Fellow Bank Plc

Remuneration policy

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Introduction

In this remuneration policy for the governing bodies of Fellow Bank Plc (hereinafter "Fellow Bank" or "the company"), the general principles and decision-making processes regarding the company's governing bodies, namely the Board of Directors and the CEO and the Deputy CEO, if applicable, are presented. The objective of the remuneration policy is to support the implementation of the company's strategy as well as to promote its competitiveness and long-term financial performance. A further aim is to contribute to a positive trend in shareholder value and to commit the company's Board of Directors and CEO to the company's objectives in the long term.

Fellow Bank complies with the Finnish Corporate Governance Code for Finnish listed companies issued by the Securities Market Association. This remuneration policy has been prepared in accordance with the Corporate Governance Code 2020. The Company's remuneration policy shall be presented at Fellow Bank's Annual General Meeting at least every four years and whenever any significant changes are proposed to it. The remuneration report shall be presented annually at Fellow Bank's Annual General Meeting.

In all its remuneration, Fellow Bank complies with applicable financial regulations. This remuneration policy has been prepared taking account of the applicable regulations and the Fellow Bank Group's general remuneration model, which covers the entire personnel. The remuneration policy must comply with the remuneration principles applicable to all Fellow Bank personnel.

The remuneration policy is based on the following main principles:

- to offer a competitive fixed salary to constitute a solid foundation for maintaining and constantly developing basic functions;
- to promote both short-term growth objectives and the attainment of strategic targets with variable salary components in accordance with a remuneration model approved annually by the Board of Directors;
- to use long-term incentive programmes to support the company's strategic development and the management's commitment.

Under the remuneration principles, an individual's variable bonus may not exceed 100% of the individual's annual fixed remuneration.

Decision-making relating to remuneration

The remuneration policy is prepared by the Board's Personnel Committee and approved by the Board for presentation to the General Meeting. Compliance with and the functioning and results of the remuneration policy are monitored by the Personnel Committee and the Board of Directors. The company's internal audit conducts a regular audit of the remuneration.

Remuneration of members of the Fellow Bank Group's bodies is always decided by the body that has appointed them.

Fellow Bank's General Meeting decides on the remuneration of the members of the Board of Directors, and the Shareholders' Nomination Board is responsible for preparing the proposal regarding the remuneration. The principles and elements of the remuneration of the CEO and any Deputy CEO are approved by Fellow Bank's Board of Directors in accordance with this remuneration policy. The Personnel Committee, appointed by the Board of Directors, prepares proposals on matters related to remuneration for decision-making by the Board. All changes to the CEO's salary and remuneration or to the terms of the CEO's service contract are made by the Board of Directors on the basis of a proposal by the Personnel Committee in accordance with this remuneration policy.

Remuneration of the Board of Directors

In general, the remuneration of the Board of Directors is decided by the General Meeting on the basis of a proposal by the Shareholders' Nomination Board. A decision on the remuneration of the members of the Board of Directors must be based on the valid remuneration policy presented to the General Meeting.

The remuneration of the members of the Board of Directors consists of a fixed monthly compensation and possible compensation for meeting attendance. The Chairman of the Board of Directors, the Vice Chairman and the chairmen of the committees of the Board of Directors may be paid an increased compensation.

In addition to the compensation, the members of the Board of Directors are compensated for their travel expenses. The compensation of the Board of Directors may also be paid in the form of shares in the company.

Remuneration of the CEO

The Board of Directors of Fellow Bank adopts the principles and elements of the CEO's remuneration on an annual basis.

The purpose of the CEO's remuneration is to support the implementation of the bank's strategy, business development, and growth in shareholder value. All changes to the CEO's salary and remuneration are subject to approval by the Board of Directors. The CEO's remuneration comprises a fixed salary, a variable bonus, and long-term incentives and commitment systems.

The amount of the CEO's variable bonus and the relative proportion to the fixed salary are within the limits set out in financial regulations. The CEO's variable bonuses shall not exceed 100% of his or her annual fixed remuneration. The variable bonus is linked to the company's financial success and the achievement of its strategic goals. If deemed pertinent, the company may, by a decision of the Board of Directors, decide not to pay the variable bonus, in whole or in part. The Board decides on the long-term incentive and commitment systems for the CEO on a case-by-case basis.

In certain circumstances, the company is obliged to defer payment of the variable bonus. In such a case, the company will defer payment of the variable bonus in accordance with the regulations of the financial industry. The amount of the bonus payable after the deferral depends on the financial performance of the company during the deferral period and may even be zero. The company expects that the CEO will not hedge his or her personal actions against any risk related to the amount or timing of future variable remuneration.

In certain circumstances, the company may also claw back a variable bonus already paid. The company shall also always have the right to claw back a variable bonus already paid if, after such payment, it becomes apparent that the person receiving the bonus has endangered the financial position of the company, violated the company's operating principles and practices, or contributed to such conduct through neglect.

The CEO has a notice period consistent with current market practices, which is set out in the CEO's service contract. Similarly, in cases where the CEO's service contract is terminated by the company, he or she is entitled to the severance pay specified in the CEO's service contract in accordance with prevailing market practices.

The above matters concerning the CEO also apply to a potential Deputy CEO.

Conditions for temporary deviation

Remuneration of the company's bodies must, in general, be based on the remuneration policy approved by the General Meeting. Deviations from the policy's principles can only be made if the achievement of the company's long-term goals and strategy is otherwise judged to be at risk. The option to temporarily deviate from the remuneration policy of the bodies is intended to apply only in exceptional circumstances in which the core operating circumstances of a listed company have, after the General Meeting's consideration of the bodies' remuneration policy, changed as a result of a change of CEO or a merger or an acquisition proposal and the existing remuneration policy is no longer appropriate in the changed circumstances. Deviations are also possible in situations where limits on remuneration pursuant to financial regulations would make it impossible to comply with the remuneration policy.

If the deviation from the remuneration policy is expected to continue other than on a temporary basis, the company shall draw up a new remuneration policy, which will be discussed at the next Annual General Meeting. Because of the provisions regarding the notice to the Annual General Meeting and the availability of the meeting materials there may be insufficient time to submit a new remuneration policy to the next Annual General Meeting if the need for deviation arises close to the time of the meeting. In such a case, the remuneration policy shall be submitted to the General Meeting for which it can be appropriately prepared. If the temporary deviation from the remuneration policy concerns the remuneration of a new CEO, or is due to corporate restructuring or similar exceptional circumstances, the new remuneration terms will apply as agreed regardless of the duration of the temporary deviation.

Deviations from the policies and principles of the policy are reported as part of the remuneration report at the Annual General Meeting.