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Letter of the Chairman of the Board to the Minister of Finance

Concerning the remuneration of Mr Månsson

Dear Mr Mramor

1. Mr Månsson was hired from 1 August 2014 and paid a competitive international salary, including a travel allowance. The remuneration was still substantially lower than Mr Månsson had in his previous employment. Mr Månsson was also required to exit from the ownership in his previous employer. The package was compliant with the valid remuneration policy and decided on by the Board on 22 July 2014. The state secretary of the Ministry of Finance, who at the time was a member of the board, participated in the decision.

Between 1 August 2014 and 28 February 2015 Mr Månsson had a fixed salary of gross €20.500 a month and variable salary, depending on performance as judged by the non-EDs of the BAMC and based on Balanced Score Cards reviewed by the Remuneration Committee and the Board every three months.

The contract between BAMC and Mr Månsson from 21 July 2014 stated that if a future remuneration policy would not allow for a variable remuneration, the variable part would be turned into an additional fixed salary amounting to 80 per cent of the base salary. This was in line with the existing remuneration policy, which set no upper limit to the fixed salary. When the new remuneration policy was announced, a transition of the variable part of the salary was executed as agreed in the contract.

For the period between 1 August and 28 February (7 months), the variable (additional fixed) salary amounted to gross €16.400 a month or in total gross €114.800, which was paid out in March 2015. Even if this payment may have been in conflict with the spirit of the new remuneration policy, BAMC had a legal obligation to pay on the basis of a valid agreement with Mr Månsson. This agreement was in line with the remuneration policy in force at the time when the agreement was concluded.

The Ministry of Finance has had full information of the contract with Mr Månsson and of the variable salary and its calculation. No information concerning the remuneration has been concealed by BAMC.

2. With the new remuneration policy from 5 March 2015, contracts were agreed with the non-EDs and annexes were added to the contracts of the EDs. In the annex, Mr Månsson's fixed salary was lowered to gross €17.000 and the variable salary was taken away. Compared to the period between August 2014 and end of February 2015, Mr Månsson's remuneration was lowered by 54 per cent.

The final new remuneration policy had not been discussed with the BAMC Board before it was issued. Immediately after its issue the Board in discussions with the Ministry of Finance pointed out some peculiarities, which may have been unintentional, the most serious being that Mr Månsson's travel allowance had been taken away. Instead he had been given the option of using a company car. Since Mr Månsson has his family in Sweden and needs to go home over the weekends, a company car was of little use.

The Ministry of Finance (Mr Mramor and Mr Dragonja) recognised the problem, confirmed that the travel issue had been overlooked and promised to address it, either by amending the remuneration policy or in another way. With this background, waiting for the Ministry to act, the board decided in March to continue to pay the travel allowance agreed in Mr Månsson's contract. Mr Månsson decided to abstain from a company car. At the board meeting in April, the first meeting with the new board, it was reported that the travel payments continued and the board approved the report.

The travel allowance has since been taken up in a number of meetings with the Ministry, before and after the summer 2015 and latest with all the non-EDs of BAMC present at the Ministers office on September 30. The message was still that the Ministry would search for a solution.

Mr Månsson's travel allowance has been paid as agreed in the employment contract, waiting for the Ministry to act as indicated. The Ministry was fully aware of the contractual obligations. Apart from the travel expenses, all payments to Board Members have been in compliance with the new remuneration policy.

3. According to a EU agreement, social contributions can under certain conditions be paid either in the country of work or in the country of residence. Mr Månsson applied for the latter, which was eventually granted by the Swedish authorities. This was also clearly stated in the employment contract. The calculation of the social contributions paid to Mr Månsson for transfer to the Swedish tax authorities are as enclosed.

3/10/2021

Articles - Letter of the Chairman of the Board to the...

4. An explanation of payments made abroad during February and May is also enclosed.

Sincerely
Lars Nyberg

cc (without enclosures): Mr Cerar, Prime Minister

Mr Pocivalsek, Minister of Economy

Mr Jazbec, Governor, Bank of Slovenia

Mr Szekely, European Commission

Mr Anderton, ECB

Ms Velculescu, IMF