

Remuneration Policy

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1. Background and purpose

1.1 Introduction

The Remuneration Policy of the Nykredit Group lays down the framework for remuneration of the Boards of Directors, the Executive Boards, other material risk takers, staff in control functions and other staff of Nykredit A/S and the Nykredit Realkredit Group Companies: Nykredit Realkredit A/S, Nykredit Bank A/S, Totalkredit A/S, Nykredit Portefølje Administration A/S, Nykredit Leasing A/S, Nykredit Mægler A/S, Sparinvest Holdings SE and Sparinvest S.A. (collectively "Nykredit" or the "Group" and individually a "Group Company").

This Remuneration Policy has been prepared on the basis of:

1. Nykredit's business model, strategy and desired risk profile
2. Rules and legal practice within the field
3. Collective agreements
4. Recommendations on Corporate Governance
5. Nykredit as a Systemically Important Financial Institution (SIFI)

The Remuneration Policy has been prepared:

- with a focus on accountability and risk management, supporting the objective that Nykredit contributes to financial stability.
- to safeguard Nykredit's long-term interests and the interests of other stakeholders such as customers, shareholders, other investors and the public, and
- to attract and retain highly skilled staff, recognise excellence, promote each individual's contribution, and motivate staff to further their professional development.

The recommendations issued by the Committee on Corporate Governance, including recommendations in respect of remuneration of management, will be implemented on a current basis subject to employment and contract law applicable in the relevant jurisdictions of the entities which are part of the Group. If deemed to be in Nykredit's best interests, the Chairmanship of the Board of Directors of Nykredit A/S may exceptionally decide not to follow one or more of the recommendations mentioned.

The Boards of Directors of Nykredit have set up a Group-level Board Remuneration Committee (the "Board Remuneration Committee") tasked with preparing the work of the Boards of Directors of the Group Companies with respect to remuneration. The Board Remuneration Committee also monitors Remuneration Policy compliance.

On the recommendation of the Board Remuneration Committee, the Boards of Directors of the Group Companies review the Remuneration Policy at least once a year for the purpose of making any changes necessary to reflect the Group's development. Any changes to the Remuneration Policy are subject to approval by the Annual General Meetings of the Companies.

For a description of the Board Remuneration Committee's members, responsibilities, tasks and powers, see the mandate of the Board Remuneration Committee at nykredit.com and totalkredit.dk.

Nykredit ensures that remuneration is set and overseen to help avoid potential conflicts of interest in relation to remuneration. For other measures having the same purpose, see 2.4.1 (cap on variable remuneration) and 2.6 (presentation of high variable remuneration to the Group Executive Board/responsible Group Managing Director); 2.4.2 (no variable remuneration based on quantitative commercial criteria); 4.1 (determination and composition of the remuneration of the Group Executive Board).

1.2 General remuneration principles

The Remuneration Policy lays down Nykredit's general remuneration principles and components, underpinning:

- Delivery of the Group's strategy
- Nykredit's ability to attract and retain qualified and performance-oriented staff
- Nykredit's wish to prioritise development and opportunities for people who will and can make a difference
- Promotion of responsible conduct
- Sound and effective risk management – including that Nykredit's remuneration structure does not encourage excessive risk taking, for instance by:
 - preparing bonus programmes that do not encourage breach of risk limits or governance
 - acting in harmony with principles of fair treatment of customers and protection of customers and investors by taking measures to avoid conflicts of interest
 - ensuring that the remuneration structure does not erode Nykredit's capacity for maintaining and strengthening its capital position
 - defining criteria for the determination of fixed and variable remuneration components
 - taking into account the company's risk appetite with regard to ESG risks.

Remuneration of the staff is independent of gender, religion, sexual orientation, political affiliation and ethnic origin.

1.3 Strategy and risk

The Remuneration Policy has been prepared on the basis of Nykredit's Group strategy, Winning the Double 2.0, which sets the framework for the Group's strategic and business development.

Nykredit's strategic foundation builds on its customer ownership structure, banking, mortgage lending and the Totalkredit partnership.

The strategy focuses particularly on three objectives:

1. We want to secure Totalkredit's future position as market leader in home financing in Denmark
2. We want to expand Nykredit's banking position by gaining more full-service customers
3. We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

Nykredit has an objective of growing income from core business and of continuously becoming more cost-efficient. This is required to meet the regulatory requirements and to ensure a competitive business in the long term.

Today, Nykredit uses Strategic Scorecard as a strategic management tool to measure the effects of its business initiatives. This will ensure, on a current basis, that the required business development is realised. Nykredit's Strategic Scorecard includes Group targets, focusing on capital, finances, customers, processes and staff. The extent of target attainment as determined in accordance with the target management tool used from time to time will also have an impact on the size of any variable remuneration.

Decisions made by individual staff members may imply risks in the form of credit risk, market risk, liquidity risk and operational risk – including compliance and IT security risk. Effective risk management in these areas is secured by laying down and following up on policies, guidelines, limits and business procedures.

2. A common framework for all staff members

2.1 Remuneration components

Remuneration of a staff member is determined based on the remuneration level of that staff member's job level, relevant personal and professional skills, contribution and performance, attitude and conduct relative to Nykredit's values, and market conditions.

Nykredit's job positions are, to the greatest extent possible, classified using a system that supports objective remuneration setting and enables comparison of remuneration levels internally as well as externally.

Nykredit's staff know the classification of their job position and which remuneration level is set for the category.

Remuneration of Nykredit's staff consists of the following fixed components: (i) a base (fixed) salary, (ii) a pension contribution and (iii) staff benefits.

In addition, variable remuneration components such as (i) bonuses, including one-off amounts and performance awards, (ii) sign-on bonuses, (iii) stay-on fees (retention bonuses), and (iv) severance pay may be used to a limited extent.

The weighting of the remuneration components varies depending on the job category and business area. Remuneration is structured at all times to prevent conflicts of interest between members of management and staff on the one hand and customers and investors on the other. However, there are mandatory restrictions as regards the weighting between fixed and variable remuneration components.

2.2 Base salary

The base salary consists of a fixed cash amount.

Staff subject to collective agreement are subject to the provisions governing salaries of the collective agreements and any related agreements in force from time.

Under the current collective agreements in Denmark, staff members' salaries are adjusted annually by an agreed percentage with effect from 1 July. With respect to staff subject to a collective agreement, Nykredit also uses individual salary rises based on market conditions, skills and performance.

There is no automatic annual adjustment in Denmark of the salaries of staff and managers whose salary levels are not regulated by collective agreements. Instead, salary adjustments may be agreed once a year based on the remuneration budget and guidelines laid down by the Group Executive Board and input provided by local managers.

Staff employed in other countries than in Denmark are normally not covered by the collective agreements that apply to the majority of Nykredit's staff in Denmark. Such staff may be subject to other salary adjustment rules.

2.3 Pensions

For staff subject to a collective agreement, pension contributions are regulated by such agreement.

For staff not subject to a collective agreement, Nykredit's policy is that such staff should be guaranteed pension terms similar to the terms applicable at any time under the collective agreements. Pension terms are set out in the individual employment contracts.

Staff employed in other countries than in Denmark may be covered by other pension terms and conditions.

2.4 Bonuses

In order to ensure market-consistent and competitive remuneration and to underpin the delivery of its strategy at the level of the Group and the individual business divisions, Nykredit offers bonus programmes to certain staff groups. Nykredit's benchmarks for this purpose are national financial businesses.

In the bonus programmes, fixed and variable remuneration components are balanced according to the specific job position, and individual programmes are subject to limits, ensuring that the bonus programmes do not result in excessive risk taking, and that relevant legislation is complied with.

Staff members may generally be awarded a bonus provided that Management has decided, prior to its approval of the annual financial statements, that there is a basis for awarding bonuses – and always provided that the payments, for instance in case of economic fluctuations, do not impair Nykredit's capacity for maintaining and strengthening its capital position.

The majority of Nykredit's staff are not covered by a bonus programme.

The top performers among the staff not covered by a bonus programme may, on an individual basis and subject to approval by the Group Executive Board, be awarded a discretionary performance bonus from year to year. The decision in this respect is made upon proposal by the management staff and validated as indicated above, primarily based on the attainment of individual targets set out in the performance review.

2.4.1 Bonus and maximum share of variable remuneration

The Board of Directors annually determines the maximum share of variable remuneration relative to the base salary.

In principle, the variable remuneration component may be up to 100% of the base salary; for the majority of staff covered by a bonus programme the percentage is, however, significantly lower.

Payment of a variable remuneration component exceeding DKK 750,000 is subject always to approval by the Group Executive Board.

2.4.1.a Long-term incentive scheme

After approval by the Board of Directors of Nykredit A/S, the Group Executive Board may implement a long-term incentive scheme for a limited number of the Group's executives/senior staff.

The scheme would serve as a supplement to the bonus programmes mentioned below, and a component of the variable remuneration of up to 100% of the base salary may be awarded under the scheme, but the total variable remuneration is, however, subject to the limits set out in 2.4.1 above.

2.4.1.b Markets, Asset Management, Investments and Group Treasury

Special bonus programmes apply to members of staff and management of the business entities Markets, Asset Management, Investments and Group Treasury who have major earnings responsibility, in line with market standards for such positions. Remuneration of these staff members is based on the business performance, and the variable remuneration component is generally high relative to the rest of the Group's bonus programmes. The variable remuneration component may reach up to 100% of the base salary.

2.4.1.c Funktioner med ansvar for de største og mest professionelle erhvervskunder

For ledere og medarbejdere i centrale funktioner med ansvar for de største og mest professionelle erhvervskunder er der etableret et begrænset antal bonusordninger hvor den variable løndel kan udgøre op til 100% af den faste løn.

2.4.1.d Functions with responsibility for the largest personal clients

A limited number of staff/managers in key functions having responsibility for high-net-worth clients are selected to participate in a bonus programme under which the variable remuneration component may reach up to 100% of the base salary.

2.4.1.e Other members of management and staff

For øvrige ledere samt et mindre antal medarbejdere, som er placeret på et højt stillingsniveau, eller som løser særlige opgaver, er der etableret bonusordninger, hvor den variable løndel typisk udgør op til 25% af den faste løn. Variabel løn udbetales alene for den ekstraordinære indsats.

2.4.2 Special rules applicable to certain staff not designated as material risk takers

The following applies to staff not designated as material risk takers who, on 1 March 2024 or later, enter into a contract of employment offering a bonus potential of more than 75% of the basis of bonus calculation, or whose bonus potential is increased, on 1 March 2024 or later, allowing for a bonus that exceeds 75% of the basis of bonus calculation:

The entire part of a bonus for any given year that exceeds 75% of the basis of bonus calculation must be awarded and paid out in accordance with the rules applicable at any time to the part of a bonus that is awarded to material risk takers as long-term instruments over several years.

However, the above does not apply if the part of a bonus for any given year that exceeds 75% of the basis of bonus calculation is DKK 100,000 or lower; in that case, the entire part of the bonus will be awarded and paid out according to the same rules that apply to the rest of the bonus amount.

"Basis of bonus calculation" means the sum of remuneration components serving as a basis for bonus determination.

2.4.3 Bonus criteria

For all bonus programmes, a number of bonus award criteria must be met. The criteria are all aligned with Nykredit's strategic priorities and targets as specified in the Group's Strategic Scorecard and vary depending on the business division in question or the position held by the staff member in question. Moreover, a number of circumstances may cause the bonus to be reduced or cancelled, irrespective of the extent to which the set criteria have been met.

A balance between short-term and long-term targets should apply to the bonus programmes. This means that earnings targets/quantitative criteria will be supplemented with other targets/qualitative criteria.

- Examples of specific targets/criteria are:
 - Earnings – both level and growth
 - Risk impact
 - Customer satisfaction
 - Contribution to internal and external collaboration
 - Contribution to development of business area
 - Contribution to efficiency and projects
 - Conduct – must be aligned with strategy and culture
 - Contribution to meeting the targets set out in the Group's current performance management tool
 - Attainment of individual targets set out in performance reviews.
 - Staff satisfaction
 - Talent development

The assessment of earnings targets factors in credit risk, market risk, liquidity risk and operational risk – including compliance and IT security risk – by, among other things, deducting any losses and capital charges. The purpose is to ensure that business divisions and/or members of management/staff do not take unnecessary risks, as this may prompt a reduction in the individual bonus.

In addition, the earnings of the Group, the division/subsidiary and the individual staff member are factored in but are weighted differently relative to the individual staff member's earnings impact. As for Nykredit Portefølje Administration A/S and Sparinvest S.A., consideration is also made for the performance of the UCITS and alternative investment funds under management and the overall performance of the asset manager.

The main circumstances that may cause the bonus to be reduced or cancelled are:

- Non-compliance with rules or business procedures etc
- Non-compliance with policies, guidelines or risk limits
- That the staff member is not deemed to have carried out their job or acted in accordance with their obligations in a satisfactory manner and has thus failed to meet appropriate eligibility and integrity requirements.

In accordance with the rules applicable to the financial area aimed at ensuring that Nykredit's Remuneration Policy and practice are designed so as to prevent conflicts of interest vis-à-vis customers, Nykredit does not pay out variable remuneration based on quantitative commercial criteria (such as specific sales targets or the number or proportion of approved home loan applications).

Criteria similar to those outlined above apply to staff eligible for the bonus programme, see 2.4.1.d. However, more weight will be attached to Nykredit's overall performance, including attainment of the targets set out in the Group's Strategic Scorecard, and a manager's performance in this respect.

For other members of management and staff with a bonus programme, bonuses are particularly closely linked to the attainment of targets in the Group's Strategic Scorecard, the Balanced Scorecards of their own division and individual targets.

Each staff member subject to a bonus programme may at any time request a discussion of the status of their performance relative to specific bonus criteria.

2.5 Sign-on bonus and stay-on fee (retention bonus)

Sign-on og stay-on vederlag (fastholdelsesvederlag) anvendes kun i ekstraordinære tilfælde. Sign-on vederlag anvendes for at tiltrække særligt specialiserede nøglemedarbejdere. Stay-on vederlag (fastholdelsesvederlag) anvendes for at fastholde medarbejdere, hvor det vurderes afgørende for Nykredit, at disse forbliver i deres stilling i en nærmere defineret periode. Bestyrelsen tager årligt stilling til et maksimum herfor.

Sign-on vederlag tildeles kun i det første ansættelsesår i ekstraordinære tilfælde.

Maksimum for sign-on beløb er fastsat til 100% og maksimum for stay-on beløb (fastholdelsesvederlag) ligeledes 100% af den faste løn. Beløb over 750.000 kr. skal altid forelægges koncerndirektionen. Beløb under 750.000 godkendes af den ansvarlige koncerndirektør.

Den samlede variable del af lønnen (sign-on/stay on vederlag (fastholdelsesvederlag), bonus mv.) kan højst udgøre 100% af den faste løn.

Sign-on og stay-on vederlag samt bonus tildeles udelukkende diskretionært og kan ikke garanteres.

Medmindre Nykredit konkret beslutter andet, vil et sign-on vederlag til en medarbejder, der er væsentlig risikotager, være undtaget fra de i punkt 5 anførte vilkår for og begrænsninger i forhold til variabel aflønning, såfremt sign-on vederlaget opfylder følgende betingelser:

- Aftalen om sign-on vederlaget er indgået i forbindelse med besættelse af stillingen.
- Det aftalte sign-on vederlag er begrænset til det første ansættelsesår.
- Det koncernselskab, som aftalen om sign-on vederlaget er indgået med, har et sundt og solidt kapitalgrundlag på tidspunktet for tildelingen af sign-on vederlaget.

2.6 Staff benefits

Nykredit wants to provide the Group's staff with the best possible options in critical situations, and under Nykredit's collective agreement, all staff are covered by group life insurance, including critical illness, full-time accident, dental insurance and health insurance.

In addition, the staff is offered flexible pay packages (transport, mobile phones, broadband etc) within the framework of Danish legislation.

Some staff groups may, against a reduction in their salaries, opt for staff benefits that are not offered to all staff, such as newspaper subscriptions or a car subject to Nykredit's company car policy.

Furthermore, some of Nykredit's financial products are offered to staff on special terms.

For staff employed in other countries than in Denmark, other rules on staff benefits may apply.

2.7 Severance pay

Staff members subject to a collective agreement will receive severance pay pursuant to the provisions of the Danish Salaried Employees Act and the collective agreement.

Severance pay for some members of management and staff not subject to a collective agreement is determined in accordance with provisions of the individual employment contracts and cannot exceed nine months.

Apart from severance pay as mentioned above, an appropriate compensation for termination by Nykredit may extraordinarily be paid in certain individual cases.

Special conditions apply to the Group Executive Board, see 4.

For staff employed in other countries than in Denmark, other rules and laws may apply.

2.8 Gender-neutral remuneration

Nykredit's systems and practices in relation to remuneration and bonus awards must be gender-neutral and support equal pay for equal work.

To eg promote equal pay, Nykredit's job positions are, to the greatest extent possible, classified using a system supporting objective remuneration setting. The system must moreover enable comparison of remuneration levels internally and externally.

Any discrimination based on gender will not be tolerated.

2.9 Linking of remuneration structure and integration of sustainability risks Sustainability risks

(ESG risks) are a key element in Nykredit's investment activities for its own portfolios or on behalf of clients, and in its provision of investment advice. Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential negative impact on the value of an investment.

It is important to Nykredit to maintain a link between its remuneration structure and its sustainability risk integration, so that the remuneration structure promotes a sound and effective management of sustainability risks and does not encourage excessive risk taking.

For staff whose work involves investment decisions or investment advice and other staff for whom Nykredit considers it relevant due to the nature of their job positions, the criteria applicable to the individual staff member's bonus programme must include a requirement of compliance with Nykredit's policies and rules governing sustainable investment and sustainability risk integration which staff members must observe to correctly perform their duties. Failure to comply with these policies and rules may result in a reduction or cancellation of the bonus to which the staff member would otherwise be entitled.

The eligibility criteria for performance awards to such staff also include a requirement of compliance with Nykredit's policies and rules on sustainable investment and sustainability risk integration – non-compliance may result in a reduction or cancellation of the performance award that the staff member would otherwise qualify for.

2.10 Outsourcing

When outsourcing services within its core business, Nykredit strives to ensure that the terms and conditions of the contract are aligned with Nykredit's business and risk strategy, long-term interests, purpose and cultural commitments, and that they prevent conflict of interests and do not encourage excessive risk taking or the mis-selling of products.

3 Remuneration of the Board of Directors

The members of the Boards of Directors of Nykredit Realkredit A/S and Nykredit A/S and staff-elected members of the Board of Directors of Nykredit Bank A/S, investment representatives elected to the Board of Directors of Nykredit Portefølje Administration A/S and certain members of the Board of Directors of Sparinvest Holdings SE, Sparinvest S.A. receive fixed annual cash fees. This group of persons may further receive a fixed cash fee for serving on Board Committees. The fees must be approved by the Annual General Meeting of the relevant Group Company for the current year.

No board member is entitled to any kind of variable remuneration by virtue of their directorship. Board members employed with the Group may receive variable remuneration as part of their employment contract with the relevant Group Company.

The fees paid to the Board of Directors are fixed at a reasonable level relative to market standards and reflect the qualifications and skills necessary for board members relative to the size and complexity of the Group, the local entity, their individual contribution, value creation and responsibility as well as the time they are expected to spend to meet their obligations.

Except for staff-elected board members, members of the Boards of Directors of Nykredit Realkredit A/S, Nykredit A/S, Nykredit Bank A/S and Totalkredit A/S do not receive any staff discounts on the Group's products.

Except for staff-elected board members, internal board members of the Group Companies do not receive any fees for their service.

Based on the recommendation of the Board Remuneration Committee, the Board of Directors of the relevant Group Company submits a proposal to the Annual General Meeting of that Group Company for fees to be paid to the members of the Board of Directors.

4 Remuneration of the Executive Board

4.1 Remuneration of Group Executive Board

The members of the Group Executive Board who are responsible for the duties of the Executive Boards of Nykredit Realkredit A/S and Nykredit A/S will receive cash base salaries as determined by the Board of Directors plus a pension contribution, which is a given percentage calculated on the basis of the base salary. This percentage may differ from the percentage applicable to other staff members pursuant to 2.3. The pension contribution may, by agreement, be paid out as base salary.

Members of the Group Executive Board are covered by Nykredit's company car policy and may, against a reduction in their salaries, choose a car within the limits stipulated therein.

As a general rule, the Group Managing Directors do not receive variable remuneration. The Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S may under special circumstances decide to award members of the Group Executive Board variable remuneration on a discretionary basis.

Members of the Group Executive Board are de facto risk takers and are therefore subject to the terms, conditions and restrictions mentioned in 5 below relative to variable remuneration, which may constitute no more than 50% of the base salary including pension.

In exceptional cases, the Board of Directors may award members of the Group Executive Board a sign-on bonus and/or a stay-on fee in accordance with 2.5. The total variable remuneration component (sign-on bonus/stay-on fee, bonus etc) cannot exceed the above-mentioned maximum.

Members of the Group Executive Board are subject to a notice of termination of 12 months. In exceptional cases, however, the notice period may be longer than 12 months, but no more than 24 months, provided that the extended notice period applies only for a limited period of time and is reduced to 12 months within a period of two years.

Moreover, severance pay may be paid in case the employment is terminated by Nykredit. Severance pay amounts to between 6 and 13 months' salary. Severance pay is performance-related and may not reward misconduct or poor results. Salary during the notice period and severance pay will be paid out on a monthly basis, with the period of severance pay starting when the notice period has expired. The monthly severance payments must correspond to the recipient's average monthly salary, including pension contribution, in the past financial year.

Members of the Group Executive Board do not receive staff discounts on the Group's products.

4.2 Remuneration of Executive Boards of subsidiaries

Salaries and bonuses paid to the Executive Boards of the Group Companies are determined by the Group Executive Board and the Boards of Directors of the relevant Group Companies.

Members of the Executive Boards of subsidiaries are de facto risk takers and subject to the terms, conditions and restrictions mentioned in 5 below relative to variable remuneration, which may constitute no more than 50% of the base salary including pension contribution.

The same rules apply to the award of a sign-on bonus and/or stay-on fee as those applicable to members of the Group Executive Board.

In case of termination by the Group Company, the Executive Boards of subsidiaries are subject to a notice of up to 12 months. In exceptional cases, however, the notice period may be longer than 12 months, but no more than 24 months, provided that the extended notice period applies only for a limited period of time and is reduced to a maximum of 12 months within a period of two years.

For more information on severance pay, see 2.7. The criterion that severance pay is performance-related and may not reward misconduct or poor results also applies to Executive Board members of subsidiaries. Salary during the notice period and severance pay will be paid out on a monthly basis, with the period of severance pay starting when the notice period has expired. The monthly severance payments must correspond to the recipient's average monthly salary, including pension contribution, in the past financial year.

Members of the Executive Boards of Nykredit Bank A/S and Totalkredit A/S do not receive staff discounts on the Group's products.

For staff employed in other countries than in Denmark, other rules and laws may apply.

5 Risk takers

5.1 Identification of material risk takers

Some of the conditions applying to the variable remuneration of staff members who are material risk takers ("risk takers") are regulated by law.

The criteria laid down in law for deciding who among the staff members are risk takers have been aligned with Nykredit's present situation, and this has resulted in specific criteria for identifying the staff members at Nykredit who are risk takers. The criteria have been laid down in business procedures determined by the Boards of Directors of the financial Group Companies, financial institutions and alternative investment fund managers that define responsibility and processes in relation to identification of risk takers and bonuses for risk takers of the Group. In the context of criteria applicable to the remuneration of staff, the reference year for calculation of variable remuneration has been set as the year preceding the financial year in which the variable remuneration is awarded.

Based on these criteria, the HR unit will propose specific members of management and staff as risk takers of Nykredit. The specific considerations, criteria and risk takers are subject to approval annually by the Board Remuneration Committee and by the Boards of Directors of the relevant Group Companies. In addition, risk takers are designated over the year in connection with resignations/recruitments, organisational changes, budgetary changes etc.

Members of the Group Executive Board and all members of the Boards of Directors and Executive Boards of any Group Company are de facto risk takers.

Risk takers are notified of their designation and its implications in the form of a supplement to their employment contract.

Staff members of Nykredit Portefølje Administration A/S and Sparinvest S.A. having a material impact on the risk profiles of the managed UCITS and alternative investment funds are also risk takers.

Where Nykredit Portefølje Administration A/S, Sparinvest S.A. or the UCITS and/or alternative investment funds under management delegate portfolio management or risk management to staff in other Group Companies, Nykredit has made sure that the staff members so authorised are subject to either remuneration rules corresponding to those governing investment management companies or similar contractual commitments.

The risk takers are covered by the above bonus programmes, restrictions and criteria.

Some of these criteria relating to risk takers are moreover governed by law, implying that:

- A variable, performance-related remuneration component is determined on the basis of the performance of the individual, of the business unit of the said individual and of the overall results of Nykredit.
- The performance measurement used as a basis for the variable remuneration component reflects the current and future risks related to the actual performance and any cost of capital and liquidity required to obtain such performance.
- When assessing the performance of the individual staff member, consideration is made for non-financial criteria such as compliance with internal rules and procedures and with Nykredit's guidelines and business procedures that apply to the relationship with customers and investors.

Moreover, the risk takers are subject to a number of restrictions on the payout of bonuses awarded for the purpose of ensuring that material risk takers have a long-term perspective and are not encouraged to excessive risk taking in their decision-making.

5.2 Long-term instruments, deferral and retention

For risk takers receiving variable remuneration, at least 50% of the variable remuneration must be paid out as long-term instruments.

For risk takers who are also members of the Executive Board of a Group SIFI, a minimum of 60% of the variable remuneration is paid out as long-term instruments.

Long-term instruments currently consist in bonds with the characteristics of senior contingent notes, where the price performance is linked to Nykredit's Tier 1 capital ratio.

As managers of UCITS and alternative investment funds, Nykredit Portefølje Administration A/S and Sparinvest S.A. use long-term instruments which, subject to the managed funds' Articles of Association, nature etc, consist of a mix of equity investments or instruments relating to equity investments of the managed funds.

Staff members are prohibited from using, and are required to undertake not to use personal hedging strategies or remuneration- or liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements, most notably the risk relating to the above instruments.

In pursuance of the Danish Financial Business Act, the payout of at least 40% of the variable remuneration – or at least 60% in respect of large remuneration amounts – must be deferred over a period of no less than five (5) years as regards all members of the Executive Board of any Group Company and no less than four (4) years as regards other risk takers.

The Executive Boards of the Companies in question are authorised to decide whether a variable remuneration component constitutes a large amount in each specific case. Variable remuneration components exceeding DKK 750,000 or amounting to more than 40% of the fixed salary must always be considered a large amount.

Deferred variable remuneration is paid out in equal portions over the years.

The determination of deferred variable remuneration is adapted to Nykredit's circumstances, the associated risks and the duties of the individual staff member. The length of the deferral period is determined in accordance with the business cycle, Nykredit's circumstances, the associated risks and the duties of the individual staff member.

The deferral period for Nykredit Portefølje Administration A/S and Sparinvest S.A. is, however, adjusted in line with the life cycle and redemption policy of the managed funds. The deferral period cannot be shorter than the four (4) and five (5) years stated above.

Nykredit's retention period is 12 months for bonuses placed in long-term instruments.

5.3 Backtesting (not paid out) and clawback (paid out)

In particular, in connection with the payout of deferred amounts – including the bond part – Nykredit will consider whether the criteria underlying the calculation of the bonus continue to be met at the time of payout. It must be assessed whether the individual performance/actions on which the variable remuneration component was awarded in the year in question have proved as good as initially assessed, also in the long term.

Further, the Group's performance – and where relevant also the performance of the relevant subsidiary – must be assessed, especially with regard to any losses. The Board of Directors of the relevant Group Company must approve the payout of the total deferred bonus prior to the announcement of the financial statements together with the basis for bonus payout for the previous year.

The relevant Board of Directors may also resolve to withhold variable remuneration if Nykredit and/or the Group Company and/or the relevant business unit (i) do/does not comply with capital requirements and/or capital adequacy requirements or if there is a likely risk of non-compliance, or (ii) have/has been given a deadline by the Danish FSA to fulfil the capital requirement or a requirement for a reconstruction plan.

Further, it is a precondition for payment of deferred variable remuneration that (i) the staff member has not participated in or is not responsible for a conduct leading to substantial losses for Nykredit or the UCITS and alternative investment funds managed by Nykredit Portefølje Administration A/S or Sparinvest S.A., (ii) the staff member has met appropriate eligibility and integrity requirements, (iii) the financial position of Nykredit or the relevant Group Company, and for Nykredit Portefølje Administration A/S and Sparinvest S.A. also the managed UCITS and alternative investment funds, has not deteriorated significantly since the calculation of the variable remuneration component.

Finally, payment of variable remuneration may be denied if the basis of the decision was erroneous and the staff member was or should have been aware of that. In such cases the staff member must moreover repay any part of the variable remuneration received previously (eg clawback).

5.4 Lower threshold

The Executive Board may decide, on the basis of a specific assessment of reasonableness of the individual variable remuneration component, to exempt variable remuneration components of a maximum of DKK 100,000 annually from the requirements relating to deferral and retention period and the requirement that at least 50% of the variable remuneration must be in long-term instruments.

5.5 Non-circumvention

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements applicable to remuneration.

6 Remuneration of staff in control functions

Nykredit considers the following as control and audit functions:

- Group Finance and Investments
- Risk & Conduct
- Quality Assurance
- Compliance
- IT Security
- Internal Audit
- HR Operations

Staff involved in the controlling process must be independent of the Nykredit units which they oversee. To the extent that staff in control functions receive variable remuneration, this will depend on how they meet targets relating to their functions and thus be independent of the performance of the units they oversee.

Managers of Group Credits, Risk & Conduct, Internal Audit, Banking Risk & AML and Compliance do not participate in variable remuneration schemes.

For staff employed in other countries than in Denmark, other rules and laws may apply.

Nykredit finds that staff in other control functions may participate in variable remuneration schemes. The reason is that the variable remuneration pools are determined by the Group Executive Board on the basis of Nykredit's overall results – and thus not on the basis of the results of individual units. In addition, bonus/performance awards/one-off amounts granted to staff members are based on personal targets that are linked to their own units. Staff in control functions should remain independent and should not be assessed by the business unit they control.

7 Remuneration disclosures

In connection with the relevant Group Companies' Directors' report at the annual general meetings, the Chairman of the relevant Board of Directors accounts for (i) the principles of the Remuneration Policy and Nykredit's compliance with the Policy, and (ii) remuneration of the Board of Directors/Executive Board, including remuneration in the past financial year and expected remuneration in the current and next financial years.

Nykredit's Annual Report contains information on this Remuneration Policy and the total remuneration for the financial year of current and former members of the Executive Board, the Board of Directors and risk takers.

In addition, a remuneration report is prepared annually in accordance with applicable legislation and Recommendations on Corporate Governance.

The remuneration report includes information on the total remuneration of each named member of the Board of Directors and the Executive Board earned as part of their employment with the financial Group Company in question in the relevant financial year and as member of the Board of Directors or Executive Board of a Group Company in the same financial year.

Once a year, Nykredit publishes the Group's Remuneration Policy and remuneration report at nykredit.com and totalkredit.dk.

8 Control and reports

Nykredit has effective, transparent and well-documented control procedures, ensuring that variable remuneration is paid out in accordance with the Remuneration Policy and current legislation. Based on the guidelines laid down by the Boards of Directors, once a year the HR unit reviews compliance with the Remuneration Policy and the remuneration rules. Based on its review, the HR unit will prepare a report and an opinion on Remuneration Policy compliance, which are submitted to the Board Remuneration Committee together with a summary of the remuneration of the Executive Boards, staff with management responsibilities for control functions as defined in 6 and staff with management responsibilities in important business units.

The Board Remuneration Committee will assess the documents received and report on its findings to the Boards of Directors of the Group Companies in question. In this connection, each Board of Directors must receive the report from the HR unit and summary of the remuneration of the Executive Board.

To ensure compliance with the Remuneration Policy and current rules, the Compliance unit conducts periodical compliance reviews to control and assess whether methods and procedures in relation to the remuneration rules are adequate to discover and mitigate the risk of non-compliance. Compliance reports to the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S and the respective Boards of Directors of the other Group Companies.

Moreover, the Board Risk Committee assesses at least once a year whether the criteria/incentives forming part of Nykredit's remuneration structure sufficiently allow for risk etc.

Appendix applicable to Sparinvest S.A. and amending and complementing Nykredit's Group Remuneration Policy

1. Context

1.1. Group Remuneration Policy and Country Appendix

The remuneration policy of Nykredit A/S and all its Group Companies in Denmark and abroad (the "Group Remuneration Policy") defines rules and processes that are also to be implemented by Sparinvest S.A. in Luxembourg and its branch ID Sparinvest, Filial af Sparinvest S.A. in Denmark. The remuneration policy of Sparinvest S.A. consists of the Group Remuneration Policy with the clarifications set out in this Appendix and in the complementary Guidelines. The Group Remuneration Policy as amended and/or complemented by this Appendix are referred to as the "Remuneration Policy of Sparinvest S.A. "

1.2. Objective of the Remuneration Policy of Sparinvest S.A.

The objective of the Remuneration Policy of Sparinvest S.A. is to ensure that remuneration is determined by principles that comply with remuneration rules for both UCITS and AIFs and in this context promote sound and efficient risk management within Sparinvest S.A. Furthermore, the remuneration policy will not encourage risk taking that is inconsistent with the risk profiles of the UCITS and AIFs under management.

1.3. Legal framework

This policy seeks to comply with the following legal and regulatory framework:

- Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (hereinafter the "UCI Law") and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended, consolidated or replaced from time to time (the "UCITS Regulations");
- Luxembourg law of 12 July 2013 on alternative investment fund managers, as amended (hereinafter the "AIFM Law") and the European Union (Alternative Investment Fund Managers) Regulations 2013 European Commission Delegated Regulation (EU) 231/2013 (together the "AIFM Regulations");

The AIFM Regulations and the UCITS Regulations are together referred to as the "Regulations".

This policy has also been drafted in accordance with:

- CSSF Circular 18/698 on authorization and organization of investment fund managers incorporated under Luxembourg law, which also refer to the application of:
 - the European Securities Markets Authority ("ESMA") Guidelines on sound remuneration policies under the AIFMD (ESMA/2013/232, as amended by the ESMA Guidelines ESMA/2016/579, the amended guidelines being referred to as the "ESMA AIFMD Guidelines") and
 - the ESMA Guidelines on Sound Remuneration Policies under the UCITS Directive (ESMA/2016/575).

The ESMA AIFMD Guidelines and the ESMA UCITS Guidelines, are collectively referred to as the "ESMA Guidelines" (the Regulations and the ESMA Guidelines, collectively, the "Remuneration Requirements").

The Regulations require Sparinvest S.A. to comply with a detailed list of principles when establishing and maintaining its remuneration policies and practices.

1.4. Scope

The Remuneration Policy of Sparinvest S.A. applies to all employees, the Board of Directors of Sparinvest S.A. and ID-Sparinvest, Filial af Sparinvest S.A. (hereinafter referred to as "Sparinvest" or "Sparinvest S.A. "). This document supersedes all previous provisions applicable in relation to the Remuneration Policy of Sparinvest S.A. and is effective with immediate effect.

For the purposes of this Remuneration Policy, remuneration consists of:

- All forms of payments or benefits paid by Sparinvest;
- Any amount paid by a Fund itself, including carried interest (e.g. performance fees);
- Any transfer of units or shares of a Fund, in exchange for professional services rendered by the Identified Staff (as defined below).

In addition, in light of the similarities between the investment management activities and discretionary portfolio management services to be provided by Sparinvest S.A., as well as the limited volume of discretionary portfolio management mandates referred to as separately managed accounts ("SMAs") compared to Sparinvest's total assets under management, the remuneration principles governing Sparinvest in its capacity as authorised alternative investment manager of AIFs and as UCITS management company – which are the most effective rules for the purpose of discouraging inappropriate risk taking and aligning the interests of Sparinvest's staff with those of the investors – shall also apply in respect of Sparinvest when managing discretionary portfolio management mandates or providing other ancillary services in accordance with article 101(3) of the UCI Law and article 5(4) of the AIFM Law.

1.5. Alignment to business strategy

This Appendix for Sparinvest to the Group Remuneration Policy and the complementary Guidelines have been prepared in line with the business strategy, objectives, values and interests of Sparinvest, the UCITS funds ("UCITS") and alternative investment funds ("AIFs") under management (hereinafter the "Funds") and the SMAs and ensures that Sparinvest maintains and applies a sound and prudent remuneration process which does not impair compliance with Sparinvest's duty to act in the best interest of the Funds, which identifies and manages any conflicts of interest, promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profile of Sparinvest or the risk profiles and constitutional documents of the AIFs and UCITS under management.

1.6. Group Remuneration Committee

The Board of Directors of Sparinvest S.A. has decided not to establish a Remuneration Committee at company level since the company is part of Nykredit and a Board Remuneration Committee performing its tasks and duties for the whole Group exists at Group level (the "Group Remuneration Committee").

The Group Remuneration Committee is also responsible for ensuring compliance of Sparinvest's Remuneration Policy with the Group Remuneration Policy, as amended by this Appendix.

However, the Board of Directors, having regard to the increased operational complexity of Sparinvest S.A., size of the Funds and that fact that it manages both AIFs and UCITS, ensures that the Group Remuneration Committee will be provided with sufficient information and in order to oversee the implementation of the remuneration arrangements and to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk. Also, the Board of Directors ensures that Sparinvest S.A. is duly represented at the level of the Group Remuneration Committee.

2. Material Risk Takers and Identified Staff

(referring to point 5.1 of the Group Remuneration Policy)

This Remuneration Policy covers in particular all staff whose professional activities have a material impact on the risk profile of Sparinvest or of the Funds ("Identified Staff"). Under the ESMA Guidelines, Identified Staff are classified as categories of staff, including senior management, risk takers, control functions and any employee receiving total remuneration that falls into the remuneration bracket of senior management and risk takers, whose professional activities have a material impact on Sparinvest's risk profile or the risk profiles of the Funds

The ESMA Guidelines provide further detailed guidance regarding the classification of Identified Staff.

The Remuneration Policy of Sparinvest (including, for the avoidance of doubt, those employees that are employed by ID-Sparinvest, Filial af Sparinvest S.A.) is applicable to all staff members of Sparinvest with specific provisions on variable remuneration applicable only to individuals identified as material risk takers, as detailed below.

In order to identify staff members who are material risk takers, the Board of Directors of Sparinvest S.A. has defined criteria where the material influence is decisive.

Material risk takers are for the purpose of this policy defined as staff members who individually or collectively can change or have the decision-making powers either via delegation from Management or due to their position can exercise influence in a way that will materially impact the business strategy or investors' interests in Sparinvest S.A. or the UCITS and/or AIFs under management respectively the SMAs and can inflict a loss on the company or the Funds/SMAs.

Based on this definition the following criteria will be used when identifying staff covered by the Remuneration Policy:

- (i) Staff who can have a material influence on the risk profile/positions of either the company or the Funds/SMAs;
- (ii) Staff who can have a material impact on the results, balance sheet or performance of the Funds/SMAs;
- (iii) Staff who are capable of entering into substantial contracts/positions on behalf of the company.

In addition to these criteria an analysis of the employees' job functions and responsibility is made in order to assess whether their job function is covered by the Remuneration Policy of Sparinvest.

As reference to point 5.1 of the Group Remuneration Policy, the criteria laid down in law for deciding who among the staff members are risk takers have been aligned with Nykredit's present situation, and this has resulted in specific criteria for identifying the staff members at Nykredit who are risk takers.

The criteria have been laid down in business procedures determined by the Boards of Directors of the financial Group Companies, financial institutions and alternative investment fund managers that define responsibility and processes in relation to identification of risk takers and bonuses for risk takers of the Group.

These business procedures are applicable to Sparinvest, if not defined differently in this appendix. In that case, the rules as defined in this appendix prevail.

On the basis of the above-mentioned qualitative criteria the Board of Directors has identified the following employees as being subject to the Remuneration Policy of Sparinvest.

- (i) Executive and non-executive members of the governing body. Members of the Board of Directors who are also employed by Sparinvest S.A.
- (ii) Senior management (hereinafter "Management"). Conducting Officers (cf point 4.2 Executive Boards of subsidiaries of the Group Remuneration Policy) and managers reporting to a Conducting Officer (cf. point 3 of the business procedures defined at Group level being managers in the sense of employees having people management responsibility).
- (iii) Control functions (staff responsible for AML/CFT Compliance, Risk Management, Compliance, Internal Audit). The Heads of control functions: AML/CFT Compliance, Internal Audit, Compliance and Risk Management.
- (iv) Portfolio management. Chief Investment Officer and Portfolio Managers who are responsible for a given strategy and can have a significant impact on the performance of the UCITS and/or AIFs they manage.
- (v) Other material risk takers including administration, marketing and sales. The Head of International/Institutional Client Management, the Head of Marketing and the Branch Manager. Administration is the sole responsibility of three Conducting Officers in Management.
- (vi) Other. At the date of this policy, the Company does not have any other employees/persons having either a potential or actual material impact on the risk profile of Sparinvest S.A. or of the UCITS and AIFs it manages and whose total remuneration falls into the remuneration bracket of senior managers and risk takers.

In the context of criteria applicable to the remuneration of staff, the reference year for calculation of variable remuneration has been set as the year preceding the financial year in which the variable remuneration is awarded.