Memorandum

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To The shareholders of Alm. Brand A/S

From The Board of Directors

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Re. agenda item f 2): Proposal on approval of remuneration policy for the Alm Group and general guidelines regarding incentive-based remuneration in Alm cf. section 139 of the Danish Companies Act.

New regulation affecting the remuneration policy

Under Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (MiFID II) and Directive (EU) 2016/97 of the European Parliament and of the Council of 29 January 2016 on insurance distribution (IDD), new requirements for remuneration were introduced effective as from 3 January 2018.

MiFID II
Under the new rules, remuneration of employees of investment firms must not provide an incentive to act in any way which is not in the interest of its clients.

Article 27 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (derived from MiFID II) stipulates an obligation for investment firms to implement remuneration policies taking into account the interests of all the clients of the firm with a view to ensuring that clients are treated fairly and their interests are not impaired by the remuneration practices adopted by the firm in the short, medium or long term.

Remuneration policies and practices must be designed in such a way so as not to create a conflict of interest or incentive that may lead relevant persons to favour their own interests or the firm's interests to the potential detriment of any client.

Remuneration and similar incentives must not be solely or predominantly based on quantitative commercial criteria, and must take fully into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients.

A balance between fixed and variable components of remuneration must be maintained at all times, so that the remuneration structure does not favour the interests of the investment firm or its relevant persons against the interests of any client.

MiFID II has also resulted in the enactment of Danish Act no. 665 of 6 August 2017 to amend the Financial Business Act. As a result of the legislative amendment, the existing provision set out in section 77e of the Danish Financial Business Act was extended with effect from 3 January 2018.

Under section 77e of the Financial Business Act, employees of the bank who sold or provided advisory services on financial instruments through *direct customer contact* were not entitled to receive variable salary components which depended on sales. The provision has been amended to the effect that the prohibition against variable remuneration depending on sales now applies to advisory services and sales to retail customers without any requirement for direct customer contact.

The provision has also been extended by a general provision stipulating that financial undertakings which are securities dealers etc. must ensure that the remuneration of their employees does not conflict with their obligation to act in the best interest of their customers.

Other proposed amendments to existing executive orders:

Draft amendment to Executive Order no. 1582 of 13 December 2016 on remuneration policy and remuneration in banks etc.

> Under the Executive Order, the group of individuals to be designated as material risk takers is extended. This will not directly affect Alm. Brand because the individuals holding the positions specified in the Executive Order have already been designated as risk takers.
>
> The provision on severance pay has also been adjusted. The amendment will not imply any substantive amendments requiring alignment of the remuneration policy.

Draft amendment to Executive Order no. 1583 of 13 December 2016 on remuneration policy and remuneration in insurance companies etc.

> As a consequence of IDD, a draft amendment to Executive Order no. 1583 of 13 December 2016 on remuneration policy and remuneration in insurance companies etc. has been introduced. Under the draft amendment, the amendment was scheduled to enter into force on 23 February 2018. However, the draft amendment has yet to be adopted and is expected to be postponed until October 2018, for which reason the remuneration policy has not been amended to reflect the draft amendment.

Amendments to the remuneration policy of Alm. Brand
Based on the above, a few amendments have been made to the remuneration policy as described in more detail below.

Remuneration policy, clause 1. Background and purpose of the remuneration policy
To reflect article 27 of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016, it has been clarified in clause 1 that the remuneration policy governs both the remuneration principles and remuneration practices at Alm. Brand.

Remuneration policy, clause 3. General aspects of remuneration of all employees and members of the board of directors and the management board
A common aspect of the new rules in the area is that they are generally focused on structuring remuneration in the financial sector in a way which does not encourage or provide an incentive for acting in a manner which is contrary to the best interests of the individual customers and on ensuring the quality of the services provided by Alm. Brand.

Against that background, clause 3 of the remuneration policy has been amended to the effect that it clearly stipulates that the remuneration must not be contrary to the best interests of customers. Against the same background, a provision has been added which stipulates that the remuneration must not be solely or predominantly based on quantitative commercial targets.

Collective agreement
Remuneration determined by collective agreement is still not comprised by the remuneration policy.
The Danish Employers' Association for the Financial Sector (FA) has been consulted and has confirmed that it is still considered to be a fundamental principle under EU law that remuneration determined by collective agreement should not be subject to any remuneration regulation under EU law.

Remuneration policy, clause 8. Remuneration of employees in special functions
Until 3 January 2018, the Financial Business Act stipulated that employees who sold or provided advisory services on financial instruments through direct customer contact were not entitled to receive variable salary components which depended on sales.

This provision was amended by Danish Act no. 665 of 6 August 2017 under which the scope of the provision was extended to the effect that is does not solely apply to employees who provide advisory services through direct customer contact by deleting the condition on direct customer contact.

Clause 8.2. of the remuneration policy, applying specifically to the employees of the bank, has been amended to the effect that it complies with the legislative amendment.

Remuneration policy, clause 15. Approval by the shareholders in general meeting
Based on article 27 of Commission Regulation 2017/565 of 25 April 2016, it has been clarified that the remuneration policy must be approved by the supreme governing body of each individual company upon consultation with Compliance. In practice, this is ensured by HR consulting Compliance prior to any amendments being incorporated in a new draft remuneration policy.

Recommendation for approval
On this basis, it is recommended that the shareholders of Alm. Brand A/S approve the enclosed remuneration policy for 2018 with the amendments specified therein.

Alm. Brand A/S

The Board of Directors