

Remuneration Policy

Sparebanken Sør



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Contents

1. Purpose.....	3
1.1. Target group.....	3
1.2. Document management.....	3
2. Framework – Management and control of remuneration at Sparebanken Sør	3
2.1. Overarching governing documents	3
3. Overarching guidelines and official requirements	4
4. Remuneration Committee.....	4
5. Definition	4
6. Who is covered.....	4
6.1 Subsidiaries	5
7. Risk capacity and propensity – management model, responsibilities and roles	5
7.1. Sparebanken Sør – an attractive employer.....	5
7.1.1. Equal pay	5
7.1.2. Basic salary	6
7.1.3. Variable salary	6
7.1.4. Pension scheme.....	6
7.1.5. Collective benefits	6
7.1.6. Benefits in kind.....	6
7.1.7. Severance pay schemes.....	6
7.2. Special rules for senior executives	7
7.2.1. Basic salary	7
7.2.2. Variable remuneration	7
7.2.3. Other rewards and benefits	7
7.3. Responsibilities and roles for managing and controlling remuneration risk	7
7.1.3. Board of Directors	7
7.2.3. CEO	7
7.3.3. Remuneration Committee.....	7
7.3.4. Internal Audit.....	8
7.3.5. The Board of Trustees	8
8. Reporting.....	8
8.1. Report on Remuneration Practices at Sparebanken Sør.....	8
8.2. Report on Remuneration paid to Senior Executives	8

8.3. Exemption from the obligation to disclose	8
9. Updating	9

1. Purpose

Sparebanken Sør’s Remuneration Policy should maintain the Group’s competitiveness, attract and retain relevant expertise, promote and provide incentives for good management and control of risk, discourage excessive risk-taking and help prevent conflicts of interest.

A performance-based remuneration scheme is an important strategic tool. All remuneration at Sparebanken Sør must contribute to goal achievement and desired behaviours.

The Board of Directors determines and ensures that the Group at all times has and implements guidelines and frameworks for each remuneration scheme. Each remuneration scheme must be aligned with the Group’s strategy, overarching goals, financial capacity, risk tolerance and long-term interests.

1.1. Target group

The remuneration schemes regulated in this document apply to all employees of the parent bank Sparebanken Sør.

1.2. Document management

The Board has overarching responsibility for Sparebanken Sør’s remuneration schemes. The policy document is managed by the Group Staff division, proposed by Group management and adopted by the Board. The document is revised annually.

2. Framework – Management and control of remuneration at Sparebanken Sør

2.1. Overarching governing documents

The Bank’s strategy documents establish the overarching plans for the Bank, and in order to ensure the consistency of the Bank’s governing documents there must be a close connection between an overarching strategy document and the complementary and more detailed governing documents.

The governing documents outline strategies for risk management, risk appetite, risk frameworks and risk tolerance for various types of risk.

Sparebanken Sør’s Remuneration Policy is closely related to other governing documents and procedures. For an overview of the Bank’s various governing documents, please refer to the document “Organisation of risk management at Sparebanken Sør”.

3. Overarching guidelines and official requirements

Sparebanken Sør's Remuneration Policy is essentially based on the following bodies/laws, which provide important guidance and principles for sound management of remuneration:

The Remuneration Policy has been drawn up on the basis of the Regulations on financial institutions and financial groups (the Financial Institutions Regulations), the Regulations on guidelines and reports on remuneration paid to senior executives, Finanstilsynet's circular 2/2020 of 19 May 2020 and the Public Limited Liability Companies Act.

Finanstilsynet also follows European guidelines and regulations (European Banking Authorities/EBA and Capital Requirements Regulations/CRR), which, among other things, require more extensive remuneration disclosures than the Financial Institutions Regulations.

4. Remuneration Committee

Sparebanken Sør has a Remuneration Committee made up of up to five board members, all of whom have no ties that, in the opinion of the Board, could affect the members' independence. Senior executives may not serve on the Remuneration Committee. The Committee must at all times have at least one employee representative. The Committee prepares all matters relating to remuneration schemes to be reviewed by the Board of Directors and supports the Board's efforts to determine and ensure that the Bank at all times has and implements guidelines and frameworks for remuneration schemes. Separate instructions have been prepared for the Remuneration Committee.

5. Definition

Remuneration includes all benefits an individual receives by virtue of their position at the Bank.

This includes salary and other remuneration in the form of:

- basic salary
- benefits in kind
- bonuses
- allocation of equity certificates
- pension schemes
- early retirement schemes
- severance pay schemes
- all forms of variable elements of remuneration, or special benefits provided in addition to basic salary

6. Who is covered

The remuneration schemes regulated in this document apply to all employees of the parent bank Sparebanken Sør.

Special requirements apply for remuneration schemes for senior executives, and for other employees and union representatives who perform work of significant importance for the company's risk exposure, and for other employees and union representatives with similar remuneration, as well as for other employees and union representatives with control tasks, cf. section 7.2, "Special rules for senior executives".

Senior executives at Sparebanken Sør are defined as:

- Group management
- Members of the Board of Directors of Sparebanken Sør

Other individuals to whom special requirements for remuneration schemes apply:

- Regional bank managers RM and CM
- Credit Manager Group
- Credit Manager RM
- Credit Manager CM
- Head of Treasury
- Head of Compliance
- Head of Internal Audit

Sparebanken Sør has established an overarching principle that the senior executive of each business area is responsible for managing and controlling risk in their own business.

6.1 Subsidiaries

Separate guidelines have been established for remuneration schemes at the Bank's subsidiaries. These are determined by the subsidiaries' boards and must be consistent with the governing document "Sparebanken Sør's Remuneration Policy" adopted by the Board of Sparebanken Sør.

7. Risk capacity and propensity – management model, responsibilities and roles

The Bank must have a low risk profile for remuneration where no individual events (payments, allocations) can seriously harm the Bank's financial position.

7.1. Sparebanken Sør – an attractive employer

Sparebanken Sør aims to create sustainable growth and development in the region. Successful implementation of the Bank's business strategy requires that the Bank recruits and retains dynamic and skilled employees and managers. The Bank's further growth and profitability depend on employees' efforts to continuously develop the business and improve profitability.

The Bank offers market-based remuneration schemes that are perceived as competitive and motivating, and that act as a successful tool in competition for new talent. The remuneration scheme will always be in accordance with the applicable legal requirements for remuneration schemes in financial enterprises.

The guidelines are intended to provide a framework for remuneration of senior executives so that the terms support the Bank's business strategy, long-term interests and sustainability goals. The guidelines should promote and provide incentives for good management of and control over the enterprise's risks, discourage excessive risk-taking and help prevent conflicts of interest.

7.1.1. Equal pay

Remuneration must be determined in the same way for women and men. The equal pay principle means that employees must be paid equally for work of equal value, regardless of gender. All the Bank's employees must understand how their overall remuneration package is made up. A simple, clear and comprehensible remuneration profile is a tool in competition for expertise and labour.

7.1.2. Basic salary

Guidelines for the remuneration system stipulate that the fixed remuneration should make up the main part of each employee's salary. Employees at Sparebanken Sør should receive a salary tailored to the market, based on the individual employee's results (quantitative and qualitative), efforts, competence and responsibility.

This means that:

- A salary is a reward for results, work effort, adaptability, responsibility and value creation that the individual contributes to the community.
- Salaries will differ according to the extent to which the above criteria are present and are met.
- Target and performance appraisals are periodically held between the employee and their line manager, in order to align the Bank's requirements and expectations of the individual with the employee's own future and development plans.
- An internal change of position may entail a change in previously accrued personal benefits and job title.

Employees do not receive board fees for roles they take on within the Group, with the exception of fees for serving on the board of Sørmeglern. Any fees for serving on non-Group boards must be clarified with the CEO. This rule does not apply to the Bank's Board of Directors.

7.1.3. Variable salary

The Bank has a general bonus scheme for all employees, which can trigger a bonus payment of up to 1.5 months' salary. The bonus is distributed to all employees at the same percentage of annual salary and is paid in cash. The bonus scheme does not provide an incentive to take risks on behalf of the Bank.

7.1.4. Pension scheme

The Bank's employees earn pension rights in accordance with the Bank's prevailing pension scheme.

7.1.5. Collective benefits

All employees are entitled to the prevailing collective benefits described in the Bank's Staff Handbook.

7.1.6. Benefits in kind

Benefits in kind comprise salary other than monetary benefits that employees receive as part of their employment relationship that confer a personal financial benefit. Senior executives will normally be awarded benefits in kind that are common for comparable positions and where these are needed to perform their work.

7.1.7. Severance pay schemes

Only the CEO must have a severance package.

Severance agreements entered into with personnel other than the CEO must be adapted to long-term performance, and structured so that poor performance is not rewarded.

7.2. Special rules for senior executives

7.2.1. Basic salary

The fixed salary is the main element of remuneration paid to senior executives (defined in section 6), and should reflect the job requirements with regard to qualifications, responsibilities, complexity and contribution to the Bank's overall business objectives.

The level of fixed salary for such employees must be assessed regularly, normally in conjunction with an annual salary determination for employees at Sparebanken Sør.

7.2.2. Variable remuneration

Senior executives etc. participate in the Bank's general bonus scheme in the same way as all other employees (cf. section 7.1.3).

7.2.3 Other rewards and benefits

Other benefits, such as a company car or car allowance, travel allowance, life and disability insurance, discounted savings schemes in the Bank's equity certificates, personal and health insurance and medical examinations, must be on market terms and constitute only a limited part of the overall remuneration.

7.3. Responsibilities and roles for managing and controlling remuneration risk

7.1.3. Board of Directors

The Board of Directors is responsible for:

- adopting a policy for remuneration, and storing the documentation on which decisions are based
- determining the framework for variable remuneration
- determining salary and other remuneration for the CEO each year
- approving the "Report on Remuneration paid to Senior Executives" and presenting this to the Board of Trustees
- providing information about the Board's review of the "Report on Remuneration Practices at Sparebanken Sør"

7.2.3. CEO

The CEO is responsible for:

- determining the annual salary and other remuneration for other members of Group management in consultation with the Remuneration Committee

7.3.3. Remuneration Committee

The Remuneration Committee is responsible for:

- preparing all matters concerning remuneration to be considered by the Board of Directors in accordance with the "Instructions for the Board of Directors' Remuneration Committee"
- conducting an annual review of remuneration practices and preparing a "Report on Remuneration Practices at Sparebanken Sør" to be presented to the Board of Directors
- preparing a "Report on Remuneration paid to Senior Executives"

- advising the CEO on remuneration paid to Group management

7.3.4. Internal Audit

Internal Audit is responsible for:

- reviewing the “Report on Remuneration Practices at Sparebanken Sør” and making recommendations to the Board

7.3.5. The Board of Trustees

The Board of Trustees is responsible for:

- reviewing and approving the document “Sparebanken Sør’s Remuneration Policy” in the event of significant changes, and at least every four years, cf. Section 6-16a (5) of the Norwegian Public Limited Liability Companies Act
- reviewing and approving the “Report on Remuneration paid to Senior Executives”

8. Reporting

8.1. Report on Remuneration Practices at Sparebanken Sør

At least once a year, the Bank must carry out a review of remuneration practices and prepare and submit a written report to the Board of Directors. The report must be reviewed by an independent control function (Internal Audit). The Board of Trustees must be informed about the Board’s review of the “Report on Remuneration Practices at Sparebanken Sør”.

8.2. Report on Remuneration paid to Senior Executives

The Board must prepare a report on remuneration that senior executives have received or earned during the previous financial year. The report must include remuneration that former, current and future senior executives have received or earned during a given financial year. The information must be disclosed for each senior executive and presented to the Board of Trustees.

The Bank must disclose information on remuneration in accordance with the prevailing legislation.

8.3. Exemption from the obligation to disclose

The report must not contain personal data as mentioned in the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) Article 9 no. 1.

The Board must ensure that the report does not contain information that refers to individual senior executives’ family situation.

Information that is subject to a statutory duty of confidentiality is not covered by the duty to disclose, and must not be made public. Information that cannot be disclosed without causing disproportionate harm to the company can also be exempted from disclosure, if necessary.

9. Updating

The Remuneration Policy is valid for one year at a time and is revised annually. Changes to remuneration schemes must be discussed with union representatives. The Remuneration Committee must be informed about the Board's review of Sparebanken Sør's Remuneration Policy.