

Remuneration and Incentives Policy



Legal basis			
FFFS 2011:1; EBA:s riktlinjer 2013/36/EU artikel 74.3 och 75.2 (Kapitaltäckningsdirektivet) 2013/575/EU artikel 450; EBA/GL/2015/22 (Tillsynsförordningen)			
Adopted by	Adoption date	Document id	Revision
Board	2022-09-05		Annually
Applies to	Accountable	Created by	Classification of information
See p 2 Applicability	CEO	SFS	
Version information			

1 Introduction

The Board of Directors works to ensure that Siemens Financial Services AB (SFS AB) has good governance and internal control. The Board is responsible for ensuring that SFS AB follows laws and relevant national and european regulations that regulate SFS AB´s business. The Board shall establish internal rules and policies on an annual basis and ensure that these are followed and regularly are monitored and evaluated within the business. The Board is ultimately responsible for ensuring that SFS AB has an appropriate and efficient business, as well as a well-developed system for risk management and compliance.

2 Applicability

This policy covers SFS AB´s Board, management, all employees, consultants, partners, agents, and contractors affected by SFS AB´s business. The policy applies to all parts of the business and also includes activities and areas that are outsourced to other parties.

3 Responsibility

The Board is responsible for establishing this policy. The CEO is responsible for ensuring that the policy is made available to everyone affected by it.

The CEO is responsible for informing everyone concerned with the provisions of this policy. This means ensuring that employees, consultants, partners, agents, and contractors who are affected by this policy are familiar with and comply with its content. The CEO or the person appointed by the CEO is responsible for issuing the more detailed rules needed to facilitate the application of this policy.

4 Entry into force and amendments

This policy shall be revised on an ongoing basis and amended as necessary following the decisions of the Board.

The CEO is responsible for assessing and updating the content of this policy on an annual basis and for submitting it to the Board with any proposed amendments. The policy must be adopted by the Board at least every year, even if there are no amendments to be decided on.

5 Background

According to FFFS 2011:1, there must be internal rules for SFS AB's remuneration system. EBA/GL/2015/22 provides guidelines for a sound remuneration policy under Articles 74(3) and 75(2) of Directive 2013/36/EU and information in accordance with Article 450 of Regulation (EU) No 575/2013.

The board's decision on remuneration policy is based on the risk analysis carried out by the risk function as stated in this policy.

6 Purpose

The purpose of this policy is to ensure that all remuneration paid to employees is consistent with and promotes sound and effective risk management and counteracts excessive risk-taking.

The remuneration policy is designed to promote SFS AB's business strategy, goals, values and long-term interests.

7 Motives and Principles for Remuneration in the Company

General Provisions

(a) The basis for remuneration is:

1. Total reward
2. Total Remuneration
3. Components: Base Pay; Variable Pay; Equity; Benefits

(b) Remuneration to an individual employee may not counteract the Company's and its shareholders' long-term interests.

(c) The total Remuneration amounts paid by the Company must not limit the Company's ability to sustain an adequate level of own capital (Sw. *kapitalbas*) or, if needed, to strengthen the level of own capital in the company.

(d) When deciding on Remuneration to an individual employee, consideration is given to the scope and nature of the role and its responsibilities; the experience, training and qualifications commensurate to the duties: the employee's performance, the employee's compliance with internal and external rules and procedures: and, if and when applicable, the employee's compliance with rules concerning conduct toward customers.

(e) When deciding on Remunerations, consideration shall not only be given to the employee's performance and compliance with internal and external rules and procedures, but also to the long-term interests of the Company. This applies to Remunerations to individual employees as

well as to personnel categories. When deciding on Remunerations, a balance between fixed and variable Remuneration shall be applied. The ratio fixed/variable Remuneration shall be decided for each personnel category. The composition of Remunerations shall aim to encourage a long-term value creation for the Company and at the same time encourage a sound risk position.

(f) The fixed salaries paid by the Company shall, in addition to this Remuneration Policy, be decided in accordance with internal guidelines for Salary reviews and Salary principles.

(g) The Company does not offer or apply discretionary pension benefits

Variable Remuneration

The Variable Remunerations paid by the Company shall be based on this Remuneration Policy and in accordance with the from time to time prevailing applicable policies adopted by the Company and on a Siemens group level, in accordance with the following:

(i) Guidelines for annual bonus system. Valid for Non Senior Management;

(ii) Compensation System for Top Executive and Senior Management of the Siemens group

(iii) Bonus Guidelines, Top Executive and Senior Management of the Siemens group – applicable to the Managing Director of the Company only;

(iv) Siemens Stock Awards (“**Siemens Stock Awards**”) of the Siemens group.

Decisions on Variable Remunerations

(a) Variable Remunerations within the Company aim to support the business towards a performance management culture with recognition that appropriately implemented and balanced incentives can have a significant impact on business result.

(b) Performance-based variable Remunerations shall be based on the following criteria:

i) The results of the individual employee during the Result Period; and

ii) The results of the Company as a whole during the Result Period.

8 Approval from the Board of Directors

The Board of Directors shall:

(a) decide on Remuneration to members of the Senior Management, and

(b) decide on Remuneration to employees who are primarily responsible for any of the Company’s control functions.

(c) The Board of Directors shall conduct annual reviews of the Guidelines for annual bonus system and Siemens Stock awards, to ensure that these are in conformity with existing regulations

(d) The Board of Directors shall annually implement measures to follow- up and ensure the Company’s compliance with this Remuneration Policy.

(e) The Board of Directors shall appoint one of its members to prepare reports and decisions in accordance with (a)-(c) above (“Remuneration Officer”). Such member of the Board of Directors may not be a member of the Senior Management and must have appropriate knowledge and experience of risk remuneration issues and risk management.

9 Remuneration Committee

The board does not consider it necessary to set up a special remuneration committee. The board has therefore appointed a special member primarily tasked - impartially and independently - to:

- prepare the board's decisions on matters concerning remuneration principles, remuneration and other terms of employment for senior executives and control function officials, along with other significant remuneration decisions
- follow up and evaluate ongoing and completed programmes for variable remuneration for SFS AB's management during the year
- follow up and evaluate the application of the policy, including applicable remuneration structures and remuneration levels in SFS AB, as well as the guidelines for remuneration to senior executives that the annual general meeting must by law decide on
- assess the remuneration policy, its suitability, how the policy affects SFS AB's risks and risk management, and SFS AB's remuneration system.

The risk function must assist the member in the duties according to this point.

10 Employment agreements

1. The Company shall to the extent possible ensure that all existing employment agreements between the Company and its employees are consistent with this Remuneration Policy. In cases where there are deviances, such deviances shall be reported to the Board of Directors, together with the reasons for such deviations.
2. The terms of employment agreements that are entered into by the Company shall be consistent with the provisions of this Remuneration Policy.
3. Employment agreements that are entered into by the Company may only by way of exception contain a right to a guaranteed Variable Remuneration, a “floor”, and in such case only for a maximum period of one year.
4. The terms of employment agreements as regards the right to Remuneration during a notice period or after termination of an employment shall be consistent with the provisions of this Remuneration Policy.
5. The employment agreements shall contain an undertaking by the employee not to use personal risk hedging strategies or insurances to mitigate or eliminate the effects of an adjusted or cancelled deferred Remuneration.
6. Severance pay and other forms of Remuneration paid to an employee in connection with the termination of an employment must be proportionate to the individual performance of the

employee during his/her employment and must not be calculated so as to promote excessive risk-takings.

7. The company shall ensure that a Remuneration package that is used for the purpose of replacing or buying out previous employment contracts conforms to the Company's Remuneration Policy and is consistent with this policy.

11 Information

All employees must receive information on the criteria that govern their remuneration and how their results are assessed.

12 Control and annual follow up

1. The Compliance Control Function of the Company shall perform controls related to:
 1. Changes to the Salary Guidelines.
 2. The fulfilment of the information duties under this Remuneration Policy.
 3. The Company's application and fulfilment of this Remuneration Policy.
2. The Control Function's work in this respect shall be performed in accordance with instructions adopted by the Board of Directors.
3. The Board of Directors shall ensure that the Control Function is given sufficient means and authority to perform its tasks.
4. The Board of Directors shall ensure that employees of the Control Function are sufficiently qualified and experienced to perform its tasks.
5. The Company shall annually review and document the Remuneration of all existing employees including employment agreements entering the company and based on the review, decide those identified as Regulated Staff Member.

13 Disclosure

The internal rules for remuneration set forth in this policy must be published on SFS AB's website in accordance with the requirements applicable under FFFS 2011:1 and in accordance with Article 450 of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms.

An account of SFS AB's remuneration must also be published in connection with the adoption of the annual report. The report must be published as an annex to the annual report or on SFS AB's website. If the report is not included in or added as an annex to the annual report, SFS AB must state in the annual report where the information is published. The report must be available for at least one year from the publication.

The board is ultimately responsible for the publication of this information.

