

34 Incentive schemes

Long-term incentive schemes 2011 I - 2017 I

The Board of Directors of Sampo plc has decided on the long-term incentive schemes 2011 I - 2017 I for the management and key employees of Sampo Group. The Board has authorised the CEO to decide who will be included in the scheme, as well as the number of calculated incentive units granted for each individual used in determining the amount of the incentive reward. In the schemes, the number of calculated incentive units granted for the members of the Group Executive Committee is decided by the Board of Directors. Some 130 persons were included in the schemes at the end of year 2017.

The amount of the performance-related bonus is based on the value performance of Sampo's A share and on the insurance margin (IM) and on Sampo's return on the risk adjusted capital (RoCaR). The value of one calculated incentive unit is the trade-weighted average price of Sampo's A-share at the time period specified in the terms of the scheme, and reduced by the starting price adjusted with the dividends per share distributed up to the payment date. The pre-dividend starting prices vary between eur 39.07 - 43.81. The maximum value of one incentive unit varies between eur 33.37 - 62.81, reduced by the dividend-adjusted starting price. In all the schemes, the incentive reward depends on two benchmarks. If the IM is 6 per cent or more, the IM-based reward is paid in full. If the IM is between 4 - 5.99 per cent, half of the incentive reward is paid. No IM-related reward will be paid out, if the IM stays below these. In addition, the return on the risk adjusted capital is taken into account. If the return is at least risk free return + 4 per cent, the RORAC-based incentive reward is paid out in full. If the return is risk free return + 2 per cent, but less than risk free return + 4 percent, the payout is 50 per cent. If the return stays below these benchmarks, no RORAC-based reward will be paid out.

Each plan has three performance periods and incentive rewards are settled in cash in three installments. The employee shall authorise Sampo plc to buy Sampo's A-shares with 50 per cent (scheme 2017 I) or 60 percent (schemes 2014 and 2011 I) of the amount of the reward after taxes and other comparable charges. The shares are subject to transfer restrictions for three years from the day of payout. A premature payment of the reward may occur in the event of changes in the group structure or in the case of employment termination on specifically determined bases. The fair value of the incentive schemes is estimated by using the Black-Scholes pricing model.

	2011 I/2	2014 I	2014 I/2	2017 I
Terms approved ^{*)}	14/09/ 2011	17/09/ 2014	17/09/ 2014	14/09/ 2017
Granted (1,000) 31 Dec. 2014	100	4,434	-	-
Granted (1,000) 31 Dec. 2015	70	4,380	62	-
Granted (1,000) 31 Dec. 2016	35	4,211	62	-
Granted (1,000) 31 Dec. 2017	0	2,874	62	4,092
End of performance period I 30 %	Q2-2015	Q2-2017	Q2-2018	Q2-2020
End of performance period II 35 %	Q2-2016	Q2-2018	Q2-2019	Q2-2021
End of performance period III 35 %	Q2-2017	Q2-2019	Q2-2020	Q2-2022
Payment I 30 %	9-2015	9-2017	9-2018	9-2020
Payment II 35 %	9-2016	9-2018	9-2019	9-2021
Payment III 35 %	9-2017	9-2019	9-2020	9-2022
Price of Sampo A at terms approval date ^{*)}	18.10	37.22	37.22	44.02
Starting price ^{**)}	24.07	38.26	43.38	43.81
Dividend-adjusted starting price at 31 December 2017	16.97	31.86	38.93	43.81
Sampo A closing price at 31 December 2016	45.80			
Total intrinsic value, meur	0	29	0	2
Total debt	30			
Total cost for the financial period, EURm (incl. social costs)	28			

^{*)} Grant dates vary

^{**)} Trade-weighted average for ten trading days from the approval of terms

Long-term incentive scheme of Topdanmark

Topdanmark's share option scheme is for its Executive Board and senior executives. The strike price has been fixed at 110% of the market price on the last trading date in the prior financial year (average of all trades). The options may be exercised 3-5 years

subsequent to the granting. The scheme is settled by shares.

The option scheme requires employment during the whole year of the allocation. Options are allocated at beginning of year and in connection with resignation in the year of allocation a proportional deduction in the number of allocated options is made.

	Strike price	Executive board	Senior executives	Resigned	Total
Total number of options (1,000)					
At 1 January 2017		339	1,179	265	1,701
Granted	26	96	352	0	407
Transferred		-112	-15	127	0
Exercised		-131	-530	-126	-326
At 31 December 2017		192	986	266	1,783
Average strike price at 31 December 2017		26	27	26	27
Per granting					
2013, exercise period January 2016 - 2018	18	0	12	18	30
2014, exercise period January 2017 - 2019	21	50	94	52	195
2015, exercise period January 2018 - 2020	30	39	249	75	363
2016, exercise period January 2019 - 2021	29	41	291	75	407
2017, exercise period January 2020 - 2022	26	62	341	46	448
At 31 December 2017		192	986	266	1,444
Average strike price exercised options 2017		17	19	18	18
Average market price on date of exercise 2017					28
Fair value of granting 2017		0	1		1
Fair value at 31 December 2017		2	9	3	14

The fair value of the granting for the year has been calculated using the Black and Scholes model assuming a share price of EUR 24. The interest rate corresponds to the zero coupon rate based on the swap curve on 31 December of the previous year. Future volatility is assumed to be 22% and the average life of the options approximately 4 years.

At 31 December 2017, there were 225,000 options which could be exercised.