

# Remuneration

Remuneration in Sampo Group is based on the Remuneration Principles which Sampo plc's Board approved on 4 November 2013. The principles are available at [www.sampo.com/remuneration](http://www.sampo.com/remuneration).

Given the inherent risks involved in the businesses carried out in different Group companies, it is of paramount importance that compensation mechanisms are tightly aligned with risk management. Neither the design of any compensation scheme nor the evaluation of the subsequent payouts can be separated from simultaneous assessment of related risks. Sampo's remuneration strategy shall be responsible towards employees and shareholders. This means that the long-term financial stability and value creation of the Group shall guide the remuneration design.

The starting point of any compensation mechanism shall be to encourage and stimulate employees at all levels to do their best and surpass their targets. Remuneration packages shall be designed to reward employees on all levels, compensating them fairly for prudent and successful performance. At the same time, however, in order to safeguard the interest of other stakeholders, compensation mechanisms shall neither entice nor encourage employees to excessive or unwanted risk taking.

The different forms of remuneration used in Sampo Group are the following:

## (a) Fixed Compensation

Fixed compensation is customarily the basis of an employee's remuneration package. Fixed salaries shall support financial stability, represent a sufficiently high share of the total remuneration and be competitive but not leading in the market. As a rule, fixed salary shall be based on the employee's general responsibility level and position in the organization.

## (b) Variable Compensation

Variable compensation can be divided into two main groups, based on the underlying motivation of the compensation.

- (i) Variable compensations based on the contribution to the company's profitability. In this compensation group compensation shall be based on the individual employee's contribution to the company's profitability. In addition to individual

performance criteria, a combination of the assessment of the performance of the company, business area and/or business unit concerned and of the overall result of the division or Group define the overall ability of Sampo Group companies to pay out certain forms of variable compensation.

- (ii) Variable compensations linked to committing employees to the Group. As part of the total remuneration package, in addition to fixed compensation and different forms of other variable compensation, Sampo Group may, at the sole discretion of Sampo plc's Board of Directors, use long-term incentive programs to commit Executive Management and Key Persons to the Group for a longer period of time. The programs are designed to also align the participants' interests with those of the shareholders in a longer perspective by linking the payout of the programs not only to certain performance criteria but also to the positive development of Sampo's share price. The payout of the programs is always capped i.e. the size of payment is limited to a maximum amount.

Additionally, long-term incentive programs shall always, above a certain level or for certain groups of participants, include terms requiring a defined part of the payout to be used to buy Sampo shares, which shall be held for a defined period of time.

## (c) Pension

Pensions shall be based on collective agreements and/or reflect conditions in the relevant labor market. As a general rule, pension plans should be of defined contribution nature.

## (d) Other Benefits

Sampo Group's benefit packages shall reflect the conditions in relevant labor markets.

The payment of a certain portion of the variable compensation payable to senior executive management and to certain key persons shall be deferred for a defined period of time as required in the regulatory framework applicable to each Group company. After the deferral period, a retrospective risk adjustment review shall be carried out and the Board shall decide whether the deferred compensation can be paid out or not. For the year 2013, part of short-term incentives has been deferred. Payout from agreements or programs decided prior to

the publishing of FSA deferral recommendations has not been deferred.

In 2013 EUR 27 million (17), including social costs, was paid on the basis of the long-term incentive scheme 2009:1. EUR 34 million (28), including social costs, was paid as short-term incentives during the same period. The outcome of the long-term incentive schemes is determined by Sampo's share price development over a period of approximately three years starting from the issue of the respective program. The programs are subject to thresholds on share price development and company profitability, as well as ceilings for maximum payout. Furthermore, the programs are subject to

rules requiring part of the paid incentive reward to be used to acquire Sampo shares, which must in turn be held for a specified period of time.

The terms of the long-term incentive schemes are available at [www.sampo.com/remuneration](http://www.sampo.com/remuneration). During 2013 Sampo plc's Board did not adopt new long-term incentive schemes.

Sampo Group will also publish a Remuneration Report in March 2014. The report is drawn up in accordance with section 7 (Remuneration) of the Corporate Governance Code. The report will be available at [www.sampo.com/remuneration](http://www.sampo.com/remuneration).