



## Remuneration Policy Version 1.5

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Approved by	Author/Owner
Board of Directors / Annual General Meeting	Executive Management

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# 1. Introduction and purpose

The Remuneration Policy lays down guidelines in terms of remuneration which are consistent with, and promote a gender neutral remuneration, a sound and efficient risk culture, and which does not encourage excessive risk taking.

The objective is to ensure that the remuneration policy is in line with the Bank's business model, goals, values and long-term interests, including that the remuneration of the Bank's employees complies with current legislation in general, and legislation concerning the protection of the Bank's customers and investors in particular.

The policy is tailored to the size and complexity of the Bank's organisation and its business model.

## 1.1. Related regulation

The Remuneration Policy is prepared in accordance with the Financial Business Act and the Executive Order on Remuneration for Financial Institutions (Bekendtgørelse om lønpolitik og aflønning i pengeinstitutter).

# 2. Roles and responsibilities

## **Board of Directors**

The Board of Directors shall ensure that the Remuneration Policy is explicitly approved at the General Meeting of the Bank.

The Board of Directors shall review and control the Remuneration Policy regularly and at least once a year in order to make sure that the Bank's remuneration is compliant with the policy and the policy is always adapted to the development of the Bank and the current legislation.

The Board of Directors shall ensure that the Remuneration Policy does not compromise the independence of the Chief Risk Officer ("CRO") nor the Head of Compliance, and thus the Bank shall only award these functions with variable remuneration by decision of the Board of Directors.

The Board of Directors shall set out the guidelines for the Executive Management's control and shall review reporting from the Executive Management. The Board of Directors are responsible for overseeing the compliance with the remuneration Policy.

Employees who monitor compliance with the Remuneration Policy shall be independent of the departments in the Bank over which they monitor.

## **Executive Management**

The Executive Management shall ensure that the Bank complies with the principles of the Remuneration Policy and thus implement the Policy.

The Executive Management shall report on the remuneration to the Board of Directors according to the control principles set out by the Board of Directors in this policy.

### 3. Scope

The material risk takers of the Bank and all other employees are in-scope for this Remuneration Policy.

The Board of directors have identified the following material risk takers (Hereinafter together referred to as “Material Risk Takers”):

- Chief Risk and Financial Officer (CFRO)
- Head of Credit
- AML Officer
- Head of Compliance
- Members of the Executive Management
- Members of the Board of Directors

The secretary of the Board of Directors keeps an updated list of the names of the persons currently holding those roles. The list shall be updated at least annually.

### 4. Remuneration

#### 4.1 Remuneration definition and types of remuneration

The Bank’s definition of remuneration includes contribution to a pension scheme and all other related remuneration accessories.

The types of remuneration are defined below:

- Fixed remuneration
  - Cash
  - Shares and/or Warrants
  - Pension
  - Allowances
  - Other benefits (company car, newspapers, phone etc.)
- Variable remuneration
  - Shares and/or Warrants
  - Cash

## 4.2 Remuneration principles

The bank wishes to offer a competitive remuneration package to its employees, in order to attract and retain the very best talent possible which are required to execute the business plan successfully.

### *General principles*

The specific remuneration is agreed individually with each of the Bank's employees, considering the role, competencies, experience, education and complexity of the tasks performed by the employee.

### *Principles for awarding variable remuneration*

To succeed with the Bank's business plan and development strategy it is important for the Bank to be able to attract and retain both qualified and high-performing employees. As the Bank is still in a phase of the life-cycle where it is not possible to be fully competitive on cash remuneration, a warrant program is therefore used as a part of the remuneration package to some senior employees. This is to ensure both focus on alignment of interest with shareholders, but also an additional element of remuneration to be able to attract the right employees.

Warrants shall be awarded to employees as a part of the remuneration package and used as a retention tool to ensure a long-term and stable performance of the Bank. This is done by ensuring vesting periods between 2-5 years and by not linking the awarding of warrants to risk based performance metrics. The value of the warrants shall be calculated in accordance with the valuation used for tax purposes.

Variable remuneration in the form of cash payments shall be used to a limited extent, meaning it cannot exceed 100,000 DKK annually if the payment is paid to all employees due to the overall performance of the Bank or to certain employees in business sales positions to encourage further sales. However, the business sales team may not at the same time have a mandate to make credit approvals.

In general awarding variable remuneration shall be based on both the general performance of the Bank, in combination with the performance of the employee's department and/or the personal performance of the employee. The individual performance evaluation, if applicable, shall be based on both the employee's achieved results as well as the employee's general behaviour and attitude, and in particular being a role model in upholding the Bank's sound company culture and alignment with the Bank's procedures and values. Variable remuneration is not directly connected to any ESG risk or procedures in the Bank.

Payment of the deferred part of any variable remuneration to Board of Directors, Executive Management and Material Risk Takers must be conditional on:

- That their actions have not resulted in a significant loss for the Bank.
- That they have not fulfilled the requirements for fit & proper or is responsible for breach of regulatory requirements that has resulted in a significant loss for the bank

- That the financial situation of the Bank has not been substantially weakened compared to the time when the variable remuneration was calculated.

The amount of deferred variable remuneration will either be postponed or forfeited in full or be reduced based on a decision made by the bank if any of the above actions has been conducted.

The Bank may award severance pay in case it is deemed appropriate, however no more than equivalent to 24 months' remuneration.

Sign-on-, buy-out- and stay-on-bonus are granted only by exception and shall be in accordance with the Executive Order on Remuneration Policy in Financial Institutions.

### 4.3 Board of Directors

The Board of Directors shall be remunerated with a fixed compensation and may also be remunerated with variable remuneration in the form of warrants to a maximum value of 12.5% of the total fixed remuneration if approved by the shareholders at a General Meeting. The Board of Directors is encouraged to hold shares in kompasbank to align interest with the shareholders and the Board of Directors may build up their shareholdings from vested deferred warrants.

Deferral and ex post adjustments payment of at least 40% of the variable remuneration awarded must be deferred over a period of five years for members of the Board of Directors.

The Bank may pay costs associated with granting telephone, newspaper, internet and similar to the Board of Directors.

Variable remuneration is always assigned within the limits in the Financial Business Act 77a, including sec. 77a, sub. sec. 1, no. 1, and other relevant regulations. This covers the rules on deferred payments and claw back as specified in sec. 77a, sub. sec. 1, no. 5 and claw back or cease payment according to sec. 77a, sub. sec. 4 and/or 5.

The Board of Directors submit a proposal for the remuneration of the Board of Directors to the Annual General Meeting for approval each year.

### 4.4 Executive Management

The Executive Management shall be remunerated with a fixed salary incl. a contribution to a pension scheme and may also be remunerated with variable remuneration in the form of warrants to a maximum value of 12.5% of the total fixed annual remuneration if approved by the Board of Directors. The awarding of warrants should be considered a part of the remuneration package. The Executive Management is encouraged to hold shares in kompasbank to align interest with the shareholders and this may build up their shareholdings from vested deferred warrants.

Deferral and ex post adjustments payment of at least 40% of the variable remuneration awarded must be deferred over a period of five years for members of the Executive Management.

The Bank may pay costs associated with granting telephone, newspaper, internet, insurance and similar to the Executive Management.

Variable remuneration is always assigned within the limits in the Financial Business Act 77a, including sec. 77a, sub. sec. 1, no. 1, and other relevant regulations. This covers the rules on deferred payments and claw back as specified in sec. 77a, sub. sec. 1, no. 5 and claw back or cease payment according to sec. 77a, sub. sec. 4 and/or 5.

The Board of Directors determines the remuneration of the Executive Management and will revise it annually. The remuneration is based on general remuneration criterias to ensure to attract and retain the skilled and experienced managers which are required to execute the business plan successfully.

## 4.5 Material risk takers besides Board of Directors and Executive Management

Material risk takers may receive both fixed incl. a contribution to a pension scheme and variable remuneration.

The variable remuneration for Material risk takers can not exceed 100% of the fixed remuneration. The value of awarded warrants shall only by exemption exceed a value of 10% of the annual fixed remuneration. Deferral and ex post adjustments payment of at least 40% of the variable remuneration awarded must be deferred over a period of four years for members of any Material Risk Taker.

Variable remuneration is always assigned within the limits in the Financial Business Act 77a, including sec. 77a, sub. sec. 1, no. 1, and other relevant regulations. This covers the rules on deferred payments and claw back as specified in sec. 77a, sub. sec. 1, no. 5 and claw back or cease payment according to sec. 77a, sub. sec. 4 and/or 5.

The Executive Management determines the remuneration for the Material Risk Takers. In order to ensure the independence of the Head of Compliance and the Chief Risk Officer, these functions may only be rewarded with variable remuneration by decision of the Board of Directors.

## 4.6 Employees in 2nd line control functions

Employees in 2nd line control functions may receive both fixed incl. a contribution to a pension scheme and variable remuneration. The variable remuneration component may not depend on the result in the department which the employee controls. The value of awarded warrants shall only by exemption exceed a value of 10% of the annual fixed remuneration. Variable remuneration in the form of cash payments must be below DKK 100,000.

The remuneration is determined by the Executive Management.

## 4.7 Other employees

Other employees shall receive fixed remuneration incl. a contribution to a pension scheme. Other Employees may also receive variable remuneration in accordance with the principles set out in this Policy.

The remuneration is determined by the Executive Management.

## 5. Appointing Material Risk takers

The Board of directors must identify the Material Risk Takers in the Bank. The identification is based on a recommendation from the Executive Management that must take into account the following:

- The risk profile of the specific material business unit being lead by an employee and the internal capital at risk
- The delegated risk limits to the employee leading the specific material business unit
- The general duties of the employee leading the specific business unit

Further, the Material Risk Takers must always be appointed as specified in section 2(2) of the Executive Order on the Remuneration for Financial Institutions.

## 6. Publication

The content of this Remuneration Policy will be publicly available on the Bank's website. The Annual Remuneration Disclosure Report for Executive Management and Board of Directors will also be publicly available on the website.

## 7. Review frequency

The Board of Directors shall review and if needed update the Policy minimum once a year. Changes to the Policy shall be approved at the Annual General Meeting. The Policy shall be presented and reviewed by the Annual General Meeting as a minimum every two years.

## 8. Monitoring, Control & Reporting

### **The Executive Management**

Annually, the Executive Management shall prepare relevant documentation to the Board of Directors in order for the Board of Directors to assess that paid remuneration complies with the Remuneration Policy and relevant legislation and regulation.



The annual internal reporting shall, as a minimum, include:

- Remuneration paid and committed to Executive Management
- Remuneration paid and committed to the Chief Risk Officer (CRO)
- Remuneration paid and committed to the Head of Compliance
- Remuneration paid and committed to any other Material Risk Takers

Further, the reporting shall include a summary of the background for any variable remuneration awarded to Material Risk Takers.

#### **Chairman of the Board**

The Chairman of the Board of Directors shall, in the Chairman's Report to the Annual General Meeting, include reporting on remuneration awarded to the Executive Management and the Board of Directors for the previous year as well as the remuneration for the coming year for the Board of Directors. In addition the Chairman shall present the main elements of the Remuneration Policy in the annual report to the general meeting.

## Version Control

Date	Version	Update	Reviewed by	Author/Owner
15-10-2018	1.0	Submission to Finanstilsynet		Head of Legal & Compliance / BoD
04-09-2019	1.1	Adjustments based on Finanstilsynets feedback		Head of Legal & Compliance / BoD
26-04-2021	1.2	Adjusted to reflect BEK 2169 "Bekendtgørelse om lønpolitik..." from 22-12-2020 and LBK "Lov om finansiel virksomhed" from 11-09-2020		CRO/ BoD
24-03-2022	1.3	Minor changes to reflect job-titles and an updated list of material risk takers	ExMa, CRO, Compliance, Head of Risk Management	Legal
28-03-2023	1.4	Changes to update the template to the internal policy template. Minor changes to the wording to reflect the reporting and the title of the Head of Compliance.	ExMa, CRO, SLT	Legal
29-04-2024	1.5	Annual update. Updated to reflect recommendations from the Danish FSA published February 2024	ExMa, SLT, Head of Compliance, Head of Risk Management	Legal & Head of People and Culture