

Remuneration Policy

21 March 2024

Danske Bank



Summary of material changes

To ensure the Remuneration Policy is fit for purpose and supports the Group's long-term strategy, the Remuneration Committee will review and consider potential changes on an annual basis. Where necessary, a proposal for updating the remuneration policy is presented by the Remuneration Committee to the Board of Directors for approval and subsequently to the Annual General Meeting for adoption at least every four years.

In 2023, to further strengthen the link between remuneration and shareholders' interest, and to better align with market practice, the Board of Directors approved a number of changes to the remuneration model for the Board of Directors and Executive Leadership Team as proposed by the Remuneration committee. The proposed changes were made after taking input received from shareholders, institutional investors, and stakeholders into consideration.

The Remuneration Policy is a continuation of the policy adopted at the Annual General Meeting in March 2023 with the following material changes:

	Description	Rationale
Pension policy	<ul style="list-style-type: none">Amendment of the pension policy for members of the Executive Leadership Team to reflect that contributions to the Group's pension scheme will be voluntary and at own expense.	<ul style="list-style-type: none">Simplification of the remuneration structure for members of the Executive Leadership Team.
Shareholding requirement	<ul style="list-style-type: none">Introduction of a shareholding requirement for members of the Board of Directors elected by the general meeting equal to the size of their annual base fee.Introduction of a shareholding requirement for members of the Executive Leadership Team equal to 100% of their annual base salary.	<ul style="list-style-type: none">Shareholder alignment and, as regards the shareholding requirement for the Executive Leadership Team, market practice.
Short- and long-term incentives	<ul style="list-style-type: none">Increase of the weight of the share-based long-term incentive programme for members of the Executive Leadership Team against a decrease of the weight of the annual short-term incentive programme.	<ul style="list-style-type: none">Shareholder alignment and market practice.

The Remuneration Policy will be effective pending shareholder approval from the Annual General Meeting on 21 March 2024. The introduction of a shareholding requirement for members of the Board of Directors and the Executive Leadership Team,

and changes to the short- and long-term incentive programmes will take effect from financial year 2024. Current pension agreements for members of the Executive Leadership Team will continue until the end of March 2024.

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Introduction

The Remuneration Policy has been prepared in accordance with sections 139 and 139a of the Danish Companies Act and section 77d(1) of the Danish Financial Business Act.

The Remuneration Policy sets the framework for the remuneration at the 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 was submitted for approval at the annual general meeting in March 2024 and will apply until the annual general meeting in 2028, unless material amendments are proposed or the Board of Directors determines that a revised Remuneration Policy should be submitted to the vote at an earlier general meeting.



Policy objectives and link to strategy

The objectives of the Group's Remuneration Policy are to

- promote sustainable long-term value creation at the Group
- ensure alignment between the interests of management and employees and the interests of the Group and shareholders by ensuring that remuneration packages have a clear linkage to Danske Bank's 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 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 Forward '28 Strategy and the four strategic focus areas: Advisory, Digital, Sustainability and Simple, Efficient & Secure.
- 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 of the Executive Leadership Team is deferred over a five-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 structure supports its 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 a 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 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.

Remuneration Committee

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 focuses 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 on 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 the Head of Total Rewards, participate 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 (www.danskebank.com).

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

Corporate Governance

Various control and compliance functions within the Group are involved in the process regarding 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.

Based on 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 on the basis of the recommendation of the Remuneration Committee.

The Group has established effective control procedures in order to ensure that payment of variable remuneration is effected in accordance with the guidelines laid down by the Board of Directors 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 by Group Internal Audit.

Remuneration

- all employees

At least once a year, during the performance and appraisal dialogues, the individual employees and managers evaluate and document performance for the past period/year and set new forward-looking goals. Decisions on adjustment, if any, of an employee's base salary or on annual variable pay are made on the basis of these dialogues.

The general remuneration components are

- base salary
- fixed allowances
- pension schemes and other benefits
- variable remuneration, such as the short-term incentives and long-term incentives
- exceptional remuneration components

Base salary

Base salary is determined based on 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 practices and regulation.

Other benefits are awarded based on individual employment contracts and local market practice. As a main rule, the Group has set guidelines to align benefits offered to employees at the various employment levels of the Group. The benefits offered to certain groups of employees may include mobile telephone, internet, newspaper, company car, health insurance and health checks as well as other benefits in kind, such as insurance cover and/or indemnification for costs related to the conduct of certain employees during their 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. The Group's incentive programmes include performance targets at group, unit (or Alternative Investment Fund Manager/ Management Companies) level and at the individual level where relevant. As a minimum, this applies to material risk takers.

The Group's incentive structures are overall divided into the following:

- 1) management programmes (KPI scorecards)
- 2) profit pools for revenue-generating units (such as Large Corporate & Institutional Customers and Asset Management)
- 3) employee award programmes (profit sharing)
- 4) long-term share-based remuneration

Variable remuneration must be based on an assessment of the performance against pre-determined KPIs and targets. Procedures and internal governance are in place to ensure that variable remuneration represents the actual performance delivered.

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 includes integrating sustainability risks into the existing KPI structures of variable remuneration programmes so that the variable pay for individuals covered by such programmes will depend partly on sound risk management and/or compliance with 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
- creation of shareholder value relative to peers
- relative and/or absolute customer satisfaction
- compliance with legislation and/or internal business/conduct procedures
- observance of the Group's and business units' risk management and compliance culture
- other risk measures
- sustainability and ESG-related targets
- diversity and inclusion
- employee engagement
- actions and performance supporting the achievement of the Group's strategy
- personal KPIs, including behaviour and demonstration of Danske Bank's Culture Commitments

The KPIs are designed to prevent conflicts of interest and thus ensure that employees are remunerated in alignment with serving the best interests 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 based on 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 in part or in full.

To ensure an appropriate balance between fixed and variable pay, the Board of Directors has determined a maximum percentage of variable remuneration relative to the fixed remuneration. 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 of 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 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 out in applicable legislation, the thresholds and the split vary within different business units and positions and are set according to an employees' impact on the specific risk profile and market practice within the business unit in question and 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 promoting 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 into shares (or other instruments) and cash, part of which will be deferred in accordance with national legislation or the 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, deferred for one to three years. For material risk takers, deferral is applied according to applicable legislation and Group policies. The Executive Leadership Team is subject to a deferral period 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 adjustments according to applicable legislation. Given the nature of the business, the business cycle, its risks, the individual's activities and applied payout structures, including backtesting and clawback provisions, a general deferral period of at least four years has been determined.

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 proved 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 the transfer of the instruments to the risk taker.

Exceptional remuneration components

Remuneration components, such as buyouts, sign-ons as well as retention awards and guaranteed bonuses, are granted only in exceptional cases.

Buyouts and sign-ons are agreed when an employment agreement is entered into and are not granted for periods longer than one year. Furthermore, buyouts, sign-ons, retention awards and guaranteed bonuses are subject to and paid in accordance with relevant legislation applicable to both the 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-ons

Sign-ons are granted only by exception to attract the key candidate at the executive level. Sign-ons for executives are preferably paid in the form of shares with the required deferral and holding period. However, in some cases, the sign-ons 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 employees may not resign within a given period after the payment.

Retention awards

Retention awards and guaranteed bonus are only used in extraordinary cases to retain individuals for a pre-defined period. The retention period must be set as a specific period or by defining an event when the retention criterion should be met (such as restructuring, wind-down, divestment, etc.). The retention awards should not be granted merely to 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.

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 covered by other special regulations

Special legislation regulates the Alternative Investment Fund Managers within the Group. Variable remuneration for any such employees is created in order to ensure compliance with regulations applicable in this area.

Under certain conditions, incentives in the form of carried interest payable from Alternative Investment Funds to the Alternative Investment Fund Managers, including Danske Private Equity, are exempted from this Remuneration Policy and are paid in accordance with applicable legislation.

The assessment of performance of Alternative Investment Fund Managers is set in a multi-year framework appropriate to the life cycle of the Alternative Investment Funds managed by the Alternative Investment Fund Managers. The purpose is to ensure that the assessment process is based on longer-term performance and that the actual payment of variable components of remuneration is spread over a period which takes into account the life cycle of the Alternative Investment Funds being managed. Further, their investment risks are also taken into consideration.

Some functions within the Group are covered by other special regulations, and performance agreements covering employees in such functions are construed in accordance with applicable mandatory law, including MiFID II, UCITS, IDD, AIFMD, Solvency II, the Disclosure Regulation, etc. This includes specific measures ensuring that the structure of remuneration does not provide an incentive to take excessive risks with respect to environmental, social or governance events or to take excessive risks that may cause actual or potential negative impact on the value of clients' investments or, where relevant, on the value of liabilities. Where relevant, the variable remuneration is adjusted to address exposure to such risks. As for other employees and where relevant this includes the fact 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 depend partly on sound risk management and/or compliance with group policies covering sustainability risks.

Finally, to the extent bonuses are agreed in collective agreements between the Group or employer organisations and unions, any such agreements will, to the extent necessary, be exempted from this policy in accordance with EU and national 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, local market conditions, the results of the Group, the business unit in which the employee is employed and the individual's performance, etc.

For several years, the Group has been pursuing a strategy and policy on diversity and inclusion, which is available at www.danskebank.com. The objectives of that policy imply that the remuneration of individuals is determined with no regard to gender, race, ethnic origin, political opinion, sexual orientation, age or other discriminatory factors. The Group constantly strives to promote equality within the Group with respect to both employment, career development, promotion, equal pay, etc. Accordingly, 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 for 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 about this is provided in the the section on sustainability in the annual report.

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 are in accordance with the Group's business and risk strategy, long-term interest of the Group, purpose, cultural commitments and avoid conflict of interests and do not encourage excessive risk-taking or mis-selling of products. Accordingly, as an overall starting point, non-employees are paid a fixed hourly fee or a fixed project fee and do not receive variable pay. In alignment with the criteria set out above, the Chief Procurement Officer may 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 must respect the criteria referred to above and may not be rewarded for any kind of failure or misconduct/non-compliance with group policies on the part of the non-employee.

Remuneration of the Board of Directors

In line with market practice, members of the Board of Directors receive a fixed annual base fee. In addition to the base fee, members of the Board of Directors receive an additional annual fixed fee for serving on board committees. No member of the Board of Directors is entitled to receive any variable remuneration or pension contribution, except for employee-elected members or where this is required pursuant to local regulations. Employee-elected members of the Board of Directors, in their roles as employees of Danske Bank, are entitled to variable remuneration and staff benefits like their peers at the Group.

In addition to the fixed fees for 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 deposit 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 Group will pay all costs associated

with the above security facilities, including tax, if necessary, installation of equipment, monthly fees, etc. Further, members of the Board of Directors may be offered insurance cover and/or indemnification for costs related to conduct during their employment.

Members elected to the Board of Directors by the general meeting are obliged to acquire and retain a personal shareholding in Danske Bank equal to 100% of the annual base fee as decided by the general meeting for 2024. This shareholding requirement must be met within a period of not more than three years from the general meeting in March 2024 or, as regards future members of the Board of Directors, from their election to the Board of Directors. The three-year period may be extended in case of closed trading windows. The holding requirement must continue to apply to members of the Board of Directors for a period of three years following their resignation from the Board of Directors. During this period, they may reduce their (minimum) shareholding by 1/3 a year.

Based on the recommendation of the Remuneration Committee, the Board of Directors submits proposals for the remuneration of the members of the Board of Directors to the annual general meeting for approval every year.

Remuneration of the Executive Leadership Team

The remuneration of the Executive Leadership Team reflects the Group's desire to attract, motivate and retain qualified members of the Executive Leadership Team and to offer a competitive total remuneration package with an appropriate balance between fixed and variable pay.

In connection with the annual assessment of the remuneration of the Executive Leadership Team, developments in market practice are assessed. The Remuneration Committee makes recommendations for adjustments of the remuneration of the members of the Executive Leadership Team to the Board of Directors.

The remuneration of the Executive Leadership Team may consist of the following:

- base salary
- pension and other benefits
- short-term incentive programme (STI)
- long-term incentive programme (LTI)
- extraordinary payments

Base salary

Base salary is the guaranteed cash paid to the members of the Executive Leadership Team every month. The amount of base salary reflects the nature of the role in terms of responsibility and complexity in combination with the individual member's experience and contribution to the Group in terms of long-term sustainable value creation.

Once a year, the Remuneration Committee and the Board of Directors review the base salary level of the Executive Leadership Team. Off-cycle reviews and adjustments may be conducted on request and is subject to approval by the Board of Directors.

Pension and other benefits

Members of the Executive Leadership Team may at their own discretion and expense be covered by the Group's pension scheme.

In addition to the general benefits offered to the Group's employees, the Executive Leadership Team are entitled to additional benefits, however, subject to individual agreements.

Security arrangements are provided for the members of the Executive Leadership Team as deemed necessary by the Board of Directors in order to protect the individual member and to safeguard the interests of Danske Bank and its customers.

Short-term incentive programme (STI)

The purpose of the STI programme for the Executive Leadership Team is to encourage the achievement of certain annual KPIs and targets for the relevant year, guided by the longer-term ambitions.

To ensure alignment with the Group's strategic focus for the coming year and long-term interest in the Group's performance, the Remuneration Committee reviews STI for members of the Executive Leadership Team on an annual basis. Any proposed changes are recommended to the Board of Directors by the Remuneration Committee, which operates as a preparatory committee for the Board of Directors with respect to matters concerning remuneration. The KPIs and targets applied to calculate bonus are decided prior to the performance period, usually in December.

In connection with the year-end process, the annual performance is assessed on the basis of actual results achieved measured against the pre-determined targets and may include audited financial figures.

Performance for any qualitative KPI(s) will be at the Remuneration Committee's and the Board of Directors' discretion, if applicable. In case of extraordinary circumstances and/or unforeseen events, the Remuneration Committee and the Board of Directors may decide to deviate from the KPI results and targets. The target payout is set at 10% of the individual base salary of the members of the Executive Leadership Team. The payout option ranges from 0% to 20% (maximum). In line with applicable regulation, STI is considered to be variable remuneration, and thus subject to rules on split payments (40% cash and 60% deferred shares) and deferral (five years' deferral and one year's retention). Moreover, all variable remuneration is subject to backtesting and malus.

The performance of Executive Leadership Team members is assessed once a year based on written performance agreements in accordance with the earlier described criteria containing both financial and non-financial KPIs. The annual variable remuneration of members of the Executive Leadership Team cannot exceed the limit of 50% of the annual base salary, however, subject to applicable legislation.

Long-term incentive programme (LTI)

The purpose of the Group's LTI programme is to create long-term focus on and interest in the Group's performance and shareholder value creation.

The LTI programme is share-based and exists alongside the STI programme to balance incentives between short- and long-term objectives.

The applicable metrics for settling LTI awards are subject to an annual review and approval by the Board of Directors in advance of the granting of awards. The Board of Directors has discretion to set the performance metrics.

LTI awards are granted to members of the Executive Leadership Team on annual basis. However, they are subject to performance over a three-year period, with 40% of the award vesting after three years and the remainder after five years. As for all deferrals, performance and conduct are backtested prior to vesting. The target payout is set at 15% of the individual base salary and the maximum possible payout of the LTI programme is 30% of the individual base salary of members of the Executive Leadership Team.

Shareholding requirement

The members of the Executive Leadership Team must hold shares in the Group corresponding to a value of one year's base salary. Only shares owned by the members of the Executive Leadership Team are taken into consideration. This also includes vested deferred shares which are being retained and any voluntary Danske Bank share investments made by the individual Executive Leadership Team members. However, as a main rule, the shareholding requirement is expected to be built up from vested deferred shares from the STI and LTI programmes. The members of the Executive Leadership Team are expected not to sell any shares until the shareholding requirement has been met.

As a significant portion of the variable pay elements is subject to deferral and retention, no specific build-up period for the shareholding has been set for the members of the Executive Leadership Team.

Exceptional remuneration components

Exceptional remuneration elements, such as buyout and sign-on awards, are described in the previous section for all employees and apply to the Executive Leadership Team as well. The exceptional components for members of the Executive Leadership Team are subject to individual agreements and relevant regulations.

Notice periods

As a main rule, the members of the Executive Leadership Team are entitled to a notice period upon termination from the Group of 12 months and to terminate their own positions by giving six months' notice (effective for members having joined the Executive Leadership Team after 1 January 2022). During such notice period, the Executive Leadership Team members are entitled only to full salary and benefits to the extent the members do not obtain other income during the notice period. As a main rule, the members of the Executive Leadership Team are not entitled to severance pay, unless by exemption and upon specific approval by the Board of Directors.

The Remuneration Report specifies the remuneration of the Executive Leadership Team. For further information on about the remuneration of the Executive Leadership Team, please see www.danskebank.com.

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 of 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 practices, 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 for any such employees fulfils the requirement set out in this policy and applicable law. Any material deviations from this policy must be reported to the owner of the policy.

Once a year at www.danskebank.com, the Group discloses information on the Group's remuneration practices and the remuneration for individual members of the Board of Directors and the Executive Leadership Team and on the aggregate level for other material risk takers.