Executive remuneration policy in SpareBank 1 SR-Bank

Approved by the general meeting on 18.04.2024

1. Introduction

The purpose of this policy is to determine and describe the group's remuneration for executive persons, and compliance with it, in line with section 6-16(a) of the Public Limited Liability Companies Act and the Regulations on guidelines and reports on remuneration for executive persons (FOR-2020-12-112730). Executive persons include members of the company's board of directors, both shareholder-elected and employee-elected, ('board members'), the group chief executive officer, and other members of the group executive management team ('executive personnel').
SpareBank 1 SR-Bank ASA's general remuneration policy applies to all employees of the group. The group's executive remuneration policy is based on the principles of the group's general remuneration policy.

SpareBank 1 SR-Bank is subject to chapter 15 of the Financial Institutions Act and chapter 15 of the Financial Institutions Regulations (FOR-2016-12-09-1502), which contain further rules for remuneration policies in financial Institutions, and the group's remuneration policies must comply with the requirements of the regulations.
The group's remuneration policy and an overview of the remuneration paid to the group's executive personnel. in previous years are available on www.sr-bank.no.

2. Corporate governance

The executive remuneration policy, cf. section 6-16(a) of the Public Limited Liability Companies Act, cf. Regulations on guidelines and reports on remuneration for executive persons (FOR-2020-12-112730), must be approved by the general meeting. The policy will remain valid until a new policy is approved by the general meeting. The board must prepare a proposal for a new policy at least every 4 years and submit this to the general meeting for a decision. SpareBank 1 SR-Bank's board shall ensure that the group has and practices a remuneration model that complies with the policy established by the general meeting at all times. SpareBank 1 SR-Bank's general remuneration model for all group employees is revised and approved annually by the group's board, based on the recommendation of the remuneration committee. The remuneration committee's mandate is available on www.sr-bank.no.

An external auditor must ensure that the executive remuneration policy is practiced in accordance with the policy approved by the general meeting.

3. General remuneration policy

SpareBank 1 SR-Bank must have an established remuneration policy that applies to all employees. One must ensure that any policy that is established complies with the applicable legal requirements.

Remuneration for employees can consist of the following components:

- fixed remuneration
- variable remuneration in line with more detailed guidelines
- pension plan
- benefits in kind (other employee benefits)
- severance pay
- guaranteed benefits

SpareBank 1 SR-Bank's current remuneration model has seven objectives:

1. to support the group's vision and purpose and strengthen the group's position, as well as ensure that employees act in line with the group's core values and customer promises
2. to ensure the group attracts, develops, and retains competent employees
3. to ensure that the group maintains its good name and reputation
4. to ensure the group's employees a remuneration model that is viewed as fair and predictable and that is future-oriented and motivational
5. to ensure the sensible, long-term, and correct use of payroll funds in the group
6. to support the group's sustainability goals, especially those associated with gender equality, also see point 7
7. to ensure that employees receive their share of the value created in the group

4. General information about remuneration for executive personnel, significant risk-takers, and employees with control responsibilities

Pursuant to the rules of the Financial Institutions Act and the Financial Institutions Regulations, financial institutions' remuneration policies must contain special rules for variable remuneration for executive personnel, for other employees and elected officers with responsibilities that have a material impact on the institutions risk exposure and for other employees and elected officers with similar remuneration, as well as for other employees and elected officers with control responsibilities. An assessment of who is covered by these rules must conducted annually.

Special principles have been established for individual bonuses for those covered by the aforementioned special rules, including that the variable remuneration can be earned annually based on the achievement of defined financial and non-financial target in the last 2 years. Special rules have been established for the group executive management team where parts of the bonus are viewed over 3 years and the rest over the past year. Furthermore, 50% of the earned individual bonus will be paid in cash and 50% paid in shares. From and including 2024, the CEO will receive 60 % of any bonus in shares and 40% in cash. The shares are distributed in accordance with the provisions of chapter 15 of the Financial Institutions Regulations.

More detailed rules have been established that allow all of the shares covered by the lock-in period to be revoked if an ex-post risk assessment finds that the original ex-ante assessment was inadequate.

It has been decided that positions with control responsibilities that are covered by the special rules in the Financial Institutions Act/Financial Institutions Regulations will not be incentivized by performance targets and that these positions will not receive individual bonuses.

5. Specific information about the remuneration of executive personnel

a. Introduction

The CEO's fixed and variable remuneration are set annually by the board based on the recommendation of the remuneration committee. The CEO determines the fixed and variable remuneration of the group executive management team based on the limits discussed by the remuneration committee and policy adopted by the board.

b. Components

I. Fixed remuneration

Assessment of the CEO's fixed remuneration is based on results achieved, share price development, reputational considerations, strategic initiatives, and remuneration trends in comparable positions.

Assessment of the fixed remuneration for other executive personnel must be determined based on an assessment of performance and conditions in the market for the various areas and should promote good performance and ensure that the group achieves its strategic goals. The remuneration arrived at must not damage the group's reputation and nor shall the group be a market leader.

Fixed remuneration is paid in cash.

II. Variable remuneration

Variable remuneration in the SpareBank 1 SR-Bank Group should support the group's vision, strategic position, and core values, and create a sense of community and a responsibility, across departments and business areas, to fulfil the customer promises. The model for variable remuneration must be consistent with the group's overarching objectives, risk tolerance and long-term interests, and must help to promote and provide incentives for good management and control of the group's risk, discourage excessive risk taking, and help to avoid conflicts of interest. The model must support the group's goal of creating long-term value for all stakeholders, including owners.

SpareBank 1 SR-Bank has established a performance-based bonus scheme that covers all employees of the parent bank, including executive personnel. Performance bonuses are set as an equal percentage of fixed salary, and can, as a maximum, amount to 10.0%, although not more than EUR 20,000 based on the exchange

rate at the time of payment. The limit of EUR 20,000 does not apply to those in the executive management team who can receive an individual bonus, including the CEO. The performance bonus must be determined by the board based on the financial targets achieved. For executive personnel who have earned individual variable remuneration, performance bonuses are paid based on the same principles as the individual scheme. For executive personnel who do not have an individual variable remuneration scheme, performance bonuses are paid entirely in cash.
The group executive management team also has an individual bonus scheme. The measurement parameters in the performance-based bonus scheme must be based on the achievement of objectives related to the following main criteria: long-term financial targets, strategic financial and non-financial targets related to the fiscal year, and a discretionary bonus element. The discretionary assessment must take account of good management, interaction, compliance with the group's core values and external laws, rules, routines, policies, and good business practice, as well as special focus areas for the current year.

To ensure a good balance between fixed remuneration and variable remuneration, an upper limit has been set for how large a percentage of fixed remuneration variable remuneration can equal. For the CEO is the upper limit set to 50% including performance bonus, and for the executive management team it is set at a maximum of 40% including performance bonus. In order for the employee's contribution to the institution's profit to catch cyclical fluctuations, the measurement period for variable remuneration is a minimum of 2 years. Special rules have been established for the group executive management team where parts of the bonus are viewed over 3 years and the rest over the past year. Bonuses can be curtailed or cancelled completely if the group's financial situation or other circumstances suggest that it would not be responsible to award a bonus. Such a determination is made by the board.

The remuneration paid to employees with control responsibilities must be independent of the results of the business area they supervise. The Executive Vice President Risk Management and Executive Vice President Compliance therefore do not receive variable remuneration other than a performance bonus.

Payment of performance-based remuneration

50% of the earned variable remuneration will be paid in cash and 50% will be paid in shares. From and including 2024, the CEO will receive 60 % of any bonus in shares and 40% in cash. The shares will be paid in their entirety after the bonus year, although with pro-rata lock-in over a 5-year period for 80% of the shares. The shares are distributed in accordance with the provisions of chapter 15 of the Financial Institutions Regulations.

More detailed rules have been established that allow all of the shares covered by the lock-in period to be revoked if an ex-post risk assessment finds that the original ex-ante assessment was inadequate.
Up to 100% of the shares covered by the lock-in period can also be revoked if it emerges that the recipient has: (i) participated in or been responsible for actions that caused the group significant loss; ii) failed to meet suitability and reputation standards; and iii) committed a gross breach of duty or some other material breach of their employment contract.

III. Pension plan

Like other employees, the CEO is a member of the collective defined contribution scheme for remuneration up to 12G. The deposit rates are 7% of the pension basis up to 7.1G, and 22% of the pension basis between 7.1G and 12G. For remuneration above 12G, the CEO has a defined contribution scheme corresponding to 30% of fixed remuneration. The CEO also has disability pension cover for remuneration above 12G. The CEO's retirement age follows other employees in the group.

Other members of the executive management team have a defined contribution pension scheme for salaries up to 12G with rates as described above. For remuneration above 12G, the other members of the executive management team have introduced a defined contribution scheme corresponding to 20% of fixed salary from 2022 onwards. For those in the executive management team who until 1.1.2022 were covered by a funded operating pension scheme, a new scheme for salaries above 12G has been negotiated. The new scheme involves a combination of transferring accrued pension capital in the old scheme that is paid in as start-up capital in the new defined contribution scheme, as well as a new ongoing defined contribution pension scheme for salaries above 12G of 20%. Those in the executive management team who have previously had a funded operating pension scheme also have disability pension cover for remuneration over 12G and a retirement age of 62. For other members of the executive management team, the retirement age is 67 as long as they are a member of the executive management team.

IV. Benefits in kind/other employee benefits

The group has established a general policy for benefits in kind at different levels of the organization in order to create predictability and fairness across the group. Benefits in kind offered to executive personnel include a company car or mileage allowance, employee terms and conditions for loans, a share savings scheme, newspapers and magazines, personal insurance cover and travel insurance, a mobile phone, broadband service, and employee discounts on insurance products. If applicable, individual employees may be provided with access to commuter accommodation or have their commuting expenses reimbursed.

All employees, including executive personnel, are able to participate in a separate share savings scheme. Each year, the board determines the savings amount and the discount for the scheme. Employees receive a maximum discount of 30% on the average purchase price and shares bought in the share savings scheme are subject to a 2-year lock-in period.

Benefits in kind should not be of substantial value in relation to the employee's fixed salary.

V. Severance pay

The normal period of notice for executive personnel is 6 months. Any severance pay arrangements must be determined in line with the applicable legislation. An agreement on severance pay can entered into for the CEO in connection with their employment contract. Any agreement on severance pay for other employees must be decided by the CEO. Any severance pay arrangements must represent appropriate compensation from the employer for ending the employment relationship and must take account of the type of position and responsibilities, although in a manner that ensures that inadequate performance is not rewarded. As a general rule, any severance pay must take account of the employee's seniority. Any severance pay can equal a maximum 12 months' gross remuneration.

A non-complete clause can be agreed in agreements with employees. The employee will be compensated for any non-compete clause in line with the current legislation.

VI. Guaranteed benefits

Any guaranteed variable benefits can only be agreed in very special circumstances. Any such arrangements will be determined by the CEO. These types of arrangements must only be used in those cases where there is a need to recruit/retain particularly specialised expertise. Such remuneration must under no circumstances equal more than 6 months' gross remuneration.

6. Directors' remuneration for group companies/associated companies

Executive personnel will not receive directors' remuneration for directorships in other group companies.

Executive personnel who are appointed by the group to directorships in other companies (that are not part of the group), whether they be external companies or associated companies, can receive directors' remuneration for such directorships. This also applies to directorships in companies in the SpareBank 1 Alliance or companies associated with the SpareBank 1 Alliance.

7. Diversity and equal pay

An individual employee's total remuneration package must reflect their role, work experience, qualifications, responsibilities, job complexity, local conditions, the group's profit, and the individual's performance. SpareBank 1 SR-Bank has established a Sustainability Policy and a Diversity, Inclusion and Belonging Standard. These state that all employees must have equal opportunities with respect to pay and career development, irrespective of age, ethnicity, national origin, heritage, skin colour, language, religion, sexual orientation, life stance, or disability. We have established various measures in internal procedures to achieve this objective and use data to monitor and ensure that we are moving in the right direction in relation to our objective. The group wants to actively encourage equal career opportunities for both genders within leading and heavily specialised positions. Further information can be found in the group's sustainability report on sr-bank.no.

8. Directors' remuneration

Directors' remuneration for board members of the board of directors is determined by the annual general meeting based on the recommendation of the group's nomination committee. Board members receive fixed remuneration and none of the board members may be part of any form of incentive scheme or receive performance-based remuneration. Board members are encouraged to spend part of their directors' remuneration on investing in shares issued by SpareBank 1 SR-Bank ASA. Employee-elected board members receive salaries and other benefits, including performance bonuses, on a par with other employees.

The nomination committee looks at developments in the market in connection with its recommendations on directors' remuneration. Directors' remuneration must be set at a level that is suited to the market and which reflects the qualifications and expertise, assessed on the basis of the group's size and complexity, that board members must possess, as well as the responsibilities and workloads board members take on.

Each board member's remuneration is specified in the annual report.

9. Departures from the policy

The board can, within the framework provided by the current legislation, depart from the group's executive remuneration policy in individual cases. Such departures may only occur in extraordinary situations and the board must specify the reasons for the departure in writing.