

# CONFIDENTIAL

## **TERMS AND CONDITIONS OF RAUTE CORPORATION PERFORMANCE SHARE PLAN 2014 - 2018**

The Board of Directors of Raute Corporation (the “**Board**”) has on 12 February 2014 approved the establishment of a performance share plan for the top management and other key employees of Raute Corporation (below referred to as the “**Arrangement**”) on the following terms and conditions (the “**Terms and Conditions**”):

### **I General**

#### **1. The Purpose and the Target Group of the Arrangement**

The Arrangement is made available by Raute Corporation (the “**Company**”, also referring to its group as a whole and each of its group companies individually).

The Arrangement functions as a share based long-term incentive scheme for the top management and other selected key employees of the Company. The objective of the Arrangement is to align the interests of the Participants with those of the Company’s shareholders by creating a long-term equity interest for the Participants, thus, aiming at increasing the Company’s profitability and shareholder value in the long term.

The Company determines the eligible Participants separately for each individual Plan (as defined in section 2) in its sole discretion (the person(s) selected to participate by the Company who have approved their participation in the manner determined by the Company in each case below the “**Participant(s)**”). The Participant’s acceptance of his/her participation in the Arrangement means his/her acceptance of these Terms and Conditions. A Participant’s participation in the Arrangement means participation in a single Plan only unless the Participant is specifically invited to a subsequent Plan by the Company.

### **II Earning and delivery of rewards**

#### **2. Earning of Long-Term Incentive Rewards**

Subject to the as set forth below, the Arrangement consist of three individual performance share plans, Plan 2014 – 2016, Plan 2015 – 2017 and Plan 2016 – 2018 (each a “**Plan**”), within which the Participants have the opportunity to earn listed series A shares of the Company (“**Share(s)**”) as a long-term incentive reward. Each Plan consists of a Performance Period (as defined below) followed by a Share transfer restriction during a lock-up period (as defined in section 4).

A new Plan commences within the Arrangement annually during the calendar years 2014 - 2016, always subject to the Company’s separate approval.

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Each Plan contains a period of one (1) calendar year (the “**Performance Period**”) during which the Participants may earn Shares as a reward, subject to the achievement of a single or several performance criteria set by the Company (the “**Performance Criteria/-ion**”) as follows:

- (i) In connection with the commencement of each individual Plan the Company determines a targeted long-term incentive earning opportunity for each Participant within the Performance Period of the Plan (the “**Target Earning**”). The Target Earning is determined as a percentage portion of the individual Participant’s annual base salary. The percentage portion may vary between individual Participants, different Participant categories and different organizational layers.
- (ii) For the measurement of the achieved performance, the Company sets a performance measurement scale for each Performance Criterion. After the performance measurement, the achieved performance level is expressed as a percentage of the targeted earning level per Performance Criterion.
- (iii) The long-term incentive rewards earned by the Participants within the Plan are determined by the Company based on the performance achieved during the the Performance Period.

In case of more than one Performance Criteria, each achieved Performance Criterion specific performance level percentage is first multiplied by the proportional weighting of the individual Performance Criterion and the Performance Criterion specific percentages are then summed up to form an aggregate percentage figure. In case of one Performance Criterion only, the measured performance level percentage directly forms the final and aggregate percentage figure. The Participant’s long-term incentive earning for the Performance Period (if any) is his/her annual base salary multiplied by Target Earning percentage and then multiplied by the above referred aggregate percentage figure (the “**LTI Earning**”).

The annual base salary is calculated by multiplying the Participant’s gross monthly base salary (including fringe benefits but excluding any bonuses, any long-term incentive rewards or any other variable compensation) of the December month of the Performance Period with 12.5 (the “**Annual Base Salary**”).

- (iv) The timing of and all the measures taken in connection with the performance measurement and the communication of the achieved performance and LTI Earnings to the Participants are determined and decided by the Company in its sole discretion.
- (v) As soon as practicable after its measurement, the LTI Earning is converted into a specific number of Shares (the “**Gross Shares**”, being the gross LTI Earning before the deduction of applicable taxes in accordance with section 3). The conversion is done by dividing the amount of the LTI Earning (€) with the Share price prevailing at the time of the conversion as set forth below and as in detail determined by the Company in its sole discretion: The Share price used in the conversion shall be the trade volume weighted average quotation of the Share on the NASDAQ OMX Helsinki Stock Exchange during the ten consecutive trading days immediately following the date on which the Company’s financial result for the financial year forming the Performance Period is published.
- (vi) The Company targets to execute the performance measurement and to confirm and communicate the numbers of earned Gross Shares as soon as practicable after the Company’s financial result for the calendar year forming the Performance Period has been published.

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### **3. Taxation and Delivery of the Reward**

The Gross Shares earned within a Plan in accordance with section 2 represent the gross value of the Participant's long-term incentive earning before the deduction of applicable taxes. The Participant is entitled to the net reward which remains after the withholding of the payroll tax and, if so determined by the Company in its sole discretion, the applicable social security contributions and other applicable taxes, also including any applicable asset transfer tax, ("**Tax**"/"**Taxes**") from the value of the Gross Shares (such net reward below the "**Performance Shares**" or the "**Reward**", the term "**Reward**" also referring to any net reward which as a replacement for Performance Shares is paid in cash).

The Performance Shares are delivered to the Participants as soon as practicable after the Company has determined the number of Gross Shares, from a source and by using transaction techniques determined by the Company in its sole discretion (the date when such delivery is effected by the Company, whether in the form of Performance Shares or in cash, the "**Delivery Date**"). The Delivery Date is targeted to be at the latest by 31<sup>st</sup> March of that respective year.

### **4. Transfer Restriction during Lock-Up**

The Participant shall not be entitled to sell, transfer, pledge or in any other manner dispose of any of the Performance Shares (the "**Lock-Up**") during the Lock-Up Period (as defined below). The Lock-Up Period is Plan specific and its length approximately two years as follows: It commences on the Delivery Date and ends on the first banking day in Helsinki after the day on which the Company's financial result for the second financial year following the Performance Period is published (the "**Lock-Up Period**"). Thus, although delivered to the Participants' paperless securities accounts in accordance with section 3, the Performance Shares do not vest for the Participants' free disposal until at the end of the Lock-Up Period.

The Lock-Up also applies to shares and other securities gratuitously received by virtue of Performance Shares subject to the Lock-Up. Dividends and other financial or capital distribution paid during the Lock-Up Period are not subject to or restricted by the Lock-Up.

In case of any Rewards settled in cash, the cash Reward shall be subject to the Lock-Up as follows: The cash Reward is paid to the Participant(s) on the Delivery Date referred to in section 3 above. The cash Reward is paid to a separate bank account opened in the name of the Participant but the Participant may not draw the funds from the bank account before the lapse of the Lock-Up Period. Any interest accrued on the deposited Reward during the Lock-Up Period shall be paid to the Participant. Cash Rewards shall neither be adjusted with dividends paid during the Lock-Up Period nor with changes in the Share value during the Lock-Up Period.

Notwithstanding any other terms and any accelerated delivery or release of Rewards in specific situations, the factual length of the Lock-Up Period for each individual tranche of Performance Shares and cash Reward shall always be at least twelve (12) months from the Delivery Date.

### **5. Share Ownership Recommendation**

The Company maintains a Share ownership recommendation policy pursuant to which each Participant who is a member of the Group's Executive Board is encouraged to maintain a specific minimum Share ownership in the Company as long as he/she is a member of the Executive Board.

The recommended Share ownership level is equal to Shares representing in value, 100 % (in case of the Chief Executive Officer) or 50 % (in case of the other members of the Executive Board) of the individual Participant's Annual Base Salary.

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Part of the above Share ownership recommendation should be fulfilled out of Performance Shares rewarded under this Arrangement as follows: the Participants should use at least fifty (50) per cent of the Performance Shares received pursuant to this Arrangement for fulfilling the above Share ownership recommendation until the Share ownership of the individual Participant, either based on Shares received pursuant to this Arrangement or based on Shares otherwise acquired or held, has reached the Share ownership level recommended above.

The Company is entitled to amend and permit exceptions from the above share ownership recommendation policy in its sole discretion.

### III Participant level changes

#### **6. Employment Precondition**

##### **6.1 Employment Precondition for Reward Delivery**

No Reward (even if already earned or confirmed) shall be delivered or paid to any Participant whose employment or service at the Company ends or is terminated or a notice regarding the termination thereof is delivered (whichever occurs earlier) by the Participant or by the Company before the delivery or payment of the Reward.

Notwithstanding the provisions set forth in the previous paragraph, the Participant (or his/her death's estate) shall be entitled to a time based proportion of his/her Reward (the "**Good Leaver Reward**"), if the Participant's employment or service at the Company terminates based on any of the following grounds (each a "**Good Leaver Ground**"):

- (i) the Participant's retirement for pension, such as for a statutory old-age, sickness or disability pension (except for a voluntary or extra pension not arranged by or agreed with the Company);
- (ii) the Participant's employment relationship is terminated by the Company on other than individual grounds based on organizational, production related or financial grounds;
- (iii) the Participant's employment or service at the Company ends as a result of the Participant's employment or service relationship being transferred outside the Company in a divestment of a subsidiary or a business or in other M&A transaction; or
- (iv) the Participant is deceased.

If the Good Leaver Ground occurs,

- (i) before the end of the Performance Period, the amount of the Good Leaver Reward shall be such a proportion of his/her earned Gross Shares (deducted with Taxes) for the ongoing Performance Period, which equals the time based proportion of the respective Performance Period passed by the time the Good Leaver Ground occurred; or
- (ii) after the end of the Performance Period but before the Delivery Date, the Good Leaver Reward shall be his/her earned Gross Shares (if any), deducted with Taxes.

The measurement and delivery of the Good Leaver Reward shall be made simultaneously with or as close as practicable to the regular measurement and delivery of Rewards for the other Participants for the respective Performance Period(s).

The Good Leaver Reward is primarily delivered in Performance Shares but may, alternatively in the Company's sole discretion, be paid in cash.

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Shares delivered based on a Good Leaver Ground remain restricted by the Lock-Up until the end of the respective Lock-Up Period but are not subject to the provisions of section 6.2 (Forfeiture of Performance Shares during the Lock-Up Period).

The Company may deviate from the provisions of this section 6.1 in individual cases in the Company's sole discretion. The Company's sole discretion covers both whether there shall be any Good Leaver Reward delivered or paid to the Participant and the amount of the Good Leaver Reward.

### **6.2 Forfeiture of Performance Shares during the Lock-Up Period**

The Participant forfeits and is, thus, obliged to return and surrender to the Company or to a third party specified by the Company in the Company's sole discretion, without compensation, any Performance Shares received under the Arrangement that are subject to the Lock-Up, together with the value of deducted Taxes (to the extent such Taxes may be reimbursed to the Participant under applicable law), if the Participant's employment or service at the Company ends or is terminated on any other ground than on a Good Leaver Ground (as defined in section 6.1) and the termination notice is delivered by the Company or by the Participant prior to the end of the Lock-Up Period.

For the purposes of this section 6.2 only, the Good Leaver exception to the forfeiture of Performance Shares shall also apply in case the Participant's employment relationship is terminated by the Company on any ground not attributable to this individual Participant.

The above provisions relating to the forfeiture of Performance Shares also apply to shares and other securities gratuitously received by virtue of Performance Shares subject to the Lock-Up.

Upon the occurrence of an event causing a forfeiture of the Participant's Performance Shares and securities pursuant to this section 6.2, the Company is entitled and authorized (i) to effect, without a separate approval of the Participant, a transfer of the Performance Shares and other securities subject to the Lock-Up to a paperless securities account determined by the Company in its sole discretion and (ii) to apply for any Tax refund available as a result of the forfeiture in the name of the Participant and the Participant shall sign and deliver all the applications, consents, proxies and other documents necessary for the execution of the above measures.

The forfeiture of Rewards based on this section 6.2 also applies to any cash Rewards which has not been released for free disposal of the Participant in accordance with section 4.

## **IV Corporate level changes**

### **7. Adjustments in Certain Situations**

#### **7.1 Divestment or other Change in the Group Structure during the Performance Period**

If the Company executes a divestment or separation of a subsidiary or a business or if there is another material change in the Company's group or business structure (which does not constitute a Change of Control Event defined in section 7.2.1) during the Performance Period or before the confirmation of the Rewards, which affects the fundamentals underlying or the target setting of the Performance Criteria or their measurement, the Company may, in its sole discretion, make such an adjustment, if any, to the Performance Criteria, which is deemed equitable by the Company.

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### **7.2 Change of Control**

#### **7.2.1 Change of Control Events**

Upon the occurrence of any of the following events (each a “**Change of Control Event**”) between the commencement of the Performance Period and the Delivery Date, the provisions of section 7.2.2 further below shall apply:

- (i) a shareholder not having such ownership at the beginning of the Performance Period becomes the owner of more than 30 % or more than 50 % of the votes vested in all the shares of the Company, determined in the manner stipulated in the Finnish Securities Markets Act (as amended or replaced from time to time);
- (ii) the Company merges with another company as the merging or receiving company in such a manner that the merger causes a change of ownership described in subsection (i) above as compared to the ownership of the Company prior to the merger; or
- (iii) a shareholder pursuant to the Finnish Companies Act becomes entitled to and, upon demand obliged to, redeem the remaining Shares in the Company.

The Board determines in each case whether a Change of Control Event has occurred and its decision is binding on the Participants.

#### **7.2.2 Consequence of a Change of Control Event**

Upon the occurrence of a Change of Control Event, the Board determines in its reasonable judgment whether and in which manner this will affect the Arrangement, the outstanding incentive earnings and awards (including at the Board’s choice, but not limited to, on an accelerated termination of the Arrangement combined with an accelerated payment of the earned Rewards and, in the Board’s discretion, with a proportional part of the Target Earnings in Shares or cash, a warehousing of the earned Rewards and an extension of the Lock-Up Period for a transition period relating to the implementation of the transaction which caused the Change of Control Event, a conversion of the Arrangement to a long-term incentive arrangement maintained by the third party buyer or another change determined by the Board).

In deviation from the above provisions of this section 7.2.2, in case of a Change of Control Event set forth in subsection 7.2.1 (iii) (a so called squeeze-out situation), the Board shall either terminate the Arrangement and pay the Participants a cash-out payment deemed reasonable by the Board and the timing of the payment being determined by the Board or, alternatively and if relevant, convert the Participants’ participations in the Arrangement to a long-term incentive arrangement maintained by the new controlling shareholder.

## **V Administration and Miscellaneous Terms**

### **8. Non-transferability and Shareholder Rights**

Rights or obligations based on the Arrangement may not be transferred or assigned by the Participant. Performance Shares received under the Arrangement shall carry normal shareholder rights once registered on the Participants’ paperless securities accounts.

### **9. The Incentive Nature of the Arrangement**

The Arrangement is exclusively an incentive scheme. Neither the participation in the Arrangement nor any rights arisen thereunder constitute any part of the terms of the Participant’s employment or

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service. Participation in the Arrangement shall not affect the Company's right to terminate the employment or service of a Participant on legal grounds.

The Reward is not regarded as a compensation for work contribution. The Reward is not regarded as pensionable salary and neither results in pension accrual nor in a pension benefit unless otherwise required by mandatory provisions of law in an individual country in which a Participant resides. Should the Reward be regarded as pensionable salary by virtue of mandatory provisions of law, the Company shall be entitled to deduct any payable employer's and employee's pension premiums/contributions from the Gross Shares before the Reward is delivered to the Participant (in accordance with the provisions relating to the deduction of social security contributions set forth in section 3).

### **10. Administration and Implementation**

The Company decides on all matters, measures and procedures relating to the administration and implementation of the Arrangement and on the interpretation of these Terms and Conditions. All measures required for the implementation of these Terms and Conditions are performed by the Company or its order.

The Company's rights and powers under these Terms and Conditions are exercised by the Board. The Board may delegate such rights and powers in its sole discretion.

Without limiting the rights of the Company under these Terms and Conditions, the Company is entitled, and these Terms and Conditions constitute an authorization for the Company to, in relation to individual Participants and in relation to all the Participants:

- (i) decide whether the Reward to individual Participants or to all the Participants is delivered in cash or Shares and to deduct all applicable Taxes from the cash payment and Share delivery (irrespective of whether the Tax is due for payment immediately or later). The Company is entitled to stipulate that the Participants shall use the net amount of a cash Reward to acquiring Shares or acquire the Shares on behalf and in the name of the Participants and that the acquired Shares are subject to the Lock-Up; and
- (ii) apply for and effect the registration of the delivered Performance Shares and the transfer and pledge restrictions resulting from the Lock-Up to the respective paperless securities accounts of the Participants.

Each Participant shall for his/her part sign and deliver all the notifications, applications, consents, proxies and other documents which may be necessary for the implementation of the Arrangement and these Terms and Conditions and for the execution of the individual measures referred to in these Terms and Conditions.

The Company is entitled to make corrections and to change, amend and deviate from these Terms and Conditions in relation to Reward deliveries, in relation individual Participants and in relation to the Participants in general in its sole discretion and without having to notify any other Participants than those concerned.

The Company shall neither have any obligation or liability to hedge, nor any liability to compensate any decrease in, the value of the Performance Shares retained by the Participants due to the Lock-Up requirements set forth in section 4, due to the Share Ownership Recommendation set forth in section 5 or due to other terms applicable to the Arrangement.

Despite the withholding of Taxes in accordance with section 3, each Participant is personally liable in his/her own personal taxation for any residual and final Tax in accordance with applicable laws.

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### **11. Adjustment of Performance Criteria and Adjustment or Cancellation of Rewards after the Commencement of a Plan**

Notwithstanding anything set forth in these Terms and Conditions, the Company is entitled, with retroactive effect in relation to an already ongoing, as well as in relation to an already ended, Performance Period,

- (i) due to an exceptional event or changed circumstances, which affect or influence the fundamentals underlying, or the target settings of, the Performance Criteria or their measurement or the evaluation of the earning opportunity or of the ongoing Plan or the Arrangement as a whole,
- (ii) due to a material change in the corporate, group or business structure of the Company or due to a discontinuation or a substantial change of the Company's strategy,
- (iii) due to a weak financial result or outlook of the Company or due to the Company's weak financial position such as weak capital adequacy, or
- (iv) due to other weighty reason deemed relevant by the Company,

to adjust or change the amount of the earning opportunity, the Performance Criteria, their measurement and measurement scale, to cut or cancel Rewards already earned by the Participants or to postpone their delivery if the Company considers that this is well-grounded or necessary from the perspective of or in the interest of the Company or its shareholders.

### **12. Elimination of non-recurring items and extraordinary or changed circumstances**

The Company is entitled to adjust the Reward (up or down) in its sole discretion to deal with and/or to eliminate the impact of:

- (i) non-recurring or extraordinary revenue, profits or losses and events or items during the performance period which are beyond the influence or control of the Participants / the Company's management; and
- (ii) significant additional investments made in the business which are not included in the budget or the business plan or divestments or other rearrangements in, or reorganization of, significant business(es) during the Performance Period.

### **13. Misconduct**

If a Participant has:

- (i) caused a falsification or distortion of the financial or other data or information, based on which the Performance Criteria or Rewards are or have been determined or measured,
- (ii) acted in violation of these Terms and Conditions,
- (iii) acted substantially against his/her employment duties, against the Company's ethical code of conduct, otherwise unethically or committed other substantial misconduct in his/her service at the Company, or
- (iv) otherwise acted in a manner which is harmful to, or contradictory with, the interests of the Company in a manner which cannot be regarded as insignificant,

the Company is entitled (a) to cancel such Participant's right to any yet undelivered Reward under the Arrangement and (b) to remove such Participant from the Arrangement with immediate effect irrespective of whether or not the Participant's conduct constitutes a ground to terminate or rescind the Participant's employment or service relationship.



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In addition, if, and only if, the Participant has committed an act described in subparagraph (i) above, the Company is, in addition to the above measures, entitled to decide that the Participant forfeits all the Performance Shares received under the Arrangement which are subject to the Lock-Up at the time the Company passes such decision, and to (b) recover any Rewards (whether Performance Shares or cash Rewards) already delivered or paid to the Participant and released from the Lock-Up, the earning or amount of which was influenced by such act.

The Participant shall not be entitled to any compensation on the account of any of the above consequences enforced by the Company.

In case the Company decides on the above mentioned forfeiture or recovery of Rewards, the Participant is immediately upon the Company's demand obliged to transfer and surrender the Shares (or the monetary value thereof) to a paperless securities account or bank account specified by the Company. To the extent the forfeiture or recovery of Rewards concerns Performance Shares still subject to the Lock-Up, the Company is authorized to take and effect the measures set forth in section 6.2 (Forfeiture of Performance Shares during the Lock-Up Period) in relation to those Shares.

### **14. Removal of a Participant from the Arrangement and Position Change**

In case a Participant is during the Performance Period transferred to a position which is in a different Participant category or layer than the position held by him/her at the beginning of the Performance Period, the Company is entitled (i) to change and adjust the amount of the Participant's Target Earning for the ongoing Performance Period up or down to conform to the Target Earning applied in the Participant's new Participant category or layer and (ii) in case of a transfer to an organizationally lower position, to remove the Participant from the Arrangement and from the ongoing Plan with immediate effect and the Participant shall in such case not be entitled to any Reward based on the Plan during which he/she was removed from the Arrangement.

### **15. Adjustment to Laws and Elimination of Increased Costs**

The Company may, in its sole discretion and to the extent deemed necessary by it, change, amend or deviate from these Terms and Conditions in relation to individual Participants, in relation to Participants residing in a specific country or in relation to the Participants in general in order to adjust the Arrangement or its terms, including with retroactive effect from the beginning of an ongoing Plan, in order to adjust or conform to the provisions of local laws, regulations or taxation practices or to the changes thereof or in order to mitigate, avoid or eliminate the impact of increased costs resulting from such change.

### **16. Validity and Termination of the Arrangement**

The Arrangement is valid and effective once the establishment thereof and these Terms and Conditions have been approved by the Board.

The Arrangement shall terminate without separate decision or notice once all the Rewards confirmed for the Participants under that Plan have been delivered to the Participants and the Lock-Up Period in relation thereto has lapsed.

Notwithstanding anything set forth in these Terms and Conditions, the Company is entitled to terminate the Arrangement with immediate effect at any time during an ongoing Plan. Upon such termination the Company shall pay the Participants in cash (or, at the Company's choice, in Performance Shares):

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- (i) the monetary value of such a proportion of the Target Earning of the Participants for the ongoing Performance Period, which equals the time based proportion of the ongoing Performance Periods passed by the effective date of the termination (net after the deduction of the Tax), and
- (ii) the monetary value of any Gross Shares possibly already earned in the last ended Performance Period but not yet delivered to the Participants (net after the deduction of the Tax).

### **17. Governing Law and Settlement of Disputes**

The Arrangement and these Terms and Conditions are governed by and construed in accordance with the substantive laws of Finland .

Any dispute or claim arising out of or in relation to the Arrangement and these Terms and Conditions, which cannot be settled through negotiations between the parties, shall be finally settled by arbitration in Helsinki, Finland, in accordance with the Rules for Expedited Arbitration of the Arbitration Institute of the Finland Chamber of Commerce.

### **18. Confidentiality**

These Terms and Conditions are confidential unless (and to the extent) published by the Company in its sole discretion.