

Statutory corporate governance report 2011

Tryg | 



Statutory corporate governance report, cf. section 107 b of the Danish Financial Statements Act

The Corporate Governance Committee published new recommendations for corporate governance in 2010. In August 2011, it added another recommendation on diversity. Danish listed companies must apply the principle of 'comply or explain' in their corporate governance reports. The Supervisory Board believes that Tryg complies with the recommendations, except point 5.10.2, as most members of the board committees cannot be considered to be independent. See page 8 for an explanation of the deviation under point 5.10.2. This report is a part of the management report in the annual report 2011.



The recommendations can be downloaded on corporategovernance.dk.

1. The role of the shareholders and their interaction with the management of Tryg

1.1 Dialogue between Tryg and its shareholders

1.1.1 It is recommended that the Supervisory Board, for example through Investor relations, ensures an ongoing dialogue between the company and its shareholders in order that the Supervisory Board knows the shareholders' attitudes, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website.

Tryg issues regular press releases and company announcements, and publishes annual and interim reports, which are available from tryg.com. Tryg also issues regular IR newsletters on current topics to shareholders and other stakeholders. This material enables all stakeholders to get a reasonable impression of Tryg's position and performance. The Group financial statements are prepared in accordance with IFRS, and all company announcements and financial statements are published in Danish and English. On the website, stakeholders have the option to subscribe to annual reports and the latest news via e-mail and RSS feeds.

Tryg has a number of in-house guidelines to help ensure that disclosures of price-sensitive information are made in accordance with the stock exchange rules of ethics.

Investor Relations maintains regular contact with equity analysts and investors. The Executive Management and Investor Relations

also organise investor meetings, teleconferences and webcasts, and participate in conferences in Denmark and abroad. The Supervisory Board is kept continually up to date about the dialogue with investors and other stakeholders.

1.2 Capital and share structures

1.2.1 It is recommended that the Supervisory Board every year evaluates whether company's capital and equity structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.

The Supervisory Board ensures that Tryg's capital structure is in line with the needs of Tryg and its shareholders, and that the capital structure is compliant with the requirements applicable to Tryg as a financial undertaking. Tryg has adopted a capital plan and a contingency capital plan, which are reviewed each year by the Supervisory Board. Every quarter, Tryg publishes a report on capital that is available at tryg.com, and the capital structure is also reported on page 41 of the annual report.

Every year, the Supervisory Board proposes a dividend payment and a possible share buy back. In 2010, the annual general meeting mandated the Supervisory Board to allow Tryg to acquire its own shares within 10% of the share capital up to 14 April 2015. In the light of the financial result for 2010, no share buy back programme was executed in 2011.

1.3 General meeting

1.3.1 It is recommended that the Supervisory Board and the Executive Management promote active ownership, including shareholders' attendance at general meetings.

Tryg holds its annual general meeting each year before the end of April. The Supervisory Board convenes the annual general meeting in accordance with the Danish Companies Act and the company's Articles of Association, giving not less than three weeks' notice, by way of a company announcement and at tryg.com. Shareholders also have the opportunity to receive the notice by post, electronically or to download it from tryg.com. The notice contains relevant information about the time and venue, as well as an agenda, which as a minimum includes the following items:

- Report of the Supervisory Board on the activities of the company during the past financial year
- Presentation of the annual report for approval, including determination of the Supervisory Board's remuneration and discharge from liability of the Supervisory Board and the Executive Management
- Decision on the use of any surplus or coverage of any loss in accordance with the approved annual report
- Any proposals from the Supervisory Board or from shareholders
- Election of members to the Supervisory Board
- Appointment of auditor
- Any other business

All shareholders are urged to attend the annual general meeting. The annual general meetings are also webcast, enabling stakeholders to view the general meeting at tryg.com both during and after the meeting.

Shareholders may propose items to be included in the agenda of the general meeting, and may ask questions before and at the general meeting.

1.3.2 It is recommended that the Supervisory Board resolves or submits to the general meeting the question whether the meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.

The Supervisory Board has resolved that general meetings will be held by physical attendance, as the Supervisory Board emphasises the importance of verbal dialogue with shareholders.

1.3.3 It is recommended that proxies given to the Supervisory Board allows shareholders to consider each individual item on the agenda.

Shareholders may vote in person at the general meeting, vote by correspondence, or appoint the Supervisory Board or a third party as their proxy. The proxy provides an opportunity to consider each individual item on the agenda. The proxy form and the form for voting by correspondence will be available from tryg.com on 28 March 2012.

1.3.4 It is recommended that all members of the Supervisory Board and the Executive Management be present at the general meeting.

The Supervisory Board and the Executive Management will participate in the general meetings where possible, and this has a high priority. In 2011, the entire Supervisory Board and the Executive Management participated at the general meeting.

1.4. Takeover bids

1.4.1 It is recommended that the Supervisory Board, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempts to counter the takeover bid by making decisions which in reality prevent the shareholders from declining on the takeover bid.

The Supervisory Board intends to consider any publicly announced takeover bid as prescribed by legislation and, depending on the nature of such bid, to convene an extraordinary general meeting of shareholders in accordance with applicable rules.

1.4.2 It is recommended that the Supervisory Board gives the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.

In the event of a publicly announced takeover bid being received, the Supervisory Board will give shareholders an opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered, by such means as giving shareholders an opportunity to express their views at an extraordinary general meeting.

2. The role of stakeholders and their importance to Tryg and Tryg's corporate social responsibility

2.1. Tryg's policy in relation to its stakeholders


2.1.1 It is recommended that the Supervisory Board identifies the company's key stakeholders and their main interests in relation to the company

Identification of stakeholders is an integral part of the strategy review at the Supervisory Board's annual strategy seminar,

which always focuses on investors, customers, society and employees. Furthermore, the Supervisory Board receives regular reports about Tryg's largest investors and employee and customer satisfaction reports.

2.1.2 It is recommended that the Supervisory Board adopts a policy on the company's relationship with its stakeholders, including the investors, and ensures that the interests of stakeholders are respected in accordance with the company's policy on such issues.

Tryg has a number of policies adopted by the Supervisory Board and describing the company's relationship with its stakeholders. Policies adopted by Tryg include an Investor Relations policy, a Communication policy and a CSR policy.

 **See the Investor Relations policy at [tryg.com > Investor > Contact IR > IR policy.](#)**

 **See the Communication policy at [tryg.com > Press > Communication policy.](#)**

 **See the CSR policy at [tryg.com > CSR > CSR strategy > CSR policy.](#)**

2.2 Corporate Social Responsibility

2.2.1 It is recommended that the Supervisory Board adopts a policy on corporate social responsibility.

Tryg is committed to corporate social responsibility, and the company's CSR strategy is described in the CSR policy.

 **See the CSR policy at [tryg.com > CSR > CSR strategy > CSR policy.](#)**

3. Openness and transparency

3.1 Disclosure of information to the market

3.1.1 It is recommended that the Supervisory Board adopts a communication strategy.

Tryg has adopted an overall business strategy which is supported by a number of policies, including a communication policy. In addition to the communication policy, Tryg has drawn up a communication strategy. The communication policy is available at [tryg.com](#).

3.1.2 It is recommended that information from the company to the market be published in both Danish and English.

All financial announcements and financial statements are published in both Danish and English.

3.1.3 It is recommended that the company publish quarterly reports.

Tryg publishes interim reports every quarter.

4. The tasks and responsibilities of the Supervisory Board

4.1. Overall tasks and responsibilities

4.1.1 It is recommended that the Supervisory Board determines the company's overall strategy at least once a year with a view to sustaining value creation in the company.

The Supervisory Board holds an annual strategy seminar, at which Tryg's strategy is discussed. The Supervisory Board adopts the company's strategy at the end of each year. The Supervisory Board cooperates with the Executive Management to ensure follow-up and development of Tryg's strategy. The Supervisory Board follows up on the strategy at its regular Board meetings during the year.

4.1.2 It is recommended that the Supervisory Board at least once every year discusses and ensures that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.

The Supervisory Board ensures that the required skills and financial resources are available for Tryg to achieve its strategic goals. The framework is discussed at the Supervisory Board's annual strategy seminar and budget meeting. The Supervisory Board considers the individual solvency requirement every quarter and provisions every six months. The Supervisory Board also considers Tryg's capital structure, the capital plan and the capital contingency plan, as well as the dividend strategy, once a year.

4.1.3 It is recommended that the Supervisory Board at least once every year defines its most important tasks related to the financial and managerial control of the company including how to supervise the work of the Executive Management.

At least once a year, the main activities of the Supervisory Board in relation to the financial and managerial control of the company are defined in the company's rules of procedure and annual cycle, as approved by the Supervisory Board.

4.1.4 It is recommended that the Supervisory Board annually discusses the company's activities to ensure diversity at management levels in the company including equal opportunities for both sexes, and that the Supervisory Board sets measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.

Every year, the Supervisory Board discusses the company's activities to guarantee diversity at managerial levels. Tryg is committed to diversity at managerial levels, and signed the 'Charter for more women in management' in January 2012. Tryg supports the Charter, the aims of which include guaranteeing that men and women have equal career opportunities. Tryg launches concrete, measurable initiatives in the business to increase the proportion of women in management at all levels. Tryg has produced an action plan, the aim of which is to guarantee equal opportunities for men and women in respect of access to managerial positions, in line with the usual requirements of high quality when employing people. The proportion of women at management level in 2011 was 37.5%. The Supervisory Board sets concrete targets in order to guarantee diversity. In 2011, the Supervisory Board confirmed a target to increase the total number of women in management by 2% by 2013. On page 53 of the annual report there is an account of both targets and status fulfilment.



The action plan can be viewed at tryg.com > CSR

4.2. Procedure

4.2.1 It is recommended that the Supervisory Board reviews its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.

The Supervisory Board reviews and approves rules of procedure for the Supervisory Board and the Executive Management (with related guidelines and instructions) on an annual basis.

4.2.2 It is recommended that the Supervisory Board annually reviews and approves procedures for the Executive Management, including establishing requirements for the Executive Management's timely, accurate and adequate reporting to the Supervisory Board, and for any other communication between the two governing bodies.

The Supervisory Board conducts an annual review of and approves the rules of procedure for the Supervisory Board and the Executive Management, which contain reporting requirements and requirements for communication with the Executive Management. The Supervisory Board also adopts policies for the most significant areas of activity. These policies define detailed requirements for reporting to the Supervisory Board.

4.3. The Chairman and Deputy Chairman of the Supervisory Board

4.3.1 It is recommended that a Deputy Chairman of the Supervisory Board be appointed, who must be able to act in the Chairman's absence and also act as an effective sounding board for the Chairman.

The Supervisory Board is headed by its Chairman and Deputy Chairman. The Deputy Chairman will act in the Chairman's absence and in general serves as a discussion partner for the Chairman.

4.3.2 It is recommended that a scope of work and task list be prepared, specifying the tasks, duties and responsibilities of the Chairman and Deputy Chairman.

The tasks of the Chairman and the Deputy Chairman are defined in the rules of procedure for the Supervisory Board. The tasks of the Chairman of the Supervisory Board include chairing and assessing the work of the Supervisory Board, organising, convening and chairing Board meetings and being in charge of collaboration with the Executive Management.

The Chairman also acts as spokesman for the Supervisory Board for external purposes. The Deputy Chairman substitutes for the Chairman in the Chairman's absence.

The Chairman holds preparatory meetings with the Executive Management before all meetings of the Supervisory Board. The Chairman also plans the future composition of the Supervisory Board.

4.3.3 It is recommended that the Chairman of the Supervisory Board organise, convene and chair meetings to ensure efficiency in the Supervisory Board's work and to create the best possible working conditions for the members, individually and collectively.

The tasks of the Chairman of the Supervisory Board include organising, convening and chairing Board meetings.

4.3.4 It is recommended that, if the Supervisory Board, in exceptional case, asks its Chairman to perform special tasks for the company, including briefly participating in the day-to-day management, a Board resolution to that effect should be passed and precautions taken to ensure that the Supervisory Board will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the Chairman, the Deputy Chairman, the other members rest of the Supervisory Board and the Executive Management. Information about agreements on the Chairman's participation in the day-to-day management and the expected duration of this must be disclosed in a company announcement.

According to the rules of procedure for the Supervisory Board, Board members may not perform work for Tryg without a prior decision to that effect by the Supervisory Board. Furthermore, such tasks must be of a one-off nature. A reasonable distribution of duties is ensured between the Chairman, the Deputy Chairman, the rest of the Supervisory Board and the Executive Management. Agreements on the Chairman's involvement in day-to-day management and the expected duration of this will be reported in a company announcement as appropriate.

5. Composition and organisation of the Supervisory Board

5.1. Composition

5.1.1 It is recommended that the Supervisory Board annually specify the skills it must have to best perform its tasks and that the specification of skills be posted on the website. Proposals for the nomination/replacement of members of the Supervisory Board to be submitted to the general meeting should be prepared in the light of this.

The Supervisory Board performs an annual assessment of the skills required in order to enable the Supervisory Board to carry out its duties in the best possible way. Tryg focuses on skills in the fields of management, financial operations, IT and marketing. Proposals for the composition of the Supervisory Board submitted to the annual general meeting are prepared in the light of this. The description of skills is included in the notice convening the annual general meeting.



The CVs and descriptions of skills are available in the Supervisory Board section of the annual report and at tryg.com > Governance > Management > Supervisory Board

5.1.2 It is recommended that the Supervisory Board ensure a formal, thorough and transparent process for the selection and nomination of candidates to the Supervisory Board. When assessing its composition and nominating new candidates, the Supervisory Board must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.

The process of selecting new Supervisory Board members is comprehensive and transparent for Board members. The Articles of Association state that the Chairman of the Supervisory Board of Tryghedsgruppen smba should also act as Chairman of the Supervisory Board of Tryg A/S. Furthermore, the Supervisory Board of Tryghedsgruppen smba elects three members to the Supervisory Board of Tryg A/S from among the members of Tryghedsgruppen smba's Supervisory Board. The Nomination Committee selects new candidates for the other Board posts and presents its candidate selection recommendations to the Supervisory Board. The Supervisory Board includes members from Denmark, Sweden and Norway and has three female members, including two female employee representatives.

Prior to the election of new members, the Supervisory Board prepares a description of the candidates' backgrounds, directorships, professional qualifications and experience. A balanced distribution with respect to, among other things, age, gender and nationality is sought in the composition of the Supervisory Board, and the need for renewal is also considered, as is the need for various skills that help to ensure that the Supervisory Board is able to perform its tasks in the best way possible.

5.1.3 It is recommended that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the Supervisory Board is on the agenda.

The notice convening the general meeting makes reference to the description of skills referred to in point 5.1.2. The notice also refers to tryg.com regarding the description of skills.

5.1.4 It is recommended that every year, the management commentary in the annual report contains an account of the composition of the Supervisory Board, including its diversity, and of any special skills possessed by the individual members.

The management report in the annual report describes the age, gender, directorships, skills, etc. of each member of the Supervisory Board. See also 5.1.2.



The CVs of members of the Supervisory Board, including their special skills, are included in the Supervisory Board section of in the annual report and can be viewed at [tryg.com > Governance > Management > Supervisory Board](#)

5.2 Training of members of the Supervisory Board

5.2.1 It is recommended that new members joining the Supervisory Board be given an introduction to the company.

When taking up office, new Supervisory Board members are given an introduction to Tryg.

5.2.2 It is recommended that the Supervisory Board annually assess whether the skills and expertise of its members need to be updated.

The Supervisory Board performs an annual self-assessment of the Supervisory Board's work and its members' skills in order to assess whether the Supervisory Board has the required skills, or whether the skills and expertise of its members need to be updated in any respect.

5.3 Number of members of the Supervisory Board

5.3.1 It is recommended that the Supervisory Board have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.

The Supervisory Board comprises 12 members, which is considered adequate to ensure a constructive debate, sufficient diversification and an efficient decision-making process.

5.3.2 It is recommended that, in connection with the preparation for each year's general meeting, the Supervisory Board consider whether the number of members is appropriate in relation to the requirements of the company.

The Supervisory Board discusses the number of Supervisory Board members each year when preparing the annual general meeting.

5.4 The independence of the Supervisory Board

5.4.1 In order for the members of the Supervisory Board to act independently of special interests, it is recommended that at least half of the members elected by the General Meeting be independent persons.

Eight members of the Supervisory Board are elected by the shareholders at the annual general meeting for a term of one year. Four of the eight members elected by the shareholders at the annual general meeting are independent members, cf. definition of the recommendations under that point.

5.4.2 It is recommended that at least once every year, the Supervisory Board list the names of the members who are regarded as independent persons and also disclose whether new candidates for the Supervisory Board are considered independent persons.

The section entitled Supervisory Board in the annual report and tryg.com describe which Supervisory Board members are considered to be independent members, cf. point 5.4.1. This is also described in the notice convening the annual general meeting.

5.5 Members of the Supervisory Board elected by the employees

5.5.1 It is recommended that the individual company explain in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on representation.

Under the terms of the Danish Companies Act, employees are entitled to elect a number of representatives to the Supervisory Board that is equal to half the number of other members at the time employee elections are held. Tryg has agreed with the Tryg's staff organisations that two Supervisory Board members are elected from employees in Denmark, one member from employees in Norway, and one member from employees in Sweden. The next regular election of the four employee representatives will be held in 2012. Pursuant to legislation, employee representatives have the same rights, obligations and responsibilities as other Supervisory Board members.



The rules on employee elections are also described in the annual report and at tryg.com

5.6 Meeting frequency

5.6.1 It is recommended that the Supervisory Board meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings be disclosed in the annual report.

The Supervisory Board holds at least seven annual meetings and an annual strategy seminar to discuss and define strategies and targets for the years ahead. In 2011, the Supervisory Board held seven Board meetings and the annual strategy seminar. The Supervisory Board discusses the Supervisory Board's tasks on a regular basis and, no later than at the last meeting of the year, it schedules the meetings and work for the coming year. The frequency of meetings of the Supervisory Board is also set out in the annual report.

5.7 Expected time commitment and the number of other executive functions

5.7.1 It is recommended that each member of the Supervisory Board assess the expected time commitment for each function in order that members do not take on more functions than he/she can manage in a satisfactory way for the company.

The Supervisory Board and the individual Board members deem that each member has adequate time and resources to perform their office as a Supervisory Board member of Tryg in a satisfactory manner.

5.7.2 It is recommended that the annual report contains information about the Supervisory Board members', occupations, other executive functions and number of shares.

See the Supervisory Board members' CVs, including position, directorships and holding of Tryg shares and changes in portfolios in the section Supervisory Board and at tryg.com > Governance > Management > Supervisory Board.

5.8 Retirement age

5.8.1 It is recommended that the company's articles of association fix a retirement age for members of the Supervisory Board and that the annual report contain information on such retirement age as well as the age of each member of the Supervisory Board.

To ensure that the Supervisory Board is kept refreshed, members elected by the shareholders may only serve on the Supervisory Board for a maximum of nine years. Furthermore, members of the Supervisory Board must retire at the first annual general meeting in the year following their 70th birthday.



The age of each member of the Supervisory Board is disclosed at tryg.com > Governance > Management > Supervisory Board

5.9 Election period

5.9.1 It is recommended that the members of the Supervisory Board elected by the general meeting be up for re-election every year at the annual general meeting.

Board members elected by the shareholders at the annual general meeting are elected for terms of one year at a time.

5.9.2 It is recommended that the annual report state when the individual member of the Supervisory Board joined the Board, whether the member was re-elected and when the current term expires.

Information about when each member joined the Supervisory Board, whether they were re-elected and when their term expires is set out in the section entitled Supervisory Board in the annual report.

5.10 Board committees

5.10.1 It is recommended that the company publishes terms of reference, important activities during the year, the number of meetings held and the names of the members of the board committees in its annual report or on its website.

Tryg's Supervisory Board has set up an Audit Committee, a Remuneration Committee, a Risk Committee and a Nomination Committee. In spring 2012, the Supervisory Board will consider whether the Risk Committee is to continue. The creation of the Board committees is solely for the purpose of preparing matters for consideration by the Supervisory Board. Significant information that all members of the Supervisory Board need to receive is also provided to the whole Supervisory Board.



Tryg publishes the terms of reference for the Board committees at tryg.com.

Information about the Board committees includes descriptions of members, meeting frequency, responsibilities and the activities of the committees during the year. Furthermore, the special qualifications of each Supervisory Board member are described separately at tryg.com.

5.10.2 It is recommended that a majority of the members of a board committee be independent members.

The company has not followed this recommendation. Two out of four members of the Audit Committee and the Risk Committee, including the Chairmen of the committees, are independent. One out of four members of the Remuneration Committee is independent, and one out of two members of the Nomination Committee is independent.

Board committee members are elected primarily on the basis of their special skills that are considered by the Supervisory Board to be most important. It is also considered important to involve employee representatives in the committees. Employee representatives sit on three of the four committees appointed.

5.10.3. It is recommended that the Supervisory Board establish an independent Audit Committee.

Tryg set up an Audit Committee in 2006. The framework for the Audit Committee's work is defined in the terms of reference. The committee is exclusively a preparatory body that must support the Supervisory Board in its work.

5.10.4. It is recommended that the following be taken into account in composing the Audit Committee:

- **the Chairman of the Supervisory Board should not be Chairman of the Audit Committee, and**
- **between them, the members should possess such an amount of expertise and experience as to provide an updated insight into, and experience of, the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.**

The committee consists of four members and is led by an independent Board member, who at the same time serves as Deputy Chairman of the Supervisory Board. Torben Nielsen was appointed Chairman of the Audit Committee of Tryg A/S in 2011. The members of the Audit Committee have knowledge and experience of financial conditions as well as accounting and audit experience in publicly listed companies.



There is an additional description of the skills of committee members in their CVs on page 46 of the annual report and at tryg.com > Governance > Management > Supervisory board

Members of the Audit Committee:

- Torben Nielsen, Chairman (independent)
- Lene Skole (independent)
- Jorn Wendel Andersen
- Rune Joensen (employee representative)

The Risk Committee consists of the same members as the Audit Committee.

5.10.5. It is recommended that, prior to the approval of the annual report and other financial reports, the Audit Committee monitor and report to the Supervisory Board about:

- significant accounting policies,
- significant accounting estimates,
- related party transactions, and
- uncertainties and risk, including in relation to the outlook.

The Audit Committee held four meetings in 2011, reporting to the Supervisory Board on a regular basis. The Audit Committee performed an evaluation of the previous year's work in August 2011.



The Audit Committee's tasks are described in the terms of reference, which can be downloaded at [tryg.com > Governance > Management > Supervisory Board > Board committees](#)

5.10.6. It is recommended that the Audit Committee:

- annually consider whether there is a need for an internal audit function, and if so
- formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and
- monitor the Executive Management's follow-up on the conclusions and recommendations of the internal audit function.

Tryg has set up an internal audit department in compliance with the Danish Financial Business Act. The Audit Committee produces recommendations on the selection, appointment and removal of the head of the internal audit function and on the budget of the internal audit function. The committee monitors the Executive Management's follow-up on the conclusions and recommendations of the internal audit function.

5.10.7. It is recommended that the Supervisory Board establish a Nomination Committee with at least the following preparatory tasks:

- describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies,

- annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the Supervisory Board with regard to any changes,
- annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the Supervisory Board,
- consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and
- recommend to the Supervisory Board candidates for the governing bodies.

In accordance with the Supervisory Board's rules of procedure, Tryg has appointed a Nomination Committee. The purpose of the Nomination Committee is primarily tasked with ensuring the correct composition and size of the Executive Management and the Supervisory Board.



The Nomination Committee's tasks are described in the terms of reference, which can be downloaded at [tryg.com > Governance > Management > Supervisory Board > Board committees](#)

The Audit Committee consists of the Chairman, Mikael Olufsen (Chairman), and Torben Nielsen (independent). The committee holds meetings as needed, however, at least two meetings each year.

5.10.8. It is recommended that the Supervisory Board establish a Remuneration Committee with at least the following preparatory tasks:

- make proposals, for the approval of the Supervisory Board prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the Supervisory Board and the Executive Management,
- make proposals to the Supervisory Board on remuneration for members of the Supervisory Board and the Executive Management and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the Supervisory Board and the Executive Management receive from other companies in the group, and

- **oversee that the information in the annual report on the remuneration of the Supervisory Board and the Executive Management is correct, true and sufficient.**

The Remuneration Committee at Tryg has four members, each of whom are elected by the Supervisory Board. The Chairman of the Supervisory Board is Chairman of the Remuneration Committee. Furthermore, the committee must be represented by at least one member of Tryghedsgruppen's Supervisory Board and at least one independent Board member. The committee has one independent member at the present time.

The Remuneration Committee held four meetings in 2011. The Remuneration Committee's work is based on Tryg's remuneration policy and guidelines for incentive pay. Members of the Remuneration Committee

- Mikael Olufsen (Chairman)
- Jesper Hjulmand
- Paul Bergqvist (independent)
- Berit Torm (employee representative)



The Remuneration Committee's tasks are described in the terms of reference, which can be downloaded from tryg.com > Governance > Management > Supervisory Board > Board committees

5.10.9. It is recommended that the Remuneration Committee does not consult with the same external advisers as the company's Executive Management.

The Remuneration Committee was assisted by a consultancy on one single occasion. The consultancy has not performed any tasks for the Executive Management.

5.11 Evaluation of the performance of the Supervisory Board and Executive Management

5.11.1 It is recommended that the Supervisory Board undertake an annual evaluation of the performance and achievements of the Supervisory Board and of the individual members.

The Supervisory Board has defined an evaluation procedure for assessing the composition of the Supervisory Board and the work and results of the Supervisory Board and its individual members.

5.11.2 It is recommended that the Chairman be in charge of the evaluation of the Supervisory Board, that the outcome be discussed in the Supervisory Board and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.

The Chairman is in charge of the evaluation and holds individual assessment interviews with each member of the Supervisory Board at the beginning of the year. The outcome of these interviews is discussed at the first Board meeting of the year. This is also described in the annual report.

5.11.3 It is recommended that the Supervisory Board evaluate the work and performance of the Executive Management in accordance with predefined criteria at least once a year.

The Supervisory Board performs an annual evaluation of the work and performance of the Executive Management in accordance with predefined criteria.

5.11.4 It is recommended that the Executive Management and the Supervisory Board establish a procedure against which their cooperation is evaluated annually through a formalised dialogue between the Chairman of the Supervisory Board and the Chief Executive Officer and that the outcome of the evaluation be presented to the Supervisory Board.

The Supervisory Board performs out an annual evaluation of the work and results of the Executive Management and of the cooperation between the Supervisory Board and Executive Management. The results of this evaluation are submitted to the Supervisory Board. The Supervisory Board also reviews and approves the rules of procedure of the Supervisory Board and Executive Management each year to ensure they are aligned with Tryg's requirements.

6. Remuneration of members of the governing bodies

6.1 Content and form of the remuneration policy

6.1.1. It is recommended that the Supervisory Board adopt a remuneration policy applicable to the Supervisory Board and Executive Management.

Tryg has adopted a remuneration policy, 'Lønpolitik for Tryg A/S' [Wage Policy for Tryg A/S], for remuneration of the Supervisory Board and Executive Management, including general guidelines for incentive pay.



See the remuneration policy at tryg.com > Governance > Remuneration

6.1.2. It is recommended that the remuneration policy and any changes to the policy be approved by the general meeting of the company.

In 2008, Tryg's guidelines for incentive pay were approved by the annual general meeting. The general guidelines for incentive pay are now incorporated into Tryg's remuneration policy, which was last approved at Tryg's annual general meeting held on 14 April 2011.

6.1.3. It is recommended that the remuneration policy include a thorough description of the components of the remuneration for members of the Supervisory Board and the Executive Management.

Tryg's remuneration policy and guidelines for incentive pay include a thorough description of the components of the remuneration for members of the Supervisory Board and the Executive Management.

Members of the Supervisory Board receive a fixed fee and are not part of any form of incentive or severance programme. In 2011, the members of the Executive Management became participants in a matching shares programme. Apart from this, the Executive Management only receives a fixed salary and a pension. Some members of the Executive Management still have unexercised stock options, which were allocated under a previously adopted stock option programme.

6.1.4. It is recommended that the remuneration policy include:

- the reasons for choosing the individual components of the remuneration, and
- a description of the criteria on which the balance between the individual components of the remuneration is based.

The remuneration policy includes the reasons for choosing the individual components of the remuneration and a description of the criteria on which the balance between pay components is based. Tryg wishes to attract and retain directors for whom a competitive fixed salary that is in line with market conditions provides sufficient incentive to do their best in order to achieve the targets set for the business. Variable salary constitutes only a limited part of overall remuneration. The Supervisory Board may decide that the fixed salary element be supplemented with a variable salary of up to 10% of the fixed basic salary, including pension at the time of allocation at a corresponding current value. The Supervisory Board has decided that the variable salary should be made up of a matching shares programme.

6.1.5. It is recommended that, if the remuneration policy includes variable components,

- limits be set on the variable components of the total remuneration package,
- a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long term,
- there be clarity about performance criteria and measurability for the award of variable components, and
- there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.

As mentioned in point 6.1.4, the remuneration policy includes limits for the variable components of the overall remuneration, thus guaranteeing a suitable, balanced composition between managerial remuneration, calculable risks and value creation for shareholders in both the short term and the long term.

The matching shares programme includes a retention element, as well as guaranteeing convergence between the interests of directors and shareholders. The matching shares programme clearly

sets out criteria for the measurability for the awarding of variable elements. These criteria ensure that vesting periods for variable components of remuneration agreements stretch over more than one calendar year. Four years after a director's purchase of a subsequently defined number of shares, the director is allocated a corresponding number of free shares in Tryg. The allocation of matching shares at the time of matching is not dependent on results.

6.1.6. It is recommended that remuneration of members of the Supervisory Board does not include share or warrant programmes.

The Supervisory Board of Tryg is not covered by any incentive or severance schemes.

6.1.7. It is recommended that if members of the Executive Management receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date they were allocated. An explanation of the relationship between the redemption price and the market price at the time of the allocation should be provided.

The matching shares programme is revolving. Four years after a director's purchase of a subsequently defined number of shares, the director is allocated a corresponding number of free shares in Tryg.

6.1.8. It is recommended that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data, which proved to be manifestly misstated.

The service contracts with the Executive Management do not include a right to reclaim variable components of remuneration, as there is no reason for such a provision. The only variable component of remuneration included in the remuneration agreement for the Executive Management is matching shares, and the allocation of these is not dependent on results.

6.1.9. It is recommended that termination payments should not amount to more than two years' annual remuneration.

Each member of the Executive Management is entitled to 12 months' notice of termination and to 12 months' severance pay. However, the Group CEO is entitled to 12 months' notice and to 18 months' severance pay plus pension contributions during that period.

6.2. Disclosure of the remuneration policy

6.2.1. It is recommended that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.

The remuneration policy is clear and easily understandable, and the contents are mentioned in the management report.



The remuneration policy, including the general incentive guidelines for incentive remuneration, is available from tryg.com

6.2.2. It is recommended that the company's remuneration policy and compliance with this policy be explained and justified in the Chairman's statement at the company's general meeting.

The Chairman of the Supervisory Board reports on Tryg's remuneration policy each year in connection with the presentation of the annual report at the annual general meeting.

6.2.3. It is recommended that the total remuneration granted to each member of the Supervisory Board and Executive Management by the company and other consolidated companies be disclosed in the (consolidated) financial statements, and that the linkage with the remuneration policy be explained.

The annual report discloses the total remuneration received by each member of the Supervisory Board and Executive Management from the company and other consolidated companies, and the linkage with the remuneration policy is explained. The remuneration of the Supervisory Board and the Executive Management can be seen on pages 57 and 58 in the annual report.

6.2.4. It is recommended that the details of any defined benefit schemes offered to members of the Supervisory Board or Executive Management and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total remuneration.

The Supervisory Board is not covered by a pension scheme, although 25% of the basic salary of each member of the Executive Management is paid into a pension scheme. However, CFO Tor Magne Lønnum receives a defined benefit scheme, which is disclosed on page 57 of the annual report.

6.2.5. It is recommended that the most important aspects of retention and severance programmes be disclosed in the company's annual report.

Retention and severance schemes are described on page 57-58 of the annual report.

6.2.6. It is recommended that the proposal for remuneration of the Supervisory Board for the current financial year be approved by the shareholders at the general meeting.

The Supervisory Board's proposal for remuneration to the Supervisory Board of Tryg for the current financial year is submitted for approval by the shareholders at the annual general meeting each year.

7. Financial reporting

7.1 Other relevant information

7.1.1 It is recommended that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.

In 2011, CSR reporting was integrated into Tryg's annual report, along with additional references to tryg.com > CSR. Tryg also publishes a capital report every quarter on its status and developments in the company's capital strategy and asset management, and Investor Relations issues regular IR newsletters about current topics.

7.2 The going concern assumption

7.2.1 It is recommended that, upon consideration and approval of the annual report, the Supervisory Board decides whether the business is a going concern, including supporting assumptions or uncertainties where necessary.

Every year, when discussing and adopting the annual report, the Supervisory Board considers whether the financial statements have been prepared on the assumption that the business is a going concern, including any possible assumptions and uncertainties.

8. Risk management and internal control

8.1. Identification of risks

8.1.1 It is recommended that the Supervisory Board at least once a year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.

Being an insurance business, Tryg is subject to the risk management requirements of the Danish Financial Business Act. The Supervisory Board uses policies to define the framework for risk management in Tryg in the areas of insurance risk, investment risk and operational risk, as well as IT security. These frameworks then result in guidelines for Tryg's risk management. A Risk Management Committee comprising the Group CEO, Group CFO and Group CRO monitors the risk management environment.

Tryg performs an annual risk identification process, mapping insurance risk and other risks related to the achievement of Tryg's strategy or which may have a potential substantial impact on Tryg's financial position. In this process, identified risks are recorded and quantified. Risk identification is included in the annual risk report to the Supervisory Board. Quantification of the risks identified is included in the statement of the individual solvency requirement that the Supervisory Board considers every quarter.

In 2011, Tryg performed an assessment of the company's risk and solvency (Own Risk and Solvency Assessment, also known as 'ORSA') as a preparation for future requirements for insurance companies under EU law (Solvency II). The purpose of the ORSA is to prepare the risk management process by means of ensuring that insurance companies are proactive in managing risk and solvency.

8.1.2 It is recommended that the Executive Management continuously report to the Supervisory Board on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the Supervisory Board to track the developments and make the necessary decisions.

The Executive Management reports to the Supervisory Board on Tryg's risk management work. The overall responsibility for the Tryg's internal controls and risk management systems rests with the Supervisory Board and the Executive Management. The Supervisory Board and the Executive Management approve and monitor Tryg's general policies and guidelines, procedures and controls of significant risk areas, and receive reports on trends in these areas as well as on application of the defined frameworks. The status of compliance with this is reported to the Supervisory Board on an annual basis. Any non-compliance with limits and guidelines are reported to the Supervisory Board if they occur. However, any non-compliance with limits and guidelines that may occur is reported immediately to the Supervisory Board.

In connection with major acquisitions, a general risk analysis is performed, and the significant business procedures and internal controls are reviewed. The Executive Management has established a formal Group reporting process, which comprises monthly reporting, including budget reporting and deviation reporting. Tryg publishes interim accounts on a quarterly basis. Tryg's internal control systems are based on clear organisational structures and guidelines, general IT controls and segregation of functions, which are supervised by the internal auditors.

8.2 Whistleblowing

8.2.1 It is recommended that the Supervisory Board decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.

On 5 October 2011, Tryg set up an Ethical Hotline, which is managed by an external partner, Global Compliance. This allows employees, customers or business partners to report any serious breaches or suspicions. Reporting takes place in confidence to the Chairman of the Audit Committee and Tryg's internal Audit Manager.



Reporting takes place via [tryg.com > Governance > Ethical hotline](#)

8.3 Openness about risk management

8.3.1 It is recommended that the management report in the annual report include information about the company's management of business risks.

Risk management is an integral part of Tryg's business operations. Tryg seeks continuously to minimise the risk of unnecessary losses in order to optimise returns relative to the capital available in the company at any time.



A detailed review of Tryg's management of business risks is set out in the section entitled [Capital and risk management on pages 40-43 of the annual report and in the Risk management report at \[tryg.com > Downloads\]\(#\)](#)

9. Audit

9.1. Contact with auditor

9.1.1 It is recommended that the Supervisory Board maintain a regular dialogue and exchange of information with the auditor.

The Supervisory Board ensures that Tryg is monitored by competent and independent auditors. Tryg's internal auditor participates in all Board meetings. The external auditors participate in the annual Board meeting at which the annual report is presented.

Each year, the annual general meeting appoints external auditors recommended by the Supervisory Board. In connection with the Supervisory Board's review of the annual report, it discusses the accounting policies and other issues. The results of the audit are discussed at the Audit Committee and at Supervisory Board meetings for the purpose of assessing the auditors' observations and conclusions. The internal and external auditors' long-form reports are reviewed by the Supervisory Board at each Board meeting.

9.1.2 It is recommended that the auditor agreement and auditors' fee be agreed between the Supervisory Board and the auditor on the basis of a recommendation from the audit committee.

The audit agreement and associated auditors' fee are agreed between the Supervisory Board and the auditors on the basis of a recommendation from the Audit Committee. The Audit Committee reviews the limits for the external auditors' performance of non-audit services each year.

9.1.3 It is recommended that the Supervisory Board and the Audit Committee meet with the auditor at least once every year without the Executive Management. This also applies to the internal auditor, if any.

In at least one Audit Committee meeting each year, the internal and external auditors have a discussion without the presence of the Executive Management. The Audit Committee will deal with any matters that need to be reported to the Supervisory Board.

9.2 Internal audit

9.2.1 It is recommended that the Supervisory Board, on the basis of a recommendation from the Audit Committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.

Tryg has set up an internal audit department in compliance with the Danish Financial Business Act. The internal audit department regularly reviews the quality of Tryg's internal control systems and business procedures. The department is responsible for planning, performing and reporting internal audit work to the Supervisory Board.