

# Parent Company Olvi plc's Remuneration Report



2018

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The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010 and was revised on 1 January 2016. This report has been prepared in accordance with Recommendations 22 to 24 within subsection V 'Remuneration' of the revised CG Code.

### 1. Principles of remuneration in Olvi plc

Bonuses based on the achievement of predetermined and measurable earnings and performance targets are an important incentive and management tool. Performance bonus schemes communicate the targets, will and desire set by the company's Board of Directors. The objectives for long-term bonuses include increasing shareholder value, improving competitive ability, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company. Bonuses based on earnings or performance are a sign of achievements that outperform the target level. Basic wages and salary are compensation for work well done.

The objectives of bonuses based on target-setting include clarity, fairness and sufficient effect. Bonus schemes must not encourage imprudent risk-taking or negligence.

### 2. Procedure of decision-making on remuneration

According to the Articles of Association of Olvi plc, the Annual General Meeting shall decide on the remuneration of the Board of Directors. The company shall present a proposal for remuneration of the Board of Directors in the notice to convene the General Meeting (if the matter is on the agenda \*).

\*Any proposals submitted by shareholders concerning the remuneration of the Board of Directors shall be included in the notice of the General Meeting provided that the shareholders who submitted the proposal represent no less than 10% of the votes carried by all shares and the proposal was submitted to the company in such a manner that it can be included in the notice to convene the meeting. Prior to the commencement of a new accounting period, the company will announce the latest date on which such proposals for resolution must be received by Olvi plc's Board of Directors. The date will be included in the announcement concerning the schedule for financial disclosures. Once the notice of General Meeting has been issued, any similar proposals submitted by shareholders representing no less than 10% of the shares must be published separately.

The Board of Directors of Olvi plc shall prepare and confirm the salary, fringe benefits (total salary), short-term incentives, pension benefits and long-term share-based incentive plans for the Managing Director.

### 3. Structure of remuneration to the Board of Directors

Remuneration for Board work confirmed by the Annual General Meeting 2018 until the close of the Annual General Meeting 2019:

Monthly pay:

- |                              |            |
|------------------------------|------------|
| • Chairman of the Board      | 5,000 euro |
| • Vice Chairman of the Board | 2,500 euro |
| • Member of the Board        | 2,000 euro |

Attendance allowance per meeting:

- |                         |          |
|-------------------------|----------|
| • Chairman of the Board | 950 euro |
| • Member of the Board   | 650 euro |

Travel expenses for the members of the Board shall be reimbursed in accordance with the company's travel regulations.

According to a decision made by the Annual General Meeting 2018, the members of the Board of Directors of Olvi plc are remunerated as follows:

<b>Member of the Board</b>	<b>Annual pay/€</b>	<b>Attendance allowances €</b>	<b>Total remuneration</b>
Pentti Hakkarainen (Chairman)	60,000	10,800	70,800
Hortling Nora (Vice Chair)	30,000	8,450	38,450
Autere Jaakko (Member until 16.4.2018)	8,000	1,950	9,950
Heinonen Lasse (Member from 17.4.2018)	16,000	5,850	21,850
Lager Esa (Member until 16.4.2018)	8,000	1,950	9,950
Markula Elisa (Member)	24,000	6,500	30,500
Paltola Päivi (Member from 17.4.2018)	16,000	6,500	22,500
Sirviö Heikki (Member)	24,000	7,150	31,150
<b>Total</b>	<b>186,000</b>	<b>49,150</b>	<b>235,150</b>

The members of the Board have not received any other benefits and have not belonged to the company's share-based or other incentive schemes.

#### **4. Structure of remuneration to management**

The structure of total remuneration to management comprises fixed remuneration consisting of basic salary and fringe benefits (company car and mobile phone benefit), as well as short-term and long-term incentives.

##### **Fixed remuneration**

The company's Board of Directors decides on the terms of service of the Managing Director, which are specified in a written directors' contract. The Board of Directors assesses the Managing Director's performance annually.

The terms of service of other top management shall be decided by the Board of Directors on the basis of the Managing Director's proposal. The Managing Director and other management executives shall not receive separate remuneration for their work in the management group or other internal management organs within the Group.

##### **Short-term incentives**

Short-term incentives are performance bonus schemes in which the monitoring period is one accounting period. The Board of Directors shall decide upon the basis for definition of the incentives. The maximum performance bonus payable to the Managing Director can be 60 percent, and to other Management Group members 30 percent, of annual income determined on the basis of basic monthly income.

##### **Long-term incentives**

Long-term incentives are based on programmes prepared and confirmed by the company's Board of Directors that are valid for at least two accounting periods. The programmes can be share-based incentive schemes, excluding option schemes, or performance bonus schemes based on Group-level targets.

The company's Board of Directors is entitled to review the crucial terms and conditions of long-term incentive schemes during their term of validity in case of unexpected changes in the Group's business environment that have a substantial impact on the Group's operations and performance, or if the Group's structure, business volume or profitability level changes due to corporate acquisitions or divestments.

#### **Salaries and performance bonuses for 2018 (2017) paid to the Managing Director and other members of the Management Group of the parent company Olvi plc:**

	<b>Salary in money</b>	<b>Performance bonuses</b>	<b>Fringe benefits</b>	<b>Total</b>
<b>Managing Director</b>	629,318 (380,738)	192,805 (307,779)	427 (240)	822,550 (688,757)
<b>Other Management Group total</b>	1,029,893 (685,052)	200,404 (152,356)	23,361 (22,200)	1,253,658 (859,608)
<b>Total</b>	1,659,211 (1,065,790)	393,209 (460,135)	23,788 (22,440)	2,076,208 (1,548,365)

### **Share-based incentive plans for Olvi Group's key personnel**

The Group had a share-based incentive plan that expired at the end of June 2018 and had one two-year performance period beginning on 1 July 2016 and ending on 30 June 2018. From January to September 2018, accounting entries associated with the performance period from 1 July 2016 to 30 June 2018 were recognised for a total of 782,3 thousand euro. In accordance with the terms and conditions of the plan, rewards were paid in July 2018 partially in Olvi plc Series A shares and partially in cash. Olvi plc handed over a total of 35,830 treasury shares acquired for the plan to approximately 50 key employees.

Olvi Group does not have any other share-based plans or option plans.

### **Shares received by the Managing Director of the parent company Olvi plc as rewards**

The Managing Director of the parent company belongs to both of the share-based incentive plans described above. In accordance with the terms and conditions, rewards were paid from the performance period of 1 July 2016 to 30 June 2018 in Series A shares as follows:

Managing Director	7,200 shares
Other Member of the Management Group	10,500 shares

### **5. Pension schemes**

Pensions for the company's Managing Director and Management Group members are determined on the basis of valid legislation. They belong to the Finnish TyEL pension scheme in which the amount of employment pension is affected by the length of service and earnings. Income used for the determination of pensions includes the beneficiary's basic salary, bonuses and any other taxable extra pay but not any income realised from shares.

One can retire on old-age pension between 63 and 68 years of age, and the pension is determined on the basis of an increasing percentage. The company's pension schemes are defined contribution plans. Contributions paid to pension plans are recognised in the income statement during the accounting period to which the charge applies.

### **6. Terms and conditions of termination and serving notice**

The Managing Director's period of notice is three months if resigning himself or herself, and six months if the contract is terminated by the company. If the company terminates the Managing Director's service, the company shall also pay a severance payment equalling twelve months' salary.