
- alignment with the principle of protection of customers and investors
- ensuring that the total bonus pool does not undermine or endanger DBI's capital base
- ensuring that incentives to take risk are balanced with incentives to manage risk and ensuring that remuneration is aligned to risk and actual performance

The policy and DBI's general incentive structures are consistent with DBI's and the Group's long term strategy including the overall business strategy, the risk strategy and the risk appetite across all risk types such as credit, market, sustainability, operational, liquidity, reputational and other risks identified by DBI.

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

DBI's remuneration policy is aligned with that of the Group and internally the Group has published bonus procedures and a guideline in which its incentive schemes and procedures are described

Compliance with relevant laws and regulations

DBI's remuneration policy takes into account its specific activities and risk profile as well as various rules and regulations, notably the following relevant CSSF circulars (or part thereof): 11/505 and 15/622. In addition the Directive 2013/36/EU ("CRD IV") which was transposed into Luxembourg legislation via the law of 23 July 2015 amending the law of 5 April 1993 on the financial sector.

Corporate governance

The Board of Directors define and approve the remuneration policy and monitor compliance with the remuneration policy. DBI's Authorised Management is responsible for implementing the remuneration policy and incentive structures with support from various control and compliance functions within DBI and the Group to ensure that risk, capital and liquidity limits are not exceeded.

DBI and 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 Group's Board of Directors, if any, applicable incentive structures and applicable regulation. The practices and procedures with regard hereto are clear, well-

documented and transparent, and the procedures are subject to at least one independent review annually by internal audit.

Remuneration components

At least annually, during the annual performance and appraisal dialog, 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-based pay are made on the basis of these dialogues.

The four remuneration components are:

- base salary (including fixed supplements)
- short term and long term, where applicable, variable pay
- pension schemes, where applicable
- other benefits in kind

The *base salary* is determined on the basis of the role and position of the individual employee, including professional experience, seniority, education, responsibility, job complexity and market conditions, etc. Base salary is payable in cash.

The *variable remuneration* motivates rewards and drives the right behavior and performance according to set expectations for the employees in question reflecting specific requirements for performance including, strengthen long-term customer relations, and generate income and shareholder value.

The Group's 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 per cent of base salary inclusive of pension. This level of variable remuneration will, in practice, only be in scope to a very small minority of employees, if any, and will only be offered to enable the DBI to match market terms. In this case notification procedures in accordance with CSSF circular 15/622 will be applied. Most employees are covered by incentive schemes, which set the upper limit for variable pay to 25 per cent, whereas certain employees and senior management could be comprised by a variable pay limit of up to 50 or 100 per cent of the base salary potentially inclusive of pension.

Variable remuneration may be disbursed as cash bonus, shares, share based instruments, including conditional shares. Where relevant and applicable, the Group's Board of Directors has determined certain minimum thresholds according to which bonuses exceeding the thresholds shall be split into cash/shares or other adequate financial instruments.

No employees have a contractual right to receive variable remuneration.

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. There are two pension schemes, one for local employed staff and one for expatriates.

Other benefits are awarded on the basis of individual employment contracts. They generally comprise, for management positions, a company car and, for expatriates, school, rental and travel allowances as well as supplementary health insurance.

Variable remuneration

Variable remuneration is awarded in a manner which promotes sound risk management, includes ex-post risk adjustments and does not induce excessive risk-taking, i.e. if the variable remuneration exceeds the minimum threshold determined by the Group's Board of Directors by granting variable pay split in shares (or other instruments as required by relevant legislation) and cash, part of which will be deferred in accordance with legislation. Further, the default accrual period for short term performance based 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. Further, the Group has established a governance for spot-bonus under which certain employees, not comprised by mandatory legislation stipulating otherwise, can be granted a bonus for extraordinary performance during a certain period.

Deferral varies on the basis of position and amount, from three to seven years. Employees receiving variable remuneration over a certain threshold will have the part of the variable remuneration exceeding the threshold granted in conditional shares and deferred for three years. For material risk takers, deferral is applied according to mandatory legislation and Group policies presently between three and five years.

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 Danske Bank 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. Further, variable pay 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

Variable pay is granted to reflect the Danske Bank Group's financial results, the result of DBI in which the employee is employed and the individual employee's performance. As a minimum this applies to material risk takers. Further, both financial and non-financial factors shall be taken into consideration when determining the individual's bonus, i.e. compliance with the Group's purpose, cultural commitment, internal guidelines and procedures, including customer and investor related guidelines. A discretionary assessment is always made to ensure that other factors - including factors which are not directly measurable - are considered.

Variable pay must be based on an assessment of the DBI's results and a number of KPIs reflecting DBI's and the Group's key strategic priorities. DBI sets and uses an appropriate balance of absolute, relative, internal and external KPIs, balancing short-term and long-term goals. Risk KPIs are further applied to ensure a strong risk management and compliance culture, facilitating the Group's commitment to integrity. KPIs cover quantitative and qualitative criteria, such as:

- return on equity and return on allocated capital
- customer satisfaction
- relative performance against peers
- observance of the Group's purpose and cultural commitment
- compliance with regulation and internal business procedures
- performance which supports the strategy of DBI and/or the Group
- credit loss and similar risk measures
- innovation
- observe the risk management culture
- leadership/employee engagement

Further, the KPIs are designed to prevent conflicts of interests and thus ensure that employees are remunerated in alignment with serving the best interest of all stakeholders, inclusive of customers. Employees are not incentivized 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. or to encourage clients to take excessive risks e.g. with respect to sustainability risks impacting the value of clients' investments adjusting as relevant the variable based remuneration to address such exposure. Where applicable, DBI/the Group has implemented a prohibition of employees being remunerated on sale of specific products. A qualifying mechanism may be installed to ensure, variable based pay lapses in general, if the Group is loss bearing during a year. Further, if individual beneficiaries act in conflict with behavioral expectations, e.g. misconduct, the Executive Leadership Team, subsequently the Group's Remuneration Committee may reduce any earned bonus partly or in full.

Sign-on fixed pay, stay-on and guaranteed bonus

Sign-on fixed pay as well as stay-on and guaranteed variable pay are granted only in exceptional cases, and will be assessed by the Managing Director in DBI and Group HR. The mentioned components will only be used to attract or retain highly specialized individuals. Such pay may not exceed one year's gross salary inclusive of pension, benefits and fixed supplements. Sign-on fixed pay can be paid in cash or in a split between cash/shares and will according to applicable legislation as a main rule be conditional upon the employee not resigning within a given period of time after the pay.

Any sign-on pay to material risk takers will be agreed in connection with the employment of the material risk taker and will not be granted for longer than one year.

Sign-on, stay-on or guaranteed variable pay will be subject to and will be paid in accordance with the relevant applicable 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, market conditions in Luxembourg, the results of DBI 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. 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 we will not focus isolated 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 continuously 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 Corporate Responsibility report at danskebank.com.

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 Danske Bank Group's Board of Directors designates employees in 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 Danske Bank Group Board of Directors and regulatory qualitative and quantitative criteria.

The Executive Leadership Team are appointed material risk takers on continuous basis.

To the extent control functions are comprised by incentive schemes, DBI and 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 of the Board of Directors

Members of the Board of Directors of DBI do not receive any kind of remuneration in connection with their work as Board of Directors.

Remuneration of Authorised Management

The Managing Directors remuneration package are decided by the Chairman of the Board and may consist of base salary, short term and long term variable remuneration, pension scheme and other benefits. Subject to individual agreement, the Managing Directors may also be entitled to a company car, phone and other fixed benefits.

The remuneration packages of the other members of the Executive Leadership Team are decided by the Managing Director and may consist of base salary, short term and long term variable remuneration, pension scheme and other benefits.

The performance of the Managing Directors and the Executive Leadership Team is assessed once a year based on written performance agreements in accordance with the above described criteria containing both financial and non-financial KPIs.

Disclosure

Once a year on www.danskebank.com, the Group discloses information on the Group's remuneration practices. DBI's remuneration policy are disclosed to all employees via DBI's Intranet and on www.danskebank.lu.