

# Statutory report on corporate governance, cf. the Danish Financial Statements Act § 107 b

On 8 April 2010, the Corporate Governance Committee published new corporate governance recommendations and recommended that they be incorporated as from the financial year beginning on 1 January 2010.



The recommendations can be downloaded on [corporategovernance.dk](http://corporategovernance.dk).

The Supervisory Board believes that Tryg complies with the recommendations apart from the recommendation in 5.10.2 in that a majority of the members of the Board committees cannot be considered to be independent members, and the recommendation in 6.1.8 with respect to remuneration agreements and variable components of remuneration. See an explanation of these deviations under 5.10.2 on page 7 and 6.1.8 on page 12. The statutory report is part of the management's report of the annual report 2010.

## 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 activities, ensure an ongoing dialogue between the company and its shareholders in order that the governing body knows the shareholders' attitude, 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 press releases and company announcements on a regular basis and publishes annual and interim reports, which are available on [tryg.com](http://tryg.com). Furthermore, Tryg publishes regular IR newsletters on topical issues to shareholders and other stakeholders. This material enables all stakeholders to get a reasonable impression of the Group's position and performance. The financial statements are prepared in accordance with IFRS, and all company announcements and financial statements are published in Danish and English. At Tryg's website, stakeholders may receive the latest news as e-mail and RSS feeds.

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

Investor Relations maintain regular contact to equity analysts and investors. Investor Relations also organise investor presentations, teleconferences and webcasts with the Group Executive Management and participate in conferences in Denmark and abroad. The Supervisory Board is regularly informed of the dialogue with investors and other stakeholders.

### 1.2 Capital and share structure

**1.2.1 It is recommended that the Supervisory Board every year evaluate whether the company's capital and share 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 monitors that Tryg's capital structure is in line with the needs of the Group and its shareholders, and that the capital structure is in compliance with the requirements applicable to Tryg as a financial undertaking. Tryg has adopted a capital plan and a contingency capital plan that are reviewed each year by the Supervisory Board.

Furthermore, the Supervisory Board performs an annual review of dividend distribution and share buy back. In 2010, the shareholders at the annual general meeting authorised the Supervisory Board to let Tryg acquire own shares within 10% of the share capital in the period up to 14 April 2015.

### 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 of shareholders 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, on [tryg.com](http://tryg.com) and in at least one national newspaper. Shareholders may elect to receive the notice by mail or as an electronic notice of the general meeting, or they may download the notice at [tryg.com](http://tryg.com). The notice includes relevant information about the time and place of the meeting and sets out the agenda, which as a minimum comprises 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 and discharge of the Supervisory Board and the Group Executive Management, including determination of the Supervisory Board's remuneration
- Adoption of a resolution as to the distribution of profit or covering of loss, as the case may be, according to the annual report as approved, including proposed payment of dividend for the past financial year
- Any proposals from the Supervisory Board or from shareholders
- Election of members to the Supervisory Board
- Appointment of auditors
- Any other business

All shareholders are urged to attend the annual general meeting. General meetings are also webcast, enabling stakeholders to view the general meeting at [tryg.com](http://tryg.com) during and after the meeting. Shareholders may propose items to be included in the agenda of the general meeting, and may ask questions at the general meeting.

**1.3.2 It is recommended that the Supervisory Board resolve or submit to the general meeting the question whether the general 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 oral dialogue with shareholders.

**1.3.3 It is recommended that proxies given to the Supervisory Board allow 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 form and form for voting by correspondence will be available at [tryg.com](http://tryg.com) on or before 23 March 2011.

**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 Group Executive Management will participate in general meetings where possible, and this has a high priority.

## 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, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid.**

The Supervisory Board intends to consider any public 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 requirements and rules.

**1.4.2 It is recommended that the Supervisory Board give 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 public takeover bid, the shareholders will be given 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 and corporate social responsibility

**2.1.1 It is recommended that the Supervisory Board identify 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 adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.**

The Group has a number of policies adopted by the Supervisory Board and describing Tryg's relationship with its shareholders. Policies adopted by Tryg include an Investor Relations policy, a communication policy and a CSR policy.



See Tryg's Investor Relations policy on [tryg.com > Investor > Contact IR > IR policy.](#)



See Tryg's Communication policy on [tryg.com > Press > Communication policy.](#)



See Tryg's CSR policy on [tryg.com > CSR > CSR strategy > CSR policy.](#)

## 2.2 Corporate social responsibility

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

The Group is committed to corporate social responsibility, and the Supervisory Board adopted the latest CSR policy on 5 October 2010.



See Tryg's CSR policy on [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 adopt a communication strategy.

Tryg has adopted an overall business strategy which is supported by a number of policies, including a communication policy, which is available on [tryg.com](#).

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

All company announcements and financial statements are released in Danish and English.

#### 3.1.3 It is recommended that the company publish quarterly reports.

Tryg publishes quarterly interim reports.

## 4. The tasks and responsibilities of the supreme governing body and the Supervisory Board

### 4.1. Overall tasks and responsibilities

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

The Supervisory Board is responsible for the overall management and financial control of Tryg. In this work, the Supervisory Board uses targets and framework management based on regular and systematic consideration of strategies and risks. The Executive Management reports to the Supervisory Board on strategies and action plans, market developments and the Group's performance, funding issues, capital resources and special risks. The Supervisory Board holds an annual strategy seminar to define and/or adjust the Group's strategy. The Supervisory Board cooperates with the Executive Management to ensure follow-up on and development of the Group's strategies.

#### 4.1.2 It is recommended that the Supervisory Board at least once every year discuss and ensure 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 the Group to achieve its strategic targets. The framework is discussed at the Supervisory Board's annual strategy seminar and budget meeting.

#### 4.1.3 It is recommended that the Supervisory Board at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive management.

The activities of the Supervisory Board are defined in the Group's rules of procedure and annual cycle as approved by the Supervisory Board.

### 4.2. Procedures

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

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The Supervisory Board annually reviews and approves rules of procedure for the Supervisory Board and the Executive Management with related guidelines and instructions.

**4.2.2 It is recommended that the Supervisory Board annually review and approve procedures for the executive management, including establish 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 makes an annual review of and approves rules of procedure for the Supervisory Board and the Executive Management with guidelines and instructions describing reporting requirements and requirements for communication with the Executive Management.

The financial legislation governing Tryg furthermore defines requirements with respect to reporting by the Executive Management to the Supervisory Board on developments in the most important areas of activity.

### **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 has the role as a sparring 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 the collaboration with the Executive Management. The Chairman also acts as spokesman for the Supervisory Board for external purposes.

The Chairman and Deputy Chairman hold preparatory meetings with the Executive Management before all Board meetings and before Board material is distributed. The Chairman and the Deputy Chairman furthermore plan 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 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 chairing and assessing the work of the Supervisory Board, organising, convening and chairing Board meetings and being in charge of the collaboration with the Executive Management.

**4.3.4 It is recommended that, if the Supervisory Board in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate 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.**

According to the rules of procedure for the Supervisory Board, no Board member may perform work for Tryg without a prior decision to that effect by the Supervisory Board. Furthermore, such task must be of a one-off nature.

## **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 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 hereof.**

The Supervisory Board makes an annual assessment of the skills required for the Supervisory Board to perform its duties in the best possible way. Focus is on skills within financial business, IT,

marketing and management. The description of skills is available on tryg.com and in the notice convening the annual general meeting.



**See the Supervisory Board's CVs and skill descriptions on [tryg.com](#) > Governance > Management > Supervisory Board > Skills and composition.**



**The CVs of the Supervisory Board members are also presented in the section Supervisory Board in the annual report.**

**5.1.2 It is recommended that the Supervisory Board ensure a formal, thorough and transparent process for 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 the Board members. The Articles of Association provide that the Chairman of the Supervisory Board of TryghedsGruppen smba should also act as Chairman of the Supervisory Board of Tryg A/S. In addition, 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 Chairman and Deputy Chairman are in charge of selecting candidates for the four independent seats on the Supervisory Board and submit the recommendation for choice of candidate to the Supervisory Board. The Supervisory Board includes members from Denmark, Sweden and Norway and has four female members.

Prior to the election of new members, the Supervisory Board prepares a description of the candidates' background, 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 integrating new talent is considered.

**5.1.3 It is recommended that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of execu-**

**tive 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 skill description referred to in 5.1.2.

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

The management's report in the annual report describes the age, gender, skills, etc. of each member of the Supervisory Board. See also 2.1.7.



**The CVs of the Supervisory Board members, including their special skills, are presented in the section Supervisory Board in the annual report and on [tryg.com](#) > Governance > 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 the Group.

**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 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 respects.

## **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.**

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The Supervisory Board comprises 12 members, and the Supervisory Board deems the number of members 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 in general meeting for a term of one year. Four of the eight members elected by the shareholders are independent members.

**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 Supervisory Board in the annual report and tryg.com describe which Supervisory Board members are considered to be independent members. This is also described in the notice convening the annual general meeting, including in connection with election of new Supervisory Board members.

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 employee representation.

Under the Danish Companies Act, employees are entitled to elect a number of representatives to the Supervisory Board, equal

to half the number of other members at the time employee elections are held. Tryg has agreed with the Group's staff organisations that two Supervisory Board members are elected among the employees in Denmark, one member among the employees in Norway, and one member among the employees in Sweden.

The most recent election of a Swedish employee representative was held in 2010. The next ordinary election of the four employee representatives will be held in 2012. Pursuant to the applicable legislation, employee representatives have the same rights, duties and responsibilities as any other members of the Supervisory Board.

#### **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 goals for the years ahead. In 2010, the Supervisory Board held eight 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 of the coming year.

#### **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 the member does 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 contain information about the Supervisory Board members' occupation, other executive functions and number of shares held.** See the Supervisory Board members' CVs, including position, directorships and holding of Tryg shares and changes in portfolios

in the section Supervisory Board and on [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 replacement on the Supervisory Board, members elected by the shareholders may hold office for a maximum of nine years. Furthermore, members of the Supervisory Board must retire at the first general meeting following their 70th birthday.



**The age of each member of the Supervisory Board is disclosed on [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.

**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 election period expires.**

Information about when the members of the Supervisory Board joined the Board, were re-elected and when their election period expires is set out in the section Supervisory Board and the section Corporate governance in the annual report.

## 5.10 Board committees

**5.10.1 It is recommended that the company publish the 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 and a Risk committee. No formal Nomina-

tion committee has been set up. The Chairman and the Deputy Chairman of the Supervisory Board perform the duties generally handled by a Nomination committee.

Tryg publishes the terms of reference of the Board committees both in the annual report and on [tryg.com](#). Information about the Board committees includes descriptions of members, meeting frequency, responsibilities and the activities of the committee during the year. Furthermore, the special qualifications of each Supervisory Board member are described separately on [tryg.com](#).

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

Two out of four members of the Audit committee and the Risk committee, including the chairman of the committees, are independent. In the Remuneration committee, one of four members is independent, while one of the Chairman and the Deputy Chairman in their joint role as Nomination committee is independent.

Board committee members are primarily elected on the basis of their special skills which the Board considers important. It is also considered important to involve the employee representatives in the committees. The committees solely prepare matters for decision by the entire Supervisory Board. Half of the Supervisory Board members elected by the general meeting are independent members.

**5.10.3. It is recommended that the Supervisory Board establish an actual audit committee.**

Tryg set up an Audit committee in 2006 covering Tryg A/S and its subsidiaries Tryg Forsikring A/S and Tryg Garantiforsikring A/S. The framework for the Audit committee's work is defined in terms of reference. The committee is solely a preparatory body, supporting 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 in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market.**

The committee has four members and is chaired by an independent Supervisory Board member who is also Deputy Chairman of the Supervisory Board. Bodil Nyboe Andersen has been chairman of the Audit committee since 2006. The Audit committee has knowledge of and experience in financial matters as well as accounting and audit matters in listed companies.

Members of the Audit committee

- Bodil Nyboe Andersen, chairman (independent)
- Lene Skole (independent)
- Jørn Wendel Andersen and
- Rune Joensen.

**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 2010, reporting to the Supervisory Board on a regular basis. The Audit committee made an assessment of the preceding year's work in August 2010, evaluating the need for changes to its terms of reference.

Duties of the Audit committee

- Review the Group's technical provisions.
- Review the methodology for and calculation of the Group's Individual Solvency Need.
- Review the efficiency of the Group's contingency plans.
- Assess the Group's internal control procedures to prevent fraud.
- Supervise annual and interim financial statements.
- Supervise the audit work performed by the independent external auditors and by the internal auditors.

**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.**

The Audit committee reviews and discusses the results of the work of the internal and external auditors and supervises management's follow-up on the recommendations reported by the internal and external auditors. Furthermore, the Audit committee ensures that the Group is being monitored by independent auditors.

**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.**

The Chairman and Deputy Chairman of the Supervisory Board handle duties similar to those of a Nomination committee.

**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**

- **monitor 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 has four members elected by the Supervisory Board. The Remuneration committee is chaired by the Chairman of the Supervisory Board. In addition, the committee must include at least one member of the Supervisory Board of TryghedsGruppen and at least one independent member of the Supervisory Board. At present, the committee has one independent member. Board committee members are primarily elected on the basis of their special skills which the Board considers important. It is also considered important to involve the employee representatives in the Remuneration committees and other committees. The committee solely prepares matters for decision by the entire Supervisory Board.

The Remuneration committee held four meetings in 2010. The Remuneration committee's work is based on Tryg's remuneration policy and guidelines for incentive pay. Tryg intends to present a new remuneration policy and new guidelines for incentive pay at the upcoming annual general meeting based, among other things, on changes to legislation.

#### Members of the Remuneration committee

- Mikael Olufsen (chairman)
- John R. Frederiksen
- Paul Bergqvist (independent) and
- Berit Torm.

#### Duties of the Remuneration committee

- Recommend the remuneration policy (including general guidelines for incentive pay) to the Supervisory Board for approval prior to approval by the shareholders.
- Prepare recommendations to the Supervisory Board as to which employees the company considers to be risk-takers.
- Prepare recommendations to the Supervisory Board about elements that should be included in the remuneration of the Supervisory Board and the Group Executive Management as well as the amount of the specific remuneration.
- Ensure compliance with the adopted remuneration policy (including guidelines for incentive pay).
- Monitor that the information in the annual report on remuneration of the Supervisory Board, the Group Executive Management and risk-takers is correct, true and adequate.

- Ensure that the Supervisory Board is kept informed of the market level of remuneration paid to the Supervisory Boards and executive managements of the company's peers, and, on behalf of the Supervisory Board, to follow practice in the area to ensure that any new forms of remuneration are discussed and considered by the Supervisory Board.

#### **5.10.9. It is recommended that the remuneration committee do not consult with the same external advisers as the executive management of the company.**

The Remuneration committee has been assisted by a headhunting agency on a one-off occasion. The agency has not performed tasks for the Executive Management.

#### **5.11 Evaluation of the performance of the Supervisory Board and the 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, which are discussed at the first Board meeting of the year.

##### **5.11.3 It is recommended that the Supervisory Board at least once every year evaluate the work and performance of the executive management in accordance with pre-defined criteria.**

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

**5.11.4 It is recommended that the executive management and the Supervisory Board establish a procedure according to 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 carries out an annual evaluation of the work and results of the Executive Management and of the cooperation between the Supervisory Board and the Executive Management. In addition, the Supervisory Board reviews and approves the rules of procedure of the Supervisory Board and the Executive Management each year to ensure they are aligned with Tryg's requirements. In addition, the Chairman has individual assessment interviews with each member of the Supervisory Board at the beginning of the year, which are discussed at the first Board meeting of the year.

## 6. Remuneration of the 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 the executive management.**

Tryg has adopted a policy for remuneration of the Supervisory Board and the Executive Management, including guidelines for incentive pay.

**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 was approved by the annual general meeting. Tryg's remuneration policy is approved by the Supervisory Board. A new remuneration policy and guidelines for incentive pay will be presented for approval at the annual general meeting in 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 Tryg's Supervisory Board receive a fixed fee and are not covered by any form of incentive programme or severance scheme. The Board members' remuneration (basic fee) is fixed based on developments in a comparable market taking into consideration Board members' required skills and the scope of the Board work, including number of meetings. The Chairman of the Supervisory Board receives a triple basic fee and the Deputy Chairman receives a double basic fee.

In addition to a fixed salary and pension, members of Tryg's Executive Management received a performance-related bonus and a share option programme in 2010.

**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 and guidelines for incentive pay include the reasons for choosing the individual components of the remuneration and a description of the criteria on which the balance between the components is based.

**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 award of variable components, and**
- **there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year.**

In 2010, the Executive Management, Group Executive Management and senior executives were offered a performance-related bonus of up to three months' salary including pension (four months for

the Group CEO). The bonus is linked to the achievement of pre-defined benchmarks and paid out in cash. The assessment of benchmark achievement included the Group's overall performance as well as individual performance within the respective areas of responsibility. Specific benchmarks for 2010 were defined within all four perspectives of the balanced scorecard (financial, customer, processes and learning), reflecting the strategic focus areas of the Group and the individual business areas or organisational units, including growth, profitability, cost reduction, customer satisfaction, customer loyalty, image, processes, communication,

employee satisfaction and development, and innovation. The variable pay components would constitute a maximum of 50% of the fixed annual salary including pension per financial year. See also share option programme under 6.1.7.

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

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

### Total remuneration of the Supervisory Board in 2010

DKK	Fee	Audit committee	Remuneration committee	Total
Mikael Olufsen	900,000		75,000	975,000
Bodil Nyboe Andersen	600,000	225,000		825,000
Jørn Wendel Andersen	300,000	150,000		450,000
Christian Brinch	300,000			300,000
John Rene Frederiksen	300,000		50,000	350,000
Paul Bergqvist	300,000		50,000	350,000
Jesper Hjulmand	300,000			300,000
Lene Skole	300,000	150,000		450,000
Tina Snebjerg	300,000			300,000
Bill-Owe Johansson	300,000			300,000
Rune Torgeir Joensen	300,000	150,000		450,000
Berit Torm	300,000		50,000	350,000

### Total remuneration of the Executive Management in 2010

DKK	Basic salary	Bonus	Pension	Car	Total
Stine Bosse	6,188,280	1,031,380	1,547,070	255,000	9,021,730
Morten Hübbe	3,822,000	637,000	955,000	255,000	5,669,500
Peter Falkenham (resigned September 2010)	3,244,500	270,375	811,125	255,000	4,581,000

### Stock option programme

Options	2006	2007	2008	2009	2010	Total
Stine Bosse	20,960	13,527	24,597	18,066	22,690	99,840
Morten Hübbe	7,860	7,101	15,916	11,690	14,682	57,249
Peter Falkenham	0	5,072	11,575	8,502	10,678	35,827
Other option programme participants	53,710	112,990	183,003	137,576	178,849	666,128
<b>Total no. of outstanding stock options</b>	<b>82,530</b>	<b>138,690</b>	<b>235,091</b>	<b>175,834</b>	<b>226,899</b>	<b>859,044</b>

**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 of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.**

In order to build loyalty and motivation, Tryg had a share option programme in 2010 for the Executive Management, Group Executive Management, senior executives and employees to reward outstanding performance. The options, which entitle the holders to buy one share per option, cannot be exercised earlier than three years and not later than five years after grant. The strike price is the market price on grant plus 10%. The exercise price is the strike price less dividend payouts in the period. Options can only be exercised during the open trading windows in connection with profit announcements. Own shares are bought to cover the share option programme. In 2010, the share options entitled the holders to acquire shares at the average price of Tryg shares (all trades) as quoted on OMX Copenhagen on 23 February 2010 plus a 10% premium, equal to a strike price of DKK 352.04.

**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 in exceptional cases. The variable component of the Executive Management's remuneration is deemed to be modest, and the Supervisory Board has therefore deemed that a claw-back provision would not be necessary.

**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 such 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 contents of the remuneration policy are described in the management's report, and the remuneration policy is available on tryg.com. Proposal for the remuneration policy will be published in connection with the notice convening the annual general meeting of Tryg.

**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 the Group'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 the executive management by the company and other consolidated companies be disclosed in the financial statements and that the linkage with the remuneration policy be explained.**

The remuneration of Tryg's Supervisory Board and Executive management can be seen on page 63 and 64 in the annual report and on the tables on the previous page.

**6.2.4. It is recommended that the details of any defined-benefit schemes offered to members of the Supervisory Board or the 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. 25% of the basic salary of each member of the Executive Management is paid into a pension scheme.

**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 under 6.1.5, 6.1.6 and 6.1.9.

**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 fees to the Supervisory Board of Tryg for the current financial year is submitted for approval by the

shareholders at the annual general meeting of 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.**

As a supplement to the annual report, Tryg publishes a Stakeholder magazine on CSR related subjects. In addition, Tryg publishes a capitalisation document each quarter about the Group's status and development within capital strategy and management, and Investor Relations regularly issues an IR newsletter on topical issues.

### 7.2 The going concern assumption

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

When discussing and adopting the annual report for 2010, the Supervisory Board considers whether the financial statements have been prepared on the assumption that the business is a going concern, including 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 every 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. In its capital and risk management instructions, the Supervisory Board defines the framework for risk management in Tryg with respect to insurance risk/reinsurance, investment risk and operational risk, including IT security. This framework is then implemented in

risk policies that define detailed guidelines for the Group's risk management. A Risk 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 the Group's strategy or which may have a potential substantial impact on the Group's financial position. In this process, identified risks are recorded and quantified. The risk mapping is included in the annual risk reporting to the Supervisory Board, and the quarterly quantification of identified risks is included in the calculation of the individual solvency need.

**8.1.2 It is recommended that the executive management currently 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 development and make the necessary decisions.**

The Executive Management reports to the Supervisory Board on the Group's risk management work. The overall responsibility for the Group's internal controls and risk management systems in connection with the financial reporting process rests with the Supervisory Board and the Executive Management. The Supervisory Board and the Executive Management approve and monitor the Group's general policies, procedures and controls in key areas in relation to the financial reporting process, including compliance with relevant legislation and regulations, internal business procedures, limits and segregation of duties, continuous monitoring of significant risks, etc. A compliance status is reported annually to the Supervisory Board in connection with approval of the Group's risk management instructions. However, any non-compliance with limits and guidelines that may occur is reported immediately to the Supervisory Board. The Supervisory Board's Risk committee monitors the company's efforts in relation to risk management and control on a regular basis and reports 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 Group Executive Management has established a formal Group reporting process which comprises monthly reporting, including budget reporting and deviation reporting.

Tryg publishes quarterly interim reports. The Group's internal control systems are based, among other things, on clear organisational structures and guidelines, general IT controls and segregation of duties, 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.**

Tryg is in the process of setting up an Ethical Line through which employees, customers or business partners may report on serious matters related to breach of law or suspected breach of law. The line will come into effect when it has been approved by the Danish data protection agency.

## 8.3 Openness about risk management

**8.3.1 It is recommended that the management commentary 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. The Group continuously seeks to minimise the risk of unnecessary losses in order to optimise returns relative to the capital available in the company from time to time.



**A detailed review of the Group's management of business risks is set out in the section Risk management on pages 49-53 of the management's report.**

## 9. Audit

### 9.1. Contact to 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 the Group is monitored by competent and independent auditors. The Group'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, among other issues. The results of the audit are discussed with the Audit committee and in 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.

**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 with the external auditors, including the auditors' fees, is concluded between the Audit committee and the auditors. 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 present. 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 dialogue without the presence of the Executive Management. The Audit committee will handle 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 the Group's internal control systems and business procedures. The department is responsible for planning, performing and reporting the audit work to the Supervisory Board.