

Remuneration report

2018



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Evli Bank Plc's ("Evli") remuneration report describes the remuneration practices of the company and the remuneration of senior management, in other words Board of Directors, CEO and members of the Executive Group in 2018. Evli Bank Plc complies with the Finnish Corporate Governance Code issued by the Securities Market Association. This remuneration report has been drawn up in accordance with the Corporate Governance Code 2015. The code can be viewed in full on the Securities Market Association website at www.cgfinland.fi/en

Remuneration model in Evli Group

The objective of the Evli Group's reward system is to support the implementation of the company's strategy as well as promote its competitiveness and long-term financial success. A further aim is to contribute to a positive trend in Evli's shareholder value, committing the company employees to the company's objectives in the long run.

The remuneration model is made up of the following elements:

1. **Fixed salaries and bonuses:** A competitive fixed basic salary constitutes a solid foundation for maintaining and constantly developing basic functions.
2. **Varying remuneration:** To promote both Evli's short-term growth objectives and the attainment of its strategic goals, the company has an annually adopted reward system based on annually varying salary elements. The remuneration model is tied to the company's financial success, compliance with operating principles and guidelines, and solvency.
3. **Long-term incentive and commitment systems:** The long-term incentive systems, decided by the Board of Directors, are in place to support the company's strategic development and to commit the key persons to Evli's operations.

Decision-making relating to remuneration

The Compensation Committee, which is made up of members nominated from the Board of Directors, prepares a reward system in accordance with the targets set by the Board of Direc-

tors in which the criteria for determining the variable salary elements are determined. The Compensation Committee consists of at least two Board members and is chaired by an independent Board member. The Board reviews and adopts the reward system annually. The Board of Directors also decide on the long-term incentive systems and the issuing of options rights or share-based incentive systems.

The reward system must always comply with the valid legislation and guidelines issued by the authorities. The Compensation Committee monitors the functioning and results of the reward system. The Compensation Committee also monitors compliance with the reward system and the rewarding of the persons that are responsible for the company's risk management and control functions. Evli's internal audit function performs an annual audit of the reward system.

Evli Bank Plc's General Meeting will decide on the compensations payable to the Board members. The major shareholders of the company are responsible for preparing the

proposal concerning the remuneration. Evli Bank's Board of Directors adopt the principles and elements of the remunerations for the CEO and Executive Group on an annual basis. To prepare the Board resolutions, the Board's Compensation Committee will draft the proposals related to remuneration. The CEO and Executive Group members are covered by the shared Evli Group reward system. All changes in the CEO's salary and remuneration are subject to the Board's approval.

Remuneration principles

Fixed salaries and bonuses

Evli's fixed salaries play a significant role in remuneration. Evli seeks to offer a competitive level of salaries to keep its competent employees with the company. Fixed salaries rise either on the basis of increases based on the collective agreement or on the basis of a personal pay rise awarded by the employee's supervisor. There are no significant separate fringe benefits in the Group.

Varying remuneration

The Group's reward system covers its entire personnel. The objective of the reward system is to support the implementation of the company's strategy, and promote its competitiveness and long-term financial success. Remuneration payable in line with the reward system is linked to the financial success of the entire Group, compliance with the company's operating principles and guidelines, and to ensuring solvency. The model is built in a way that does not encourage unhealthy risk-taking.

Under all circumstances, remuneration in line with the reward system is always subject to a Board resolution. Through a Board resolution, the company can decide, if appropriate, not to pay the variable remuneration element, either in part or in total. Moreover, the company always has the right to reclaim a paid variable remuneration element, should it later discover that the actions taken by the individual remunerated have jeopardized the financial position of the company, the individual has violated the regulations affecting the company or the company's own operative principles and procedures, or has contributed to such an action through negligence.

The Evli Group's reward system contains restrictions to ensure that the variable ele-

ment of the remuneration is not paid out if the Group's result does not show a favorable trend. The premise for bonus payments is a result that is sufficiently strong so that the company's solvency is not jeopardized through variable remunerations. Under no circumstances can remuneration and bonuses exceed 25 percent of the company's result before the profit distribution with employees. The reward system also contains restrictions to ensure that the variable element in the total remuneration does not grow excessively in relation to the fixed salary which would encourage risk-taking beyond the risk bearing capacity. In case of individuals, the share of the variable element must not exceed 100 percent of the total fixed salary element, unless the General Meeting decides otherwise. Nevertheless, the share of the variable element cannot exceed 200 percent of the total fixed salary of the individual in question.

To avoid conflicts of interest, the remuneration of persons in control functions does not depend on the financial success of the Group or any of its business units. The remuneration of those working in control functions will be tied to their individual performance and attainment of objectives. Allocating variable commissions to individuals considers both the level of work required and the individual's performance. Both qualitative and quantitative indicators are used for assessing performance. The

indicators are derived from Evli's strategy. The task of supervisors is to evaluate each individual's performance at least once a year. Based on these, a performance based reward per employee is calculated, which can be cut down if the model limits are compromised. The indicators and models are designed to account for long-term performance and compatibility of eventual bonuses with the company's operations and related risks.

Under certain circumstances, the company will be obliged to postpone the payment of the variable remuneration element. In this case, the postponement will be three (3) years from the end of the respective earning period. The amount of the remuneration payable after the postponement depends on the company's financial performance during the period of postponement, and it can also be zero. The company requires that employees do not take any personal action to protect themselves against risks related to the amount of their future variable remunerations or risks at the time of payment.

Long-term incentive systems

In addition to the above remuneration methods, the company may create separate long-term incentive systems. Evli Group has two share-based incentive programs, option pro-

gram 2014 and option program 2016, that are based on stock options that are currently in effect. In both cases, the stock options are issued gratuitously to the key persons employed by Evli Group. In divergence to the preferential subscription rights of the shareholders, the option rights are issued to the key employees named by the company's Board of Directors, to promote their commitment and motivation. The company's Board of Directors decides upon the distribution of stock options. The Board also decides upon the redistribution of any stock options that may later be returned.

In addition to the above-mentioned option programs, Evli Group has two share-based incentive plans established in 2017 and 2018. Rewards paid based on the plans are paid in Evli's shares. The aim with the share-based incentive plans is to support Evli's strategy and align the objectives of the shareholders and the selected key employees to increase the value of Evli in the long-term. Moreover, the aim is to retain the selected key employees at the company and to offer them a competitive reward plan. The prerequisite for reward award and reward payment is that a participant's employment or service is in force. In addition, the Board of Directors may consider the participant's work contribution.

The reward from the incentive plan 2017 is awarded in three installments. The first installment was awarded to the participants by the end of September 2017, the second installment by the end of September 2018 and the third installment is awarded to the participants by the end of September 2019. The reward from the incentive plan 2018 is awarded in three installments. The first installment was awarded to the participants by the end of June 2018, the second installment is awarded by the end of June 2019 and the third installment by the end of June 2020.

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Board of Directors

Evli Bank Plc's General Meeting will decide on the compensations payable to the Board members. The Annual General Meeting of March 12, 2018 made the following resolution on the compensation for attendance at meetings payable to the Chairman of the Board and other members:

- Chairman of the board EUR 7,500 per month
- Chairmen of the committees EUR 6,000 per month
- Members EUR 5,000 per month.

The Board has established and appointed an Audit Committee and a Compensation Committee to prepare matters to be handled by the Board.

Compensation paid to the Members of the Board, €	2018
Henrik Andersin, Chairman of the Board	86,500
Robert Ingman	60,000
Teuvo Salminen, Chairman of the Audit Committee	72,000
Harri-Pekka Kaukonen, Vice Chairman of the Board, Chairman of the Compensation Committee*	18,000
Johanna Lamminen	60,000
Mikael Lilius, Vice Chairman of the Board, Chairman of the Compensation Committee**	69,667
Total	366,167

*Until the Annual General Meeting of shareholders on March 12, 2018

**Starting March 12, 2018

In 2018, the total compensation paid to the Evli Group Board members amounted to EUR 366,167. This sum is made up of meeting participation fees related to the work carried out in the Board and its committees. In 2018, the Board members did not receive any shares or share-based rights as compensation for their work. The Board members are presented on [page 135](#).

CEO

The Board of Evli Group adopts the principles and elements of the remunerations for the CEO and Executive Group on an annual basis. All changes in the CEO's salary and remuneration are subject to the Board's approval.

Evli's CEO in 2018 was Maunu Lehtimäki. The CEO was paid EUR 381,840 in salary and fringe benefits as well as performance bonuses amounting to EUR 58,269, totaling EUR 440,109.

CEO, €	2018
Salary and fringe benefits	381,840
Performance bonuses	58,269
Total	440,109

The CEO has no significant separate fringe benefits and is covered by the shared Evli Group reward system. The CEO was issued 42,500 stock options 2014 and 40,000 stock options 2016.

The CEO is covered by a six-month period of notice binding to both parties. The CEO is entitled to receive a severance pay corre-

sponding to the salary of 12 months if the CEO's contract is terminated by the company.

Executive Group

The Board of Evli Group adopts the principles and elements of the remunerations for the Executive Group on an annual basis. In addition to the CEO, there were six members in the Executive Group in 2018. The members of the Executive Group are presented on [page 136](#).

In 2018 the company's Executive Group members' salaries and remunerations, including fringe benefits – the CEO salary and remunerations excluded – amounted to a total of EUR 1,044,470. The members of the Executive Group have no significant separate fringe benefits and are covered by the shared Evli Group reward system. The Executive Group members were issued 35,000 stock options 2016, 9,200 Evli shares as part of the share-based incentive plan established in 2017 and 9,334 Evli shares as part of the share-based incentive plan established in 2018. The pension liability of the Executive Group has been arranged through statutory pension insurance policies.

Members of the Executive Group, €***	2018
Salary and fringe benefits	787,890
Performance bonuses	256,580
Total	1,044,470

***Excluding the CEO

