

Sampo Group Remuneration report 2015

March 2016

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During 2015 Sampo complied in full with the Corporate Governance Code published by the Securities Market Association in October 2010 (the “Old Code”).

As of 1 January 2016 Sampo complies in full with the new Finnish Corporate Governance Code 2015 approved by the Securities Market Association on 1 October 2015, effective from 1 January 2016 (the “New Code”). This Remuneration Report has been prepared in accordance with section 7 of the Old Code as permitted by the New Code. The Old and the New Code can be viewed in full on the website of the Securities Market Association at www.cgfinland.fi.

Sampo Group Remuneration Principles, approved on 17 September 2014, describe the remuneration structure and the principles used in setting up remuneration systems within the general governance framework and according to the Sampo Group Risk Management Principles. The Remuneration Principles apply to all companies within Sampo Group and are available at www.sampo.com/remuneration.

Remuneration Principles in Sampo Group

The core of the Remuneration Principles is that all remuneration systems in Sampo Group shall safeguard the financial stability of the Group and comply with regulatory and ethical standards. They shall also be designed to balance the interests of different stakeholder groups such as shareholders, employees, customers and supervisory authorities. Furthermore, all compensation mechanisms shall be designed in parallel with the Risk Management Principles.

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. Thus, compensation mechanisms cannot be separated from risk management practices.

With regard to the various forms of remuneration, the guiding principles are that:

Fixed compensation (fixed salary) shall support financial stability, represent a sufficiently high share of the total remuneration and be competitive but not leading in the market.

Variable compensation shall be used to ensure the competitiveness of total remuneration packages while still keeping the fixed cost base reasonable. Variable compensation mechanisms shall ultimately be based on the employer's unilateral decision and contain clauses allowing the Board to scale down or cancel payment if necessary e.g. because of the financial situation of the company. Variable compensation can either be based on the contribution to the company's profitability (e.g. short-term incentive programs) or linked to committing employees to the Group for a longer period of time (long-term incentive schemes). Long-term incentive schemes shall be designed to also align the participants' interests with those of the shareholders' by linking the payout of the schemes not only to certain performance criteria, but also to the development of Sampo's share price.

Pensions shall as a general rule be of defined contribution nature.

Other benefits shall reflect the conditions in the relevant labor markets.

Deferral of Variable Compensation

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 variable compensation shall be paid out in full, partly or cancelled in whole. For the year 2015, parts of both short-term and long-term incentives have been deferred.

Remuneration of the Board of Directors

According to Sampo's Articles of Association, the Annual General Meeting decides on the compensation of the members of the Board of Directors.

In accordance with the decision of the Annual General Meeting in 2015, the following annual fees were paid to members of the Board of Directors for their Board and committee work up to the close of the Annual General Meeting in 2016: EUR 160,000 to the Chairman, EUR 100,000 to the Vice Chairman and EUR 80,000 to the other members of the Board. Each Board member has in accordance with the resolution of the Annual General Meeting acquired Sampo plc's shares at the price paid in public trading for 50 per cent of his/her annual fee (excluding potential statutory social and pension costs) after deduction of taxes and similar payments¹. The members of the Board of Directors acquired 3,948 Sampo A shares with said annual fees during 2015. Board members are obliged to retain the shares for two years from the purchasing date.

The members of the Board of Directors are not in an employment or service relationship with the company and are not covered by the remuneration systems.

Remuneration of the Group CEO and the Group Executive Committee

The Board of Directors decides, on the basis of the proposal by the Nomination and Compensation Committee, the terms of employment and remuneration of the Group CEO, as well as the variable compensation of the other members of the Sampo Group Executive Committee. The Board of Directors has authorized the Nomination and Compensation Committee to decide the fixed remuneration of the members of the Group Executive Committee except for the Group CEO.

In addition to receiving monthly salaries, the members of the Group Executive Committee are participants in the company-specific short-term incentive programs, which are decided upon separately each year. The short-term incentive is determined on the basis of the Group result, individual performance, and where applicable, the business area result. The maximum amount that can be paid for 2015 to members of the Group Executive Committee corresponds to nine months' fixed salary.

Members of the Group Executive Committee are also participants in the long-term incentive schemes for Sampo plc's management (2011:1, 2011:1/2 and 2014:1). The terms of the incentive schemes specify the scheme-specific performance conditions and the maximum value of the incentive reward and are available on Sampo's website at www.sampo.com/incentiveterms.

¹In accordance with the decision of the Annual General Meeting in 2015, the company has compensated the transfer tax related to the acquisition of the company shares, in total EUR 6,006.68 (EUR 1,276.33 pertaining to the Chairman, EUR 806.60 pertaining to the Vice Chairman and EUR 3,923.74 pertaining to the other members of the Board).

For 2015 the Group Executive Committee, excluding the Group CEO, was paid EUR 2,897,636 in fixed salaries. EUR 1,338,548 was paid as short-term incentives (including deferred compensation pertaining to the operative year 2011 and excluding compensation deferred in 2015) and EUR 10,061,888 as long-term incentives. In total, the compensation amounted to EUR 14,298,072². This amount includes share purchases under the terms of the long-term incentive schemes. Through long-term incentive scheme transactions the Group Executive Committee, excluding the Group CEO, acquired 61,545 Sampo A shares in 2015. These shares are subject to disposal restrictions during a period of 3 years, after which the Board of Directors shall decide on the possible release. The short-term incentives deferred in 2015 amount to EUR 837,477 and can be paid out earliest in 2018.

The members of the Group Executive Committee are each covered by the employment pension system of their country of residence. Under the terms of their employment contracts, the majority of them are also covered by supplementary pension schemes, of which part are of the defined benefit type and part of the defined contribution type. The retirement age for the Group Executive Committee members, as set out in their contracts, is 60 or the flexible age laid down in the employment pension system of their country of residence.

Financial benefits included in the Group CEO's service relationship

The Board of Directors elects and releases the Group CEO, and decides on the Group CEO's remuneration and other terms of employment. During 2015 Sampo's Group CEO was Kari Stadigh.

The remuneration of the Group CEO includes fixed salary, fringe benefits, a supplementary health insurance and a defined contribution pension agreement and may also include payments from short-term incentive programs and long-term incentive schemes. The period of notice for terminating the service contract of the Group CEO is six months. The Group CEO is not entitled to severance compensation.

For the period 1 January to 31 December 2015, the Group CEO was paid EUR 856,961 in fixed salary. EUR 472,262 was paid as short-term incentives (including deferred compensation pertaining to the operative year 2011 and excluding compensation deferred in 2015) and EUR 2,961,000 as long-term incentives. In total, the compensation amounted to EUR 4,290,223. This amount includes share purchases under the terms of the long-term incentive schemes. Through incentive scheme transactions the Group CEO acquired 20,492 Sampo A shares in 2015. These shares are subject to disposal restrictions during a period of 3 years. The short-term incentive deferred in 2015 amounts to EUR 262,332 and can be paid out earliest in 2018.

The Group CEO's fixed salary includes fringe benefits (telephone, lunch, car benefit) with a total taxation value of EUR 17,506 for 2015. In addition, the Group CEO has an individual supplementary health insurance, the cost of which was EUR 6,532 in 2015.

The cost for supplementary pension coverage was EUR 2,267,880 in 2015. The sum includes the final premium of 2016 (EUR 525,183) pertaining to the previous defined benefit pension agreement and the liability is now fully covered. The previous pension agreement has on 1 January 2016 been replaced with a defined contribution pension agreement. The annual cost of the new agreement for Sampo is EUR 400,000.

²In addition, deferred compensation pertaining to the operative year 2011 was paid to former members of the Group Executive Committee, in total EUR 119,269.



SAMPO  **GROUP**

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