

# Remuneration Statement of Suominen Corporation

This Remuneration Statement describes Suominen Corporation's ("Suominen" or the "Company") remuneration principles and the remuneration of the Board of Directors, President & CEO and other members of the Executive Team in 2019. This Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015 (the "Code"). The Code is available on the Securities Market Association's website at [www.cgfinland.fi](http://www.cgfinland.fi).

## A. Decision-making procedure concerning the remuneration

### Board of Directors

The General Meeting determines the remuneration paid to the members of the Board of Directors in advance, for one year at a time. Shareholders' Nomination Board prepares independently a proposal on the remuneration of the Board of Directors for the General Meeting.

### President & CEO and other executives

The Personnel and Remuneration Committee of the Board of Directors of Suominen prepares the remuneration matters concerning the Company's President & CEO and other executives. The Personnel and Remuneration Committee continuously evaluates the appropriateness of the President & CEO's and other executives' remuneration by assessing how their remuneration is positioned to the market and ensuring the remuneration is aligned with the Company's strategy and the shareholders' interests.

The Personnel and Remuneration Committee does not have independent decision-making power unless the Board of Directors resolves otherwise on individual matters. The Board of Directors determines the salary, bonuses and other benefits paid to the President & CEO and to other members of the Executive Team. The

General Meeting or the Board of Directors authorized by the General Meeting, decides on the issue of shares, stock options or other special rights entitling to shares to the President & CEO or other executives. The President & CEO or the other executives are not involved in the decision-making process regarding their own remuneration.

The Board of Directors determines also the severance payments of the President & CEO in the case of termination of his or her contract.

## B. Main principles of remuneration

Suominen strives to have a remuneration system that incentivizes to pursue towards the Company's long-term financial performance and shareholder value creation. The Company aims to offer remuneration that attracts, motivates and retains the best possible management and Board members who drive Suominen's performance and strategy in alignment with essential stakeholder interests. The Policy's goal is to ensure that the philosophy of paying for performance is applied to Suominen's remuneration.

### Main principles of remuneration of the Board of Directors

The basis for determination of the Board of Directors' remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board of Directors to fulfill their duties.

The remuneration of Suominen's Board of Directors is based on fixed annual remuneration and meeting fees.

Suominen's Annual General Meeting held on March 19, 2019 decided that the remuneration payable to the members of the Board remains unchanged. Consequently, the Chair of the Board of Directors

was paid an annual fee of EUR 60,000, Deputy Chair of the Board an annual fee of EUR 37,500 and other Board members an annual fee of EUR 28,000. 60% of the annual remuneration was paid in cash and 40% in Suominen's shares. Of the remuneration payable in shares as described above, the number of shares transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume-weighted average quotation of the share during one-month period immediately following the date on which the interim report of January–March 2019 of the Company was published. The shares were given out of the treasury shares held by the Company on May 31, 2019. Further, the members of the Board of Directors are paid a fee for attending meetings. Each member of the Board will receive EUR 500 for each meeting attended in the home country of the respective member and EUR 1,000 for each meeting attended elsewhere than in the home country of the respective member. Compensation for expenses is paid in accordance with the Company's valid travel policy.

The participation to the Board's Committees is not compensated separately. Members of Suominen's Board of Directors do not have an employment relationship with the Company. They are not included in the Company's share-based incentive plans and they do not have any pension contracts with the Company. Suominen shares that have been received as remuneration for the Board membership are not subject to restrictions or ownership obligations.

### **Main principles of remuneration of the President & CEO**

Suominen strives to offer the President & CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation, while at the same time retaining the President & CEO in the Company. The consistency and competitiveness of remuneration is ensured through systematic internal and external comparisons that take into consideration the local market conditions.

The remuneration of the President & CEO consists of a fixed base salary and benefits, performance-based bonus

(short-term remuneration), and share-based incentive plans (long-term remuneration).

## **Long-term remuneration**

### **Share-based incentive plans**

#### *Incentive plan for calendar years 2015–2019*

The Board of Directors of Suominen decided on December 4, 2014 on two share-based incentive plans for the Group management (including the President & CEO) and Group key employees: Performance Share Plan and Matching Share Plan. The aim of the plans was to combine the objectives of the shareholders and the persons participating in the plans in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company's shares.

The Performance Share Plan included three earnings periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Performance Share Plan was directed to approximately 20 people, including the President & CEO. The Plan included a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached. The objectives for the last performance period 2017–2019 of the Plan were Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT %) and return on invested capital (ROI %). As the set objectives were not met, no rewards will be paid on the basis of the Plan.

The Matching Share Plan included only one three-year vesting period, calendar years 2015–2017.

#### *Incentive plan for calendar years 2018 and beyond*

On December 11, 2017, the Board of Directors of Suominen approved a new share-based incentive plan for the Group management (including the President & CEO) and Group key employees. The aim of the new plan is to combine the objectives of the shareholders and the persons participating in the plan in order to increase the value of the Company in the long-term, to bind the participants to the Company, and to offer them competitive reward plans based on earning and accumulating the Company's shares.

### Performance Share Plan 2018

The new Performance Share Plan currently includes three 3-year performance periods, calendar years 2018–2020, 2019–2021 and 2020–2022. The Performance Share Plan is directed to approximately 20 people. The Plan includes a share price cap mechanism which cuts the reward if the limits set by the Board of Directors for the share price are reached. The potential reward of the Plan from the performance period 2018–2020 is based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT %). The potential rewards to be paid on the basis of the performance period 2018–2020 correspond to the value of an approximate maximum total of 502,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 88,000 shares (both including also the proportion to be paid in cash). The potential reward of the Plan from the performance periods 2019–2021 and 2020–2022 is based on the Relative Total Shareholder Return (TSR). The potential rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of an approximate maximum total of 729,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 151,500 shares (both including also the proportion to be paid in cash). The potential rewards to be paid on the basis of the performance period 2020–2022 correspond to the value of an approximate maximum total of 893,000 Suominen shares, of which the maximum portion of the President & CEO would be the value of 224,500 shares (both including also the proportion to be paid in cash).

### Reward payment and ownership obligation

The potential rewards from the performance periods 2018–2020, 2019–2021 and 2020–2022 will be paid partly in the Company's shares and partly in cash in 2021, 2022 and 2023, respectively. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the participant. As a rule, no reward will be paid, if a participant's employment or service ends before the reward payment. The President & CEO of the Company must hold 50% of the net number of shares given on the basis of the plan, as long as his or her shareholding in total corresponds to the value of his

or her annual gross salary. Such number of shares must be held as long as his or her employment or service in a group Company continues.

### Matching Restricted Share Plan 2019–2021

On June 4, 2019 the Board of Directors of approved a new share-based incentive plan for selected Group key employees. The aim is to align the objectives of the shareholders and key employees in order to increase the value of the Company in the long-term, to retain key employees at the Company, and to offer them a competitive reward plan that is based on acquiring, receiving and accumulating the Company's shares.

The Matching Restricted Share Plan is directed to selected key employees in the Suominen Group. The prerequisite for receiving a reward from the plan is that a participant acquires the company's shares, amounting to the number resolved by the Board.

If the prerequisites set for a participant have been fulfilled and his or her employment or service in a company belonging to the Suominen Group is in force at the time of the reward payment, he or she will receive matching shares as a reward.

The plan includes vesting periods, the duration of which is resolved by the Board. The potential reward will be paid partly in shares and partly in cash after a vesting period. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the plan participants.

The prerequisite for reward payment is that a participant's employment or service is in force upon reward payment. The plan rewards to be allocated in 2019–2021 will amount to a maximum total of 200,000 Suominen shares including also the proportion to be paid in cash.

The President & CEO is included in the Matching Restricted Share Plan. According to the Plan, the President & CEO is entitled to receive in total 20,000 Suominen shares (gross before taxes) on the condition that he has personally invested into 10,000 Suominen shares. The matching shares will be delivered in two equal installments in 2020 and 2021.

### Short-term remuneration

Suominen applies an annual bonus scheme based on the principles approved by the Board of Directors in advance for one year at a time. For the financial year 2019, the President & CEO's potential reward from the period was based on EBIT and certain personal targets, and it may not exceed 60% of the annual salary.

### Term of notice and severance pay

According to the written contract made with the President & CEO, the period of notice is six months should either the Company or the President & CEO terminate the contract. Should the Company terminate the President & CEO's contract, severance pay corresponding to 12 months' salary shall be paid. The President & CEO has no specific contract related to the termination of his contract due to a public tender offer.

### Supplementary pension arrangement of the President & CEO

In addition to the statutory pension arrangements, Suominen's President & CEO has a supplementary pension arrangement granting benefits for old-age, disability and survivor's pension at the age of 63. The supplementary pension is a defined-contribution pension scheme and corresponds to 11.5% of the President & CEO's annual salary (as defined in the Finnish Employees Pensions Act) for the year in question. The supplementary pension premium is based on the calculated annual earnings (fixed monthly salary plus estimated bonus). Any possible difference between the actual and calculated payment is taken into account in the following year's payments.

### Main principles of remuneration of other executives

The remuneration of the other members of the Executive Team consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and of share-based incentive plans (long-term remuneration). The remuneration system described above concerning the President & CEO is applied also to the other members of the Executive Team, with the following exceptions:

- Long-term remuneration through the share-based incentive plans: A member of the Executive Team must hold 50% of the net number of shares given on the basis of the performance-based plan, as long as his or her shareholding in total corresponds to the value of half of his or her annual gross salary.
- Short-term remuneration: For other Executive Team members, the bonus may not exceed 50% of the annual salary.
- The other executives are not covered by any special supplementary pension schemes. Pension arrangements in countries without statutory pensions are arranged through Suominen's normal supplementary pension programs. The executives and other key persons of Suominen act as members of the Boards of Directors in the Company's subsidiaries. Separate compensation is not paid for such duties.

## C. Remuneration report

### Remuneration of the President & CEO and Executive Team in 2019

In 2019, the salaries and benefits paid to Petri Helsky, President & CEO, totaled EUR 423,672. Additionally, he had a health insurance, of which the costs for the Company were EUR 3,712 in 2019. Supplementary pension payments for Petri Helsky were in total EUR 50,903. No bonuses were paid to the President & CEO in 2019.

The salaries and benefits paid to the other members of the Executive Team totaled EUR 1,637,226, including bonuses of EUR 67,522. In 2019, the members of the Executive Team received no Suominen shares, stock options or other share-based rights as remuneration.

## Remuneration of the Board of Directors in 2019

		Annual remuneration paid in cash, EUR	Value of the annual remuneration paid in shares, EUR	Annual remuneration paid in shares, nr of shares	Meeting fees, EUR	Total, EUR
Jan Johansson	Chair	35,999.67	24,000.33	9,629	10,000	<b>70,000</b>
Risto Anttonen	Deputy Chair	22,500.10	14,999.90	6,018	5,500	<b>43,000</b>
Andreas Ahlström	Member	16,801.18	11,198.82	4,493	5,000	<b>33,000</b>
Hannu Kasurinen	Member	16,801.18	11,198.82	4,493	5,500	<b>33,500</b>
Sari Pajari	Member as of March 19, 2019	16,801.18	11,198.82	4,493	-	<b>28,000</b>
Laura Raitio	Member	16,801.18	11,198.82	4,493	5,000	<b>33,000</b>
Jaana Tuominen	Member until March 19, 2019	-	-	-	4,000	<b>4,000</b>

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 244,500 in 2019.