

Remuneration report

SEB aims to attract and retain ambitious employees who are eager to continuously develop, embrace new ways of working and contribute to the bank's long-term success. Remuneration is part of the total offering that enhances SEB's attractiveness as an employer. The overall ambition is to promote long-term commitment to creating sustainable value for customers and shareholders.

Remuneration policy

SEB's remuneration principles and governance structure are laid out in the Remuneration Policy. The policy stipulates that employee remuneration shall be aligned with the bank's strategy, goals, values and long-term interests and ensure that conflicts of interest are avoided. This shall promote value creation, encourage high performance and risk-taking that is aligned with the level of risk tolerance set by the Board of Directors, and sound and responsible behaviour based on SEB's values.

An employee's remuneration level shall reflect the complexity, responsibility and leadership qualities required of the role as well as the individual's own performance. SEB regularly evaluates employee performance and development based on transparent and individual financial and non-financial goals, among other things.

The policy lays out the principles for identification and remuneration of employees in positions with a material impact on the group's risk profile (Identified Staff). This also applies for employees who can impact the risk profiles of mutual funds, who provide investment advice, or who have a material impact on what services and products are offered. In 2019 a total of 984 positions (974) were categorised as Identified Staff.

Employees in control functions shall be remunerated in a manner that is independent from the business areas they oversee, that is commensurate with their key roles in the organisation, and that is based on goals that are compatible with their functions. The policy also sets the governance structure for all remuneration decisions, both in general and at the individual level. All decisions are to be approved at a level corresponding to the remuneration-setting managers' manager (grandfather principle).

Remuneration structure

The bank's remuneration structure consists mainly of base salary, variable remuneration, and pension and other benefits.

Base salary

The base salary is the foundation of an employee's remuneration. It shall be market aligned and reflect the requirements on the position and the employee's long-term performance. SEB conducts annual equal pay reviews to identify and close potential gaps in terms of gender-neutral pay. The outcome of the review is published internally.

Variable remuneration

All variable remuneration is based on SEB's risk-adjusted performance and is adapted to applicable rules governing the maximum share of an employee's base salary, the deferred portion of remuneration, shares and fund units, and the right to withhold and reduce remuneration that has not yet been paid. For Identified Staff, variable remuneration may not exceed 100 per cent of their base salary.

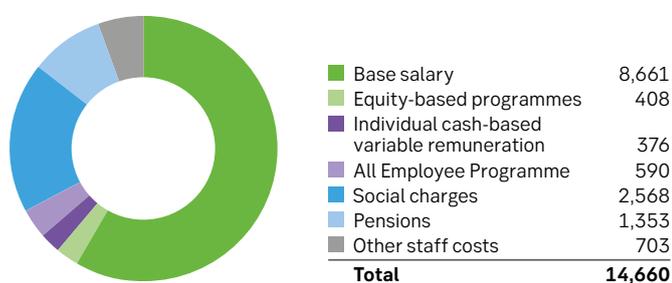
The models for variable remuneration are based on financial and non-financial key performance indicators at group, unit and individual level, including an evaluation of the employees' conduct. Non-financial goals take into account factors such as customer satisfaction, compliance and sustainability performance related to, for example, the bank's own environmental impact and integration of sustainability into the business model. At the individual level, key parameters include compliance with rules and policies for risk-taking in the group, SEB's Code of Conduct and the requirements on internal controls in the respective business area. Performance is evaluated over several years.

Collective profit-sharing

The largest variable remuneration programme is the SEB All Employee Programme 2019 (AEP), which covers essentially all employees. The programme's targets are linked to SEB's business plan and consist of the financial targets for return on equity and the bank's cost development, which are also communicated externally, and the non-financial target for customer satisfaction. The outcome for 2019 was determined to be 56.5 per cent (60) of the maximum amount, which in Sweden is SEK 75,000. The outcome reflects the strong financial results and a positive customer satisfaction development in 2019, but also the increase in cost level compared with 2018.

Staff costs, 2019

SEK m



All Employee Programmes (AEP)

	2019 ¹⁾	2018 ²⁾
Number of participants	15,300	14,950
Outcome in relation to maximum amount ³⁾ , %	56.5	60
Shares allotted, thousands	3,080	3,200
Market value per 31 December, SEK m	270	270
Total outcome per participant ⁴⁾ , SEK	42,500	45,000

Payout year: 1) 2023 2) 2022 3) SEK 75,000 in Sweden 4) in Sweden

Share Deferral and Restricted Share Programmes

	2019			2018		
	Restricted Share Programme	Share Deferral Programme	Total	Restricted Share Programme	Share Deferral Programme	Total
Number of participants	422	877	1,299	439	802	1,241
Shares allotted, thousands	1,505	4,173	5,678	1,450	3,385	4,835
Market value, 31 December, SEK m	133	367	500	125	335	460

Remuneration in SEB in 2019

SEK thousands

	Base salary	Cash-based variable remuneration	Expensed amount equity based programmes	Benefits	Total	Pensions
President and CEO Johan Torgeby ¹⁾	12,000		3,138	373	15,511	3,912
Other ordinary members of the GEC ²⁾	56,439		16,292	1,713	74,444	16,878
Total	68,439	0	19,430	2,086	89,955	20,790
SEB excluding GEC	8,592,788	724,833	629,618	60,749	10,007,989	1,332,705
SEB Total	8,661,227	724,833	649,048	62,835	10,097,944	1,353,495

1) Johan Torgeby did not exercise any share rights in 2019.

2) The number of members may differ somewhat during the year. At the end of the year the number of members was eleven. In 2019, Other ordinary members of GEC exercised rights to a value of SEK 1,960,501

Individual variable remuneration

Senior managers, other key employees and employees in certain business units where it is standard market practice, are offered individual variable remuneration. The ambition is that a large part of the remuneration is deferred and paid out in SEB shares. Equity-based remuneration is a mean to attract and retain employees with key competence. It also provides an incentive for employees to be shareholders of SEB which promotes long-term commitment that is aligned with the shareholders' interests. In addition, financial industry regulations require that a portion of variable remuneration be paid out in the form of shares or fund units.

SEB has two separate individual equity-based programmes – the SEB Share Deferral Programme 2019 (SDP) for members of the Group Executive Committee, certain other senior managers and a number of other key employees, and the SEB Restricted Share Programme 2019 (RSP), for employees in certain business units. For regulatory reasons, the latter programme also exists in a form where the outcome is linked to the performance of mutual funds. Both programmes include scope for risk adjustment for current and future risks. The final outcome may therefore subsequently be reduced or cancelled entirely in accordance with applicable rules, such as taking into account the bank's earnings and the capital and liquidity required for its operations. Almost 10 per cent of employees are offered individual variable remuneration. Approximately 7 per cent of the employees – such as those in investment banking – receive variable remuneration

with a cash component, but only in cases where it entails low or no residual risk for SEB. Variable remuneration above a certain level is always partly deferred and revocable. In 2019, cash-based variable remuneration accounted for 3 per cent (3) of SEB's total staff costs.

Remuneration of the President and members of the Group Executive Committee

Remuneration of the President and members of the Group Executive Committee (GEC) shall be in line with the guidelines set by the Annual General Meeting (AGM) and consists of base salary, equity-based remuneration (the SEB Share Deferral Programme, SDP), and pension and other benefits. No cash-based variable remuneration is paid to members of the GEC, nor are they eligible for the SEB All Employee Programme.

The pension plans are defined-contribution solutions, with the exception of a defined-benefit component provided under collective agreements.

For termination of employment initiated by the bank, a maximum of 12 months' severance pay is payable, after the agreed notice period of maximum 12 months. SEB has the right to deduct income earned from other employment from any severance pay.

➤ For information about SEB's remuneration structure, see note 8 and the AGM information on sebgroup.com.

Governance model for remuneration at SEB
Remuneration policy and annual evaluation of SEB's remuneration structure

The Remuneration Policy is revised and adopted annually by the Board of Directors based on an evaluation and recommendation by the Remuneration and Human Resources Committee (RemCo).

The remuneration structure is reviewed by the Risk and Capital Committee (RCC) to verify that it takes into account SEB's risks, long-term earnings capacity and cost of liquidity and capital. The review is

based on a risk analysis performed by Group Risk, Group Compliance and Group HR.

SEB's equity-based programmes

The Annual General Meeting adopts the equity-based programmes based on RemCo's annual proposal.

Guidelines for remuneration of the President and members of the GEC

The guidelines for remuneration of the President and members of the GEC are adopted by the AGM.

These guidelines are evaluated on a continuous basis throughout the year by the RemCo. Prior to each AGM, the bank's external auditor issues a statement to the Board assuring that SEB has adhered to the guidelines adopted by the previous year's AGM.

Remuneration of the President and members of the GEC

The Board of Directors decides on the remuneration of the President and members of the GEC, based on evaluation and recommendation by

the RemCo. RemCo obtains information from the Head of Group Human Resources, the Head of Group Internal Audit and the external auditor, and for the GEC members, also from the President.

In addition, external remuneration analyses are performed yearly of relevant sectors and markets. The internal and external information constitute a key component for ensuring that remuneration is competitive and aligned with the market.

➤ For information on RemCo, see p. 67.