

2 March 2021
MS/TSH/EUC

Remuneration Policy

with guidelines for the allocation of variable remuneration, and for special payments and pension policy

1. Background

This Remuneration Policy has been drawn up in accordance with *Sections 20–22 of the Act on Managers of Alternative Investment Funds* (“AIFM”) and the *Order concerning remuneration policy* (“Remuneration Policy Order”)¹. In accordance with Section 20 of AIFM, a manager of alternative investment funds such as Maj Invest Equity A/S (“MIE”) must have a remuneration policy and practice that are in accordance with and promote sound and effective risk management, and do not give incentives for excessive risk taking. The Remuneration Policy must be gender-neutral. The Remuneration Policy, including guidelines for the allocation of variable remuneration, is drawn up in accordance with *Sections 20–22 of AIFM and the Remuneration Policy Order*, which has a number of limitations concerning the allocation of variable remuneration elements, pension and special payments. The Remuneration Policy also implements the ESG Disclosure Regulation concerning sustainability-related disclosures.

MIE has chosen not to appoint a remuneration committee. This is due to the company’s limited size and AUM below the EUR 1.25 billion stipulated in ESMA’s guidelines (ESMA/2016/579), internal organisation (limited number of employees and many split appointments with the sister company Fondsmæglerselskabet Maj Invest A/S and the parent company Maj Invest Holding A/S), limited types of alternative investment funds under management, and the limited complexity of the activities.

2. Overall objective

The objective is for MIE’s Remuneration Policy and practice to contribute to:

- Ensuring competitive remuneration
- Promoting business development
- Giving management and employees opportunities for co-ownership, in order to strengthen value creation

¹ Order concerning remuneration policy and remuneration of managers of alternative investment funds, etc. of 24 October 2017.

- Promoting sound and effective risk management

A further objective is for the Remuneration Policy and practice to be gender-neutral and to contribute to Maj Bank's compliance with the obligations concerning sustainability risks in the ESG Disclosure Regulation.

The Remuneration Policy has also been drawn up to ensure fulfilment of the overall considerations in Section 9 of the Remuneration Policy Order, including that the Remuneration Policy is in accordance with MIE's and the managed funds' business strategy, values and objectives, and in harmony with the principles for the protection of clients and investors, and includes measures to avoid conflicts of interest; and that the overall variable remuneration does not undermine MIE's opportunities to strengthen its capital base.

3. Area of application of the Remuneration Policy

The general principles apply to all employees of MIE.

The Remuneration Policy also sets restrictions concerning:

- The Board of Directors
- Executive Board
- Employees whose activities have a significant influence on the company's risk profile ("significant risk takers"). This group is determined at least once a year by the Board of Directors. Significant risk takers include five MIE partners and the management of the risk taking and compliance function.

Individual elements of the Remuneration Policy furthermore set limitations concerning:

- Employees in special functions: Employees involved in control functions, including employees who work with compliance and risk management.

4. The Remuneration Policy's general remuneration principles and restrictions for selected groups

The following general remuneration principles and restrictions apply:

a. General remuneration principles for all employees of MIE:

- In addition to the (i) fixed remuneration, there are (ii) mandatory pension contributions of up to 10 per cent; and (iii) a performance-based bonus comprising between 0 and 12 months' salary. The performance-based bonus is discretionary and is determined by the management on an annual basis, typically based on an assessment of the results of the person concerned, the results of his or her department, and the company's results. In addition there are (iv) individual equity incentives.

- Employees must receive equal pay for the same work, or work of the same value, irrespective of gender and gender identity. Employees may not be subject to discrimination on the basis of gender and gender identity concerning their career opportunities, including promotion, work tasks, and education and training. Any infringement of the discrimination prohibition on the basis of gender and gender identity must be included in the annual assessment of the determination of the fixed remuneration.
- To the relevant extent, the remuneration practice may include whether the employee has complied with the regulations concerning conflicts of interest in relation to clients. Failure to comply with the handling of and transparency concerning conflicts of interest may be included in the annual assessment of the determination of fixed remuneration.
- To the relevant extent, the remuneration practice must make it possible for employees to take account of the principles in the Sustainability Risk Policy.

b. Board of Directors

- There is fixed remuneration of the Board of Directors. Fixed remuneration is agreed for the external members and the Chairman of the Board of Directors, and the remuneration is approved at the annual general meeting. The internal members of the Board of Directors will not receive separate remuneration for their Board positions. Any changes are proposed by the Board of Directors, represented by the chairmanship, for approval by the annual general meeting. There is no remuneration of committees and there are no variable remuneration elements. This may be deviated from in extraordinary cases, such as special individual cases.

c. Executive Board

The remuneration of the Executive Board may consist of several elements:

- Fixed remuneration. The fixed remuneration of the Executive Board at Group level is disclosed in the Annual Report of Maj Invest Holding A/S. The fixed remuneration will reflect responsibility, competences and project-related contribution. The fixed remuneration must furthermore reflect whether the Executive Director has contributed to integrating the general *remuneration principles for all employees*. The remuneration paid is disclosed in the Annual Report under Management Positions.
- Bonus scheme based on results at Group and department level, and the individual's performance, and the results of the funds managed by MIE. In the past year, bonus schemes have been below or at the maximum amount of DKK 100,000, for which the Board of Directors has determined, based on a concrete assessment, that on a proportionality basis, an exemption can be made from the requirements in Section 20(2)

4) and 5) of AIFM². New bonus schemes (which do not fall under the clause immediately below) will also be below or at DKK 100,000 and fulfil the following conditions in clause 5, but so that the Board of Directors may also for new bonus schemes, on a proportionality basis, make a specific exemption from the requirements in Section 20(2) 4) and 5) of AIFM.

- Performance bonus/equity incentives related to performance in the individual equity funds and to specific investment undertakings in the same funds (see the notes in the Annual Report of Maj Invest Holding A/S) are either (i) variable remuneration entered into before 1 January 2011, (ii) non-remuneration entered into before AIFM came into force, or (iii) agreements concerning preferential yields drawn up in accordance with Section 20(10) of AIFM.
- Pension scheme whereby up to 10 per cent of the gross monthly salary is paid in as a monthly pension contribution.
- Other salary benefits such as free telephone, Internet connection, newspaper, personal accident and life insurance, health insurance, etc.
- Severance payments in the range of up to two years' salary, which fulfil the conditions in Section 15 of the Order.
- Non-solicitation clauses may have been agreed, which may lead to a payment in connection with severance.

d. Significant risk takers and employees in special functions

The remuneration of significant risk takers and employees in special functions may consist of several elements:

- Fixed remuneration.
- Bonus scheme based on the results of MIE and an assessment of the individual's performance and the results at Group and department level, and the results of the funds managed by MIE. In the past year, bonus schemes have been below or at the maximum amount of DKK 100,000, for which the Executive Board has determined, based on a concrete assessment, that on a proportionality basis, a specific exemption can be made from the requirements in Section 20(2) 4) and 5) of AIFM. In addition, there are bonus schemes from before significant risk takers were designated in MIE. New bonus schemes (which do not fall under the clause immediately below) will also be below or at the triviality limit of DKK 100,000 and fulfil the following conditions in clause 5, but so that the Executive Board may also for new bonus schemes, on a proportionality basis, make a specific exemption from the requirements in Section 20(2) 4) and 5) of AIFM.
- Performance bonus/equity incentives related to the performance of the individual equity funds and to specific investment undertakings in the same funds are either (i)

² is compiled in relation to each executive director/employee's *total*/variable remuneration.

variable remuneration entered into before 1 January 2011, (ii) non-remuneration entered into before AIFM came into force, or (iii) agreements concerning preferential yields drawn up in accordance with Section 20(10) of AIFM.

- Pension scheme whereby 10 per cent of the gross monthly salary is paid in as a monthly pension contribution.
- Other salary benefits such as free telephone, Internet connection, newspaper, personal accident and life insurance, health insurance, etc.
- Severance payments in the range of up to two years' salary, which fulfil the conditions in Section 15 of the Order.

Non-competition clauses which release a payment on termination may have been agreed. The aforementioned restrictions may not be avoided by split appointment of a significant risk taker.

For both the Executive Board and significant risk takers, (i) agreements or changes to existing agreements concerning bonus schemes / performance bonus/preferential yields; (ii) pension contributions, etc.; and (iii) special payments, must be in accordance with clause 5 of the Guidelines for allocation of variable remuneration elements, see below.

5. Guidelines for allocation of variable remuneration elements

Variable remuneration elements for the Executive Board

Variable remuneration elements that are paid out in accordance with agreements established or amended after AIFM's entry into force on 22 July 2013 are subject to the following limitations:

- *Who decides them:* The Board of Directors, represented by the chairmanship, annually decides on the Executive Board's variable remuneration elements. The bonus schemes are discretionary and are determined on the basis of:
 - An assessment of the Executive Director's results, the results of the Executive Director's departments, and MIE's total result and the results of the funds managed by MIE,
 - The wish to achieve an appropriate balance between fixed and variable remuneration elements,
 - Consideration of non-financial criteria, such as compliance with internal rules and procedures;
 - and present and future risks.

The evaluation of the Executive Directors' results is based on discussions between the Executive Board and the chairmanship.

- *Maximum amounts:* The total variable remuneration element may amount to maximum DKK 100,000 per annum.
- *What they may consist of – exemption from payment in instruments:* The Board of Directors may – for a bonus of maximum DKK 100,000 – on a proportionality basis, with consideration of the circumstances of MIE, as well as the Executive Director, grant specific exemption from the requirements in Section 20(2), 4 and 5) of AIFM that payment may take place in cash, and not follow the instrument requirement in Section 20(2), 4) of AIFM.
- *When they may be paid – exemption from the deferral requirement:* The Board of Directors may – for a bonus of maximum DKK 100,000 – on a proportionality basis, with consideration of the circumstances of MIE, as well as the Executive Director, grant specific exemption from the requirements in Section 20(2), 5) of AIFM and decide that payment may take place without deferral and retention and not follow the relevant requirements in *Section 20(2), 5) of AIFM*.
- *Retention (back testing) and reimbursement (claw back):* Bonus must otherwise comply with the principles in Section 20, including the regulations concerning retention in Section 20(5), and reimbursement if the Executive Director is not in good faith, in accordance with Section 20(6) of AIFM.
- *Preferential yields:* Preferential yields, including carried interest, agreed after AIFM's entry into force will be paid out in accordance with Section 20(10) 1) of AIFM, i.e. after the alternative investment fund has reimbursed the commitment to the investors, and the agreed hurdle rate. Carried Interest may be paid out – on the basis of the Board of Directors' specific assessment of MIE's and the recipient's conditions, and established agreement for the alternative investment fund – in cash and without an upper limit of 50 per cent, without deferral and without retention (back testing). Carried Interest may not be paid out if MIE fails to fulfil its capital requirements, cf. Section 20(2), 6) and 7) of AIFM. Carried Interest may only be paid out on simultaneous subordination of retention claims in Section 20(6) of AIFM (claw back) until the alternative investment fund in question is dissolved.

Variable remuneration elements for significant risk takers.

The following limitations will apply to *significant risk takers*:

- *Who decides them:* The Executive Board will annually consider the variable remuneration elements for this group. The Board of Directors will exercise control of the remuneration. The bonus schemes are discretionary and are determined on the basis of:
 - An assessment of the recipient's results, the results of the recipient's department, and MIE's total results, and the results of the funds managed by MIE,

- The wish to achieve an appropriate balance between fixed and variable remuneration elements;
- Consideration of non-financial criteria, such as compliance with internal rules and procedures;
- and present and future risks.

The evaluation of the employee's performance during the year takes place as an annual employee development agreement.

- *Maximum amounts:* The total variable remuneration element may amount to maximum 50 per cent of the fixed basic salary including pension. The maximum variable remuneration element will also apply at Group level, so that in the event of split employment, the variable remuneration element for a significant risk taker may amount to a maximum of DKK 100,000 per annum.
- *What they may consist of – exemption from payment in instruments:* The Board of Directors may – for a bonus of maximum DKK 100,000 – on a proportionality basis, with consideration of the circumstances of MIE, as well as the risk taker, grant specific exemption from the requirements in Section 20(2), 4) and 5) of AIFM that payment may take place in cash, and not follow the instrument requirement in *Section 20(2), 4) of AIFM*.
- *When they may be paid – exemption from the deferral requirement:* The Executive Director may – for a bonus of maximum DKK 100,000 – on a proportionality basis, with consideration of the circumstances of MIE, as well as the risk taker, grant specific exemption from the requirements in Section 20(2), 5) of AIFM and decide that payment may take place without deferral and retention and not follow the relevant requirements in *Section 20(2), 5) of AIFM*.
- *Retention (back testing) and reimbursement (claw back):* Bonus must otherwise comply with the principles in Section 20, including the regulations concerning retention in Section 20(5), and reimbursement if the Executive Director is not in good faith, in accordance with Section 20(6) of AIFM. *Preferential yields:* Preferential yields, including carried interest, agreed after AIFM's entry into force will be paid out in accordance with Section 20(10) 1) of AIFM, i.e. after the alternative investment fund has reimbursed the commitment to the investors, and the agreed hurdle rate. Carried Interest may be paid out – on the basis of the Board of Directors' specific assessment of MIE's and the recipient's conditions, and established agreement for the alternative investment fund – in cash and without an upper limit of 50 per cent, without deferral and without retention (back testing). Carried Interest may not be paid out if MIE fails to fulfil its capital requirements, cf. Section 20(2), 6) and 7) of AIFM. Carried Interest may only be paid out on simultaneous subordination of retention claims in Section 20(6) of AIFM (claw back) until the alternative investment fund in question is dissolved.

Variable remuneration elements for employees in special functions

For *employees in special functions* the following limitations will apply:

- Variable remuneration elements must be independent of the results of the activities or the services controlled by the employee.

6. Guidelines for special payments, including severance payments

For the Executive Board, members of the Board of Directors elected by the employees, and significant risk takers, severance payments to be agreed on the resignation of the persons in question may not amount to more than up to two years' fixed salary, including pension, and the severance payment may not be conditional on results achieved in the position, and must otherwise fulfil the requirements in Section 15 of the Remuneration Policy Order. Non-solicitation clauses may have been agreed, which may lead to a payment in connection with severance. A severance payment might be required under the Danish Salaried Employees Act, but in such case the restrictions in Section 14(1)–(3), cf. subsection 4, will not apply. New appointment payments must likewise fulfil the requirements in Section 16 of the Remuneration Policy Order.

7. Guidelines for pensions (pension policy)

The Executive Board and significant risk takers, like the other employees, are subject to a pension scheme whereby Maj Invest currently pays in up to 10 per cent of the gross monthly salary as a monthly pension contribution. It is not possible to agree on, or pay out, discretionary pension contributions, or pension contributions that can be equated with variable remuneration.

8. Preparation and updating, and control of compliance with the Remuneration Policy

To ensure that the Remuneration Policy fulfils its purpose and the regulatory requirements, and that the policy is adjusted to the company's development, the Board of Directors reviews the Remuneration Policy once a year, and ensures that it is approved by the annual general meeting.

The Board of Directors ensures that once a year there is control of compliance with the Remuneration Policy. Guidelines for the Executive Board for control of the Remuneration Policy are laid down by the Board of Directors, which receives annual reports on the results of this control. The control is planned to ensure the greatest possible independence of the departments of MIE that are controlled, with due consideration of MIE's limited size, organisation and activities.

The Board of Directors, Executive Board and Legal & Compliance were involved in the preparation of the updating of the Remuneration Policy, which the Board of Directors has assessed to be responsible, taking due account of MIE's limited size, and the organisation, scope and complexity of MIE's activities, and in particular the limited extent of variable remuneration.

9. Publication of Remuneration Policy, etc.

The Executive Board will ensure that the employees who are subject to the Remuneration Policy are familiar with the Policy and also with the other documents which describe the determination of their remuneration and evaluation of their performance.

Information concerning the Remuneration Policy and practice will be published in accordance with the Remuneration Policy Order. To the extent laid down in Section 22 of AIFM, selected information concerning the Remuneration Policy and practice will be published in an annual report published on the company's website www.majinvest.com.

The total remuneration of each member of the Board of Directors and Executive Board received by the person concerned on the basis of his or her duties for the company, and which the person concerned has received during the same year for membership of the Board of Directors or Executive Board of a company within the same Group, will be published to the extent that this is laid down in Section 22 of AIFM.

*Questions concerning MIE's Remuneration Policy may be addressed to the Executive Board.
Approved at the meeting of the Board of Directors on 2 March 2021. Approved at the Annual General Meeting in 2021.*

Adopted by the Board of Directors on 2 March 2021.

Board of Directors:

Chairman of the Board of Directors Tommy Pedersen	Board member Maria Hjorth	Board member Nils Bernstein
Board member Jørgen Tang-Jensen		