

Remuneration report for 2018 for Tryg A/S and Tryg Forsikring A/S

Introduction

The purpose of the remuneration report is to provide information about the principles and practice for remuneration in Tryg A/S and Tryg Forsikring A/S ('Tryg').

The report has been prepared in accordance with the guidelines set out in the Recommendations on Corporate Governance and also contains information that meets the requirements of the Executive Order on remuneration policies and remuneration in insurance undertakings and insurance holding undertakings.

Tryg has a remuneration policy, which can be found at www.tryg.com. The remuneration policy has been considered by the Remuneration Committee and the Supervisory Board and approved by the general meeting.

The remuneration report has been considered by the Remuneration Committee and approved by the Supervisory Board.

Ballerup 14 March 2019

A handwritten signature in black ink, appearing to read "Jukka Pertola".

Jukka Pertola
Chairman of the Supervisory Board

A handwritten signature in black ink, appearing to read "Morten Hübbe".

Morten Hübbe
Group CEO

Introduction

Tryg is one of the largest non-life insurance companies in the Nordic region with activities in Denmark, Norway, Sweden, Finland and Germany. Tryg A/S is listed on Nasdaq OMX in Copenhagen.

Every day, our 3,300 employees ensure that our more than three million customers feel protected and cared for (i.e. 'tryg').

The purpose of Tryg is: As the world changes, we make it easier to be 'tryg'.

In the 2018-2020 strategy period, we will support our purpose by:

- Increasing opportunities for us to develop rather than just defend our business, for example through increased digitalisation, new products and analytics (intelligent use of data)
- Adapting to our customers' wishes and needs, for example through offering self-service solutions, and through the digitalisation of simple processes and the packaging of our products
- Remaining relevant in our customers' lives, for example through product innovation, prevention and the offering of new services associated with our insurance products.

Tryg's targets towards 2020, including our financial targets and strategic initiatives, can also be found at www.tryg.com.

Remuneration policy

The financial sector – including insurance undertakings – is regulated by extensive and increasingly detailed regulation on remuneration, including the Solvency II Regulation, the Danish Financial Business Act (Lov om finansiel virksomhed), the Executive Order on remuneration policies and remuneration in insurance undertakings and insurance holding undertakings (the Remuneration Order (Lønbekendtgørelsen)), the Recommendations on Corporate Governance and the Shareholder Rights Directive II, once implemented in Danish law.

Tryg's remuneration policy and practice will be continuously developed in order to comply with all applicable regulations, case law and guidelines at all times and to ensure that Tryg's remuneration policy is attuned to the market and enables the company to meet its strategic objectives. Moreover, the remuneration policy must ensure adequate risk management for the variety of remuneration instruments used.

The Remuneration Committee and the Supervisory Board review the remuneration policy at least once a year. Any changes to the policy must be adopted by the general meetings. The remuneration policy for 2018 was adopted by the general meetings in Tryg Forsikring A/S on 14 March 2018 and in Tryg A/S on 16 March 2018.

The Remuneration Committee

The Supervisory Board has set up a Remuneration Committee and laid down the committee's terms of reference, stipulating its tasks and duties, for example that the Remuneration Committee must:

- Advise the Supervisory Board on the drafting of the companies' remuneration policy.
- Assess whether the companies' processes and systems are adequate and take the companies' risks into account.

- Prepare recommendations for the Supervisory Board on the employees whom the companies regard as risk takers and on the elements which should be included in the remuneration of the Supervisory Board and the Executive Board.
- Ensure that the Executive Board has evaluated the performance criteria on which any variable salary paid to risk takers is based.
- Ensure that the Supervisory Board is informed of the market level for remuneration paid to supervisory board and executive board members in peer companies.

The terms of reference can be found at www.tryg.com.

The Remuneration Committee consists of the Chairman of the Supervisory Board (who chairs the committee), at least one member from Tryg A/S's Supervisory Board, who is also a member of TryghedsGruppen's Supervisory Board, at least one member who is independent of TryghedsGruppen, and at least one member elected to the Supervisory Board as an employee representative.

Moreover, Tryg's Group CEO, the Chief HR Officer and the committee secretary participate in the meetings. Other internal or external persons may attend the meetings as decided by the committee, where this is deemed necessary.

In a number of instances, the secretariat has been assisted by the law firm Kromann Reumert.

The committee holds three to four ordinary meetings a year. In 2018, four committee meetings were held, and two motions for written review were submitted.

In 2018, the Remuneration Committee considered the following items:

- Remuneration for the Executive Board in 2018, including calculation of targets for the 2017 vesting year and setting of targets for the 2018 vesting year
- Review of the remuneration policy for 2018, including approval of targets for participants in incentive schemes as well as new incentive structure for risk takers
- Recommendation on regulation of the Supervisory Board's remuneration in 2018/2019
- Review of guidelines for control, guidelines for appointment of risk takers and terms of reference of the Remuneration Committee
- The pool and targets for employee bonuses 2018
- Recommendation on remuneration of the Head of Internal Audit
- Recommendation on remuneration and terms of employment of new executive officers (CCO and CFO)
- One-off remuneration for the Executive Board

The Remuneration Committee also monitored:

- Practice for use of the remuneration policy, including special agreements on, for example, one-off remuneration, sign-on bonuses, stay-on bonuses etc.
- Overall assessment of the company's results
- Extract on remuneration from the annual report
- Remuneration of managers in key functions

Control

HR Legal and the Compliance function in Group Legal in Tryg continuously monitor regulatory changes which may have a bearing on Tryg's remuneration policy. HR Legal then prepares a recommendation to the Executive Board, the Remuneration Committee and the Supervisory Board on any changes. If required, external assistance is obtained from accountants, lawyers or other external advisers.

A set of guidelines on control of the remuneration policy has been prepared. The control is performed at least once a year and is audited by Internal Audit. The opinion on the control is submitted to the Remuneration Committee and the Supervisory Board. The control guidelines can be found at www.tryg.com.

Remuneration practices

The composition of the remuneration for the Supervisory Board, the Executive Board and risk takers is generally described in detail in the remuneration policy www.tryg.com.

Supervisory Board

Tryg's Supervisory Board members receive a fixed fee and are not covered by any form of incentive scheme.

Executive Board and other managers

Both the Executive Board and other managers in Tryg receive a fixed basic salary as well as a company-paid pension and ordinary employee benefits. Moreover, they are covered by an incentive programme that varies depending on their position in the organisation.

The purpose of the incentive programmes is to ensure a coincident financial interest between the participants and the company's shareholders, a correlation between remuneration and performance results and retention of the participants in question in Tryg.

The targets for the 2018 Incentive Programme are generally described in the remuneration policy. The targets have been defined based on Tryg's strategy and financial targets etc.

Executive Board

In 2018, the Executive Board was covered by a Matching Shares programme under which, following the Remuneration Committee's recommendation, the Supervisory Board has allocated rights to the Executive Board members to participate in the programme in 2019 based on their target performance for the 2018 vesting year.

Targets:

In 2018, the following specific targets were defined for the Executive Board:

- Technical result
- tNPS
- Employee satisfaction
- Strategy implementation (strategy 2018-2020)
- Alka implementation

It is essential to Tryg that the technical result is satisfactory, providing the company with a solid foundation for future growth. A technical result of DKK 2,826 million was achieved in 2018.

A satisfactory result can only be realised if customers are satisfied with the company, which is measured on tNPS. If customers are happy, this supports their loyalty to the company. A score of 67 was achieved in 2018.

To enable Tryg to provide the best possible service, it is important that Tryg's employees are happy, which is measured in connection with the annual employee satisfaction surveys. Tryg's employee satisfaction score was a historically high 78% in 2018.

The Executive Board is also measured on the progress of strategic initiatives, including distribution, new products and services, digitalisation and claims management.

Finally, the Executive Board is measured on the implementation of the Alka acquisition, including synergies achieved.

Overall, the targets support Tryg's strategy and its long-term and sustainable interests, with a continued focus on a strong financial performance, development of the positive customer experience and operational excellence. The targets towards 2020, including financial targets and strategic initiatives, can be found at www.tryg.com.

Matching Shares:

The Matching Shares programme is subject to a remuneration policy cap of 50% of the recipient's fixed basic salary, including pension, in the vesting year. In practice, however, the cap has not been implemented in full; for the 2018 vesting year, the Supervisory Board decided to apply a 35% cap.

Under the Matching Shares programme, the executive officers must fully finance their investment shares themselves, based on the allocated purchase right. Investment shares purchased in 2019 (see form below) based on the results for the 2018 vesting year are thus matched in 2023 after expiry of the deferral period of four years and are subject to the executive officer not having given notice to quit his or her position in the company before then (except, however, for the Group CEO, who, having served on Tryg's Executive Board for a very long time, will not lose his allotted Matching Shares in Tryg if he gives notice to quit). Furthermore, following the matching, a six-month retention period applies, during which the allotted Matching Shares cannot be sold.

The matching is also subject to a number of back-testing requirements which must be met on the matching date, and a clawback requirement also applies.

In 2018, the investment shares purchased by the executive officers in 2014 were matched 1:1.

INP

Tryg's incentive programme for other managers is referred to as the INP programme. The INP programme is a differentiated programme for different management groups, including risk takers and other managers.

For risk takers, the programme is based on a combination of conditional shares and cash payments. Other managers receive a combination of cash payments and (possibly) an offer of participation in a matching shares programme.

The targets for the 2018 vesting year are generally defined in the remuneration policy, but are differentiated based on these criteria within the individual business areas. The targets consisted of:

Financial targets, including:

- Technical result (business area)
- Portfolio growth
- Claims cost reduction/distribution efficiency
- Profitability measures
- Sales of new products

Non-financial targets, including:

- Customer satisfaction
- Digitalisation/automation
- Manager and employee development
- Employee satisfaction
- Project efficiency
- Consolidation of new strategy, visions and processes
- Innovation and development activities, including new products, customer-promoting activities, IT, brand attraction etc.

A Tryg factor which can gear/regulate the above result by a factor of 0 to 1.4. The Tryg factor was based on a financial ratio (company target) and, for 2018, the factor was based on the technical result.

The cap on INP allocations to risk takers is up to 50% of their fixed basic salary, including pension, in the vesting year. Other participants may receive up to 100% of their fixed basic salary, including pension, in the vesting year.

Special remuneration

The remuneration policy allows use of a number of special remuneration elements, including:

- One-off remuneration
- Sign-on bonuses
- Stay-on bonuses
- Severance pay

The schemes and contents are described in detail in the remuneration policy.

There are two other types of remuneration for which Executive Board members and risk takers, however, are not eligible, and which are therefore only available to other employees:

- Employee bonus scheme
- Performance-linked remuneration

Risk takers

Other than the members of the Supervisory Board and the Executive Board, there have, traditionally, been few risk takers in Tryg, and they have only received variable salary elements to a limited extent or no variable salary elements at all for risk takers employed in control functions.

Thirty-seven risk takers (in addition to the Executive Board members) were designated in 2017, but due to a transitional provision in the Executive Order on remuneration policies and remuneration in insurance undertakings and insurance holding undertakings, the current incentive programmes could be maintained for the then non-risk takers for the 2017 vesting year. Therefore, no back-testing, clawback etc. criteria have been defined for the allocation of variable salary elements to the then non-risk takers in 2018, based on the 2017 vesting year, nor was the variable salary element subject to a requirement for a compulsory equity share for the risk takers.

During 2017, work went into preparing a new incentive programme for risk takers and a new remuneration policy. Therefore, 2019 is the first time that variable salary elements (based on the 2018 vesting year) are allocated to the new group of risk takers based on the rules set out in the remuneration policy. As at 31 December 2018, there were 34 risk takers in Tryg in addition to the four Executive Board members and the members of the Supervisory Board.

Conditional shares allotted to risk takers in 2019 on the basis of the 2018 vesting year are deferred to 2022, where free shares will be allotted and back testing will be done of the share allotment.

The Supervisory Board has laid down 'Guidelines on the appointment of risk takers' www.tryg.com.

Risk assessment

Tryg ensures that the variable salary element does not incentivise the individual participant to excessive risk-taking, for example by:

- An appropriate balance between fixed and variable salary elements
- A cap on all variable salary elements
- Use of share-based instruments without gearing in the form of matching shares (100% of the bonus distributed in matching shares for the Executive Board) or conditional shares or a combination of shares and cash payments (minimum 50% conditional shares for risk takers)
- Deferral of share-based instruments – four years for the Executive Board and three years for risk takers – as well as back testing of criteria on expiry of the deferral period
- Retention period of six months for both matching shares and conditional shares when free shares are allotted after expiry of the deferral period
- Possibility of clawback

Appendix

Fees to the Supervisory Board 2018

DKK	Fee	Audit Committee	Risk Committee	Remuneration Committee	One-off IT fee	Total
Jukka Pertola	1.033.548			143.549	140.000	1.317.097
Torben Henning Nielsen	720.000	225.000	210.000			1.155.000
Jesper Hjulmand	360.000	150.000	140.000			650.000
Lene Skole	360.000	150.000	140.000			650.000
Mari Thjømøe	360.000	150.000	140.000			650.000
Carl-Viggo Östlund	360.000			100.000	140.000	600.000
Ida Sofie Jensen	360.000			100.000	140.000	600.000
Tina Snebjerg	360.000		140.000			500.000
Lone Hansen	360.000				140.000	500.000
Tom Eiling	360.000			100.000		460.000
Anders Hjulmand	360.000					360.000
Elias Bakk	360.000					360.000
Jørgen Huno Rasmussen*	226.452			31.451		257.903

* Resigned from the Supervisory Board in March 2018

Fees to the Supervisory Board 2017

DKK	Fee	Audit Committee	Risk Committee	Remuneration Committee	One-off IT fee	Total
Jørgen Huno Rasmussen	1.080.000			150.000		1.230.000
Torben Henning Nielsen	720.000	225.000	210.000			1.155.000
Jesper Hjulmand	360.000	150.000	140.000			650.000
Lene Skole	360.000	150.000	140.000			650.000
Carl-Viggo Östlund	360.000			100.000	140.000	600.000
Mari Thjømøe	360.000	150.000	140.000			650.000
Tom Eiling	360.000			100.000		460.000
Ida Sofie Jensen	360.000			100.000	140.000	600.000
Bill-Owe Johansson*	67.742					67.742
Anders Hjulmand	360.000					360.000
Tina Snebjerg	360.000		140.000			500.000
Lone Hansen	360.000				140.000	500.000
Jukka Pertola**	584.516			81.183		665.699
Elias Bakk *	292.258					292.258

* Resigned from the Supervisory Board in March 2017

**Joined the supervisory board and remuneration committee in March 2017

Fees to the Supervisory Board 2016

DKK	Fee*	Audit Committee	Risk Committee*	Remuneration Committee*	Total
Jørgen Huno Rasmussen	1.061.371			146.895	1.208.266
Torben Henning Nielsen	707.581	225.000	197.581		1.130.162
Tom Eiling**	285.484			79.301	364.785
Lone Hansen	353.790				353.790
Anders Hjulmand**	285.484				285.484
Jesper Hjulmand	353.790	150.000	131.720		635.510
Ida Sofie Jensen	353.790			75.430	429.220
Bill-Owe Johansson	353.790				353.790
Lene Skole	353.790	150.000	131.720		635.510
Tina Snebjerg	353.790		131.720		485.510
Mari Thjømøe	353.790	150.000	131.720		635.510
Carl-Viggo Östlund	353.790			97.930	451.720
Anya Eskildsen***	68.307			18.629	86.936
Virgdis Fossehagen***	68.307			18.629	86.936

* Fee increased from 1 april 2016

** Joined the supervisory board in march 2016

*** Resigned from the supervisory board in march 2016

Salary to the Executive Board¹

Salary 2018 (DKK)								
Name	Fixed basic salary	Pension	TCO (car)	Staff benefits	Fixed basic salary, total	Matching Shares (1)	Special allowance	Total salary
Morten Hübbe (2)	10.750.000	2.687.500	255.000	26.000	13.718.500	4.481.377	600.000	18.799.877
Lars Bonde (2)	5.253.713	1.313.428	255.000	26.000	6.848.141	2.237.059	600.000	9.685.200
Johan Kirstein Brammer (3)	4.704.301	1.176.075	239.234	24.392	6.144.003	2.133.460	1.925.000	10.202.463
Udtrædende direktør Christian Baltzer (4)	3.780.645	945.161	200.847	20.478	4.947.132	0	240.000	5.187.132

(1) The value of Matching Shares (investment shares) at the time of allotment of the right to participate in the MS programme for the Executive Board for the 2018 vesting year.

Investment shares were purchased at a market price of between 164.76 and 169.44.

(2) Re 'Special allowance': Morten Hübbe and Lars Bonde were awarded one-off remuneration in the amount of DKK 600,000 due to the Alka transaction (DKK 240,000 of which was paid in cash and DKK 360,000 as allotted conditional shares vesting in 2022).

(3) Fixed salary has been stated on a pro rata basis for the period from 23 January 2018, when Johan Brammer joined the Executive Board, to 31 December 2018. From 1 January 2018, he was also granted a functional allowance (in the column 'Special allowance') of DKK 150,000 a month plus pension for serving as Senior Vice President, Private Denmark, concurrently with his position as Group CCO until 8 November 2018.

(4) The salary has been stated on a pro rata basis for the period 1 January to 14 October 2018, when Christian Baltzer left the company. Matching Shares lapsed due to the termination of his employment. Severance pay in the amount of DKK 240,000 was disbursed to Christian Baltzer in October 2018.

In 2018, the Executive Board (Morten Hübbe and Lars Bonde) received Matching Shares (free shares) as part of the Matching Shares programme entered into in 2014 (based on the 2013 vesting year). The Executive Board had purchased investment shares at a price of between 101.8 and 103.7 (after the split), and the price was between 142.5 and 146 in connection with the matching.

¹It should generally be noted that the calculation of 'Staff benefits' has been based on the estimated capitalised value of other staff benefits such as insurance, mobile phone etc. The value of the Matching Shares programme for the individual vesting year corresponds to the amount for which the executive officer can buy investment shares which are matched four years later.

Salary 2017 (DKK)

Name	Fixed basic salary	Pension	TCO (car)	Staff benefits	Fixed basic salary, total	Matching Shares (1)	Total salary
Morten Hübbe	10.000.000	2.500.000	255.000	26.000	12.781.000	2.600.000	15.381.000
Lars Bonde	5.003.536	1.250.884	255.000	26.000	6.535.420	1.250.000	7.785.420
Christian Baltzer (2)	4.000.000	1.000.000	255.000	26.000	5.281.000	0	5.281.000

(1) The value of Matching Shares (investment shares) at the time of allocation of the right to participate in the MS programme for the Executive Board for the 2017 vesting year

(2) Matching Shares lapsed due to the termination of his employment in 2018.

Salary 2016 (DKK)

Name	Fixed basic salary	Pension	TCO (car)	Staff benefits	Fixed basic salary, total	Matching Shares (1)	Total salary
Morten Hübbe	9.701.848	2.425.462	255.000	26.000	12.408.310	2.000.000	14.408.310
Lars Bonde	4.811.092	1.202.773	255.000	26.000	6.294.865	938.000	7.232.865
Christian Baltzer (2)	2.125.000	531.250	180.625	18.417	2.855.292	0	2.855.292
Tor Magne Lønnum (3)	1.566.312	391.578	45.081	7.583	2.010.554	0	2.201.957

(1) The value of Matching Shares (investment shares) at the time of allocation of the right to participate in the MS programme for the Executive Board for the 2016 vesting year.

(2) Took up the position as CFO on 15 April 2016, i.e. salary for the period 15 April to 31 December 2016. Matching Shares lapsed due to termination of his employment in 2018.

(3) Left the position as CFO on 15 April 2016, i.e. salary for the period 1 January to 15 April 2016. The total salary includes a non-pensionable expatriation allowance of DKK 191,40 to 15 April 2016. Matching Shares lapsed due to the termination of his employment.

Terms and conditions for notice of termination for the present Executive Board in 2018

	Morten Hübbe	Lars Bonde	Christian Baltzer	Johan Brammer
Notice of termination, company	12 months	12 months	12 months	12 months
Notice of termination, own	6 months	6 months	6 months	6 months
Severance pay (following unjustified termination by the company)	18 months' salary	12 months' salary	12 months' salary (regular disbursement after termination and subject to set-offs)	12 months' salary (regular disbursement after termination and subject to set-offs)
Change of control clause (in combination with own notice of termination)	36 months' salary	36 months' salary	24 months' salary (regular disbursement and subject to set-offs)	N/A

Supplementary appendix

Additional quantitative information about remuneration for the Supervisory Board, the Executive Board and other employees whose activities have a significant effect on the company's risk profile (risk takers), see Executive Order on remuneration policy and remuneration in insurance undertakings and insurance holding undertakings, will be presented in a supplementary appendix, which are expected to be published around April/May 2019.