

17. Resolution on the maximum ratio between fixed and variable component of total remuneration

The Board of Directors proposes to the Annual General Meeting to resolve on the maximum ratio between the variable component and the fixed component of the total remuneration for defined employee categories in Aktia Bank and its subsidiaries (below "Aktia") shall be 200%.

According to the Finnish Credit Institution Act the ratio of the variable remuneration can amount to 200% of the fixed remuneration ("ratio") for each recipient of variable remuneration. Without a resolution from the General Meeting the ratio cannot exceed 100%.

Aktia Bank updated its strategy in 2019 and the financial targets of the strategy period were set considerably higher than for the previous strategy periods. This means a noticeable increase in the ambition level within the organisation that will require significant effort from the employees during the strategy period. With the proposal to increase the ratio for variable remuneration the Board wants to enable the rewarding of persons in a competitive manner for remarkable performance, and for reaching or exceeding targets set for the purpose of contributing to a significantly faster implementation of the strategy with cost control of fixed salary development.

The Board's proposal to increase the maximum ratio to 200% concerns about 100 employees in the Group with the following roles or positions, the applicability of which requires an individual agreement:

- Aktia Bank's Executive Committee;
- Other key employees in Aktia Bank, such as unit managers and specialists, who are driving for or in a significant manner contributing to reaching Aktia's long-term targets; or
- Employees working in sales or portfolio management.

Board members do not receive variable remuneration and are not included in the proposal. The maximum ratio for employees not included in the employee categories mentioned above is 100%.

Background

As a part of the modernisation of Aktia, the company has during the last few years developed its remuneration models to simplify and tie them to Aktia's development. This has been implemented, among other things, in 2018 by introducing the AktiaUna share savings plan for all Aktia employees, harmonising the employees' and the share owners' interests.

The renewed and dynamic remuneration structure supports the need for cost control and is based on a reasonable fixed remuneration on market terms, and an increased weight on variable components, the outcome of which depends on performance and results, but which also can be adjusted downwards or set to zero in a situation of inappropriate risk-taking.

A significant part of Aktia's strategy is the goal of making Aktia the most attractive workplace in the business. In addition to solid work within the transformation, at the very least keeping up with the pace of the changes in the whole finance industry, culture, work environment and leadership, this requires also that Aktia has a competitive remuneration structure that contributes to attracting and keeping the employees Aktia needs to implement the strategy and reach the cost targets.

The regulations ratio of 100% works in the present situation as a cutter and does not enable the payment of variable remuneration in full concerning especially good results. A maximum ratio of 200% in accordance with this proposal would provide tools for rewarding top performance and results. The purpose of the increase is not to automatically increase the variable remuneration to the employees, but only to create tools enabling a variable remuneration of more than 100%.

Aktia's remuneration programmes are designed to take into account the regulation of the finance sector for remuneration systems, e.g. requirements on earning periods of many years and the payment of remuneration during several years and requirements of retention after the award. The programmes include terms and conditions for forfeiture and repayment of variable remuneration.

Additional terms and conditions

The Board of Directors maintains discretion at the respective point of time to decide on the implementation of the maximal ratio and can thus ensure that the outcome does not lead to a harmful or unreasonable result for the company.

The proposal does not jeopardise Aktia's possibilities to maintain a sound capital base.

The proposed maximal ratio is valid from the decision of the Annual General Meeting for the whole earnings year 2020 and following earning years.

Aktia Bank shall exercise its voting right to consent to that a maximum ratio of 200% for the above-mentioned employee categories will be valid also in Aktia's subsidiaries.

The proposal has been prepared by the Board of Directors' remuneration and corporate governance committee.