

Guidelines for appointment of risk-takers

The rules

The rules on remuneration are found in the EU Commission's Regulation 2015/35/EU (the Solvency II Regulation), in the Executive Order on remuneration policy and remuneration in insurance companies and insurance holding companies (the Executive Order on Remuneration) and in the Remuneration Policy for Tryg A/S and Tryg Forsikring A/S (hereinafter "Tryg"), including the special rules concerning *employees whose activities have a material impact on the company risk profile* (hereinafter "risk-takers").

The Supervisory Board, the Executive Board and key persons (responsible for Risk management, Compliance, the Actuarial function and Internal audit) are always risk-takers.

The Supervisory Board shall identify *other employees*, whose activities have a material impact on the company's risk profile. This identification shall take into consideration the company's size and organisation as well as the scope and complexity of the company's activities.

The risk-taker concept shall be interpreted broadly and includes both direct and indirect influence on the company's risk profile. The criteria for identification of risk-takers should take into account the different types of risks the company may encounter, just as the employee's responsibility, power and organisational placement should be part of the assessment.

As a rule, pursuant to the Executive Order on Remuneration, the following are considered to be risk-takers:

- 1) The Head of a controlling function
- 2) The Chief Internal Auditor
- 3) The Chief Actuary
- 4) The Head of the insurance area and managers of units under the insurance area
- 5) The Head of reinsurance, and
- 6) The Head of the Investment area as well as other employees with a salary exceeding EUR 500,000 and the 0.3 per cent highest paid in the company – both based on the preceding financial year.

Risk-takers in Tryg

The Supervisory Board has adopted "Policy and guidelines for risk management in Tryg" as well as the underlying risk policies for Insurance-related risks, Operational risks and IT security, Outsourcing, Investments and Partial internal model.

In these policies, the Supervisory Board has decided on risk appetite and limits to risk tolerance. This has been included in guidelines to the Executive Board and the rest of the organisation in the form of business procedures and descriptions of competences.

According to the Supervisory Board's assessment, appointment of risk-takers shall be made in the light of these policies, and consequently, as a starting point, an employee should not be considered a risk-taker if the assumption of risk is made in such a controlled environment, according to the business procedures, that a possible risk would fall within the adopted risk framework, as it will not affect the risk profile of the company.

In addition to taking into account the risk profile, it is the assessment of the Supervisory Board that the placement of the employee/function in Mercer's IPE system (International Po-

sition Evaluation) in Tryg can be taken into consideration. By using the IPE placement, an objective assessment of the position in question is used of the influence, impact, complexity and responsibility in the organisation and the assessments are calibrated against similar positions in the market. Thereby any operational risks, which the employee may impose on Tryg, are also taken into account.

On the basis of these circumstances, the Supervisory Board has made the following assessment:

The Executive Board and key persons

The Executive Board and key persons are still risk-takers.

Tryg Management (the managers of the insurance area)

The Tryg Management (Tryg-ledelsen) is considered to be "the managers of the insurance area", cf. The terminology of the Executive Order on Remuneration, and due to their placement in the organisation and IPE placement the Tryg Management is considered to be risk-takers.

However, this does not apply to the function as Manager of the Business Lab as it is not considered to be possible for this function to impose Tryg with any material impact. Also, the function has been IPE placed as a director position.

Managers of units under the insurance area

Based on Tryg's risk profile and according to the adopted policies on this subject "managers of units under the insurance area" are generally not considered to be risk-takers.

Managers in this group, who are placed as Vice Presidents (VP) are, however, considered to be risk-takers due to the IPE placement of these positions and consequently their both direct and indirect influence on the organisation.

Other functions

The following functions are considered to be risk-takers:

Function, cf. The Executive Order on Remuneration	Function in Tryg
Head of a controlling function	Responsible for Risk Management, Compliance, the Actuarial function and Internal audit (key persons) as well as the Head of Group Security
The Chief Internal Auditor	The Chief Auditor (Also responsible for Internal Audit)
The Chief Actuary	There are no Chief Actuaries in non-life companies
Head of Reinsurance	Head of Group Risk (also responsible for Risk Management)
Head of Investments	Chief Investment Officer
Head of the Tax Department	Head of Accounting
Head of Legal Department	Head of HR
Head of HR Department	Head of HR
Head of IT Department	Head of Simplification/Tryg IT
Head of Financial Department	Head of Accounting

Furthermore, 4 employees in Investment are considered to be risk-takers due to their special functions.

The Supervisory Board does not find in general that any other functions/employees should be appointed risk-takers.

Process

At least once a year, the Supervisory Board shall review the "Guidelines for appointment of risk-takers".

Also, at least once a year, the Supervisory Board shall decide whether any other employees/functions than those which have been appointed in general pursuant to these guidelines, need to be specifically appointed as risk-takers in Tryg, including:

- Employees with a total remuneration corresponding to 500,000 EUR or more in the preceding financial year.
- Other employees among the 0.3% of the company employees who received the highest total remuneration in the preceding financial year.
- Functions/employees within all the areas listed in outlines/tables above, who may have a material impact on the company risk profile. However, as a starting point, the Supervisory Board finds that no other employees than those in the functions already pointed out should be able to assume significant risks.

Approved and adopted by the Supervisory Board in Tryg A/S and Tryg Forsikring A/S at the meeting on 19 January 2017.