



REMUNERATION STATEMENT

INTRODUCTION

The Finnish Corporate Governance Code 2010 (the Code) emphasises the transparency of remuneration and its principles as well as the importance of open distribution of information. Section 7. *Remuneration* of the Code requires that a remuneration statement in accordance with recommendation 47 is given on the company website. The aim of the statement is to increase transparency on management remuneration and remuneration schemes and to make the information provided by listed companies more consistent.

The remuneration statement promotes the shareholders' ability to obtain more information about the listed company. A statement that adheres to the Code is a consistent and as up-to-date description of remuneration as possible. Recommendations 39 to 46 of the Code contain the requirements set for the contents of the statement. Recommendation 47 summarises the information to be given on remuneration and specifies what the central principles for the remuneration of the managing director and the other executives mean, for instance.

The remuneration statement on the company website

- clearly presented up-to-date information about the remuneration of the company management
- description of the following:
 - Financial benefits of the directors, managing director and supervisory board, if any
 - Decision-making process for the remuneration of the managing director and other executives
 - Main principles for the remuneration of the managing director and other executives

This guideline offers an example for the listed companies when compiling the remuneration statement in accordance with the Code.. The use of the guideline is voluntary.

Companies listed at several exchanges may present the remuneration statement in a manner that departs from this guideline, in order to also comply with the rules and requirements of foreign exchanges and in order to present the information in a consistent manner to all investors and in all markets.



Presentation of the statement on the website

The remuneration statement is placed on the company website, e.g. in the investor section or the Corporate Governance section so that the readers can find it easily. The Code requires that information relating to the statement is not distributed to different parts of the company website. Links may be used in the presentation of the statement, but a link must lead directly to the information searched. The use of tables makes the presented information clearer. The presentation of information about previous financial periods as well makes it easier for the reader to follow the development of the company's remuneration practices.

Updating the statement

The remuneration statement is updated according to the company practice at certain intervals so that the information on the website is as up-to-date as possible. Part of the information is of such nature that it is appropriate to give it for the previous financial period.

It is important that the company updates the information contained in the statement before the annual general meeting so that the shareholders can exercise their right to ask questions on the remuneration statement at the annual general meeting. In addition, the information shall be updated after the annual general meeting regarding, e.g. the remuneration of the directors.

The statement is updated also in the middle of the financial period, if essential changes occur in the structure of remuneration.

STRUCTURE OF THE REMUNERATION STATEMENT

BOARD OF DIRECTION

Remuneration of the directors

In accordance with recommendations 41, 44 and 47, the following are disclosed

- **director's remuneration and other financial benefits**
- **the shares and share-based rights received by a director as remuneration**
- **the principles that are applied to the ownership of the shares that the director has received as remuneration**

In the remuneration statement, the remuneration may be divided into, e.g. annual remuneration and remuneration for meetings and committee work. As for the directors, the information is presented at individual level in monetary amounts. The information about option schemes may, however, be presented by describing the central features of the option scheme.



The company describes any share and share-based remuneration schemes and discloses the number of shares and share-based rights that a director has received as remuneration.

The company describes the period of time during which a director must hold the shares received as remuneration.

Financial benefits pertaining to a possible employment relationship or service contract of the chairman of the board and a director

In accordance with recommendations 41, 46 and 47, the company discloses the financial benefits pertaining to a possible employment relationship or service contract of the chairman of the board or a director with the same company in the same manner as the financial benefits of the managing director. (In more detail on page 6.)

The company shall disclose

- the salaries and other financial benefits
- the shares and share-based rights received as remuneration
- the retirement age and the criteria for the determination of the pension and additional pension
- the period of notice, salary for the period of notice and the terms and conditions of other possible compensation payable based on termination

MANAGING DIRECTOR AND OTHER EXECUTIVES

Remuneration scheme of the managing director and other executives

In accordance with recommendations 40, 45 and 47, the following are disclosed

- the decision-making process for the remuneration of the managing director and other executives
- the main principles for the remuneration of the managing director and other executives, such as the main facts about the following
 - the division of the remuneration into long-term and short-term remuneration
 - the division of the remuneration into non-variable and variable components
 - information of the determination of the variable components of the remuneration and the limits set for them



- **the performance and result criteria and their impact on the company's long-term financial success as well as the manner in which the implementation of the performance and result criteria is monitored**
- **the earning and restriction periods included in the remuneration**
- **information on share and share-based remuneration schemes**
- **the principles that are applied to the ownership of the shares that the managing director has received as remuneration**
- **information on additional pension.**

Decision-making process

The company discloses the decision-making process of remuneration. As for the managing director, the company shall mention that the board of directors decides on his or her remuneration and other compensation. The company specifies the body that determines on the remuneration of the other executives and discloses this.

Principles for remuneration

The Code requires that remuneration is in proportion to the development and long-term enhancement of the company value. In practice, the company defines the appropriate level of remuneration, as it depends on the size of the company, its field of industry, development stage as well as its business and growth strategies, for instance. The remuneration must motivate the management to develop the company in the long term instead of only taking short-term risks.

As for the remuneration principles, it is essential that the remuneration statement does not have to describe the company's strategic policies and decisions or business secrets on which remuneration can be based, but the principles are disclosed at a more general level.

Short-term and long-term remuneration

In general, short-term remuneration means, e.g. annual result bonuses and long-term remuneration means remuneration schemes that cover several years.

Even though the Code emphasises making a profit in the longer term, it does not forbid or prevent short-term remuneration.

Non-variable and variable remuneration

The non-variable and variable components of remuneration must be proportionate to each other. The company describes how remuneration is divided into non-variable and variable components. The company may, for instance, tell that the non-variable salary consists of a monthly or annual salary and, in addition regarding the variable components, describe the result bonus and other



remuneration schemes, if any. As for result bonuses and other remuneration schemes, the company shall explain the manner in which the remuneration is determined and its limit. The limit may be given as a monthly, proportionate or percentual share of the annual salary, for instance.

Performance and result criteria

Remuneration schemes shall be based on predetermined and measurable performance and result criteria. The performance and result criteria can be both financial and non-financial, and they must be unambiguous and clear in such a manner that the parties can afterwards see if the remuneration criteria were fulfilled or not in an undisputable manner. A remuneration scheme that gives room for interpretation or is based on inexact or in some other manner unorganised criteria does not function, nor is it motivating. The company shall also tell how the performance and result criteria are monitored.

Earning and restriction periods

The earning period means the period for which the variable component of remuneration is given. The company discloses the length of this period. Restriction period means the period during which a receiver of, e.g. shares must keep a certain part of the shares after the termination of the earning period. The company shall also disclose the length of this period.

Share-based remuneration schemes

The remuneration statement shall account for the valid share-based remuneration schemes.

This account shall present the goal of the scheme and its earning and restriction periods as well as the maximum limit set for the remuneration payable on the basis of the scheme.

Ownership of shares that the managing director has received as remuneration

The Code requires that the company explains the principles that are applied to the ownership of the shares that the managing director has received as remuneration. The company may, for instance, require that the managing director keep a certain part of the shares received as remuneration for a certain period of time or that a certain part of the shares is kept until the termination of the service contract.

Additional pension

The company tells if it uses additional pension as a form of remuneration for the managing director or other executives. As for the additional pension scheme, it is essential to tell if the pension scheme is payment-based or benefit-based.



Disclosing the amount of benefits

The Code does not require that amount of the benefits of the other executives (management team) is disclosed at individual level. The principles governing them and the decision-making process shall be disclosed at management team level. As for the members of the management team, the principles of the remuneration scheme and the decision-making process are explained, but the monetary amounts do not have to be disclosed at individual level. The amounts of all benefits of the managing director must, however, be disclosed in accordance with the principles set out below.

Financial benefits pertaining to the service contract of the managing director

In accordance with recommendations 46 and 47, the company shall disclose the following details regarding the managing director

- **salary**
- **other financial benefits**
- **shares and share-based rights received as remuneration**
 - **share rewards, bonus systems based on the development of the share value, synthetic options and option rights**
- **retirement age and the criteria for the determination of the pension and additional pension**
- **period of notice, salary for the period of notice and the terms and conditions of other possible compensation payable based on termination**

The salary of the managing director is given in monetary amounts. The company may disclose the size of either the annual or monthly salary. As for the other financial benefits, the company shall tell what they are, and the fringe benefits, for instance, are usually disclosed separately in monetary terms.

As for the shares and share-based rights received as remuneration, the company discloses their numbers and the principles that are applied to their earning and ownership, e.g. the period of time during which the managing director must hold them.

In the remuneration statement, the company shall account for the retirement age of the managing director and the manner in which the pension is determined. The company shall also tell if the retirement age deviates from the statutory retirement age. The statement shall also account for any additional pension. Additional pension may form a considerable part of the total remuneration of the managing director, due to which the company shall inform of any additional pensions in a transparent manner. The company shall also tell if the additional pension of the



managing director is payment-based or benefit-based, and, in order to improve transparency, the company may also account for the costs arising from the benefit.

The termination payment and other possible compensation payable due to the termination of the managing director's service contract may not, in general, exceed an aggregate amount corresponding to the non-variable salary for two years.

Change of managing director and up-to-date information

The starting point is that the financial benefits pertaining to the service contract of the managing director are disclosed for a financial period.

When the company employs a new managing director, the information on the remuneration of the new managing director is disclosed in the remuneration statement for the financial period. The information must be available when the financial statements are published at the latest, however.

If the structure of the new managing director's remuneration deviates essentially from that of the previous managing director and the information disclosed on the company website, the information concerning the new managing director shall be updated on the company website as soon as possible after the new managing director has joined the company.

If the company has published information of the remuneration of the new managing director through a stock exchange release, the remuneration statement shall be updated accordingly as soon as possible.

The information on the actual remuneration of the previous managing director, such as the salary for the period of notice and other possible compensation paid on the basis of termination, may be disclosed in the remuneration statement for the financial period. This information must, however, be available when the financial statements are published at the latest.

If the actual remuneration of the previous managing director deviates essentially from the structure of remuneration explained on the company website, the information concerning the previous managing director shall be updated on the company website as soon as possible, when previous managing director has left the company.

If the company has published information of the actual remuneration of the previous managing director through a stock exchange release, the remuneration statement shall be updated accordingly as soon as possible.



In order to promote transparency, which is the aim of the Code, the company may, if it so wishes, tell about the remuneration of the new or previous managing director even before said dates. When telling about the remuneration of the new or previous managing directors before said dates, the company shall, however, see to it that the information is not misleading.

SUPERVISORY BOARD

Recommendation 47 requires that the corresponding information is given about the supervisory board in the remuneration statement as of the board of directors.

The remuneration statement discloses

- **the remuneration and other financial benefits of a member of the supervisory board**
- **the shares and share-based rights received by a member of the supervisory board as remuneration**
- **the principles that are applied to the ownership of the shares that a member of the supervisory board has received as remuneration**
- **the financial benefits pertaining to a possible employment relationship or service contract of the chairman and member of the supervisory board**
 - **salary and other financial benefits**
 - **shares and share-based rights received as remuneration**
 - **retirement age and the criteria for the determination of the pension and additional pension**
 - **period of notice, salary for the period of notice and the terms and conditions of other possible compensation payable based on termination**

MATTERS THAT DO NOT HAVE TO BE DISCLOSED

The remuneration statement does not have to disclose the company's strategic policies and decisions or business secrets on which remuneration can be based.

There is no need to disclose financial benefits that are customary and relate to the company's personnel, such as the personnel prices of the group's products, expanded occupational healthcare or magazine subscriptions. Expense reimbursements are not included in the benefits to be disclosed.

RECOMMENDATION 47 – Remuneration statement

The company shall make available on its website a remuneration statement, which contains a description of the following entities:

Financial benefits

- *Board of directors*
 - *director’s remuneration and other financial benefits*
 - *the shares and share-based rights received by a director as remuneration*
 - *the principles that are applied to the ownership of the shares that a director has received as remuneration*
 - *the financial benefits pertaining to a possible employment relationship or service contract of the chairman of the board and director are disclosed in the same manner as the financial benefits of the managing director*
- *Managing director*
 - *salary and other financial benefits*
 - *shares and share-based rights received as remuneration*
 - *retirement age and the criteria for the determination of pension and additional pension*
 - *period of notice, salary for the period of notice and the terms and conditions of other possible compensation payable based on termination*
- *Supervisory board, if any*
 - *corresponding information as of the board of directors*

Decision-making process and main principles of remuneration

- *the decision-making process for the remuneration of the managing director and other executives*
- *the main principles for the remuneration of the managing director and other executives, such as the main points regarding the following issues*
 - *the division of remuneration into long-term and short-term remuneration*
 - *the division of the remuneration into non-variable and variable components*
 - *information on the determination of the variable components of the remuneration and the limits set for them*
 - *the performance and result criteria and their impact on the company’s long-term financial success as well as the manner in which the implementation of the performance and result criteria is monitored*
 - *the earning and restriction periods included in the remuneration*
 - *information on share and share-based remuneration schemes*
 - *the principles that are applied to the ownership of the shares that the managing director has received as remuneration*
 - *information on additional pension.*