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2018

**Remuneration Statement  
and Remuneration  
Report**

## PREFACE

This statement on the remuneration of Raute Corporation's Board of Directors, President and CEO, and Executive Board has been drawn up in compliance with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association. The Code is available on the Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

The objective of Raute's HR policy is for remuneration and other employment contract terms to form a whole which is just, fair, competitive and based on performance. The goal of the performance-based bonus systems is to encourage management to manage the company based on the values, strategy and annual plan, and also to encourage personnel to act for the benefit of the company. The goal of the long-term incentive plans is to commit the management to the company and to targets that are in line with the shareholders' benefits.

The overall remuneration of the President and CEO and the rest of the Executive Board members consists of three parts

- the basic salary, including fringe benefits
- a performance-based bonus system based on annual targets
- long-term incentive plans.

## A. Decision-making

The Annual General Meeting decides on the remuneration of the Board members. The Board's Appointments Committee prepares the proposal to the Annual General Meeting.

The Board of Directors decides on the remuneration of the President and CEO. In addition, the Board of Directors decides on the compensation paid to the President and CEO based on the ending of the employment contract. The proposal is prepared for the Board of Directors by the Chairman of the Board of Directors.

The Board of Directors decides on the remuneration of the rest of the Executive Board. The proposal is prepared by the President and CEO.

In other remuneration, the Group follows the one-over-one principle.

## B. Key principles of remuneration

### Remuneration of the Board of Directors

The Annual General Meeting annually decides on the total bonus to be paid for each term of office. The bonus is paid in 12 equal monthly instalments. Board members are not paid additional fees for their work in committees. The Board members' travel expenses are compensated according to the company's travel policy.

The Board of Directors is not covered by the long-term incentive plans. The members of the Board are not employed by the company. The company has not transferred shares or any other benefits derived from the stock as a bonus to the Board. The company does not remunerate the Board members on any other grounds nor does it grant them loans or provide any guarantees for them.

### Remuneration of the President and CEO

President and CEO Tapani Kiiski's monthly salary and fringe benefits, in accordance with his executive contract, amount to EUR 296 thousand annually. The executive contract does not include any special conditions concerning retirement or the amount of retirement allowance. The term of notice is six months, in addition to which, severance pay is equivalent to 12 months' salary. The company does not remunerate the President and CEO on any other grounds nor does it grant him loans or provide any guarantees for him.

The President and CEO's remuneration also includes a performance-based bonus equaling no more than six months' salary and any bonuses from the long-term incentive plans. President and CEO Kiiski is covered by the LTI2016, LTI Plan 2017–2019, LTI Plan 2018–2020 and LTI Plan 2019–2021 share plans described below.

### LTI2016

The total value of the bonus paid for the 2016 earnings period corresponded to, at the time of payment on 6 March 2018, approximately 4.8 months' basic salary. The bonus paid in shares consisted of 2,626 of the company's A shares. Their corresponding tax portion was paid in cash. The vesting period ended at the end of 2018.

### LTI Plan 2017–2019

The total value of the bonus accrued from the 2017 earnings period consists of 7,698 of the company's A shares. At the share price value at the end of 2017 (€29.00), the bonus corresponded to roughly ten months' salary. The vesting period ends in March 2020, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of 12 months' basic salary at the start of the plan.

### LTI Plan 2018–2020

The shares issued under the plan can be no more than the amount of six months' basic salary at the start of the plan. The vesting period ends in April 2021, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of 12 months' basic salary at the start of the plan.

### LTI Plan 2019–2021

The shares issued under the plan can be no more than the amount of six months' basic salary at the start of the plan. The vesting period ends in the spring of 2022, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of 12 months' basic salary at the start of the plan.

### Remuneration of the rest of the Executive Board

The remuneration of the rest of the Group's Executive Board members consists of the monthly fixed salary and fringe benefits. The fixed salaries and fringe benefits of the current Executive Board total, at an annual level, EUR 923 thousand. The Executive Board members serve according to an indefinite employment contract. Part of the Executive Board members are entitled to a severance pay equivalent to three

# Remuneration Statement

months' salary. The additional pension benefits and terms of notice do not significantly differ from the statutory terms and conditions. The company does not remunerate the Executive Board members on any other grounds nor does it grant them loans or provide any guarantees for them.

The remuneration also includes a performance-based bonus equivalent to no more than three months' salary and any bonuses from the long-term incentive plans. Six members of the Group's Executive Board were part of the LTI2016, LTI Plan 2017–2019, and LTI Plan 2018–2020 share plans. Six members of the Group's Executive Board are part of the LTI Plan 2019–2021 share plan.

## LTI2016

The bonus paid for the 2016 earnings period corresponded to, at the time of payment on 6 March 2018, approximately 2.4 months' basic salary. The bonus paid in shares consisted of a total of 3,905 of the company's A shares. Their corresponding tax portion was paid in cash. The vesting period ended at the end of 2018.

## LTI Plan 2017–2019

The total value of the bonus accrued from the 2017 earnings period consists of 12,081 of the company's A shares. At the share price value at the end of 2017 (€29.00), the bonus corresponded to roughly five months' salary. The vesting period ends in March 2020, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of six months' basic salary at the start of the plan.

## LTI Plan 2018–2020

The shares issued under the plan can be no more than the amount of three months' basic salary at the start of the plan. The vesting period ends in April 2021, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of six months' basic salary at the start of the plan.

## LTI Plan 2019–2021

The shares issued under the plan can be no more than the amount of three months' basic salary at the start of the plan. The vesting period ends in spring 2022, when the bonus will be paid either in shares or in cash. The value of the bonus at the time of payment can be no more than the amount of six months' basic salary at the start of the plan.

## Performance-based bonus systems' key principles of remuneration

Raute Group's performance-based bonus system includes separate systems for the President and CEO, the Group's Executive Board, key personnel, and other personnel. A person can receive bonuses from no more than one of these systems at a time. The Board of Directors annually confirms the general principles, maximum amounts and calculation methods for the remuneration systems. The performance-based bonus system is in force for one year at a time. Bonuses are paid provided that the Group has made a positive annual profit. The maximum amount of performance-based bonuses has been restricted to 20 per cent of the Group's operating profit. Performance-based bonuses are paid once a year after the Annual General Meeting has confirmed the financial statements.

Payment of bonuses within the performance-based bonus systems for the President and CEO, the rest of the Group's Executive Board and key personnel is dependent on the person's performance and task-related personal targets for the entire year. The maximum bonus for the President and CEO in the performance-based bonus system is six months' salary and for the other Executive Board members three months' salary.

The payment of bonuses within the performance-based bonus system for the rest of personnel is dependent on the Group's profit and the targets set for the unit's performance, quality and operations. In the performance-based bonus system for the entire personnel, part of the bonuses are determined and paid quarterly.

## Key principles of the long-term incentive plans

### Performance Share Plan 2014–2018 (LTI2014, LTI2015, LTI2016)

On 12 February 2014, Raute Corporation's Board of Directors decided on a new long-term Performance Share Plan for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management, for example, in terms of developing the company's value and to engage management by offering a competitive incentive plan based on ownership of the company's shares.

The share plan includes three three-year share plans, which each include a year-long earnings period and a two-year vesting period following the earnings period, during which the bonus's value development is based on the development of the value of the share. Any

payment of share rewards is carried out in the company's series A shares and the portion intended for paying tax on the bonus is paid in cash. Participants in the share plan cannot sell or otherwise transfer any shares received as a bonus during the vesting period. The share plans commenced in 2014, 2015 and 2016.

The company's Board of Directors separately decided on the participants in the share plans and on the earnings criteria applied during each earnings period, the targets set for them and the target and maximum levels of the bonus to be paid. The earnings criteria of the share plan are earnings per share and growth in net sales. The 2015 share plan covers altogether 11 persons and the 2016 share plan covers altogether 12 people belonging to the Group's senior management.

## LTI2014

The bonus earned during the 2014 earnings period, altogether EUR 49 thousand, was paid out entirely in cash in 2015, as decided by the Board of Directors, and the share plan has ended.

## LTI2015

The bonus earned during the 2015 earnings period, altogether EUR 614 thousand, was paid out on 6 March 2017. The vesting period ended at the end of 2017.

## LTI2016

The bonus earned during the 2016 earnings period, altogether EUR 536 thousand, was paid out on 6 March 2018. The vesting period ended at the end of 2018.

## Performance Share Plan 2017–2022

### (LTI Plan 2017–2019, LTI Plan 2018–2020, LTI Plan 2019–2021)

In February 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term incentive plan for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management in order to develop the company's value, and to commit management to achieving the company's strategic goals by offering a competitive long-term incentive plan.

The Performance Share Plan is made up of three three-year plans that begin every year. A single plan may consist of either a three-year earnings period or a one-year earnings period and the subsequent two-year vesting period. The possible bonus earned by virtue of a single

plan shall be paid at the end of the three-year plan in question. The earnings opportunity is limited such that the value of the bonus, at the time of payment, to be paid to a participant based on a single three-year plan can be no more than double the value of the maximum earnings opportunity allocated to him/her when the plan commenced.

The company's Board of Directors decides separately on when each plan commences, the length of its earnings period, the performance targets, the persons entitled to participate in the plan and the earnings opportunity.

#### **LTI Plan 2017–2019**

LTI Plan 2017–2019 commenced at the start of 2017. The plan consists of a one-year earnings period and the subsequent two-year vesting period. The bonuses will be paid in spring 2020 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares. At the end of the financial year, the plan covered a total of 12 persons belonging to the Group's senior management including Raute Group President and CEO and members of the Executive Board. The performance targets are earnings per share (EPS) and growth in net sales.

#### **LTI Plan 2018–2020**

LTI Plan 2018–2020 commenced at the start of 2018. The plan is made up of two parts. The first part consists of a three-year earnings period. Its weight is 80 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 20 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any bonuses possibly accruing from both parts will be paid in spring 2021, if the performance targets set by the Board of Directors are achieved. The LTI 2018–2020 plan covers 11 persons belonging to the Group's senior management including the Group's Executive Board members.

#### **LTI Plan 2019–2021**

LTI Plan 2019–2021 commenced at the start of 2019. The plan is made up of two parts. The first part consists of a three-year earnings period. Its weight is 50 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period

and the subsequent two-year vesting period. Its weight is 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any bonuses possibly accruing from both parts will be paid in spring 2022, if the performance targets set by the Board of Directors are achieved. The LTI 2019–2021 plan covers 11 persons belonging to the Group's senior management including members of the Group's Executive Board

In accordance with the ownership recommendation the company abides by, each participant in the plan is expected to accrue and, after attaining, to retain in his/her ownership an amount of the company's shares that is double the value of the gross value of the earnings opportunity allocated to him/her in the most recent ongoing plan. Each participant in the plan is expected to use 50 per cent of the net bonus he/she receives from the plan to accrue his/her share ownership until such ownership meets the level recommended above. Share ownership accrues either by retaining ownership of bonuses received as shares or by acquiring shares through cash bonuses received under the plan.

### **C. Remuneration reports**

The remuneration report for 2018 is presented as an attachment to the Remuneration Statement that is published in connection with the 2018 financial statements.

## Attachment: Raute Goup – Remuneration report 2018

**TABLE: PAYMENT-BASED REMUNERATION 2018**

January 1 - December 31, 2018	Remuneration	Fixed salaries and fringe benefits	Paid performance-based bonuses	LTI Plans	TOTAL
<b>Hallitus</b>					
Pehu-Lehtonen, Erkki	40 000,08				
Bask, Joni	20 000,04				
Mustakallio, Mika	20 000,04				
Raitio, Laura	20 000,04				
Suominen, Pekka	20 000,04				
von Essen, Patrick	20 000,04				
<b>Board of Directors, total</b>	<b>140 000,28</b>	-	-	-	<b>140 000,28</b>
<b>President and CEO</b>					
Kiiski, Tapani					
<b>President and CEO, total</b>		<b>288 759,03</b>	<b>126 732,59</b>	<b>164 968,77</b>	<b>580 460,39</b>
<b>Rest of the Group's Executive Board</b>					
Hakala, Arja					
Hjelt, Marko					
Hyysti, Mika					
Kangas, Timo					
Laulainen, Antti					
Strengell, Petri					
Vanhanen Olli-Pekka					
<b>Rest of the Group's Executive Board, total</b>		<b>1 013 760,15</b>	<b>189 434,18</b>	<b>247 975,31</b>	<b>1 451 169,64</b>



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Facebook: Raute Corporation

Instagram: @raute\_corporation