

SAMPO  GROUP

# 2020

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**REMUNERATION REPORT  
FOR GOVERNING BODIES**

# Remuneration Report for Governing Bodies

This Remuneration Report has been prepared in accordance with the section entitled 'Remuneration Reporting' of the Corporate Governance (CG) Code 2020. The CG Code 2020 can be viewed in full on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Remuneration Report provides information on the remuneration paid to the Board of Directors and the Group CEO during the previous financial period. The remuneration of the Board of Directors and the Group CEO complies with the Remuneration Policy for Governing Bodies that was in force during 2020. The remuneration and other financial benefits are reported on a cash basis.

## Overview of the Financial Year 2020

### Business Development

The year 2020 will be remembered for the COVID-19 pandemic and its effects on society, economy, businesses, and the lives of ordinary people. Despite the turbulence, Sampo Group's insurance operations continued their good performance.

Sampo Group's largest business area If had an extremely strong year 2020 in all respects. The combined ratio for the full-year 2020 was 82.1 per cent (84.5). This is the strongest combined ratio If has ever reported.

Sampo announced on 5 August 2020 that the company and Rand Merchant Investment Holdings (RMI) had

made a recommended cash offer, through a jointly owned company, to acquire all issued and to be issued shares in Hastings Group Holdings Plc not already owned by Sampo and RMI. Sampo holds 70 per cent of Hastings Group (Consolidated) Limited, which became Sampo plc's subsidiary and forms a separate segment in the Group's financial reporting as of 16 November 2020. The acquisition of Hastings represents an attractive opportunity for Sampo to advance its strategy and accelerate its repositioning towards retail P&C insurance. Sampo believes that under its ownership together with that of RMI, Hastings will be able to further develop its agile and digital business model to create long-term value.

On 10 November 2020, Sampo sold 162 million Nordea shares, 4.0 per cent of the outstanding shares, in an accelerated bookbuild offering to institutional investors. After the transaction, Sampo held 642,924,782 Nordea shares, corresponding to 15.9 per cent of all shares and voting rights in Nordea. Nordea's status as an associated

company of Sampo remained unchanged. Sampo incurred a reported loss of EUR 262 million from the transaction for the last quarter of 2020. On 11 February 2021, Sampo plc's Board of Directors decided to impair the book value of Nordea to EUR 7.50 per share from EUR 8.90 per share in Sampo Group's consolidated accounts at the end of December 2020. Sampo's share of Nordea's net profit for 2020, excluding the accounting impacts of the sale of Nordea shares in November 2020 and the impairment of the holding in Sampo Group's consolidated accounts 2020, amounted to EUR 429 million.

There have been no COVID-19 related lay-offs among Sampo Group personnel and none of the group companies has required any government funding support during the COVID-19 pandemic. In spite of the turbulent times, Sampo Group has made steady progress throughout 2020, both from an operational and strategic perspective.

## Changes in the Management of Sampo Group

The former Group CEO and President of Sampo, Kari Stadigh, retired on 31 December 2019. Sampo's Board of Directors appointed Torbjörn Magnusson, the former CEO of If P&C, as the new Group CEO and President of Sampo Group, with effect from 1 January 2020. The main terms of Torbjörn Magnusson's service contract are substantially the same as the terms of Kari Stadigh's service contract. The differences, which relate for example to pension and other benefits, are partially due to Magnusson being a Swedish citizen who works both in Finland and in Sweden.

The Annual General Meeting 2020 decided that the Board of Directors would consist of eight (8) members until the close of the Annual General Meeting to be held in 2021. It was noted that out of the Board members at the time, Veli-Matti Mattila was not available for re-election. Meanwhile, Georg Ehrnrooth was elected as a new member of the Board of Directors. Besides that, no other changes were made in the composition of the Board.

## Decisions Regarding Remuneration

The Annual General Meeting 2020 included the decision to increase the annual fees of the members of the Board by approximately 3 per cent. In determining the proposed fees, the Nomination and Remuneration Committee considered the effect of increasing financial regulation on the demandingness of the Board's work and the annual fees paid to the Boards of Directors of businesses that are similar to Sampo Group. An increase to the annual fees of the Board members has not been proposed since the Annual General Meeting held on 27 April 2017.

The Remuneration Policy for Governing Bodies was presented to the Annual General Meeting for the first time in 2020. Out of all given votes, 90.34 per cent were given in favor of the proposal. The General Meeting resolved, in accordance with the voting result, to accept the presented Remuneration Policy. The resolution was advisory.

Sampo plc's Board of Directors decided on 5 August 2020 to adopt a new long-term incentive scheme 2020:1 for the management (including the Group CEO) and other key employees of Sampo Group (for more details, see page 9 and Sampo Group's [website](#)). The first instalment of the long-term incentive (LTI) scheme 2017:1 was due in September 2020 and performance conditions related to the insurance margin and return on capital at risk were fulfilled to 100 per cent. However, as the trade-weighted average price of the Sampo A share on Nasdaq Helsinki Ltd was below the starting price, there was no payout from the LTI 2017:1 in 2020.

The Remuneration Policy for Governing Bodies has served as a framework for all remuneration procedures and payouts during the financial year 2020 and neither deviations from the policy nor clawbacks of the remuneration have been made.

## Remuneration and Long-term Financial Development

Sampo Group's remuneration strategy shall be responsible towards both employees and shareholders. Remuneration at Sampo has been designed to enhance the company's long-term financial stability and value creation to shareholders and other stakeholders.

The measures taken in 2020 to ensure long-term results for Sampo Group are considered in the Remuneration Policy and in the Remuneration Principles, and these are described below:

- The compensation package of the Group CEO comprises different remuneration elements, which mainly consists of: (i) fixed compensation; (ii) short-term incentives, and (iii) long-term incentives.
- In 2020, the short-term incentives represented 29 per cent of total remuneration. Part of the payout has been deferred for three years as required in the regulatory framework applicable to Sampo.
- Long-term incentive schemes are part of a multiannual framework to ensure that the payout is based on long-term results and that the underlying economic cycle of the company is considered therein. Part of the payout is used to purchase Sampo A shares which are subject to disposal restrictions for three years so that the interests of the Group CEO are aligned with shareholders' interests.
- In 2020, the long-term incentives represented 0 per cent of total remuneration due to the zero payout from the LTI 2017:1, as explained above.
- The Board members shall acquire Sampo A shares for 50 per cent of his/her annual fee after the deduction of taxes, payments, and potential statutory social and pension costs. The shares shall be retained for two years from the purchasing date. This creates an alignment of the interests of the members of the Board with those of the shareholders.

The table below describes the development of the Group CEO's remuneration and the average remuneration of Sampo Group employees as well as the development of the Sampo A share price over the preceding five financial years.

	2020 EUR	Change %	2019 EUR	Change %	2018 EUR	Change %	2017 EUR	Change %	2016 EUR
Remuneration of the Group CEO <sup>1</sup>	1,313,694	-66.2%	3,891,196	-6.1%	4,143,132	12.3%	3,689,776	-25.2%	4,935,777
Sampo Group average employee remuneration <sup>2</sup>	69,580	-1.7%	70,781	-0.3%	70,994	-1.3%	71,948	14.3%	62,954
Pay ratio between remuneration of the Group CEO and average employee remuneration	19	-65.7%	55	-5.8%	58	13.8%	51	-34.6%	78
Sampo A share price (31 Dec) <sup>3</sup>	34.57	-11.2%	38.91	2.8%	37.84	-16.2%	45.13	7.6%	41.96

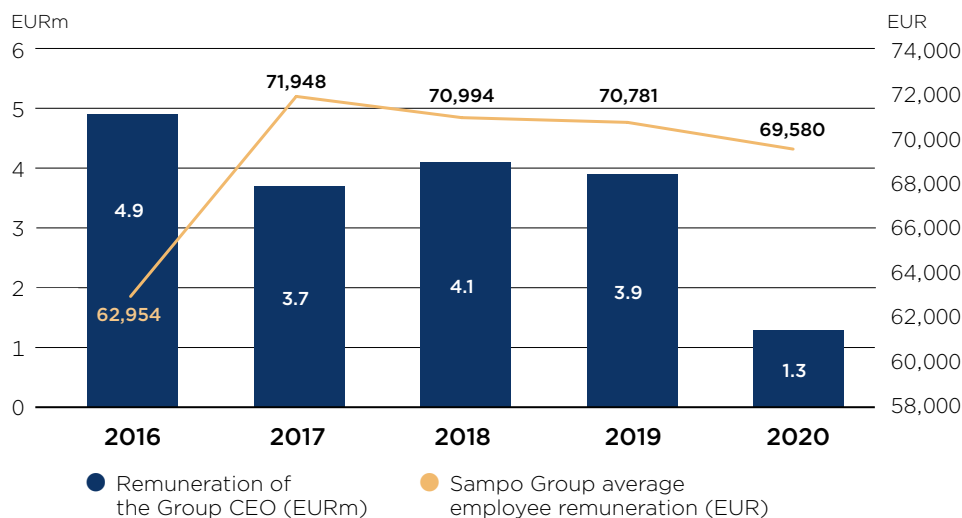
<sup>1</sup> The former Group CEO, Kari Stadigh, retired on 31 December 2019 and he was succeeded by Torbjörn Magnusson with effect from 1 January 2020.

<sup>2</sup> The average employee remuneration is presented on the Group level since it more appropriately reflects the average employee remuneration as compared to reporting the average remuneration of employees in Sampo plc only. The Sampo Group average employee remuneration has been calculated by dividing total remuneration, including fixed salary, fringe benefits and variable compensation, by the average FTE of the year. Currency rate fluctuations affect the reported numbers. Topdanmark is included in Sampo Group figures starting from 2017. Remuneration of Hastings will be included in the report with effect from 2021.

<sup>3</sup> Sampo has decided to use Sampo A share price as a financial key indicator since it is the main performance index of the long-term incentive schemes and one of the core elements of value creation for its shareholders.

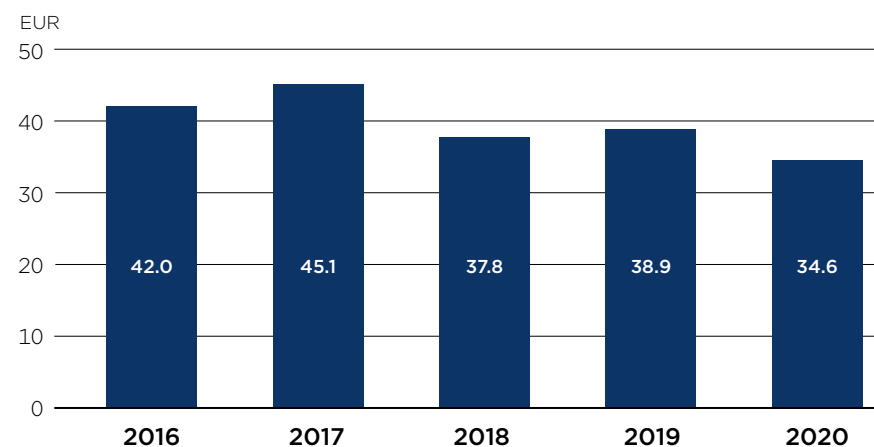
## Remuneration

Sampo Group 2016–2020



## Sampo A share price

31 December



## Remuneration of the Board of Directors

The members of the Board are not in an employment or service relationship with Sampo or any other Sampo Group company, and they do not receive a salary or participate in any short-term incentive programs or long-term incentive schemes. Furthermore, they do not act as advisors for the company.

The Nomination and Remuneration Committee of Sampo's Board of Directors prepares and presents the proposal for the remuneration of the Board of Directors to the Annual General Meeting. When preparing the proposal, the committee may consult the company's largest shareholders and shall, in addition to the Remuneration Policy, consider the developments in remuneration in the relevant markets and benchmark companies. The Annual General Meeting 2020 accepted the proposal for the remuneration of the Board members.

The Nomination and Remuneration Committee of Sampo's Board of Directors proposed to the Annual General Meeting 2020 that each member of the Board of Directors be paid an annual fee of EUR 93,000 until

the close of the next Annual General Meeting, and that the Chair of the Board be paid an annual fee of EUR 180,000. Furthermore, the Nomination and Remuneration Committee proposed that the members of the Board of Directors and its Committees be paid the following additional annual fees: (i) the Vice Chair of the Board be paid EUR 26,000; (ii) the Chair of the Audit Committee be paid EUR 26,000; and, (iii) each member of the Audit Committee be paid EUR 6,000.

There has been a significant increase in the use of time required from a Board member as a result of, in particular, an increase in reporting requirements in the finance industry and in the industry-specific regulation by the authorities. This is also mirrored in the slightly higher fees paid to the members of the Audit Committee.

No financial benefits were paid to the members of the Board. Incurred travel and accommodation costs have been reimbursed to the Board members. Any potential statutory social and pension costs incurring to Board members having permanent residence outside Finland

have, according to applicable national legislation, been assumed by Sampo. The Board members did not receive separate meeting fees.

A Board member shall, in accordance with the resolution of the Annual General Meeting, acquire Sampo A shares at the price paid in public trading for 50 per cent of his/her annual fee after the deduction of taxes, payments, and potential statutory social and pension costs. Sampo pays any possible transfer tax related to the acquisition of the shares. A Board member shall be obliged to retain the Sampo A shares under his/her ownership for a period of two years from the purchasing date. However, the disposal restriction on the Sampo shares shall become unbinding if the term of the Board membership ends prior to the two-year period.

The table below describes the remuneration paid to the members of the Board and the number of Sampo A shares acquired by the members of the Board in accordance with

the resolutions of the Annual General Meetings from 2016 to 2020. The fee is paid annually in November and it covers the full term of office from the election to the close

of the following Annual General Meeting. The acquired shares are subject to a two-year disposal restriction.

Board member and position	2020		2019		2018		2017		2016	
	Annual Fee, EUR	Acquired shares, pcs <sup>1</sup>	Annual Fee, EUR	Acquired shares, pcs <sup>1</sup>	Annual Fee, EUR	Acquired shares, pcs <sup>1</sup>	Annual Fee, EUR	Acquired shares, pcs <sup>1</sup>	Annual Fee, EUR	Acquired shares, pcs <sup>1</sup>
Björn Wahlroos Chair	180,000	1,595	175,000	1,533	175,000	1,377	175,000	1,265	160,000	794
Jannica Fagerholm <sup>2</sup> Vice Chair and Chair of the Audit Committee	145,000	1,077	140,000	1,103	115,000	772	115,000	659	80,000	485
Christian Clausen <sup>3</sup> Member	93,000	650	96,000	650	96,000	550	96,000	481	80,000	448
Risto Murto Member	93,000	697	90,000	673	90,000	549	90,000	490	80,000	461
Antti Mäkinen <sup>4</sup> Member	93,000	697	90,000	667	96,000	464	-	-	-	-
Fiona Clutterbuck Member of the Audit Committee	99,000	792	96,000	753	-	-	-	-	-	-
Johanna Lamminen Member of the Audit Committee	99,000	742	96,000	711	-	-	-	-	-	-
Georg Ehrnrooth Member of the Audit Committee	99,000	787	-	-	-	-	-	-	-	-
Veli-Matti Mattila Member of the Board up until 2 June 2020	-	-	90,000	667	90,000	523	90,000	525	80,000	461
Eira Palin-Lehtinen Vice Chair up until 9 April 2019	-	-	-	-	115,000	676	115,000	607	100,000	585
Adine Grate Axén Member of the Audit Committee up until 9 April 2019	-	-	-	-	96,000	682	96,000	628	80,000	645
Per Arthur Sørliie Member of the Audit Committee up until 19 April 2018	-	-	-	-	-	-	96,000	569	80,000	527
<b>Total</b>	<b>901,000</b>	<b>7,037</b>	<b>873,000</b>	<b>6,757</b>	<b>873,000</b>	<b>5,593</b>	<b>873,000</b>	<b>5,224</b>	<b>740,000</b>	<b>4,406</b>

<sup>1</sup> Transfer tax of 1.6 per cent related to the acquisition of Sampo A shares has been reimbursed to the Board members, in accordance with the resolution of the Annual General Meeting.

<sup>2</sup> Jannica Fagerholm took over the position of Vice Chair in April 2019.

<sup>3</sup> Christian Clausen was a member of the Audit Committee until June 2020, after which he became a member of the Nomination and Remuneration Committee.

<sup>4</sup> Antti Mäkinen was a member of the Audit Committee until April 2019, after which he became a member of the Nomination and Remuneration Committee.

# Remuneration of the Group CEO

The remuneration of the Group CEO is reviewed annually, and it is based on the Sampo Group Remuneration Principles and Sampo plc's Remuneration Policy for Governing Bodies. The remuneration includes fixed salary, fringe benefits, and a supplementary defined contribution pension contract, and it may also include payments from short-term incentive programs and long-term incentive schemes. In addition, the Group CEO

is, based on the policy and the service contract, entitled to compensation related to the termination of the service contract.

Remuneration mechanisms that are supportive and pay based on the achievement of targets will create a link between the performance of the Group CEO and the company's success. In order to emphasize the importance

of the pay-for-performance principle, a significant part of the Group CEO's total remuneration is based on the performance-linked variable compensation.

The table below describes the remuneration elements of the Group CEO, Torbjörn Magnusson, in 2020.

Remuneration element	Summary of the policy and objective	Implementation 2020
<b>Fixed Compensation</b>	<p>Fixed salary shall:</p> <ul style="list-style-type: none"> <li>• Represent a sufficiently high share of the total remuneration;</li> <li>• Be competitive but not leading in the market;</li> <li>• Be reviewed annually.</li> </ul> <p><i>The objective is to attract and commit the best CEO to the company.</i></p>	<ul style="list-style-type: none"> <li>• Benchmarking was carried out in comparison with Swedish large-cap companies in November 2020; the new salary has been in force with effect from 1 January 2021.</li> </ul>
<b>Short-term Incentives</b>	<ul style="list-style-type: none"> <li>• The rewards shall be paid in cash, based on the outcome of the performance criteria after the performance period.</li> <li>• The quantitative and qualitative performance criteria along with their proportional weightings shall be determined beforehand.</li> <li>• The reward shall not be paid if the minimum level of performance criteria has not been met.</li> <li>• The maximum amount that can be paid to the Group CEO from the program is equivalent to nine months' fixed salary.</li> <li>• Part of the payout shall be deferred as required in the regulatory framework that is applicable to Sampo.</li> </ul> <p><i>The objective is to reward and encourage to surpass the quantitative and qualitative performance criteria</i></p>	<ul style="list-style-type: none"> <li>• Short-term incentive program 2019 (payout in 2020):                             <ul style="list-style-type: none"> <li>- The short-term incentive targets for 2019 are related to the Group CEO's previous position at If P&amp;C.</li> </ul> </li> <li>• Short-term incentive program 2020 (payout in 2021):                             <ul style="list-style-type: none"> <li>- Performance targets and their relative weights: Sampo Group's targets (67%), e.g. value creation and overall performance of Sampo Group, and individual targets (33%), e.g. value creation of associated companies and development of new business or investment opportunities for Sampo.</li> </ul> </li> </ul>



Remuneration element	Summary of the policy and objective	Implementation 2020
<b>Long-term Incentives<sup>1</sup></b>	<ul style="list-style-type: none"> <li>The payout of the long-term incentive schemes may be linked to certain performance criteria and also to the development of the company's share price.</li> <li>The payout from the schemes is always capped i.e. the size of the payment is limited to a maximum amount.</li> <li>Part of the payout shall be deferred as required in the regulatory framework that is applicable to Sampo.</li> </ul> <p><i>The objective is to align the Group CEO's interests with those of the shareholders and commit the Group CEO to the company.</i></p>	<ul style="list-style-type: none"> <li>The long-term incentive scheme 2017:1 (1st instalment 30% vested in 2020, 2nd instalment 35% vesting in 2021 and 3rd instalment 35% vesting in 2022): <ul style="list-style-type: none"> <li>There was no payout from the scheme in 2020. The performance conditions related to the insurance margin and return on capital at risk were fulfilled to 100%, but the trade-weighted average price of the Sampo A share on Nasdaq Helsinki Ltd was below the starting price.</li> </ul> </li> <li>Long-term incentive scheme 2020:1 (vesting in 2023, 2024, and 2025).</li> <li>350,000 incentive units allocated to the Group CEO in both schemes.</li> <li>For full terms &amp; conditions, see <a href="https://sampo.com">sampo.com</a>.</li> </ul>
<b>Pension</b>	<ul style="list-style-type: none"> <li>In addition to a statutory pension, the Group CEO is entitled to a supplementary defined contribution pension plan.</li> </ul> <p><i>The objective is to provide a competitive pension.</i></p>	<ul style="list-style-type: none"> <li>Swedish statutory pension: <ul style="list-style-type: none"> <li>Pensionable income is equal to 7.5 times the income base amounts (for 2020, the pensionable income equals 501,000 SEK/year).</li> </ul> </li> <li>Supplementary defined contribution pension: <ul style="list-style-type: none"> <li>The premium corresponds to 38 per cent of the fixed annual salary and 25 per cent of the annual paid short-term incentive.</li> </ul> </li> <li>The retirement age is 65.</li> </ul>
<b>Other Benefits</b>	<ul style="list-style-type: none"> <li>Benefits are provided in accordance with the applicable local market practice and they may change from time to time.</li> <li>Other benefits may include, among other things, phone benefit, car benefit, health insurance and other relevant insurances, directors' liability insurance, and personal tax advisory services for a Group CEO who is not resident in Finland.</li> </ul> <p><i>The objective is to support the commitment.</i></p>	<p>The Group CEO is entitled to:</p> <ul style="list-style-type: none"> <li>Lunch benefit</li> <li>An annual travel pass for flights between Stockholm and Helsinki</li> <li>Health insurance</li> </ul>
<b>Termination of Service Relationship</b>	<ul style="list-style-type: none"> <li>The contract of the Group CEO includes a notice period for terminating the service contract and severance compensation.</li> </ul>	<ul style="list-style-type: none"> <li>The notice period for terminating the service contract of the Group CEO is 12 months, and he is entitled to receive his salary during this period.</li> <li>Torbjörn Magnusson is also, due to the terms applied in his previous position at Sampo Group as the CEO of If P&amp;C Insurance Holding Ltd, entitled to a severance compensation corresponding to a maximum of 24 months' fixed salary should Sampo terminate his service contract without providing a specific reason.</li> </ul>

<sup>1</sup> The value of one incentive unit is calculated as the difference between the trade-weighted average price of the Sampo A share at the time of payment and the dividend-adjusted starting price. In addition to the share price development, the calculation of the value of one incentive unit takes into account the performance of the insurance margin of If P&C and/or the return on capital at risk as further specified in the terms of the respective incentive scheme. The schemes contain a cap for maximum payout. In the 2017:1 scheme, the capped value of one incentive unit is set at EUR 19 above the starting price and in the 2020:1 scheme, the cap is set at EUR 24 above the starting price.

The table below presents the remuneration and other financial benefits paid to the Group CEO as well as the number of Sampo A shares acquired by the Group CEO under the terms of the long-term incentive scheme during the period 2016–2020.

Remuneration element EUR (SEK)	Torbjörn Magnusson	Kari Stadigh			
	2020	2019	2018	2017	2016
Fixed salary <sup>1</sup>	932,805 (SEK 9,783,448)	1,158,738	985,006	1,091,502	1,082,945
Fringe benefits	1,408 (SEK 14,763)	32,535	38,132	32,674	25,391
Short-term incentives pertaining to the previous year	273,572 (SEK 2,869,273)	424,741	416,412	315,344	275,287
<i>excluding deferred incentives</i>	117,245 (SEK 1,229,688)	178,629	175,127	308,871	269,637
Release of deferred short-term incentives after a three-year deferral period <sup>2</sup>	105,910 (SEK 1,110,805)	269,637	262,332	282,255	290,154
Long-term incentives <sup>3</sup>	0*	2,005,500	2,441,250	1,968,000	3,262,000
<b>Total</b>	<b>1,313,694</b> <b>(SEK 13,778,289)</b>	<b>3,891,196</b>	<b>4,143,132</b>	<b>3,689,776</b>	<b>4,935,777</b>
Supplementary pension	529,642 (SEK 5,554,989)	400,000	400,000	400,000	454,757
Number of acquired Sampo A shares <sup>4</sup>	0	15,085	15,871	12,056	22,707
Remuneration from undertakings belonging to the same group	0	0	0	0	0

<sup>1</sup> Based on changes in the legislation, the supplementary TEL-L group pension plan was removed with effect from 31 December 2016, and it became a paid-up policy. Based on the decision of the Board of Directors, the unearned TEL-L pension and funeral grant were compensated as a lump sum payment to applicable employees in Sampo, including the Group CEO. 50 per cent of the lump sum (EUR 122 198) was paid in 2016 and the other 50 per cent (EUR 122 198) was paid in 2017.

<sup>2</sup> In 2020, the deferred short-term incentives pertaining to 2016 were released.

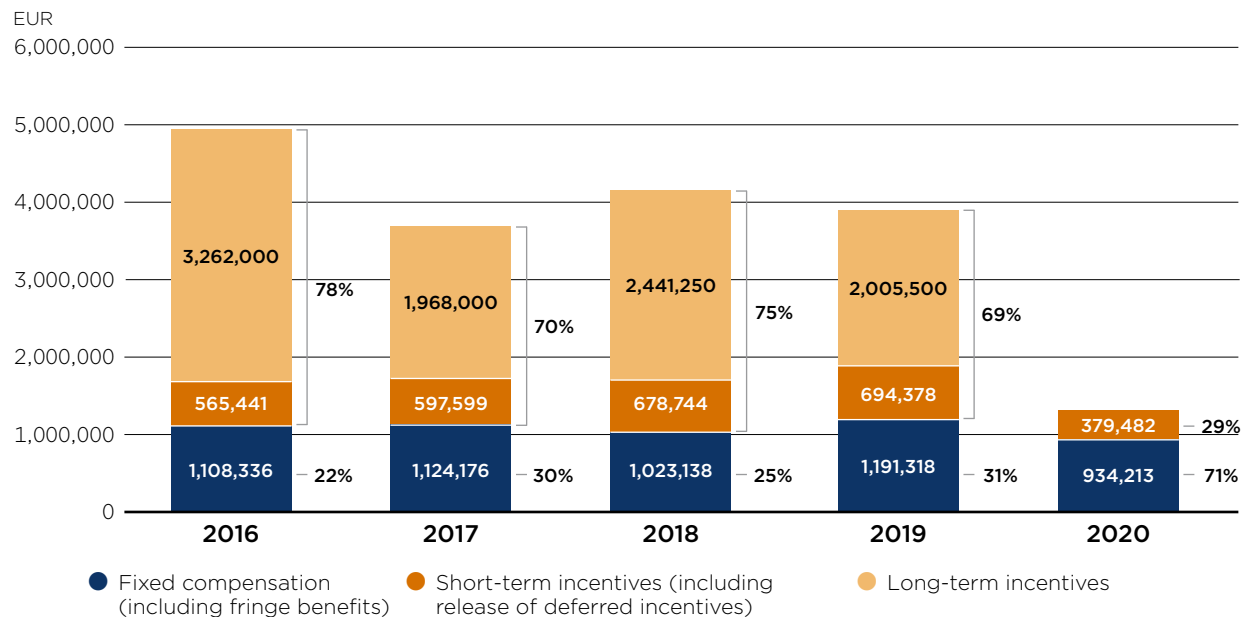
<sup>3</sup> Including share purchases under the terms of the long-term incentive scheme.

<sup>4</sup> The number of Sampo A shares acquired by the Group CEO under the terms of the long-term incentive scheme.

<sup>\*</sup> The first instalment of the long-term incentive scheme 2017:1 was due in September 2020 and performance conditions related to the insurance margin and return on capital at risk were fulfilled to 100 per cent. However, as the trade-weighted average price of the Sampo A share on Nasdaq Helsinki Ltd was below the starting price, there was no payout from the LTI 2017:1 in 2020.

The graph describes the proportional shares of fixed and variable remuneration elements of the total remuneration of the Group CEO. During the period 2016–2019, the Group CEO was Kari Stadigh, and with effect from 2020, the Group CEO has been Torbjörn Magnusson. The supplementary pension has not been included in the calculation.

### Remuneration of the Group CEO



# 2020




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