

Report on remuneration in Skandia 2010

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Rules for remuneration

The Swedish Financial Supervisory Authority (Swe. *Finansinspektionen*) ("S-FSA") has issued general guidelines governing remuneration policies in insurance companies, fund management companies, exchanges, clearing organisations and institutions for the issuance of electronic money (FFFS 2011:2 – the "General Guidelines"). The General Guidelines, which took effect on 1 March 2011 and replace FFFS 2009:7, provide guidance on how a company should measure, govern, report and maintain control over the risks that remuneration systems can give rise to. The rules entail, among other things, that companies shall adopt a remuneration policy and make detailed disclosures on remuneration. For employees who can influence the risk exposure of the company, at least 60 per cent of their variable remuneration should be deferred for at least three years. Prior to being paid out, the amount should then be risk-adjusted, that is, the result that the remuneration is based on shall be validated and evaluated.

Remuneration policy

Skandia Insurance Company Ltd (publ) ("Skandia") has adopted a remuneration policy in accordance with the General Guidelines, which will be applied by Skandia and its subsidiaries in the Nordic countries ("Skandia Nordic"). The remuneration policy applies for all remuneration of all employees in Skandia. By all remuneration is meant cash remuneration provided for fixed and variable salary, other cash remuneration, remuneration in the form of shares or share-related instruments, pension contributions, severance pay, benefits, etc. that Skandia pays out directly or indirectly to a person within the framework of employment. Variable remuneration does not include, in this context, commission-based remuneration, which is not linked to future risk commitments, which may change the company's income statement or balance sheet. The same applies to the provisions for the profit-sharing foundation Skandianen (see below under "*Remuneration components*") and gratuities.

Subsidiaries that are subject to the supervision of the S-FSA and where remunerations have been paid during 2010 have adopted their own remuneration instructions that correspond to Skandia's remuneration policy. The instructions adopted by Skandiabanken Aktieföretag (publ) ("Skandiabanken") and Skandia Fonder AB differ to some extent from Skandia's remuneration policy as those companies are covered by the S-FSA's regulations governing remuneration arrangements in

credit institutions, investment firms and fund management companies licensed to conduct discretionary portfolio management (FFFS 2011:1). Furthermore, Skandia Life Insurance Company Ltd (publ) ("Skandia Liv") has established its own remuneration policy. Skandia's subsidiary companies in Denmark under supervision have, against the background of new Danish legislation, adopted their own remuneration instructions which are applicable with regard to remuneration earned from 2011 onwards.

Below is an account of the main features of the remuneration policy that has been developed and adopted by Skandia and the reimbursement policies applied for the remuneration earned in 2010.

Decision-making process

Skandia's Board of Directors decides on the remuneration policy.

Skandia Nordic has a remuneration committee. The committee is a permanent board committee that is tasked with conducting drafting on material issues regarding remuneration of employees in Skandia Nordic (with the exception of Skandia Liv and Skandiabanken which have their own remuneration committee). The Remuneration Committee consists of board members Paul Hanratty (committee chair), Lars Otterbeck and Andrew Birrell. The Chief Executive Officer (the "CEO") and Human Resources Director are co-opted, to the extent requested by the Remuneration Committee.

The remuneration policy stipulates the principles that apply for decisions on remuneration of senior executives. Skandia's Board of Directors has delegated to the Remuneration Committee the responsibility of making decisions on remuneration of the CEO. The Board has also delegated to the Remuneration Committee, in accordance with the "grandfather principle"¹ applied in Skandia Nordic, to approve decisions by the CEO relating to remuneration to members of Skandia Nordic Executive Committee and others who are directly responsible to the board or the CEO. Decisions on remuneration of other senior executives in Skandia Nordic are made in accordance with the grandfather principle. The Remuneration Committee shall report back to Skandia's Board on decisions made by the Committee.

Decisions on participants in Old Mutual plc's (Skandia's parent company) share-based incentive programs are made by Old Mutual.

¹The grandfather principle means that approval shall be obtained from the "manager's manager".

Risk analysis

Before a decision can be made on a remuneration system or on significant changes in the system, an analysis must have been performed of how the system affects the risks that Skandia Nordic is exposed to and how these risks are to be managed. By risks is meant such risks that could lead to a deterioration of Skandia Nordic's result or financial position in the future.

This remuneration policy shall promote a sound and effective risk management and counteract excessive risk-taking. During the designing of the remuneration policy, a risk analysis was conducted by Skandia Nordic Independent Compliance, Actuarial & Risk Control ("ICAR").

The risk analysis includes risk management and control system of Skandia Nordic, the main risk categories, including reputation risk with regard to remuneration, risk tolerance and remuneration policy and process for the identification of Risk Takers (defined below). The main focus of the analysis is on variable remuneration.

Taking into consideration the information presented in the remuneration policy together with the assumption that risk management and the compliance control system are complied with, no current risks related to remuneration are deemed to exist.

The unit ICAR has conducted a thorough analysis of the ultimate impact of the remuneration system in relation to Skandia Nordic's budgeted results for 2011. ICAR believes that the variable remuneration component is reasonable, and thus that there is little risk that the current remuneration system will reduce the value of Skandia Nordic.

For additional information on risks and risk management, see Skandia's annual report for 2010 note 2 "Risk management", www.skandia.se/AboutUs/FinancialInfo.

Monitoring and reporting

The remuneration policy shall be reviewed on an annual basis so that it develops in parallel with changes to the company's situation.

A control function within Skandia shall, on an annual basis, conduct an independent review to ensure that Skandia Nordic's remuneration is consistent with the remuneration

policy and to report the results of the review to the Skandia Board of Directors. In 2010, this audit was conducted by the unit ICAR.

Fundamental principles for remuneration of employees of Skandia Nordic

The remuneration policy stipulates that the design of employee remuneration shall take into account the importance of maintaining operations that are cost-effective and competitive. Remuneration systems should encourage long-term value creation for Skandia Nordic with a well-balanced risk horizon. The results that form the basis of decisions on variable remuneration should include an assessment of whether the results are sustainable even during an economic downturn. Remuneration to employees of Skandia Nordic shall be business-driven, individual and differentiated and based on:

- the market, i.e., what other companies pay for similar work duties in what can be regarded as the employee's potential labour market,
- the degree of difficulty and responsibility of the employee's position, and
- competence, experience and performance.

Regarding the variable remuneration to employees of Skandia Nordic, the following basic principles apply. Performance-based remuneration shall be based on the employee's performance as well as on the pertinent profit centre's and company's overall performance. Consideration shall also be given to qualitative criteria, such as how the employee has handled and reported risks in the operations. There shall be a suitable balance between the fixed and variable components. It shall be possible to set the variable remuneration to zero. With respect to variable remuneration, a cap shall be in place which indicates the maximum level of remuneration that can be paid.

For employees who influence Skandia's risk exposure, specific principles apply with respect to variable remuneration; see below under "Employees who influence Skandia Nordic's risk exposure".

There are a few employees of Skandia which in the operational sense are not part of Skandia Nordic but belong to other units within the Old Mutual Group. For remuneration to these employees, the remuneration policy in place for the

actual unit at that time applies. Such remuneration policies may differ from Skandia Nordic's remuneration policy. The remuneration to such persons is consistent with the General Guidelines.

Remuneration components

The remuneration in Skandia Nordic can consist of a fixed and a variable component, and comprise one or more of the following components:

- Monthly salary, i.e., a fixed salary that is paid out monthly
- Annual variable remuneration (incentive), which pertains to remuneration based on results, i.e., performance-based remuneration. As a rule, such remuneration is paid out based on results in relation to expectation.
- Long term share-based incentive programs
- Skandianen, which is a profit-sharing foundation (however, not a foundation as defined in the Foundations Act (Stiftelselagen [1994:122]) or Pension Obligations Vesting Act (Tryggandelagen [1967:531])). For employees who are not entitled to variable remuneration, in accordance with the above, a yearly allocation is made to Skandianen based on Skandia Nordic's financial result
- Pension and risk insurance
- Other benefits, such as company car, private healthcare, interest subsidies and wellness reimbursement

Employees who influence Skandia Nordic's risk exposure

With a starting point from the risk analysis that is conducted by the unit ICAR, Skandia has – in accordance with the General Guidelines – defined the categories of employees who could influence Skandia Nordic's risk exposure. By an employee who could influence the company's risk exposure is meant an employee who belongs to a personnel category which, in the course of business, has or could have a not insignificant influence over Skandia Nordic's risk exposure (referred to as "Risk Takers").

The categories of Risk Takers that have been identified are evaluated by Skandia on a regular basis and can thereby, against the background of the influence they have on Skandia Nordic's risk exposure, be changed from time to time.

For Risk Takers, whose variable remuneration during a single year amounts to at least SEK 100,000, payment of at least 60 per cent of the variable remuneration shall be deferred for a minimum of three years. Before the deferred remuneration is paid out, the amount shall be risk adjusted, i.e., the results that the remuneration is based on shall be validated and evaluated. This means that the deferred remuneration shall be reduced if it is subsequently learned that the employee, profit centre or the company has not met the performance criteria that have been set. The Board of Directors shall have the right to unilaterally void the right to payment of the deferred remuneration in the event of such extraordinary circumstances that entail that Skandia Nordic's financial stability is threatened or if a wrongdoing is committed in such way that the performance criteria have not rightfully been met.

Remuneration of persons in control bodies

Employees, who work in a review capacity for operations, such as employees within the unit ICAR and Internal Audit, shall be paid remuneration that is independent of the areas they control. In certain cases, such employees have the opportunity to receive variable remuneration, but only based on individual targets for own performance that are not dependent on the performance of the area under review. Employees in control bodies that are not included in variable remuneration systems based on individual targets are currently entitled to participation in Skandianen.

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Specific information about variable remuneration

Skandia has a variable remuneration programme for senior executives and key persons. Under this arrangement, the former CEO Bertil Hult and current CEO Mårten Andersson have a variable remuneration of up to 100 per cent of the base salary. From the performance year 2011, Mårten Andersson has, in addition to this, a long-term variable remuneration component of a maximum of 50 per cent of the basic salary.

Other persons in the Skandia Nordic Executive Committee have a variable remuneration for performance year 2010 of up to 60 per cent of the fixed annual salary. Other employees who are eligible for variable remuneration can receive a maximum of between 10–40 per cent of the fixed annual salary, depending on their position. For some employees in fund management activities there is a model for variable remuneration with a maximum of up to 50 per cent of the fixed annual salary.

Skandia Nordic's Executive Committee uses a pool-based model for variable remuneration. The total amount of the pool is determined by the overall outcome of the variable remuneration and is primarily based on financial targets for Skandia Nordic. Each participant also has an individual scorecard based on the individual's performance, the profit centre's performance, Skandia's overall performance and in certain cases Skandia Nordic's overall performance. The individual outcome of the variable remuneration is based on the pool's outcome and the employees' individual scorecard.

For all other employees, Skandia's variable remuneration is based on the establishing of detailed and individual scorecards. The outcome is based on the individual's performance, the profit centre's performance, Skandia's overall performance and in certain cases Skandia Nordic's overall performance.

For employees who do not have the right to variable remuneration in accordance with the above-mentioned programme, remuneration corresponding to a maximum of 120 per cent of *one-half* of the Price Base Amount for 2010 may be payable (the full Price Base Amount for 2010 was SEK 42,400). Any remuneration will be deposited in the profit-sharing foundation, Skandianen, and will be locked in for a period of five years.

Long term share-based incentive programmes

The employees covered by the share-based incentive programmes in 2010 were awarded shares in April 2011. The shares can be exercised at the earliest three years after they have been granted. In order for the employee to be able to utilize the value of the allocated shares, the employee is required to remain in service for at least three years.

These programs are described in Skandia's annual report for 2010, note 45 "Average number of employees, salaries and remuneration" [www.skandia.se/ About Us/ Financial Info](http://www.skandia.se/About%20Us/Financial%20Info)".

Pensions

The former CEO and current CEO have retirement benefits in accordance with the FTP plan, department 2 (occupational pension plan in the insurance industry). This plan is mainly a defined benefit solution with a maximum benefit of 65 per cent of the pensionable salary. Retirement age is, in accordance with the pension plan, at 65. For pensionable salary amounts above the plan's ceiling of 30 times the Income Base Amount, a defined contribution premium of 37 per cent is allocated. Variable remuneration amounts above the plan's ceiling are not included in the pensionable salary base.

For other senior executives, the retirement age varies between 60 and 65. For this group there are both defined contribution and defined benefit pension obligations. The premiums are set at what would have applied for a benefit level corresponding to 70 per cent of the pensionable salary.

Skandia's pension plans for other employees consist primarily of retirement benefits pursuant to the collective agreement within the insurance industry (FTP), and in certain cases additional retirement benefits for senior executives. The pension plans consist primarily of retirement pension, disability pension and family pension.

Severance pay

The former CEO is entitled to salary during his term of notice, which is 12 months in cases where the company serves notice. The current CEO is entitled to salary during his term of notice, which is 12 months in cases where the company serves notice and severance pay corresponding to 6 months' salary.

Other senior executives are, at the termination of employment where the company serves notice, entitled to salary during the term of notice and severance pay. Normally, salary during the term of notice and severance pay together do not exceed 24 months.

Quantitative disclosure in accordance with the general guidelines FFFS 2011:2 of the Swedish Financial Supervisory Authority

Remuneration and benefits with regard to 2010 divided into categories: Senior Executives, other employees who affect the company's risk exposure and other employees of Skandia are presented in the following tables:

All amounts are reported excluding social security charges and in SEK, rounded off to the nearest million (MSEK).

Table 1a: Expensed amount of remuneration for employees of Skandia in 2010

In accordance with FFFS 2011:2 Ch. 5 Section 1 Item 7

Expensed amount of remuneration for employees of Skandia in 2010	Average number of employees	Fixed salary and other cash remuneration ¹	Variable remuneration ²	Pension	Benefits	Total
Senior Executives	10	29 ¹	15	8	2	54
Employees who affect the company's risk exposure	21	17	2	7	1	27
Other Employees	770	367	31	107	29	534
Adjustment of previous years' reservation regarding variable remuneration			-44 ³			-44
Total	801	413	4	123	32	571

¹ Including severance pay and a yearly allocation during the term of notice.

² Variable remuneration refers to annual variable remuneration, long term share based incentive program, allocation to the profit sharing foundation and gratuities.

³ MSEK 37 relates to annual variable remuneration and MSEK 7 relates to long term share based incentive program.

Table 1b: Expensed amount of remuneration for people who were not employees of Skandia in 2010¹

Expensed amount of remuneration for employees of Skandia in 2010	Average number of employees	Fixed salary and other cash remuneration	Variable remuneration	Pension	Benefits	Total
Senior Executives	3	10	8 ²	4	0	22
Adjustment of previous years' reservation regarding variable remuneration			-1			-1
Total	3	10	7	4	0	21

¹ Refers to senior executives whose remuneration have not been paid or expensed by Skandia.

² Of the amount above MSEK 3 pertains to special compensation to a person for contribution to project work.

Table 2a: Percentage distribution of variable remuneration to employees of Skandia

In accordance with FFFS 2011:2 Ch. 5 Section 1 Item 8

2010 Cash variable remuneration	Share related remuneration	Other	Total
68 %	13 %	19 %	100 %

Table 2b: Percentage distribution of variable remuneration for people who were not employees within Skandia

2010 Cash variable remuneration	Share related remuneration	Other	Total
53 %	8 %	39 %	100 %

Table 3a: Changes in liabilities for variable remuneration during 2010

In accordance with FFFS 2011:2 Ch. 5 Section 1 Item 9–10

Opening balance as at 1 January 2010	68
Earned variable remuneration during the financial year 2010 ¹	39
Paid remuneration vested during previous financial years	-31
Adjusted not paid vested remuneration from previous years	-37
Closing balance as at 31 December 2010	39
- Off which outstanding deferred remuneration ¹	0

¹ Companies shall defer a part of variable compensation for employees that could materially affect the company's risk level. For more information see "Specific information about variable remuneration". Deferred remuneration at December 31, 2010 relating to remuneration earned in 2009, for which a decision is taken in spring 2010.

Table 3b: Changes in liabilities for variable remuneration during 2010 for people who were not employees within Skandia

In accordance with FFFS 2011:2 Ch. 5 Section 1 Item 9–10

Opening balance as at 1 January 2010	5
Earned variable remuneration during the financial year 2010	4
Paid remuneration vested during previous financial years	-4
Adjusted not paid vested remuneration from previous years	-1
Closing balance as at 31 December 2010	4
- Off which outstanding deferred remuneration	-

Table 4a: Severance pay and guaranteed variable remuneration for employees of Skandia

In accordance with FFFS 2011:2 Ch. 5 Section 1 Item 11–13. No guaranteed remuneration exists.

Expensed severance pay during 2010	9
Paid severance pay during 2010	6
Severance pay awarded in 2010	12
- Number of beneficiaries of such awards	5
- Highest single awarded amount	6

Table 4b: Severance pay and guaranteed remuneration for people who were not employees of Skandia

No guaranteed remuneration exists.

Severance pay awarded in 2010	7
- Number of beneficiaries of such awards	3
- Highest single awarded amount	4

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