Aktia

Guidelines on remuneration for the governing bodies of Aktia Bank Plc

1. Introduction

These guidelines on remuneration for the governing bodies of Aktia Bank Plc (hereinafter Aktia or the company) have been drawn up in accordance with the Limited Liability Companies Act (624/2006), Securities Markets Act (746/2012), the Decree of the Ministry of Finance (608/2019), and the Corporate Governance Code for Finnish Listed Companies (1 January 2020). Aktia also complies with the provisions of the Act on Credit Institutions (610/2014) on remuneration systems. These guidelines are applied to the remuneration for Aktia's Board of Directors, CEO and the Deputy CEO, and what is here stated about the CEO shall be applied also to the Deputy CEO. The Corporate Governance Code is available on the Securities Market Association's website: www.cgfinland.fi.

These guidelines are presented to Aktia Bank's Annual General Meeting on 3 April 2024, and supersede the previous guidelines presented to the Annual General Meeting on 16 April 2020.

1.1. Aktia’s principles on remuneration

Aktia's principles on remuneration shall support the achieving of Aktia's strategy and long-term targets by

- supporting Aktia’s possibilities to attract, recruit, develop and retain committed, competent and goal-oriented employees, as well as to support versatile competence and co-operation;
- developing a culture with clear performance-based variable compensation, and by governing Aktia Group's (hereinafter Group) development on the basis of the Group’s strategy, goals, values, corporate culture and risk appetite;
- supporting good and effective risk management, restraining excessive risk-taking so that excessive risktaking is not rewarded, and by preventing conflicts of interest in the Group.
- supporting sustainable remuneration with ethical behavior, such as equality and transparency of remuneration;
- encouraging sustainable and compliant behavior by connecting goals related to sustainability, risk consideration and management to the KPI indicators of the reward recipients.

2. Decision-making procedure for remuneration

These guidelines on remuneration for the governing bodies of Aktia have been prepared by Aktia's Board of Directors. To the extent the guidelines pertain to the Board of Director's compensation, the Shareholders’ Nomination Board is consulted in the preparation.

These guidelines are confirmed by Aktia's General Meeting at least every four years or more often when the guidelines are significantly changed. The Board of Directors evaluates the guidelines annually and proposes, if necessary, updates to the guidelines, which are, with the exception of technical adjustments, forwarded for approval to the following General Meeting. The General Meeting's possible voting on the guidelines is advisory. The company's Board of Directors and the company's operative management is responsible for the compliance with the guidelines.

Aktia's Board of Directors decides on the remuneration paid to the CEO and on possible other financial benefits and employment terms and conditions of the CEO. The Board of Directors evaluates as a rule annually the CEO's total remuneration and sets the principles for the CEO's variable compensation for the following earning period. The Board of Directors' Remuneration and Corporate Governance Committee is as a rule responsible for the preparation of the proposals to the Board of Directors.

The Board of Directors' Remuneration and Corporate Governance Committee is composed according to the recommendations of the Corporate Governance Code and representatives for the management are not included in the composition of the Committee. The company's support functions may be engaged, and external consults may be consulted for the preparation of remuneration issues.

Decisions regarding remuneration in the form of shares are made by the General Meeting or through an authorisation from the General Meeting to the Board of Directors.

3. Remuneration for the Board of Directors and the decision-making procedure

Aktia's General Meeting decides annually on the remuneration for the members of the company's Board of Directors. The proposal to the General Meeting on the remuneration to the Board of Directors is prepared by the Shareholders' Nomination Board, which also submits proposals to be decided upon at the General Meeting.

The remuneration for the Board of Directors may consist of annual or monthly compensation, meeting remuneration for attended meetings, as well as other remuneration elements, such as compensation for travel and accommodation costs, in accordance with the decision of the General Meeting. The remuneration may vary depending on the Board members' duties, workload or responsibility. A part of the remuneration may be paid in the form of Aktia shares and may be subject to transfer restrictions. The Board of Directors is not included in the company's incentive scheme.

The Nomination Board evaluates regularly the remuneration for the Board of Directors. The remuneration for the Board of Directors shall be reasonable taking into account the nature and scope of the task, at the same time as it shall be competitive in order to recruit and maintain necessary competence in the Board of Directors with the goal to achieve Aktia's long-term targets.

Information about the paid remuneration for the Board of Directors is presented in the annual remuneration report, which is presented to the Annual General Meeting and is available on the company's website. Current remuneration for the Board of Directors valid at any given time is presented in the minutes of the previous Annual General Meeting.

4. Remuneration for the CEO and deputy CEO

Remuneration for the CEO and deputy CEO is based on Aktia's principles for remuneration as presented in item 1.1 above.

The Board of Directors evaluates, based on the preparation of the Board's Remuneration and Corporate Governance Committee, the total remuneration of the CEO in relation to comparable companies on the market, the company's strategy, long-term financial targets and development phase, as well as the CEO's individual performance. The compliance with the Group's remuneration principles for variable compensation is revised annually and reported to the Board's Remuneration and Corporate Governance Committee.

4.1. Remuneration elements for the CEO and Deputy CEO

Remuneration for the CEO and Deputy CEO may consist of monthly salary, pension benefit, insurances, employee benefits, short-term incentives and/or long-term incentives.

4.1.1. Monthly salary

The base salary is determined based on role, responsibilities, competences, experience and market practice. CEO and deputy CEO compensation is benchmarked with relevant companies and reviewed by the Board of Directors when needed. The monthly salary shall be competitive and sufficient to avoid an unreasonable outcome if the variable compensation does not result in payment.

4.1.2. Benefits

In addition to monthly base salary, the CEO's and deputy CEO's fixed compensation may include pension benefit, employee benefits in accordance with Aktia's principles valid at any given time, such as occupational health, lunch, exercise and culture benefits, company car and phone.

4.1.3. Variable compensation

Variable compensation elements for the CEO and the Deputy CEO may consist of short-term incentives and/or, if decided by the Board of Directors, long-term incentives.

The goals for the variable compensation are aimed at encouraging and rewarding the advancement of the strategy implementation in order to reach Aktia's long-term targets. In addition, variable compensation aims to align CEO and Deputy CEO interests with the shareholders of the company by awarding significant portion of the variable remuneration in Aktia shares. To ensure CEO's and Deputy CEO's commitment to the company and it's future success, an ownership requirement for shares awarded in the variable pay plans may be implemented, if the Board of Directors so decides.

Significant portion of the incentive awards for CEO and Deputy CEO are deferred over longer period of time. The share price development over the deferral period affects the final value of awarded rewards, ensuring that CEO's and Deputy CEO's interests are aligned with the shareholders.

Dividends are not paid to deferred, unvested share awards in line with regulatory requirements.

Deferred/Long-term incentives have, in addition, a binding effect since the incentives are not, as a matter of principle, paid to a person who at the time of the payment of the incentive no longer is employed by Aktia. The Aktia Board of directors has the power to diverge from this principle in exceptional situations (for example in a situation where employment ends by mutual contract).

Maximum variable compensation (short-term and long-term elements combined) for CEO and Deputy CEO can be annually 200% of Fixed compensation. The Board of Directors decides annually on an appropriate balance between short term and long term elements.
All variable remuneration is subject to malus and clawback provisions. Malus refers to adjustment or reduction of variable remuneration, prior to vesting of said remuneration (including deferred variable remuneration not yet vested). Clawback refers to the cancellation of unvested/pending variable remuneration and includes recovery of priorly paid variable remuneration, subject to applicable laws.

4.1.3.1. Short-term incentive scheme

The short-term incentive scheme may be offered to CEO and Deputy CEO in order to aim at supporting the attainment of goals during a calendar year, which in the long run supports in Aktia reaching its long-term targets. The goals in short-term incentives may be partly based on the Group's financial or other targets, and partly on individual goals and comprise of both qualitative and quantitative criteria for the measurement period in line with regulatory requirements. The targets are determined and followed up annually by the Board of Directors based on the preparation by the Remuneration and Corporate Governance Committee.

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4.1.3.2. Long-term incentive scheme

The Board of Directors may decide to implement a long-term incentive plan for the CEO and/or the Deputy CEO. The purpose of a long-term incentive is to establish a multi-year performance period in order to create stronger focus on long-term KPIs. Generally a significant portion of KPIs in long-term incentive schemes are typically financial but in line with regulatory requirements, qualitative KPIs are included. Financial KPIs can for example be absolute and/or relative total shareholder return.

Awards in a long-term incentive scheme may be granted each year with vesting subject to long-term performance requirement. Long-term incentives are generelly share-based but could also be partly cash-based.

4.2. Additional variable or fixed compensation

The Board of Directors may due to certain reasons also decide to offer the CEO and the deputy CEO additional remuneration in the form of shares in a so-called Restricted Share Plan (RS pool), which is aimed at rewarding and engaging those who are especially critical for the attainment of Aktia's long-term financial targets. Shares from the RS pool are received as a rule after a waiting period without performance criteria, provided that the employee relationship has not been terminated before the payment of the shares.

In addition, the Board of Directors may under certain circumstances and to a reasonable extent decide on offering the CEO or Deputy CEO a one-time payment in the form of shares or cash. For example a sign-on bonus awarded as off commencement of the employment may be applied.

4.3. Other terms and conditions for variable compensation

The criteria for variable compensation within the finance sector shall not encourage to excess risk-taking and attention shall be paid to potential conflicts of interest.

Aktia complies with the finance sector's rules on variable compensation, which means that at least half of the variable compensation shall be paid in the form of shares. A part of the variable compensation shall as a rule be postponed for payment during a period of approximately four years, followed by a usual waiting period of one year.

The Board of Directors has at any given time full discretion to decide not to pay variable compensation or to reclaim paid variable compensation in exceptional cases, which would lead to or have led to a harmful or unreasonable result for the company. The Board of Directors may also use it's discretion in situations where issues regarding risk management or compliance are raised, in relation to an individual participant in a variable pay plan or the whole Group. Internal control functions support the Board of Directors in it's decision making.

4.4. Other central terms of agreement for the CEO and Deputy CEO

The CEO's and Deputy CEO's contractual relation encompasses as a rule also other terms and conditions which have an impact on the total remuneration.

The CEO and the Deputy CEO may be entitled to an additional pension and the agreement may encompass terms and conditions regarding the retirement age, period of notice and severance payment in case the agreement is terminated by the company. The CEO's and deputy CEO's agreements are in force as a rule until further notice.

The CEO's and Deputy CEO's terms of agreement applied at any given time are described more in detail in the annual remuneration report published on the company's website.

5. Exceptions

Aktia complies with the guidelines for remuneration for the bodies of Aktia when it comes to valid remuneration for the company's bodies. With the Board of Directors explicit decision exceptions from the guidelines can be made temporarily in exceptional circumstances, such as change of CEO, significant changes in the company structure, organisation, ownership or business operations (e.g. a merger, company acquisition, division, requiring changes in the fixed or variable compensation or other economic terms and conditions), or if the business operations otherwise are facing a substantial change, provided that the exception is necessary to secure the company's long-term interests. When assessing the company's long-term interests, the company's long-term financial interests, competitiveness and the development of the ownership value may be taken into account. Exceptions from the guidelines may be made temporarily also on the basis of new regulation or taxation, if this results in that compensations in accordance with the guidelines are no longer lawful, financially appropriate or sensible.

In exceptional cases that provide deviations from the guidelines the aim is that the Board of Directors shall have sufficient means for remuneration for the CEO and the Deputy CEO.

These guidelines are drawn up in Swedish language. In the case this translation differs from the Swedish version the Swedish version shall prevail.