

## Remuneration Report 2023 Realkredit Danmark

This remuneration report includes remuneration practices and main principles in Realkredit Danmark A/S.

The remuneration report is prepared in accordance with the rules in the Danish Financial Business Act and explains governance with respect to remuneration, remuneration structure and principles governing incentive programmes.

Further, the remuneration report describes practices related to regulatory matters, as well as changes of remuneration practices during the year.

The remuneration report provides information on total remuneration to the individual members of Realkredit Danmark's Board of Directors and the Executive Board. Quantitative information on total remuneration to designated material risk takers will be published in May 2024 on [www.rd.dk](http://www.rd.dk).

Supporting Realkredit Danmark's ambition on good corporate governance, this remuneration report further discloses main practices related to implementation of Danske Bank Group's Remuneration Policy, i.e. how governance is established to monitor Realkredit Danmark's compliance to remuneration related regulation.

The Annual General Meeting of Danske Bank A/S approves the remuneration policy for Danske Bank Group after prior consideration by the Remuneration Committee and upon the recommendation of the Board of Directors of Danske Bank A/S. Similarly, Realkredit Danmark's remuneration policy 2023 was approved at Realkredit Danmark's general meeting on 9 March 2023 and is available at [www.rd.dk](http://www.rd.dk).

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## **1 Introduction**

Realkredit Danmark is a member of Danske Bank Group and shares Danske Bank's vision, core values and overall strategies. Realkredit Danmark strives to be a modern mortgage credit institution for people and businesses, providing deep financial competence and leading, innovative solutions to meet customer needs.

On an annual basis, Danske Bank Group's and therefore also Realkredit Danmark's remuneration policy and practices are reviewed and adjusted, as required, to reflect changes in regulatory requirements and Realkredit Danmark's strategic priorities. A profound objective of the remuneration policy and remuneration practice at Danske Bank Group is to promote sound and effective risk management related to remuneration matters, including accounting managers to comply with internal governance.

## **2 Remuneration Policy for Realkredit Danmark**

Realkredit Danmark's Remuneration Policy 2023 has been prepared on the basis of Danske Bank Group's Remuneration Policy. Realkredit Danmark's remuneration policy applies to all employees inclusive the Board of Directors and the Executive Board in Realkredit Danmark A/S.

### **2.1 Governance and decision-making process**

The Board of Directors of Realkredit Danmark has not established a remuneration committee of Realkredit Danmark, but handles this task on the basis of the remuneration policy for Realkredit Danmark and other HR guidelines.

### **2.2 Monitoring of Realkredit Danmark's Remuneration Policy**

Group HR, a department of Danske Bank Group, monitors changes to regulatory- and/or legislative requirements in order to adjust the Group's and, by extension, Realkredit Danmark's Remuneration Policy and practices accordingly. When new legislation and/or regulation requirements leave options for Danske Bank Group, it is either Group HR, the Executive Board and/or the Board of Directors of Danske Bank who make the decision on the implementation depending on the materiality for Danske Bank. Material changes are subsequently approved by the Board of Directors of Realkredit Danmark.

Internal controls and validation processes for monitoring compliance with the remuneration policy are designed and implemented in a formalised way by Group HR.

The Remuneration Committee of Danske Bank monitors compliance with the Group's remuneration policy as well as the effect of internal controls and validation processes on an ongoing basis, and as a minimum once a year.

### **2.3 Approval of Realkredit Danmark's Remuneration Policy**

Danske Bank's Board of Directors reviews the Group's Remuneration Policy annually. Shareholders at the annual general meeting of Danske Bank A/S approve the revised Remuneration Policy to the extent that there are changes, and as a minimum every fourth year. The Remuneration Policy in its current form was approved at the annual general meeting in March 2023.

Realkredit Danmark also reviews the Remuneration Policy annually. In 2023, Realkredit Danmark's Remuneration Policy was approved by the Board of Directors of Realkredit

Danmark at the board meeting on 8 March 2023, and at Realkredit Danmark's annual general meeting held on 9 March 2023.

### **3 Remuneration practices**

Realkredit Danmark's overall remuneration practices are anchored in the Remuneration Policy, which is published on [www.rd.dk](http://www.rd.dk). Current governance mainly targets variable remuneration and employee benefits.

#### **3.1 Remuneration principles**

Compensation at Realkredit Danmark is a mixture of different compensation elements. Some elements are mandatory, as part of the total compensation package, while some flexibility is offered on other elements.

Base salary is the key compensation element containing flexibility for managers to decide on. Other fixed compensation elements include pension contribution. Collective agreements regulate base salary for the majority of employees. Where applicable, the level for individual remuneration is a matter between the employee and the immediate manager, while at the same time subject to collective agreements and/or the remuneration policy and supporting guidelines.

Changes in remuneration are consulted with Group HR when relevant, and always 'grandparent'-approved by the deciding manager's manager. Internal governance and guidelines apply to all compensation elements. The governance and guidelines are published on Danske Bank Group's internal website for easy access for managers.

HR partners are trained in compensation governance to support managers appropriately in decision-making and grandfather approvals.

#### **3.2 Fixed remuneration**

All employees in Realkredit Danmark receive a fixed salary, consisting of a base salary according to position and function, and for some employees an individual allowance to accommodate individual salary development. Employees on individual contractual terms, including at management level, only receive a base salary.

Few exceptions apply due to special circumstances, e.g. allowances can apply as a substitute when specific positions are excluded from variable remuneration, due to regulatory requirements.

Fixed salary levels for employees on individual contract terms are evaluated on an annual basis with no guaranteed increase. Employees covered by the collective agreement follow the agreed increased in the collective agreement.

#### **3.3 Benefits**

Employee benefits are offered to all employees. All employees have mandatory pension contributions, paid holidays and insurances on market aligned terms.

At executive and senior management level, certain benefits are offered to ensure competitive compensation packages, in line with market standards, enabling Realkredit Danmark to attract and retain key resources, e.g. company car and private health checks.

### 3.4 Variable remuneration

Realkredit Danmark uses performance based variable remuneration to promote desired behaviour, set strategic directions, incentivise, and reward high performance. Short term incentives are used to balance an appropriate focus.

As variable remuneration to key employees, i.e. material risk takers, including senior management, contains deferral of settled bonus, even short term incentives encourage a long term interest in sustainable performance and results.

Variable remuneration in Realkredit Danmark is subject to claw back and malus via back testing. Variable remuneration is reduced, if performance proves unsustainable or paid based on false information.

Short term incentives are offered to members of the Executive Board and management levels in general. The purpose is to:

- Encourage employees to take active part in and responsibility for Danske Bank Group and Realkredit Danmark achieving their strategic goals and objectives;
- Motivate employees to meet financial and non-financial objectives while at the same time enforcing a customer centric behaviour and collaborative mind-set;
- Incentivise employees to adapt an appropriate risk and compliance mind-set;
- Set directions for employees, related to strategic focus, and expected behaviour/conduct; and
- Ensure coherence between business results and remuneration levels in Realkredit Danmark while at the same time balance individual risk taking against performance targets.

STI programmes are mainly cash based, though payment in retained and deferred conditional shares is used when pay-out exceeds the thresholds set out in the Remuneration Policy, or, when bonus is awarded to material risk takers according to applicable regulations. No share options or other financial instruments are offered.

STI programmes for members of the Executive Board and management levels are based on individual performance agreements which include predetermined performance criteria against targets on Danske Bank Group performance, Business Unit specific performance and individual performance. The KPI levels and the KPIs have different weights depending on the participant's tier level.

The 2023 performance criteria includes both financial, non-financial, quantitative, qualitative, relative, absolute and risk adjusted KPIs e.g.:

- Return on equity;
- Cost management;
- Customer satisfaction relative performance against peers;
- Compliance with legislation and/or internal business/conduct procedures;
- Observance of the Group's and business units' risk management and compliance culture;
- Actions and performance which supports the achievement of the Group's ambitions;
- Diversity and inclusion;
- Employee engagement; and

- Sustainability metrics, including sustainability risk metrics relevant to the management of, or advise on investments.

Financial targets for the Danske Bank Group and the Business Unit are measured on results audited by Danske Bank's external auditor. Non-financial targets for the Group and Business Units are also delivered by external parties, e.g. customer satisfaction and reputation scores in main markets.

Further, targets on Risk and Compliance apply on Group and Business Unit level. The performance is evaluated and set by Danske Bank Group's independent control functions; hence, Business Units do not evaluate and settle own performance.

Individual targets may be quantitative as well as qualitative, e.g. behaviour, accomplishment of strategic objectives, or overall value contribution to growth and/or profitability. Individual targets are customised to the individual participant's area of responsibility and is subject to 'grandparent' approval upon evaluation.

Some employee segments are restricted by regulation to be rewarded on their commercial activities. Employees in independent control functions are offered variable remuneration; however only to the extent this is deemed relevant and only if conditions for the variable remuneration are considered compliant with regulation.

Variable remuneration paid to employees in control functions, does not depend on the results of the business unit monitored by the employee. If variable remuneration is considered inappropriate for maintaining independence, a fixed allowance is offered as a substitute, e.g. to independent control functions in positions which would otherwise be eligible for variable remuneration.

The Remuneration Policy has defined caps on variable remuneration for different employee segments. Danske Bank Group's Remuneration Policy defines a maximum variable remuneration cap of 200% of individual fixed base salary and pension contribution in a given year. In practice, no individual in Realkredit Danmark will receive performance-based remuneration exceeding 50% of the fixed salary and pension.

No incidents of violating caps for variable remuneration were identified or reported.

### **3.5 Remuneration of the Board of Directors**

#### **Board of Directors, elected at the general meeting**

Members of the Board of Directors of Realkredit Danmark, elected at the general meeting, receive a fixed cash remuneration. They do not receive any variable remuneration, pension contribution or other benefits.

Any member of the Board of Directors employed in Danske Bank Group will not receive compensation as member of the Board of Directors of Realkredit Danmark.

All members of the Board of Directors are non-executive directors in Realkredit Danmark. Consequently, no members of the Board of Directors, elected at the general meeting receive other remuneration from Realkredit Danmark.

As members of the Board of Directors receive fixed cash remuneration only, there is no conflict of interest with the Group's remuneration policy.

The cash-based compensation model for members of the Board of Directors mirrors the expected workload related to the work on the Board. Thus, a base fee for Board membership is paid to all external members of the Board of Directors. Further, additional fees are paid for Chairmanship of the Audit Committee.

#### Board of Directors, elected by the employees

Members of the Board of Directors of Realkredit Danmark, elected by the employees, receive a fixed cash remuneration. They do not receive any variable remuneration, pension contribution, or other benefits in their role as board member. In their role as employees of Realkredit Danmark, they are entitled to variable remuneration and staff benefits, in accordance with their peers.

### 3.6 Remuneration of the Executive Board

The compensation model for the Executive Board may include the following compensation elements: Fixed base salary, pension contribution, variable incentive pay and benefits.

Compensation elements	Comments
Fixed base salary	<ul style="list-style-type: none"> <li>Reviewed by the Board of Directors in Realkredit Danmark on annual basis</li> </ul>
Pension contribution	<ul style="list-style-type: none"> <li>14% of base salary paid as defined contribution. If covered by LL §48E/F the pension contribution is paid as a 14% cash allowance</li> </ul>
Short term incentive	<ul style="list-style-type: none"> <li>Maximum 50% of annual base salary is earned</li> <li>1 year accrual, based on KPI performance</li> <li>Upon settlement, 50% is paid in cash, while 50% in shares is deferred 5 years from granting time and is subject to back testing</li> <li>Upon back testing, deferred bonus is paid as conditional shares and is retained for 6 months before being free to trade</li> <li>Payments are subject to claw back and good leaver/bad leaver conditions</li> <li>The Board of Directors in Realkredit Danmark decides each year the size of any bonus</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Insurances (full time accident, group life insurance, critical illness, health insurance and dental insurance)</li> <li>Company car; can be paid as a cash allowance upon request</li> <li>Paid mobile phone and broadband connection</li> <li>Paid newspapers</li> <li>6 weeks annual paid holiday</li> </ul>
Notice terms	<ul style="list-style-type: none"> <li>A minimum of 6 months' notice from the CEO and minimum 3 months' notice from Executive Board member</li> <li>A minimum of 12 months' notice from Realkredit Danmark to the CEO and minimum 8 months' notice from Realkredit Danmark to the Executive Board member</li> <li>No agreed severance pay for the CEO and an agreed severance pay of 12 months' salary for the Executive Board member</li> </ul>

### **3.7 Risk impact of remuneration**

The primary risk related to Danske Bank Group's remuneration is linked to variable remuneration. The Group has implemented different mechanisms to ensure that variable remuneration does not incentivise excessive risk taking.

Firstly, the Group has initiated a well-balanced distribution between fixed and variable remuneration, ensuring that performance-based remuneration does not exceed 50% of the base salary.

Secondly, Danske Bank Group has initiated a split disbursement of performance based incentives, if the annual pay-out exceeds a threshold, as specified in the remuneration policy. Split disbursement is made in the form of cash and conditional shares, where conditional shares constitute 50% of the total variable remuneration exceeding the threshold. The conditional shares are restricted during a deferral and retention period of three years.

Thirdly, Danske Bank Group has implemented deferral of variable remuneration for material risk takers including members of the Executive Board to encourage sustainable and long-term value creation. Variable remuneration (cash and conditional shares) granted in one year is split into a part paid initially, and a part deferred in four years.

Deferred conditional shares are restricted from transactions 6 months after the release date. The deferred remuneration is subject to back testing before disbursement, i.e. the deferred remuneration is disbursed only to the extent to which the criteria for the original granting are still fulfilled, and at the same time, provided the financial situation of Danske Bank Group has not deteriorated materially. Hence, the disbursement may lapse in part or in full. The annual back-testing of deferred variable remuneration was carried out by Group HR in the first quarter of 2023. This did not lead to a reduction in deferred income compensation.

Variable remuneration to material risk takers, including members of the Executive Board, is also subject to claw-back, if there is evidence that the granting of bonus was made on false basis. The claw-back applies to disbursed parts. No claw-back was applied in 2023.

On an annual basis, incentive programmes are assessed internally to ensure the appropriateness of the programmes, and to continually monitor, if any programmes can lead to excessive risk taking.

## **4 Material risk takers**

On the basis of Executive Order No 1242 of 10 June 2021, Danske Bank Group has set up a procedure for identifying material risk takers, using the different articles to assess and identify staff with material influence on Realkredit Danmark's risk profile.

The procedure calls for cooperation between different subject matter experts in Danske Bank Group, namely Group Risk, Group Compliance and Group HR to ensure a comprehensive evaluation of each of the articles, ensuring that the definition of risk takers is continuously maintained. Danske Bank Group has also established a routine for continually reviewing the criteria for designation of material risk takers.

More information on material risk takers is in the Annual Report. In May 2024, quantitative information about material risk takers will be published on [www.rd.dk](http://www.rd.dk) for 2023, 2022 and 2021.



## Remuneration of the Board of Directors and the Executive Board of Realkredit Danmark

## Summary of remuneration to the Board of Directors and the Executive Board:

Remuneration to members of the Executive Board and the Board of Directors for 2023		
Earned (mDKK)	2023	2022
Executive Board*	6.96	7.93
Board of Directors	0.66	0.58
<b>Total remuneration</b>	<b>7.62</b>	<b>8.51</b>

\* Including current and former Executive Board members while in service.

## Remuneration to the Board of Directors:

Members of the Board of Directors receive a fixed annual base fee and are not eligible for any form of variable remuneration or a pension. Any member of the Board of Directors employed in Danske Bank Group will not receive compensation as member of the Board of Directors of Realkredit Danmark. Members of the Board of Directors of Realkredit Danmark, elected by the employees, receive a fixed cash remuneration.

## Remuneration to Board of Directors for 2023

Earned (tDKK)	Total remuneration 2023	Total remuneration 2022
Jesper Kofoed - Member and Chairman of Audit Committee	406	325
Majken Hammer Sløk - Employee representative	125	125
Christian Hillingsøe Heinig - Employee representative	125	125
<b>Total remuneration</b>	<b>656</b>	<b>575</b>

Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the executive board or board of directors of the home a/s subsidiary. The Group has no pension obligations towards its board members.

## Remuneration to the CEO and the Executive Board:

Members of the Executive Board receive fixed and variable remuneration in alignment with the Group's Remuneration Policy.

## Remuneration to members of the Executive Board for 2023

Earned 2023 (mDKK)	Fixed remuneration				Variable remuneration				Total
	Base salary	Pension	Benefits	Total fixed remuneration	Extraordinary payments	Cash	Shares	Total variable remuneration	Total remuneration
<b>Executive Board (mDKK)</b>									
Kamilla Hammerich Skytte - Chief Executive Officer	2.81	0.40	0.12	3.33	-	0.49	0.49	0.98	4.31
Bjarne Aage Jørgensen - Member of the Executive Board (joined the ExBo on 6 September 2023)	0.58	0.08	0.05	0.71	-	0.09	0.09	0.18	0.89
<b>Total earned</b>	<b>3.39</b>	<b>0.48</b>	<b>0.17</b>	<b>4.04</b>	<b>-</b>	<b>0.58</b>	<b>0.58</b>	<b>1.16</b>	<b>5.20</b>

Klaus Kristiansen left his position as member of the Executive Board on 31 July 2023. During his period in 2023 as member of the Executive Board, Klaus Kristiansen earned remuneration of DKK 1,76m, which consists of fixed salary of DKK 1,27m, pension of DKK 0,17m, variable cash payment of DKK 0,16m, and variable share-based payment of DKK 0,16m. In notice period during 2023 he earned total remuneration of DKK 5,96m, whereof DKK 4,89m has been awarded in severance fee paid out in 2023. His employment with Realkredit Danmark ended on November 30, 2023.

The remuneration of the Executive Board was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

#### Remuneration to members of the Executive Board for 2022

2022	Kamilla	Klaus	Total
	Hammerich	Kristiansen	ExBo
	Skytte [CEO] *		Remuneration
Fixed salary	2,6	2,2	4,8
Pension	0,3	0,3	0,6
Variable cash remuneration	0,6	0,2	0,8
Variable share-based remuneration	0,6	0,2	0,8
<b>Total amount earned</b>	<b>4,1</b>	<b>2,9</b>	<b>7,0</b>

\* Effective 1 February 2022 Kamilla Hammerich Skytte entered the Executive Board. On 1 March 2022 she took up the role as the Chief Executive Officer.

The total remuneration of the Executive Board of DKK 7,0m for 2022 consists of a fixed remuneration of DKK 5,4m and a variable remuneration of DKK 1,6m.

Carsten Nøddebo Rasmussen left his position as member of the Executive Board on 1 February 2022. During his period in 2022 as member of the Executive Board, Carsten Nøddebo Rasmussen earned remuneration of DKK 0,9m, which consists of fixed salary of DKK 0,7m, pension of DKK 0,1m, variable cash payment of DKK 0,1m, and variable share-based payment of DKK 0,0m. In notice period during 2022 he earned total remuneration of DKK 9,9m, whereof DKK 5,4m has been awarded in severance fee, which will be paid out in 2023. His employment with Realkredit Danmark ends on 28 February 2023.

The remuneration of the Executive Board was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

Figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented.

#### Conditional shareholdings of the Executive Board:

The following table shows the outstanding share awards held by members of the Executive Board:

#### Conditional shares and fair value end of 2023

Executive Board (mDKK)	Number of shares	FMV as of 31/12 2023 (mDKK)
Kamilla Hammerich Skytte - Chief Executive Officer	2,639	0.48
Bjarne Aage Jørgensen - Member of the Executive Board (joined the ExBo on 6 September 2023)	1,790	0.32
<b>Total shareholding</b>	<b>4,429</b>	<b>0.80</b>

#### Holdings of the Executive Board and fair value, end of 2022

Grant year (DKK millions)	2019-2022	FV
	Number	
Kamilla Hammerich Skytte	1,514	0.2
Klaus Kristiansen	2,370	0.3