



## THE MORTGAGE SOCIETY OF FINLAND 2020 REMUNERATION POLICY FOR GOVERNING BODIES

Discussed by the Board of Directors on the 25<sup>th</sup> of February 2021

Discussed by the Supervisory Board on the 26<sup>th</sup> of February 2021

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## 1. Introduction

This Remuneration Policy of Governing Bodies of The Mortgage Society of Finland (hereinafter “Hypo”) covers the remuneration of the Board of Directors, the Supervisory Board, the Chief Executive Officer and the Deputy Chief Executive Officer.

Hypo’s Remuneration Policy of Governing Bodies is based on a reasonable level of remuneration, sound and profitable business as well as on commitment of the responsible persons in order to contribute to the long-term economic success of both the company and the entire Hypo Group. Remuneration scheme does not encourage ill-advised risk-taking nor to pursue any questionable business models with respect to Hypo’s specific purpose.

The remuneration principles which apply on the governing bodies differ from the remuneration principles applicable to the other personnel as follows:

- Members of the Supervisory Board and the members of the Board of Directors, excluding the CEO and the Deputy CEO, are not entitled to variable remuneration components.
- The maximum amount of the variable remuneration components paid for the CEO and the Deputy CEO may be greater than the variable remuneration components paid for other personnel.
- The variable remuneration components of the CEO and the Deputy CEO are paid in total as insurance premiums to the defined contribution-based Department M of Hypo’s Pension Foundation. As for the other personnel, only a part of the variable remuneration components is paid as insurance premiums, with the rest to be paid out in cash.
- The variable remuneration components of the CEO and the Deputy CEO may be cancelled within three years from the end of the performance year. As for the other personnel, the variable remuneration components may be cancelled within three years from the end of the performance year, provided that the recipient is regarded as a person having a major impact on the risk position and has infringed the rules, the regulations or the principles. For the personnel other than the CEO, the Deputy CEO and persons having a major impact on the risk position, the variable remuneration components may be cancelled within one year from the end of the performance year.

Hypo issues publicly traded bonds and thus it must comply with many of the regulations concerning listed companies. Hypo adheres to the Finnish Corporate Governance Code issued by the Securities Market Association and which came into effect on the 1<sup>st</sup> of January 2020 (hereinafter “the Code”). Hypo has decided to temporarily deviate from the Code’s recommendation regarding the approval of the Remuneration Policy of Governing Bodies. Hence, this Remuneration Policy of Governing Bodies will only be adopted in the 2021 General Meeting of Hypo to apply

on remunerations payable from the year 2021 at the earliest. In 2020, the remuneration has complied with the principles of remuneration set out for the year in question and which has been described in the 2020 Remuneration Report for Governing Bodies.

This document is an unofficial English translation of the Finnish version. In case of discrepancy, the Finnish version shall prevail.

## **2. Description of the decision-making process**

The General Meeting decides on the remunerations to the members of the Supervisory Board on a proposal from the Compensation Committee.

The Supervisory Board decides on the remunerations to the members of the Board of Directors as well as the salary and remuneration payable to the CEO and to the Deputy CEO likewise on a proposal from the Compensation Committee.

The Supervisory Board decides on the salaries and remuneration of the management team. However, it has delegated the decision-making power to the Board of Directors and to the CEO as made possible by the bylaws.

The Board of Directors confirms for each calendar year the earning principles and the payment criteria of the variable remuneration components for the CEO and Deputy CEO as well as for other personnel.

## **3. Description of the remuneration of the Board of Directors and the Supervisory Board**

An annual fee and an attendance fee for the participation in the meetings are paid to the members of the Supervisory Board and to the members of the Board of Directors (excluding the CEO and the Deputy CEO). Half of the annual fee is paid in cash and the other half as insurance premium to the defined contribution-based Department M of Hypo's Pension Foundation.

Hypo has established a voluntary statutory pension insurance (TyEL insurance) for the members of the Board of Directors of which the value is added to the remunerations paid in cash to the members of the Board of Directors.

An attendance fee is paid to the inspectors of the Supervisory Board according to their participation in the meetings. The members are entitled to compensations for their travel and accommodation expenses in accordance with the State Travel Regulations.

A meeting attendance fee for the participation in the meetings is paid for the members of the Nomination Committee.

No meeting attendance fees are paid for the meetings of the Compensation Committee.

A meeting attendance fee for the participation in the meetings is paid for the members the Risk Management Committee reporting directly to the Board.

#### **4. Description of the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer**

The Supervisory Board confirms the terms of service of the CEO and the Deputy CEO on a proposal from the Nomination Committee decides on their salaries and remuneration on a proposal from the Compensation Committee.

In principle, the CEO and the Deputy CEO are subject to the same remuneration principles as the other personnel. The differences in comparison with the other personnel are described in paragraph 1 above. Remuneration consists of fixed salary and variable remuneration component (hereinafter “variable remuneration”) paid on the grounds of the performance-related pay and incentive scheme.

Both the CEO and the Deputy CEO have a fixed monthly salary. The fixed monthly salary is a total salary including the fringe benefits. The entitlement to pension of the CEO and the Deputy CEO is in accordance with the Employees Pensions Act and their executive contract or contract of employment does not contain any specific condition related to pension. The CEO and the Deputy CEO are entitled to a six-month (6) notice period. In case of a notice, the CEO and the Deputy CEO shall be paid, in addition to the salary payable for the notice period, a payment corresponding to one’s four (4) month’s salary.

Both the CEO and the Deputy CEO are covered by Hypo’s performance-related pay and incentive scheme of which the CEO and the Deputy CEO have an opportunity to obtain at most a payment corresponding to one’s 20 weeks’ salary. The variable remuneration is paid in total (100 %) as insurance premium to the defined contribution-based Department M of Hypo’s Pension Foundation. Deferred variable remunerations are paid to the Department M in by the end of the calendar year following the ending of the period of acquisition. A notice of termination of employment given before the moment of confirmation of the variable remuneration prevents the confirmation of the insurance premium. The Board of Directors may, with an unilateral decision, cancel the variable remunerations of the CEO and the Deputy CEO already confirmed or paid. Cancellation and recovery is possible within three (3) years from the end of the performance year. There is no need to state reasons for the cancellation decision.

During Hypo’s core banking system renewal project which began in 2019 and regarding the performance years 2020 and 2021, the Deputy CEO is considered to be part of the same group within the remuneration scheme as the project group. It

follows, that the maximum amount of the variable remuneration components in relation to those years may somewhat differ from the above mentioned.

As regard to the CEO, the payment criteria of the variable remunerations are based on an overall assessment of accomplishment of the performance targets set out in Hypo Group's scorecard. The main targets having an impact on the CEO's performance-related pay and incentive scheme are related to the key figures established for the Hypo Group. As regard to the Deputy CEO, the payment criteria of the variable remunerations are based on the accomplishment of the performance targets set out in the scorecard of his respective operational area or equivalent of the former. In order to be entitled to the variable remuneration in its entirety, one has to significantly exceed the set targets.

## **5. Requirements for temporary deviation**

Regarding the CEO and the Deputy CEO, the Board of Directors may temporarily amend the amounts and the earning principles of the variable remunerations provided that changes in the operations or for example, significant development project requires a deviation from the established remuneration model. The Supervisory Board decides also on the payment of the deviant remunerations to the CEO and to the Deputy CEO on a proposal from the Compensation Committee.