

## Remuneration Statement 2017 of Suominen Corporation

Suominen Corporation ("Suominen" or "Company") complies with the Finnish Corporate Governance Code 2015 ("Code") issued by the Securities Market Association. This Remuneration Statement has been prepared in accordance with the guidance provided in the Reporting section of the Code. The Code is available on the Association's website at [www.cgfinland.fi](http://www.cgfinland.fi).

### A. Decision-making procedure concerning the remuneration

#### Board of Directors

The Annual 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 Annual General Meeting.

#### President & CEO and other executives

The Board of Directors of Suominen determines the salary, bonuses and other benefits paid to the President & CEO and to other executives (members of the Corporate Executive Team and the Corporate Leadership Team, reporting directly to the President & CEO). The remuneration of the President & CEO and other executives consists of a fixed monthly salary and benefits, a performance-based bonus (short-term remuneration), and share-based incentive plans (long-term remuneration).

The Personnel and Remuneration Committee of the Board of Directors of Suominen prepares the remuneration and appointment matters concerning the Company's President & CEO and other executives, as well as principles and procedures related to the remuneration of the Company's employees. The Committee does not have independent decision-making power unless the Board resolves otherwise on individual matters.

### B. Main principles of remuneration

Suominen strives to have a remuneration system that is systematic, structured and predictable with strong performance orientation. The consistency and competitiveness of the rewards are ensured through systematic internal and external comparisons that also take into consideration local market conditions. Suominen's remuneration system aims to ensure that a fixed proportion of the total reward is individually targeted and actively examined. The goal of an active remuneration system is to ensure that the Company's employer image in the eyes of both current and potential key employees is attractive. Clear indicators that reflect

performance, as well as a focus on the achieved results, ensure that the reward is justified, goal-oriented and offers incentive. By selecting goals for the variable rewards, the aim is to steer management towards implementing Suominen's strategy and achieving the financial targets. Short- and long-term performance-based remuneration is used to reward good performance and to contribute both to the Company's financial success and to the favorable development of its shareholder value.

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

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

Suominen's Annual General Meeting held on 15 March 2017 decided that the remuneration payable to the members of the Board remains unchanged, with the exception of the remuneration of the Chair of the Board which was increased by EUR 10,000. 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 Corporation'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 2017 of the Company was published. The shares were given out of the treasury shares held by the Company on 2 June 2017.

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 Corporation 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**

The remuneration of the President & CEO consists of a fixed monthly 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 4 December 2014 on two share-based incentive plans for the Group management and Group key employees. The plan is divided in two; to Performance Share Plan and Matching Share Plan. The aim of the new plans is 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.

#### *Performance Share Plan*

The Performance Share Plan includes currently three earnings) periods, calendar years 2015–2017, 2016–2018 and 2017–2019. The Performance Share Plan is directed to approximately 20 people, including President & CEO. The Plan includes 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 2015–2017 is based on the Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT%) and return on invested capital (ROI %). The potential rewards to be paid on the basis of the performance period 2015–2017 correspond to the value of an approximate maximum total of 460,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 84,000 shares (both including also the proportion to be paid in cash).

The potential reward of the Plan from the performance period 2016–2018 is based on the Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT%) and return on invested capital (ROI %). The potential rewards to be paid on the basis of the performance period 2016–2018 correspond to the value of an approximate maximum total of 245,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 53,000 shares (both including also the proportion to be paid in cash).

The potential reward of the Plan from the performance period 2017–2019 will be based on the Suominen Group's net sales growth, earnings before interest and taxes margin (EBIT%) and return on invested capital (ROI %). The rewards to be paid on the basis of the performance period 2017–2019 correspond to the value of an approximate maximum total of 480,000 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 80,000 shares (both including also the proportion to be paid in cash).

The fulfilment of the performance criteria of each earnings period is monitored annually and the potential rewards from the earnings periods 2015–2017, 2016–2018 and 2017–2019 will be paid in 2018, 2019, and 2020, respectively. The potential rewards will be paid partly in the Company's shares and partly in cash. The cash proportion of the reward 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 her shareholding in total corresponds to the value of her

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

#### *Matching Share Plan*

The Matching Share Plan includes one three-year vesting period, calendar years 2015–2017. The prerequisite for receiving reward on the basis of this plan is that a person participating in the plan owns or acquires the Company's shares up to the number determined by the Board of Directors. Furthermore, receiving of reward is tied to the continuance of participant's employment or service upon reward payment.

The members of the Corporate Executive Team and the Corporate Leadership Team belong to the target group of the Matching Share Plan. The rewards to be paid on the basis of the Matching Share Plan correspond to the value of an approximate maximum total of 127,478 Suominen Corporation shares, of which the maximum portion of the President & CEO would be the value of 20,000 shares (both including also the proportion to be paid in cash).

In order to implement the Matching Share Plan, a share issue against payment was directed to the target group in the year-turn of 2014–2015. A maximum total of 110,000 new shares in the Company were offered in the share issue for subscription. The share subscription price for the new shares was EUR 3.35 per share, which equals with the trade volume weighted average quotation of the share on Nasdaq Helsinki Ltd during 1–30 November 2014 and with the fair value approved by the Finnish tax authorities. In total 101,477 new Suominen shares were subscribed.

The terms and conditions of the share-based incentive plans were technically revised due to the reverse share split decided by the Annual General Meeting on 16 March 2016 and implemented on 21 March 2016. Moreover, also the figures concerning the value or amount of shares in this Statement have been revised to match with the number of shares and the share price after the reverse split.

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

On 11 December 2017, the Board of Directors of Suominen approved a new share-based incentive plan for the Group management 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 includes a three-year performance period, calendar years 2018–2020. The Performance Share Plan is directed to approximately 20 people, including President & CEO. The Plan includes 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).

#### *Reward payment and ownership obligation*

The potential rewards from the performance periods 2018–2020 will be paid partly in the Company's shares and partly in cash in 2021. 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 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 her employment or service in a group Company continues.

#### **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 of 2017, President & CEO's, potential reward from the period was based on Suominen Group's profit before taxes and may not exceed 60% of the annual salary. For the financial year of 2018, the potential reward is based on net sales growth, return on invested capital and certain personal targets.

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

- Long-term remuneration through the share-based incentive plans: A member of the Corporate Executive Team 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 half of his or her annual gross salary.
- Short-term remuneration: For other Corporate Executive Team members, the bonus may not exceed 50% of the annual salary and for Corporate Leadership Team members 40 % of the annual salary. In 2017 the performance-based bonus was based on the EBITDA (with actualization ranging from 0 to 100%) and personal performance (with actualization ranging from 0 to 100%). The payable bonus is calculated by multiplying the actualization of the personal performance by the actualization of the EBITDA.
- 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 that duty.

## C. Remuneration report

### Remuneration of the Board of Directors in financial year 2017

		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
<b>Jan Johansson</b>	Chair as of 15 Mar 2017	36,000	24,001	4,814	-	60,001
<b>Jorma Eloranta</b>	Chair until 15 Mar 2017	-	-	-	5,500	5,500
<b>Risto Anttonen</b>	Deputy Chair	22,500	15,002	3,009	5,500	43,002
<b>Andreas Ahlström</b>	Member	16,800	11,198	2,246	5,500	33,498
<b>Hannu Kasurinen</b>	Member	16,800	11,198	2,246	5,500	33,498
<b>Laura Raitio</b>	Member	16,800	11,198	2,246	5,500	33,498
<b>Jaana Tuominen</b>	Member	16,800	11,198	2,246	5,500	33,498

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 242,495 in financial year 2017.

### **Remuneration of the President & CEO and Corporate Executive Team in 2017**

In financial year 2017, the salaries and benefits paid to the President & CEO totaled EUR 380,638 including a bonus of EUR 49,586. Additionally, the President & CEO has a health insurance, of which the costs for the Company were EUR 555 in 2017. Supplementary pension payments for the President & CEO were in total EUR 38,497. In financial year 2017, the President & CEO received no Suominen shares, stock options or other share-based rights as remuneration.

The salaries and benefits paid to the other members of the Corporate Executive Team totaled EUR 1,394,124 including bonuses of EUR 31,960. In financial year 2017, the members of the Corporate Executive Team received no Suominen shares, stock options or other share-based rights as remuneration.