

The Board's guidelines for determination of salary and other remuneration to employees in Protector Forsikring ASA

(Last changed 7 April 2022)

1. Introduction

The guidelines have been prepared on the basis of the applicable rules on remuneration in listed insurance companies, and has been adopted by the Board on the recommendation of the Compensation Committee.

Guidelines for remuneration to senior executives must be approved by the General Meeting. The approval of the General Meeting applies to remuneration earned from and including 1 January in the year of approval.

The guidelines are applicable to all employees and include specific schemes for the Board, senior executives and other employees whose activities have a significant impact on the company's risk profile, including chief risk officer, chief compliance officer, the head of the actuarial function and the internal auditor.

The guideline for the Board members applies only to remuneration, which is related to their office, ref. pct 7 about remuneration to the members of the Board.

Guidelines shall contribute to the company's business strategy, long-term interests and financial sustainability by:

- Attracting, motivating and maintaining the most skilled employees at all levels;
- Promoting and giving incentives to good risk management;
- Promoting desired company culture;
- Ensuring openness about Protector's remuneration policy.

The guidelines shall ensure that the composition of fixed and variable remuneration is balanced and that the fixed part of the remuneration is sufficiently high so that the Company can omit paying the variable part of the remuneration.

2. Various types of remuneration

2.1. Fixed salary

Fixed salary shall be the main element in the overall remuneration and shall be determined based on criteria such as nature of the position, competence, individual performance and personal suitability. The fixed salary is reviewed annually and determined on the basis of wage growth in society in general and in the financial industry in particular.

2.2 Variable remuneration

The goal of the bonus schemes is to support the company's business strategy and promote good results for the company but not at the cost of management and control of the company's risk. Further, bonus schemes shall ensure that the company can attract and maintain highly motivated and results-oriented employees in a competitive market as well as ensure that the employees are motivated to create lasting and sustainable results.

Employees who are included in the bonus schemes shall not use personal hedging strategies or insurance against lapse or reduction of the variable remuneration.

Long-term bonus scheme for senior executives and key personnel

Variable remuneration (bonus) to senior executives and other key personnel can be paid based on specific results measurements of defined target areas derived from the company's strategies and goals. Assessment takes into account a combination of the company's total results, results in relevant business unit as well as personal achievements including total assessment related to adherence to the company's vision, values and management principles.

The company has established a long-term bonus scheme for senior executives and other key personnel where awarded bonus is converted to synthetic shares based on Protector's share price per 31 Dec in the earning year. Awarded individual bonus can amount up to 100% of average salary in the earning year and includes holiday pay.

The holdings of synthetic shares are divided into a cash part corresponding to 1/5 while remaining 4/5 are treated as conditional capital. The cash part is paid out based on weighted average share price of the company's shares during the first seven trading days after the latest of the dates of general meeting and publication of first quarter results. The conditional capital falls due for payment at 1/5 of the shares held during next four years after the cash part is paid. Payment is based on weighted average share price of the company's shares during the first seven trading days after the latest of the dates of general meeting and publication of first quarter results. When calculating share price for the cash part and conditional capital, adjustment shall be made for dividends paid in a period between conversion of bonus to shares (31.12 in the earning year) and payment time.

Wanting to increase co-ownership among senior executives and key personnel, at least 25% of the payment is converted to shares from and including 2022 with a 2-year binding period from and including payment date. As a result of the binding period the physical shares are transferred to a 20% higher value compared to what the cash payment would have been. Participants in the scheme can choose to increase the share of physical shares from 25% to 50%, 75% or 100% of the payment amount. In special situations the employee can get the total payment amount paid out in cash. Employees during the notice period, or who have terminated their employment with the company for other reasons and where it has been agreed that the earned bonus remains, will have outstanding synthetic shares paid out in accordance with the pay-out pattern in the regulations as cash without the right to choose physical shares.

Variable remuneration is not included in the pension base.

Targets in the long-term bonus programme (LBP)

The award of bonus in the LBP is based on the assessment of participants' results and performance during the earning year (accounting year) based on weighted financial and non-financial targets that are determined in the beginning of the earning year. The participants in the scheme shall have at least one company target, one business unit/ department target and one individual target.

Business unit targets are differentiated for single business units so that the units have relevant targets, in the same way as weights of single targets can vary. Assessment is carried out in February after the earning year where targets are scored on a scale from 1-5 (Protector-score).

Senior executives and key personnel are awarded variable remuneration based on a discretionary assessment of one's achievements in relation to assessment criteria determined in performance

contracts. Performance contracts are the determined targets for respective senior executives and key personnel related to expected results/ performance the upcoming year. Performance contracts consist of two parts which include:

Financial targets which typically can be (non-exhaustive list):

- Combined ratio/ technical result (Company or business unit)
- Development in cost ratio and nominal costs (Company or business unit)
- Efficiency in claims handling/distribution
- Profitability targets product/branch
- Profitability measures
- Loss prevention/regress
- Return on equity capital
- Growth

Non-financial targets which typically can be (non-exhaustive list):

- Quality targets
- Broker satisfaction index (BSI)
- Digitalization and automatization
- Manager and employee development
- Employee satisfaction index
- Project accomplishment and efficiency
- Strategy execution, including grounding of new strategy, vision, and processes
- Innovation and development activities
- Fulfilment of the Company's sustainability goals

Business units which differ structurally from the general insurance segments can have other assessment criteria than the ones listed above. In some cases, there will be some targets which can change during the performance year or be supplemented with other targets. This may for example occur if :

- Targets turning out to be of little relevance due to unforeseen events;
- Change in prioritization or need to set new targets to drive the company in other direction than the targets determined in the beginning of a year due to, for example organizational changes or similar;
- The participant changes position or is given new assignments.

Ordinary bonus scheme

Under certain conditions, employees of Protector can participate in the ordinary bonus scheme, where the maximum bonus achievement can amount to up to 1.5 monthly salaries. In this scheme, criteria for measurement have been established that apply to employees within a defined unit / group / function. The measurement is made for a period of 1 year, based on a discretionary assessment of the manager's perception of the employee's goal achievement. The measurement is carried out by the head of the business area and the head of the department making an assessment of the department's achievement of results and the individual employee's contribution to the achievement of results. The achievement of results is assessed on factors that are central in accordance with the company's strategy with action plans. The bonus achievement is calibrated across all business areas to ensure a consistent assessment of goal achievement.

Participants in the long-term bonus scheme cannot participate in the ordinary bonus scheme.

Targets in the ordinary bonus scheme

Award of variable salary in the ordinary bonus scheme depends on the assessment of participant's result and performance during the earning year (accounting year) derived from financial and non-financial targets which are determined at the beginning of the earning year. There shall be at least two (2) business unit/ department targets and two (2) individual targets. The same as for LBP, performance agreements are established, and targets typically will be the same as for the long-term bonus scheme.

2.3 Pension

Pension arrangements in Protector shall be competitive and in line with practice in the market. As a rule, the company shall use obligatory defined contribution pension plans in a life insurance company.

Pension age for employees in Norway is 67 years, 65 years for employees in Sweden, Finland and the UK and 70 years for employees in Denmark. No employees in these countries have deviating pension age.

Employees in Norway have earlier had a defined benefit pension plan. It was terminated in 2015 and all employees in Norway are now part of a defined contribution pension plan where premium constitutes of 5% of the payment basis between 0 and 7,1 G (G=national insurance basic amount) and 8% of the payment basis between 7,1 and 12 G.

In Sweden, Denmark, Finland and the UK the company has defined contribution plans which are industry standard. In Sweden, premium to defined contribution pension plan constitutes 4,5% of salary up to 7,5 income basic amount (Innkombstbasebelopp, which was 68.200 in 2021) and 30% of salary above that. Salary above MSEK 1,8 is not a part of pension basis. In the UK we have defined contribution pension plan for all qualifying employees. Contributions amount to between 4% and 15% of salary. In Denmark premium to defined benefit pension plan constitutes 15% of salary, and in Finland premium to defined contribution pension plan constitutes 17,65% of salary.

The senior executives have no additional pension and are a part of the above plans in the same way as other employees.

2.4 Fringe benefits

Any fringe benefits shall have connection to one's functions in the company and otherwise be in line with general practice in the market.

No separate schemes are established for senior executives.

Share purchase programme for employees

The company has established share purchase programme which applies to all permanent employees including managing director and other senior executives. All permanent employees are given opportunity to purchase shares for up to NOK 50.000 per year. Shares are purchased once a year after annual general meeting. The company provides an interest-free loan for the invested amount which is paid back over 12 months through deduction from salary. Employees receive a 25% discount limited to maximum NOK 7.500. For each fifth share which is owed after two years the employee will receive one bonus share provided that the employee is still employed in the company.

3. Control functions

Variable remuneration to employees with control functions shall be independent of results in business areas they control.

4. Reduction and repayment of variable remuneration

All activity in Protector shall be carried out according to applicable regulations. If during the period of variable remuneration award it is uncovered that the award no longer fulfils the original terms or if there is a breach of applicable regulations, the unpaid contingent variable remuneration can be reduced totally or partially. Already paid variable remuneration can also be required to be paid back if the award was based on wrong basis or deficient information.

5. Decision process

The Board has a Compensation Committee constituting of three members; chairman of the Board and two Board members. The Committee is a preparatory and advisory body for the Board in cases related to remuneration but has no independent decision authority.

It is the Board which determines remuneration to the managing director where the Compensation Committee contributes as advisory body in the decision process. Terms and remuneration to other senior executives are determined by the managing director within the framework approved by the Board. The Compensation Committee contributes as an advisory body and the Board is informed about proceedings in the Compensation Committee. Variable remuneration to senior executives is determined by the Board on basis of recommendation from the Compensation Committee.

By involving the Compensation Committee as an advisory body with guidelines functioning as a framework for assessments and decision process at the same time, the risk for conflict of interests which may arise is reduced as well as this contributes to an effective case processing in the Board.

6. Termination notice period and salary after termination

The CEO has a mutual termination notice of 6 months and an agreement for salary up to 6 months after termination of employment relationship. Other senior executives have an agreement for mutual 6 months termination notice with an exception of the deputy CEO who has a 9-month termination notice from employer's side. Only CEO has an agreement for salary after termination of employment relationship.

Other employees have a mutual termination notice period which is standard for the branch and no agreements for salary after termination.

In case of termination notice on the company's initiative or resignation agreed upon due to the company's wish, severance pay/ salary after termination date with an amount of up to 12 months can be paid.

7. Remuneration of members in the Board in Protector

Remuneration of the Board is determined by the General Meeting based on the Nomination Committee's recommendation. The remuneration shall reflect the Board's responsibilities, competence, time consumption and the complexity of the company.

The Board has no options or other remuneration which is linked to the company results, and the company does not provide loans to the Board members.

In addition, Protector pays any social contributions and similar taxes and duties to foreign authorities related to the Board members' fixed remuneration. Protector also covers out-of-pocket expenses and travel costs which the Board members incur in relation to exercise of their duty as Board members.

8. Routine for change of the guidelines

The Board shall present the guidelines for General Meeting for processing and approval of every significant change and at least every fourth year. In case of change of the guidelines one shall describe and explain any view which shareholders have had on the guidelines and if needed how voting of general meeting and remuneration report are taken into account in the revision.

9. Access to deviate from the guidelines

The Board, in special circumstances, can deviate from the guidelines, totally or partially if it is necessary to safeguard Protector's long-term interests and financial sustainability.

Before the Board's decision to deviate from the guidelines, the case shall be processed by the Compensation Committee, and the Board shall consult with the internal auditor.

Deviations from the guidelines shall be documented in the remuneration report which is presented to the next General Meeting.

10. Publishing

Protector publishes the guidelines and remuneration report (for executive personnel) at www.protectorforsikring.no.
