

Information on remuneration etc. for the 2022 financial year

The information is provided pursuant to the Executive Order on remuneration policy and remuneration in banks, mortgage credit institutions, investment companies, investment management companies, financial holding companies and investment funds, Article 450 of the CRR and Section 80c of the Financial Business Act.

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Ringkjøbing Landbobank is publishing the following information for the 2022 financial year in accordance with the Executive Order on remuneration policy and remuneration in banks, mortgage credit institutions, investment companies, investment management companies, financial holding companies and investment funds, Article 450 of the CRR and Section 80c of the Financial Business Act.

Some information under Section 80c of the Financial Business Act is provided in the statement below, while other information is provided separately in the statutory statement on central management requirements 2022 (“Lovpligtig redegørelse vedrørende centrale ledelseskraav 2022”, only available in Danish).

Information pursuant to Section 80c of the Financial Business Act and Article 450 of the CRR

<u>Quantitative information</u> on remuneration for the board of directors, general management, other major risk-takers and employees in control functions						
	Number at end of year	Fixed salaries incl. pension (DKK million)	Employee benefits (DKK million)	Variable salaries (DKK million)		
				Total	Of which cash payment	Of which shares or share-linked instruments or other types
Board of directors, including audit committee	12	4.367				
General management	4	19.172	0.613			
Other major risk takers	9	11.265	0.154	0.500	0.500	
Employees in control functions	12	6.788				
Total	37	41.592	0.767	0.500	0.500	0.0

The bank provides the following information:

- The figures above are computed when vested.
- The bank judges that it does not have different business areas and it therefore discloses aggregate amounts.
- The bank does not pay any performance-related remuneration to the above persons (board members, members of general management, other major risk-takers and employees in control functions defined in the table above) and has thus not determined or agreed any performance criteria for them.
- The bank's remuneration system is primarily structured as fixed remuneration, and in the 2022 financial year, only modest variable remuneration was paid in cash within the framework of the remuneration policy. Variable remuneration was only paid to employees in the groups "Other major risk-takers" and "Employees in control functions".
- The variable remuneration to employees in the groups "Other major risk-takers" and "Employees in control functions" was paid as recognition of effort.
- The bank did not have any outstanding deferred remuneration for the above persons (board members, members of general management, other major risk-takers and employees in control functions) in the 2022 financial year.
- The bank did not award any outstanding deferred remuneration for the above persons (board members, members of general management, other major risk-takers and employees in control functions) in the 2022 financial year.
- The bank did not pay any sign-on bonus or severance pay or enter into any new agreements on such payments to the above persons (board members, members of general management, other major risk-takers and employees in control functions) in the 2022 financial year.
- The bank only paid variable remuneration in cash in the 2022 financial year and thus did not make any payments in the form of shares, share-linked instruments or other types except as part of an employee share ownership scheme with deduction from gross salary.

The remuneration committee

The bank provides the following information on the remuneration committee:

- The bank's remuneration policy is adopted and approved by the bank's remuneration committee and board of directors. If there are changes to the remuneration policy, the policy must be submitted to the bank's general meeting for approval.
- The bank has appointed a remuneration committee which held a total of three meetings in 2022.
- On the reporting day, the remuneration committee has four members, viz. the chairman of the board of directors Martin Krogh Pedersen, the deputy chairmen of the board of directors, Mads Hvolby and Jens Møller Nielsen, and a board member elected by the employees, Gitte E.S.H. Vigsø (the bank's employees are represented on the bank's board of directors pursuant to the Danish Companies Act).
- The remuneration committee's mandate is specified in applicable law and the brief for the remuneration committee as adopted by the board of directors.
- For further information on the remuneration committee's tasks, please see the bank's website at: www.landbobanken.dk/en/ir_english/thebank.
- The remuneration committee has not consulted any external experts in 2022.

Remuneration policy

The bank provides the following information on the remuneration policy (the version adopted by the annual general meeting held on 3 March 2021):

- The current policy specifies that the bank's management (the board of directors and general management) is paid remuneration which is both in line with the market and reflects the management's effort for the bank. It has also been decided that the remuneration paid to the board of directors and general management should be a fixed amount without any form of incentive component.
- Other major risk-takers and employees in control functions may be paid variable salary components in cash within the financial framework for payment of personal allowances under a current workplace agreement, below the cap on variable salary components and subject to the provisions in points 4 and 5 of the remuneration policy. Severance may also be paid unless deemed to be variable salary in the terms of applicable law.
- Subject to the provisions in point 7 of the remuneration policy, variable salary components and severance may be paid, and pension schemes comparable to variable salary components granted, to all other employees in the bank (i.e. groups of employees other than those listed in point 1.2.1 of the remuneration policy).
- For further information on the bank's remuneration policy, please see the bank's website at: <https://www.landbobanken.dk/ir/banken/ombanken>

Other information

The bank provides the following information:

- The bank had one employee whose total remuneration exceeded 1 million euros in the 2022 financial year.
- The bank has not received any government subsidies, and consequently no information is provided pursuant to Section 77b(1) and (3) of the Financial Business Act.

We give an account below of how the bank complies with the requirements as stated in Section 18 of Executive Order number 1242 of 10 June 2021 on remuneration policy and remuneration in banks, mortgage credit institutions, investment companies, investment management companies, financial holding companies and investment funds, i.e. Section 5(1), Section 6, Section 7(1), first sentence, and (2), Sections 8, 9, 11 and 13, Section 15(3) and Sections 16 and 17, to the extent to which the requirements apply to the bank.

“Section 5. Taking into consideration the undertaking’s size and organisation and the scope and complexity of its activities, the board of directors must prepare the undertaking’s remuneration policy for members of the board of directors and employees pursuant to Section 77d(1) of the Financial Business Act, Section 107(1) of the Act on Investment Companies and Investment Services and Activities, and Section 48c(1) of the Act on Investment Funds etc.”:

The bank’s board of directors adopted a remuneration policy for the first time in May 2012 and the bank’s annual general meeting in February 2013 approved it.

The board of directors’ remuneration committee and the board of directors have subsequently reviewed the remuneration policy each year to assess whether updating was required. This was not the case in the review of the policy in 2013, 2014 and 2015.

However, both in 2016 and in January 2017 the board of directors’ remuneration committee and the board of directors found that updating was required and the policy was thus updated, due in part to the introduction of the Mortgage Credit Directive. The updated policy was subsequently submitted to and approved by the bank’s annual general meeting in February 2017.

In connection with the annual review of the remuneration policy in November 2018, the board of directors’ remuneration committee and the board of directors saw no reason to amend the current remuneration policy.

In January 2020, the board of directors’ remuneration committee and the board of directors found that amendments to the current remuneration policy were needed as a result of new requirements in the Companies Act. The updated policy was subsequently submitted to and approved by the bank’s annual general meeting in March 2020.

In January 2021, the board of directors’ remuneration committee and the board of directors again found that amendments were needed in the current remuneration policy in connection with changes to the Financial Business Act, the coming into force of a new executive order on wage policies etc., the coming into force of the regulation on sustainability-related disclosures in the financial services sector (the Disclosure regulation) and other adjustments.

The bank’s annual general meeting held in March 2021 approved the remuneration policy which the board of directors’ remuneration committee and the board of directors had approved in January 2021.

On recommendation by the board’s remuneration committee, the bank’s board of directors adopted an update to the remuneration policy in December 2022. The update consisted in a few additions regarding sustainability risks and conflicts of interest and other minor changes.

The updated policy will be recommended for approval at the bank's annual general meeting to be held on 1 March 2023.

Both the existing and the updated policy specify that the bank's management is paid remuneration which is both in line with the market and reflects the management's performance on behalf of the bank.

They also specify that the remuneration paid to the board of directors and general management should be a fixed amount without any form of incentive component.

Other major risk-takers and employees in control functions may be paid variable salary components in cash within the financial framework for payment of personal allowances under a current workplace agreement, below the cap on variable salary components and subject to points 4 and 5 of the current remuneration policy. Severance may also be paid unless deemed to be variable salary in the terms of applicable law.

Subject to point 7 of the current remuneration policy, variable salary components and severance may be paid, and pension schemes comparable to variable salary components granted, to all other employees in the bank (i.e. groups of employees other than those listed in point 1.2.1 of the current remuneration policy).

The complete remuneration policy is available at the bank's website at:
www.landbobanken.dk/policies.

The board of directors' remuneration committee and the board of directors follow up on compliance with the policy once a year.

“Section 6. The board of directors must review the undertaking's remuneration policy at regular intervals and at least once a year with a view to adjusting it to the undertaking's development.”:

Since the first version of the remuneration policy was adopted in May 2012, the board of directors has reassessed the need for changes at least once a year.

“Section 7(1), first sentence. The board of directors must ensure that compliance with the remuneration policy is verified at least once a year.”:

Since the first version of the remuneration policy was adopted in May 2012, the board of directors has ensured that compliance with the policy is verified once a year.

“Section 7(2). The board of directors must supervise the remuneration of the general management and employees with managerial responsibility for the undertaking's control functions, including the person responsible for the risk management function, compliance function and internal auditing, or for significant departments. If the undertaking has appointed a remuneration committee, the committee must carry out this supervision.”:

The board of directors has appointed a remuneration committee which has carried out this supervision from the 2020 financial year onwards and reported the results to the board of directors. The remuneration committee carries out an annual check.

“Section 8. The undertaking must ensure that employees involved in the preparation of the remuneration policy and the verification of compliance with it possess the required expertise. Taking into consideration the undertaking’s size, internal organisation and the scope and complexity of its activities, the undertaking must ensure that employees involved in verifying compliance with the remuneration policy are independent of the departments they are verifying in the undertaking.”:

The bank’s control measures are prepared by the bank’s HR department which, in the bank’s judgment, possesses the required expertise. The control measures are then reviewed by the bank’s HR manager before being passed on to the bank’s chief executive officer, assisted by the chief of staff, for review and checking.

“Section 9. The undertaking’s remuneration policy must be aligned with and facilitate sound and effective risk management and it must not encourage excessive risk-taking.

(2). The undertaking’s remuneration policy must set out the undertaking’s pension policy and guidelines for the award of variable salary components, severance pay and identification of other employees whose activities significantly influence the undertaking’s risk profile.

(3). The undertaking’s remuneration policy must also meet the following requirements:

1) It must be aligned with the undertaking’s business strategy, values and long-term goals, including a tenable business concept;

2) It must be gender-neutral;

3) It must be in line with the principles on protection of customers and investors in connection with the business conducted and contain measures which can prevent conflicts of interest;

4) It must ensure that the total variable remuneration which the undertaking undertakes to pay will not erode its possibility of strengthening its capital base; and

5) It must establish criteria for the award of fixed salary components which should primarily reflect relevant work experience and organisational responsibility and criteria for the award of variable salary components which should reflect continual and risk-adjusted relevant performance and performance in excess of what can be expected relative to the employee’s work experience and organisational responsibility.

6) It must ensure an appropriate balance between fixed and variable salary components and ensure compliance with the limitations on the use of variable remuneration following from Sections 77a and 77b of the Financial Business Act, Sections 109 and 110 of the Act on Investment Companies and Investment Services and Activities and Section 48a of the Act on Investment Funds etc.”:

The board of directors’ remuneration committee and the board of directors have taken the above into consideration in the remuneration policy.

“Section 11. A variable salary component which is performance-related must be determined on the basis of an assessment of the relevant recipient’s performance, the performance of the recipient’s department and the undertaking’s performance.

(2). The performance measurement on which the variable component of the remuneration is based must reflect the existing and future risks associated with the relevant performance and any cost of capital and liquidity required to obtain the performance.

(3). In the assessment of the individual recipient’s performance, both financial and non-financial criteria must be considered. Non-financial criteria mean inter alia compliance with internal rules and procedures and adherence to the undertaking’s guidelines and routines applicable to the relationship with customers and investors.”:

The bank only pays limited amounts of performance-related variable salary. No performance-related salary is paid to members of the board of directors and general management, other major risk-takers and employees in control functions.

If performance-related variable salary is paid to employees other than the above (members of the board of directors and general management, other major risk-takers and employees in control functions), the stated factors are taken into consideration.

“Section 13. If the undertaking’s remuneration for an employee who carries out work in connection with its control functions contains a variable salary component, the variable component must not depend on the performance in the department which the employee controls.”:

If a variable salary component is paid to an employee who carries out work in connection with the bank’s control functions, the variable component does not depend on the performance in the department which the employee controls.

“Section 15(3). Severance pay which is not covered by subsections 1 and 2 must reflect the results obtained in performing the duties of the position over a period.”:

Should the bank use severance pay which is not covered by section 15(1) and (2), the severance pay will reflect the results obtained in performing the duties of the position over a period.

“Section 16. Section 77a(1-6) of the Financial Business Act, Section 109(1)-(6) of the Act on Investment Companies and Investment Services and Activities and Section 48a(1-6) of the Act on Investment Funds etc. do not apply to agreements on sign-on bonuses if they meet all of the following conditions:

- 1) The agreement on sign-on bonus is entered into in connection with appointment of the employee.*
- 2) The agreed sign-on bonus is limited to the first year of employment.*
- 3) The undertaking has a healthy and solid capital base on the date of awarding the sign-on bonus.”:*

If a sign-on bonus is paid, the bank complies with the above provisions.

“Section 17. Remuneration packages linked to compensation or release from other contracts in connection with previous employments must be aligned with the undertaking’s long-term interests, including the requirements for payment of variable remuneration, cf. Section 77a(1)-(6) of the Financial Business Act, Section 109(1)-(6) of the Act on Investment Companies and Investment Services and Activities and Section 48a(1)-(6) of the Act on Investment Funds etc.”:

The bank does not use any remuneration packages with these contents.

The board of directors of Ringkjøbing Landbobank A/S, 1 February 2023

Disclaimer:

This document is a translation of an original document in Danish. The original Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall be applicable.