

## Remuneration Policy for Eksportfinans ASA

<b>Title</b>	Remuneration Policy
<b>Adopted by</b>	The board of directors
<b>Date</b>	16.02.2021
<b>Review</b>	Annual
<b>Document owner</b>	HR
<b>Classification</b>	External
<b>Accompanying document</b>	<ul style="list-style-type: none"> <li>• Declaration for 2021</li> </ul>

### History

<b>Date</b>	<b>Version</b>	<b>Description</b>	<b>Performed by</b>	<b>Adopted by</b>
February 2021	1.1	Adjusted to reflect relevant new regulations in CRR/CRD IV, new format.	Legal department HR Compliance	BoD
February 2020	1.0	-	-	BoD
> 2019		-	-	BoD

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## 1 SCOPE AND PURPOSE

This Remuneration Policy (the “Policy”) shall ensure that Eksportfinans establishes and at all times has in place and practices a remuneration plan for the entire institution that covers all employees and officers.

The Policy is designed to be in line with Eksportfinans overall objectives, risk tolerance and long-term interests. It shall also contribute to promoting sound management and control of the institution’s risk and not encourage the taking of excessive risk.

The Policy is reviewed by the board of directors on an annual basis and published in the annual report.

The Policy applies to all employees and includes special rules applicable to:

- Executive management
- Employees and elected officers with material impact on the institutions risk profile
- Employees and elected officers with control responsibilities

## 2 APPLICABLE REGULATIONS

The Policy is based on relevant legislation, including

- [The Public Limited Liability Companies Act \(Allmennaksjeloven\), section 6-16 a –defining the terms salary and other remuneration](#)
- [The Financial Institutions Act \(Finansforetaksloven\), chapter 15](#)
- [The Financial Institutions Regulations \(Finansforetaksforskriften\), chapter 15](#)
- [Circular memo number 2/2020 regarding remuneration in the financial sector \(Godtgjørelsesordninger i finansforetak og verdipapirforetak\) issued by the Norwegian FSA \(Finanstilsynet\) on May 19, 2020](#)
- [Guidelines on sound remuneration policies \(EBA/GL/2015/22\)](#)
- [Guidelines for employment conditions for leaders in government owned entities and companies \(Retningslinjer for lønn og annen godtgjørelse til ledende ansatte i foretak og selskaper med statlig eierandel\), issued by the Ministry of Trade, Industry and Fisheries on February 13, 2015](#)

## 3 DECISION-MAKING PROCESS

The board of directors has established a remuneration subcommittee consisting of the chairperson of the board, one independent board member and the employee’s representative on the board.

The board is responsible for adopting the Policy with elements to be included in the executive management’s compensation plans and guidelines for the determination of the actual annual compensation. The board also sets the annual compensation to the CEO.

The board of directors shall revise the practicing of the Policy on an annual basis. The written declaration of the practicing of this policy (see separate document) shall be revised by an independent control function (the internal auditor) and a written report thereof shall be presented to the board along with the declaration.

The board of directors assesses that Eksportfinans at any given time practices guidelines and frameworks for a compensation scheme that will apply to the whole company in general and to certain specified categories of employees, including the executive management, in particular.

## 4 REMUNERATION TO EXECUTIVE MANAGEMENT

### 4.1 General points

In the Policy, compensation plan means a remuneration package that may include the following elements: Fixed remuneration, variable remuneration, benefits in kind, a pension plan and severance pay.

To ensure access to qualified executives, the executive management's compensation plans shall be competitive and on a par with the remuneration applicable for positions in the three largest owner banks with which it would be natural to compare the company's management positions.

The board of directors shall assess each element of the compensation plan jointly as a whole. The board of directors shall receive an overview of the aggregate value of the agreed remuneration to the executive management on an annual basis. Agreements on remuneration entered into before these guidelines came into force shall be upheld.

### 4.2 The executive management

The executive management in Eksportfinans consists of the following:

- Chief Executive Officer and Chief Financial Officer
- EVP director of Staff and Operations
- EVP director of Risk Management and Compliance

### 4.3 Components

#### 4.3.1 Fixed remuneration

The main element of the company's compensation plan shall be the fixed remuneration.

Whether a remuneration is to be regarded as fixed or variable must be considered specifically. A remuneration will usually be considered as fixed when:

- a) the allocation and size are based on predefined non-discretionary criteria,
- b) the remuneration reflects the employees' level in the organization, responsibility and experience,
- c) the remuneration cannot be repaid, reduced or eliminated by the institution, and
- d) does not promote risk-taking and is not related to the financial results.

The fixed part of the remuneration shall be sufficiently high to make it possible for Eksportfinans to stop disbursement of the variable part.

#### 4.3.2 Variable remuneration

Variable remuneration means all remuneration which is not fixed. The variable part of the remuneration shall normally not exceed 50 percent of the fixed remuneration.

#### 4.3.2.1 *Retention bonuses*

Retention bonus means variable remuneration awarded on the condition that employees stay in the institution for a predefined period of time.

In November 2011 the Norwegian government terminated the agreement with Eksportfinans for the issuing and management of new export credits on its behalf. Following this, retention bonuses for predefined periods are used as a tool to retain a competent staff in order to manage Eksportfinans' complex portfolio of loans, funding, derivatives and liquidity placements. Eksportfinans offers retention bonuses to certain employees.

The following principles shall apply:

- The predefined earning period is normally one year, and it shall not be subject to an ex ante risk assessment.
- The decision to offer new retention bonuses to employees is made on an annual basis based on a thorough assessment of the need for such compensation to selected employees in light of the company's situation.
- The annual granted retention bonus shall normally not exceed six months fixed remuneration. If offered in combination with any performance-based variable remuneration (see below) the total variable remuneration shall normally not exceed six months fixed remuneration.

#### 4.3.2.2 *Performance-based variable remuneration*

Since 2012, performance-based variable remuneration has only been used to a very limited degree as one of the elements of the executives' compensation plans. It is currently not in use. If granted in the future, the following principles shall apply:

- There must be a clear connection between the targets on which the performance-based variable remuneration is based and the company's objectives.
- Performance-based variable remuneration must be based on objective, definable and measurable criteria. The criteria shall be based on circumstances the executive may influence.
- Several target criteria shall be used, and all shall be relevant.
- The performance-based variable remuneration element must be transparent and easy to understand. When giving an account of the plan, an essential objective must be to clarify the anticipated and maximum payment to each executive.
- The plan shall be limited in time.
- Total performance-based variable remuneration in one year shall normally not exceed six months' fixed remuneration. If offered in combination with a retention bonus the total variable remuneration shall normally not exceed six months fixed remuneration.
- Performance-based variable remuneration may be earned on an annual basis, but it shall be based on assessments of financial and non-financial performance both for the individual and for the company for a period of minimum two years (ex ante risk assessment), including an evaluation of the company's risk situation and costs associated with the need for capital and liquidity.

#### 4.3.2.3 *Disbursement of variable remuneration*

Disbursement of performance-based variable remuneration or retention bonuses to executive personnel shall follow a deferral schedule where 50 percent shall be disbursed following the first

annual general meeting held after the earning period. The remaining 50 percent shall be disbursed in equal portions at the same point in time in the three subsequent years.<sup>1</sup>

All disbursements to executive personnel shall be subject to an annual ex post risk assessment. Eksportfinans has established specific criteria for deductions from the variable remuneration which take account of situations where the employee has participated in or been responsible for conduct resulting in considerable loss for the institution and the employee's conduct in general. Non-disbursed portions of variable remuneration from previous years may be deducted in the case of discovery of new information that was unknown at the time of determining the variable remuneration, and that may have led to a lower offer of variable remuneration being determined if it was known. The board determines the reduction at their discretion.

Employees shall not have agreements or insurance policies covering the case of withheld variable remuneration. The company shall not have any agreements regarding guaranteed variable remuneration.

An employee leaving the company shall receive any outstanding variable remuneration due to it, in due course. In the event that the employee dies, the outstanding variable remuneration shall be disbursed to the next of kin.

#### 4.3.3 Options and share programs

As long as the ownership provisions in the company's current articles of association are not amended, share options or share programs shall not be used in any form as an element of the executives' compensation plans.

#### 4.3.4 Pension plan

Eksportfinans' pension plan for all employees hired after January 1, 2012 is a defined contribution scheme, which is in line with the pension plans of its largest owner banks. However, the majority of the employees were hired prior to 2012, and they still have a defined benefit scheme.

Pension benefits for executive management shall be based on the same principles as pension benefits for other employees. At the same time the benefits shall be on a par with the benefits of positions in the owner banks with which it would be natural to compare the company's executive positions.

The board of directors shall receive an overview of the total costs of the pension plan before any agreement is signed. Any commitments the company undertakes through the management's pension scheme shall, to the extent practicable and reasonable within the framework of current laws and regulations be covered by entering into a pension insurance agreement with a life insurance company.

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<sup>1</sup> The financial institutions regulations section 15-4 (6) stipulate that at least 50 percent of the annual variable remuneration shall be paid in the form of shares or other equity capital issued by the institution or another institution in the group, or in the form of contingent capital that reflects the development in the value of the institution. Since private individuals cannot own shares in Eksportfinans, this is not possible. Following this, retention bonuses in form of cash payments for predefined periods are used as outlined in 4.3.2.3. The cash may not be freely disposed over by the individual any earlier than evenly distributed over a period of three years. The period takes account of the institution's underlying business cycle, the risk present in the institution and the work tasks of the employees concerned. Such share of the variable remuneration shall be reduced if either the profit/loss trend of the institution or ensuing financial results so indicate.

In line with the guidelines for employment conditions for leaders in government owned entities and companies, accumulation of pension benefits for salaries exceeding 12 G (public pension base rate) shall not be granted.

The retirement age for the current CEO and other members of the executive management is set at 65 years. In the case of future employment of executive managers, the retirement age will be set at 70 years in accordance with the revised Working Environment Act.

#### 4.3.5 Severance pay

Where the CEO has previously agreed to waive the provisions relating to employment protection rights in the Working Environment Act, an agreement on severance pay may be made. Severance pay shall not normally be used in case of voluntary resignation. The severance pay scheme shall be adjusted to the results obtained over time and ensure that failure to obtain agreed results is not a basis for severance pay.

The severance pay shall not exceed twelve months' fixed pay. Severance pay may also contain other financial benefits and benefits in kind. In case of appointment to a new position elsewhere, severance pay shall be reduced by a proportionate amount, calculated based on the new annual income.

In connection with workforce reduction processes, severance pay to executive personnel may be agreed in case of voluntary resignation, and the above-mentioned upper limit of twelve months' fixed pay may be exceeded. This applies if the calculation of the executive's severance pay is made pursuant to the rules applying to the severance pay of other employees. A reduction in severance pay as mentioned in this paragraph shall only be made if required under the internal general rules regarding severance pay in connection with a workforce reduction process. Severance pay may be withheld if the terms for summary dismissal are present.

#### 4.3.6 Benefits in kind

The nature and value of benefits in kind shall be on a par with what is customary in the owner banks with which it would be natural to compare the company's executive positions.

## 5 REMUNERATION TO EMPLOYEES AND ELECTED OFFICERS WITH MATERIAL IMPACT ON THE INSTITUTIONS RISK PROFILE

The regulations regarding variable remuneration to executive management mentioned above shall also apply to employees and elected officers with material impact on Eksportfinans' risk profile.

In order to identify all employees and elected officers whose professional activities have or may have a material impact on the institution's risk profile, Eksportfinans shall annually conduct a self-assessment.<sup>2</sup> Following the self-assessment in December 2020, none of Eksportfinans' employees or elected officers, beside the executive management, have a material impact on the institution's risk profile.

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<sup>2</sup> The self-assessment is based on the qualitative and quantitative criteria set out in the Commission Delegated Regulation (EU) No 604/2014.

## 6 REMUNERATION TO EMPLOYEES AND ELECTED OFFICERS WITH CONTROL RESPONSIBILITIES

Remuneration to employees and elected officers with control responsibilities shall be independent of the results in the business area they control.

The provisions regarding variable remuneration to executive management mentioned above shall also apply to employees and elected officers with control responsibilities. Employees with control responsibilities will normally include key employees within internal audit, compliance and the risk management function.<sup>3</sup>

No elected officers in Eksportfinans receive variable remuneration. One employee is considered to have control responsibilities in Eksportfinans:

- EVP director of Risk Management and Compliance

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<sup>3</sup> Circular memo number 2/2020 regarding remuneration in the financial sector point 3.1.3.

## DECLARATION FOR 2020

The board of directors confirms that the Remuneration Policy approved by the board of directors in February 2020 has been followed in 2020.

Performance-based variable remuneration has not been used in 2020. Based on a thorough evaluation of the operational risk due to the special situation in the company after 2011, the board of directors made the decision to issue new offers of stay on-fees (retention bonuses) for the predefined period of 2021 to a majority of the employees.

Following an assessment, it has been established that in Eksportfinans, the personnel currently subject to the special regulations regarding earning and disbursement of variable remuneration is limited to the executive management.

When the current CEO was promoted from CFO to CEO in 2018 the board of directors decided that he should maintain the conditions in his previous contract from 2008 regarding retirement age and pension plan. These differ from the current Policy. His retirement age is set at 65 years, and his pension scheme includes pension of salaries exceeding 12G.

The two other members of the executive management also have a retirement age set at 65 years, and their pension scheme also includes pension of salaries exceeding 12G. Their employment contracts were entered into before the current regulations were established.

No new agreements on remuneration to the executive management were entered into in 2020.

The Remuneration Policy was updated in February 2021 to reflect new legislation.