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# Remuneration Report 2020



# Introduction

The remuneration policy for 2020 aimed at strengthening the interests of the employees to be more aligned with the main target of creating sustainable value for shareholders over the medium/long-term, as well as attracting, motivating and retaining talent in order to manage successfully the company and its group.

Ferratum's remuneration approach is founded on high performance, competitive remuneration, encouraging value creation behaviour and long-term sustainability.

The policy complies with applicable legislation and the Finnish Corporate Governance Code 2020 and was approved by the board of directors and shareholders.

In defining the 2020 remuneration policy set out in the first section of this report, the best national and international practices were considered to promote competitiveness and long-term financial success of the company and to ultimately contribute to the favorable development of shareholder value.

This report is split into two main sections:

- i. The first section describes the remuneration policy adopted by Ferratum Group for the members of the Board of Directors, the CEO and the Executives with strategic responsibilities with reference to the financial year 2020.
- ii. The second section provides disclosure on the compensation paid to the Board of Directors and the CEO



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# Remuneration Policy at a glance

In line with the Ferratum group's remuneration policy for board of directors & CEO, the reward approach is structured throughout the organization to drive the mutual generation of value for the group and for the directors and the alignment of their long-term interests with those of shareholders, ensuring total transparency.

Remuneration for the Board of directors (the "Board") is organized separately from the remuneration systems applicable to the company's CEO, Executive group and management. The board do not receive fringe benefits and are not included in the bonus & incentive schemes or share-based bonus schemes that may exist for Company personnel. The fees paid to the directors are as determined by the General Meeting of shareholders, which can be paid in cash and/or partially or entirely in shares or other financial instruments

Remuneration of the Chief Executive Officer (the "CEO") consists of a fixed monthly salary, fringe benefits, an incentivizing performance bonus scheme, and long-term incentives. The terms of the performance-based variable remuneration are determined annually by the board of Directors. The objective is to align the objectives of the shareholders and the CEO to increase the value of Ferratum in the long term, to implement the company's strategy.

The Board may temporarily deviate from the remuneration policy for governing bodies only in exceptional circumstances in which the key operating preconditions would have changed after the General meeting of shareholders and the deviation is necessary to ensure Ferratum's long terms interest. Although 2020 was unpredictable, no deviations to the remuneration policy for the governing bodies or claw backs were carried out in 2020.

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*To read full policy, please visit Ferratum's website at [Ferratum Group - Remuneration Policy](#)*

# 2020 Remuneration at a glance

The Board Fees approved for 2020 in the last AGM, were EUR 4,000 per month as recommended by the remuneration Committee

Total remuneration paid for the CEO in 2020 decreased from 2019. Given the reduction in revenues due to key management actions to weather the COVID-19 Pandemic (including reduced lending, stricter scoring, and streamlining of countries operations), no bonuses were paid for year 2020.

The company took proactive actions due to the COVID-19 pandemic. The Group's management implement a COVID-19 action plan which includes a leaner and more efficient organization. This plan has been successfully executed over the course of 2020.

Actions affecting employee remuneration included temporarily reducing labor costs by reducing working hours to safeguard as many jobs as possible. The fixed salaries of the CEO and Leadership team were temporarily cut by 8% for during Q2 & Q3 and by 5% for management team. Given that incentives are tied to the company performance as well as profitable growth, due to the unprecedented impact of Covid-19 no incentives for 2020 resulted in pay-outs

The company focused to emerge stronger from the pandemic, and with the commitment and flexibility of all stakeholders the group was able to remain nimble in a rapidly changing world.



# Remuneration & Company Performance

Ferratum's Remuneration guiding principles set in the policy are applicable to all employees, in all countries and in all businesses, including the CEO.

The short-term incentive scheme (STI) is designed to drive the achievement of short-term business plan and has been consistently based on profitability over the past years. The long-term incentive (LTI) is designed to align the interests of employees with those of Ferratum's shareholders. By aligning the incentives schemes with the goals of the company, remuneration drives the best interest of the company.

Given Ferratum is a global company, the remuneration markets in which Ferratum operates vary significantly. Due to this the Remuneration Committee views that the most transparent means for comparing the evolvement of remuneration over time, is to compare the remuneration of the CEO with that of Ferratum employees globally. The figures highlighted in the next page for average employees' remuneration over 5 years is based on data for all Ferratum employees.

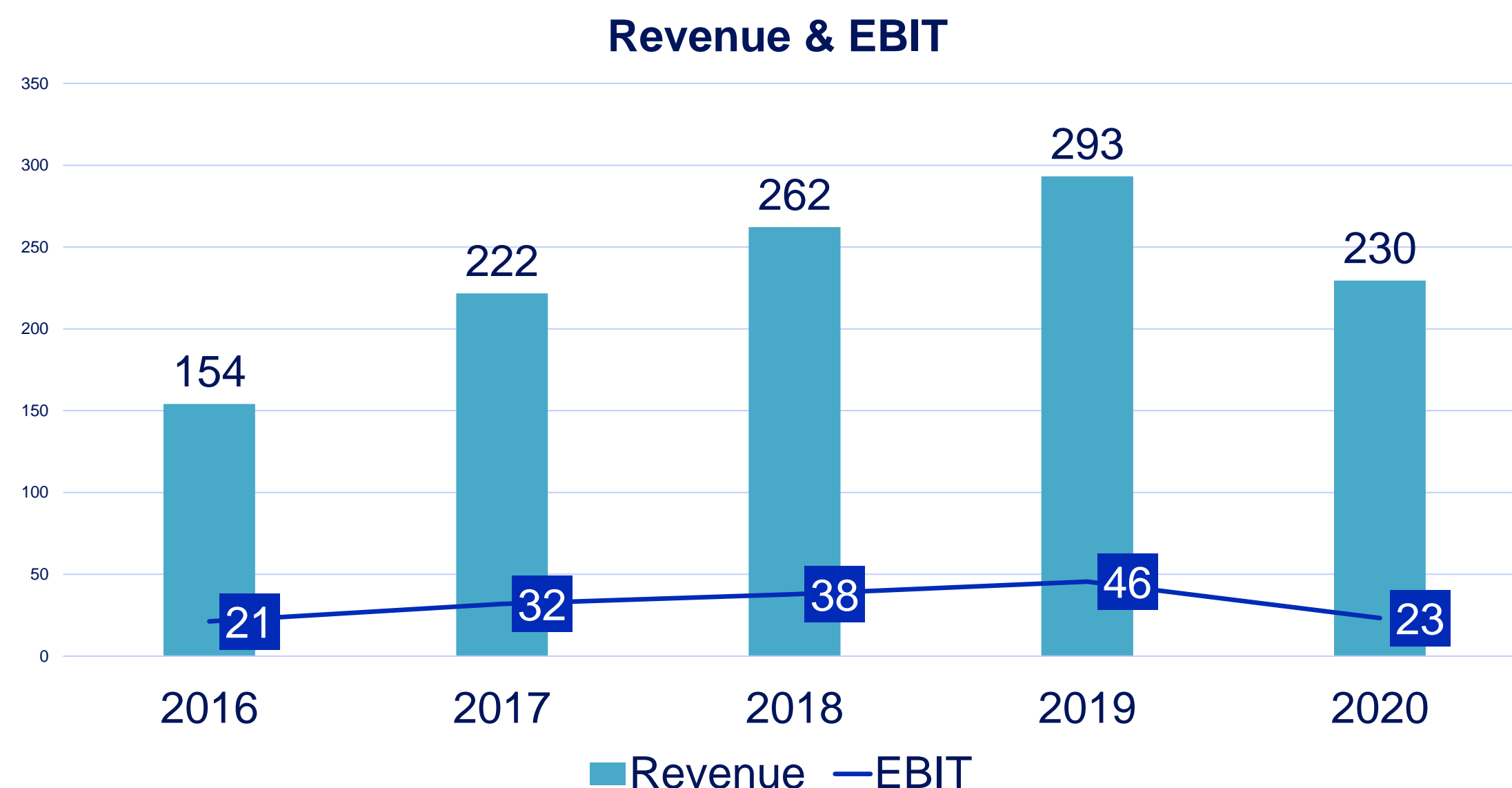
Employees eligible for short term incentives schemes are connected to the same performance indicators to a varying degree, therefore employee remuneration is also impacted by company performance.



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# Development of Ferratum's Financial Performance & remuneration



Ferratum's revenue for 2020 reached EUR 230 million, a decrease of 22% compared to the respective period last year (2019: EUR 293 Million) . The reduction in revenues is caused by management actions related to the COVID-19 pandemic (including reduced lending and stricter scoring) and the decision to streamline the group's countries of operations by suspending lending in Canada, New Zealand, Poland, Russia and Spain

The Operating profit (EBIT) came in at EUR 23 Million for 2020 and decreased by EUR 23 Million compared to 2019. The reduction in EBIT is a result of COVID-19 related decrease in revenues and impairment charges, which decreased during the course of Q2 as a result of group lending and risk exposure. The group management implemented a COVID-19 plan which includes a leaner and more efficient organisation.

## 5-year remuneration development (paid remuneration per year)

Average Compensation	2016	2017	2018	2019	2020
Member of the Board inc Chairman	17,696	17,671	17,100	18,489	31,381
CEO	220,295	210,583	208,315	216,302	201,896
*Ferratum employee	38,994	47,934	48,504	51,076	48,846

*\*Average Ferratum employee is personnel expenses excluding indirect employee cost divided by the average number of personnel during the year  
STI Payouts for second half of year always take place during the year following performance period. In 2020 that has been neither STI nor LTI payout*

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# Remuneration of the Board of Directors for 2020

Ferratum Board Remuneration January 1 – December 31, 2020

Director	Annual Fees	Meeting Fees	Remuneration based on employment	Total
Juhani Vanhala – Chairman	39,000	0	0	39,000
Christopher Wang - Member	36,000	0	0	36,000
Michael A. Casumano - Member	36,000	0	0	36,000
Goutam Challagalla - Member	36,000	0	0	36,000
Kati Hagros – Member	12,000	0	0	12,000
Frederick Strange – Member	29,285	0	0	29,285

188,285

# Remuneration of the CEO for 2020

At Ferratum we measure success of our CEO and Executive team by how well Ferratum achieves its strategic and operational targets. In addition to a base salary, the CEO is offered 2 performance-based incentive plans, annual short-term incentive (STI) and a long-term performance share plan (LTI) .

As highlighted below the CEO is not eligible for Supplementary pension contributions or other financial benefits, such as fringe benefits, signing bonus, retention bonuses, or severance packages.

	*Base Salary	Annual STI	LTI	Total
CEO	201,896	0	0	201,896

*\*The CEO took a voluntary pay cut of 8% between April and October  
The CEO did not receive a salary increase in 2020*