

ALTIA

PUBLISHED ON 2 MARCH 2020



ALTIA PLC

# Remuneration Policy for the Governing Bodies

Subject to advisory resolution at Altia Plc's Annual  
General Meeting 25 March 2020

## Remuneration Policy for the Governing Bodies of Altia Plc

### 1. Introduction

This remuneration policy sets the principles for the remuneration of the Members of the Board of Directors ("Board Members" and the "Board") and the Chief Executive Officer ("CEO") of Altia Plc ("Altia" or the "Company") (the "Remuneration Policy" or "Policy"). Altia Plc is the parent company of the Altia Group.

#### Main Principles of the Remuneration Policy of the Board

The main element of the Board Members' compensation in Altia is a term of office compensation approved by the Annual General Meeting of Shareholders ("AGM"). The term of office compensation should be competitive enough to attract and retain high caliber individuals qualified to serve as Board Members. The Board's main responsibilities include setting Altia's strategy and long-term targets and monitoring their implementation. By contributing to the achievement of Altia's strategic and long-term targets, the Board's Remuneration Policy at the same time should contribute to Altia's long-term financial performance and success. The purpose of the term of office compensation, at the same time, is to sufficiently compensate for the time commitment required for the Board Members' contribution to the Board's work and for the associated responsibility.

#### Main Principles of the Remuneration Policy of the CEO

The objectives of the remuneration for the CEO of Altia are to align the interests of the CEO with those of the Company's shareholders and to promote shareholder value creation in the long term. Other key objectives of the CEO's remuneration are to reward for excellent individual performance, for achievements in implementing Altia's strategy and for achieving Altia's financial targets as well as retention. The strategy and development phase of the Company are considered when determining the CEO's remuneration.

#### Consideration of the remuneration of the Company's Employees

In order to safeguard the Board Members' independence in the performance of their duties, they do not participate in the same remuneration or incentive schemes with the executive management and other personnel, which is in accordance with the Finnish Corporate Governance Code.

Altia applies the following underlying remuneration principles to all individuals serving in its group, including the CEO:

- **Leadership:** We promote good leadership which is based on clear target setting, motivation and engagement, regular feedback, coaching, training, development and consistency.
- **Performance:** We encourage to reach excellence at all levels and work for a culture that recognizes and rewards performance in a variety of ways, in order to have the ability to attract, retain and motivate high performing employees.
- **Relevance:** We have designed a set of programs and practices, which recognize employees who contribute, and which retains and attracts employees with critical skills necessary for Altia's future success.
- **Competitiveness:** We frequently assess labor market trends and market salaries to ensure that the total compensation program remains competitive.

One of the key compensation elements in which the above remuneration principles materialize, are Altia's performance-based incentive schemes. Altia aims to ensure that its employees can share in the success of the Company. The goal is that besides the management, including the CEO, other employees are to a large extent covered by a performance-based annual incentive scheme or by other performance-based incentive schemes. Rewards under the incentive schemes are paid based on the achievement of set performance targets which are cascaded down from the Group level throughout the organization and are set based on the requirements of the individual's position.

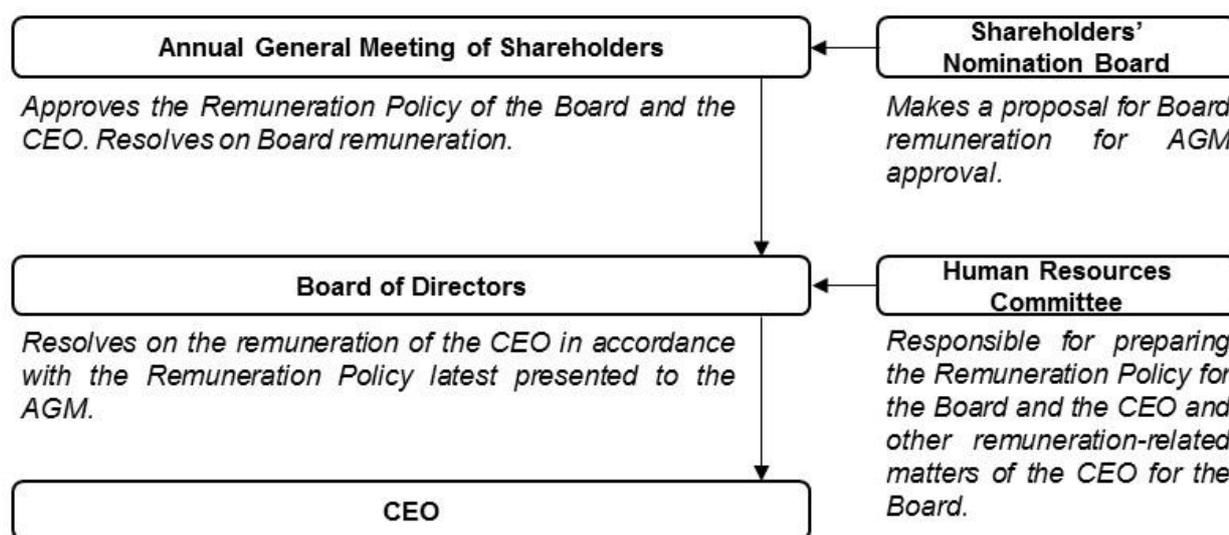
## 2. Decision-making procedure in remuneration related matters

The decision-making procedure in the Board's and CEO's remuneration in Altia involves the AGM, the Shareholders' Nomination Board, the Board of Directors and the Human Resources Committee of the Board.

### Decision-making with regard to the Policy and Remuneration Report:

The Human Resources Committee prepares, and the Board submits the Policy to the AGM at least every four years. The remuneration report on the materialized remuneration of the Board and the CEO is prepared by the Human Resources Committee and is presented by the Board to AGM annually starting from AGM 2021.

### Decision-making in Policy Implementation:



Decision-making for the payment of remuneration in the form of shares of Altia to the Board Members shall be as described above in connection with Board remuneration.

The Board decides on share-based incentive schemes for the CEO. The actual payment of shares to the CEO under a share-based incentive scheme is either based on a decision of the AGM or an authorization granted by the AGM to the Board (based on a proposal submitted by the Board).

The issuance of special rights entitling to shares of the Company such as stock option rights correspondingly either requires an AGM decision or an authorization granted by the AGM to the Board (based on a proposal submitted by the Board).

### Oversight of the Implementation of the Policy:

The Shareholders' Nomination Board, which prepares the Board remuneration proposals to AGM, annually reviews and evaluates how the Board's Remuneration Policy is implemented. Based on preparation by its Human Resources Committee, the Board regularly reviews and evaluates how the CEO's Remuneration Policy is implemented.

The review carried out by both the Shareholders' Nomination Board and the Human Resources Committee considers benchmarking of the different remuneration components to market practice and competitive levels in corresponding positions in the relevant peer group. The materialization of the Policy is presented in the remuneration report which is presented to the AGM and published.

## Measures to prevent conflicts of interest

Altia's governance principles include measures aimed at preventing and managing of conflicts of interest. No corporate body or individual may decide on remuneration payable to it or him-/herself or participate in the decision on remuneration in a situation where the corporate body's or individual's own interest is otherwise in conflict with Altia's interest. If the Human Resources Committee or Shareholders' Nomination Board retains external advisors in the preparation of remuneration related issues, the same advisor may not be engaged by Altia's operative management in a manner which causes a conflict of interests with its engagement from the Human Resources Committee or, as applicable, from the Shareholders' Nomination Board. Altia observes the rules set in the Finnish Companies Act and the Finnish Corporate Governance Code which stipulate governance procedures and rules for the avoidance of conflicts of interest and the independence of the directors from the Company and its shareholders. The decision-making process described above aims at guaranteeing that there are no conflicts of interest involved in decision-making on Board and CEO remuneration and that the decisions are fair and unbiased.

## 3. Remuneration of the Board of Directors

The AGM decides on the remuneration payable to the Board Members. The remuneration of the Board Members may consist of a term of office fee as well as meeting fees paid for each meeting attended. The term of office fee may either comprise solely a cash payment or may be split into a component paid in shares of the Company and in cash. Additional or higher compensation may be paid to Board Members based on various grounds, such as (but not limited to) a specific role or position in the Board such as the role as the Chairman or Vice Chairman of the Board or as the Chairman, Vice Chairman or member of a Committee established by the Board, specific tasks designated to individual Board Members or the geographical location of the meeting. The Board Members may be granted a mobile phone benefit. Travel expenses of the Board Members are compensated in accordance with Company policy.

The Board Members are as a main rule not employed by the Company or any company belonging to its group. Thus, the Board Members are not eligible for any employment related salaries or pension schemes.

In order to safeguard the Board Members' independence in the performance of their duties, the non-executive Board Members do not participate in the same incentive schemes as the executive management and other personnel of the Company. Similarly, subject to as in each case decided by the AGM, there shall be no variable remuneration paid to the Board Members or any performance-based compensation. Neither the above-described possible share element of the term of office fee nor meeting fees are regarded as variable remuneration.

## 4. Remuneration of the CEO

The remuneration of the CEO aims at providing competitive rewards in line with market practice. The fixed compensation elements consist of the base salary and fringe benefits. Incentives, combined with share ownership resulting from the long-term incentives, as variable compensation elements emphasize pay-for-performance and the achievement of Altia's short- and long-term goals. Share based rewards align the interests of the CEO with the interest of Altia's shareholders. The CEO's remuneration consists of the elements described in the table below.

Remuneration element	Purpose and link to strategy	Principles and Opportunity
<b>Fixed remuneration</b>		
Fixed base salary	Provides a competitive fixed compensation.	The fixed base salary is defined as a gross salary. The base salary is reviewed annually, as part of the review of the CEO's total compensation. The CEO is entitled to holiday bonus in accordance with the applicable laws and the Company's prevailing policy.
Fringe benefits	Provides benefits for the role in line with market practices.	The CEO is entitled to benefits following the applicable Company policy as may be amended from time to time. Examples include, but are not limited to, a company car and a mobile phone. The CEO has the same statutory insurances as the entire personnel and may be entitled to potential additional insurances customary in the position of the CEO.

Variable remuneration		
<p>Short-term incentives ("STI")</p>	<p>Rewards performance within the year, based on the achievement of annual key performance indicators thus supporting the achievement of strategic targets.</p>	<p>The CEO is eligible for participating in Altia's short-term incentive plan (STI). The performance measures, weightings and the target levels for the selected STI measures are set annually by the Board to ensure they are relevant to the CEO's position, take into account of the most up-to-date business plan and continue to support the strategy on an annual basis. The measures may consist of financial metrics mainly on group level, operational, safety and corporate and social responsibility related metrics, key development projects and other measures deemed relevant by the Board. Following the year-end, the Board reviews the STI performance and the extent to which the targets have been achieved and determines the final STI pay-out.</p> <p>The CEO's variable earning opportunity, including under STI, is set on a market-competitive level. The variable pay practice followed by Altia, in accordance with the prevailing market practice, is that the higher up in the organization the job position is, the higher the variable pay proportion of the total earning opportunity is. This follows the pay-for-performance principle with no guaranteed minimum pay based on incentives, including STI. If the performance on the measures set for STI is good or outstanding, the earning based on STI may have a significant weight in the CEO's total compensation. The STI earning opportunity is capped by a maximum limit set by the Board.</p>
<p>Long-term incentives ("LTI") and share-based remuneration</p>	<p>Incentivizes and rewards over a longer period for sustained performance and sustainable growth and aligns the interests of the CEO with the shareholders'.</p>	<p>The CEO is eligible for participating in Altia's long-term incentive (LTI) plans. LTI plans are normally designed as share-based plans. The LTI plans may at the Board's choice include one or several plan structures such as, but not limited to, performance share plan structures and performance-based cash plan structures. Performance share plans offer a possibility to earn shares in the Company as remuneration for achieving long-term targets. The LTI performance measures may include measures linked to Group level long-term financial targets and strategic priorities, performance against competitors, relative or absolute shareholder return and shareholder value creation, and other performance measures. The measures are set by the Board and may vary by plan. Following the end of the performance period, the Board reviews the LTI performance and the extent to which the targets have been achieved and determines the final LTI pay-out.</p> <p>The LTI plans may at the Board's choice either be one-time plans or based on a rolling structure in which annually commencing plan periods run in parallel and vest in an annual sequence. The length of the performance periods and plan periods will be set by the Board and are usually at least three years of length. The LTI rewards will normally be settled in shares of Altia but may, at the Board's choice, also be settled in cash.</p> <p>The CEO's variable earning opportunity, including under LTI, is set on a market-competitive level. The variable pay practice followed by Altia, in accordance with the prevailing market practice, is that the higher up in the organization the job position is, the higher the variable pay proportion of the total earning opportunity is. This follows the pay-for-performance principle with no guaranteed minimum pay based on incentives, including LTI. If the performance</p>

		on the measures set for LTI is good or outstanding, the earning based on LTI may have a significant weight in the CEO's total compensation. The LTI earning opportunity is capped by a maximum limit set by the Board.
<b>Other remuneration elements</b>		
Pension	Rewards sustained contribution.	The retirement age of the CEO and his/her pension is determined in accordance with the prevailing market practices. The CEO does not have a supplementary pension insurance paid by the Company.
Shareholding recommendation	Encourages to accumulate shareholding in the Company and aligns the interests of the CEO with the shareholders'.	The CEO is expected to retain in his/her ownership at least half of the net shares received under the share-based incentive schemes of Altia until the value of his/her share ownership in Altia corresponds to at least his/her annual gross base salary.
Service contracts and loss of office payments	Ensures clear contractual terms are followed.	<p>The CEO has a period of notice up to six months. If the service contract is terminated by Altia, the CEO is entitled to a severance payment corresponding up to six months' salary, in addition to the salary for the notice period.</p> <p>The treatment of rewards based on ongoing STI and LTI plans will depend on the circumstances of the CEO's departure. In case of retirement or death or in case of termination at the initiative of the Company, the CEO may be entitled to the STI and LTI rewards or a portion thereof as determined by the Board based on the rules of the respective incentive scheme. If the CEO terminates his/her contract at his/her own initiative, the unvested rewards are as a main rule forfeited.</p>
Withholding and clawback of rewards	Ensures pay for performance.	The STI and LTI plan rules allow the Board to withhold or reject payment of a reward before the reward has vested or has been paid in certain exceptional circumstances such as materially changed financial or other circumstances of the Company (e.g. a financially distressed position of the Company). In case of individual gross misconduct which has caused a misstatement of the financials based on which the performance measures have been set or the performance has been measured, the Board may cancel entitlement to the reward or claim back and recover the already paid reward (clawback).
Previously agreed awards	The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the payments or terms thereof were agreed prior to the presentation of this policy to the AGM.	

The Board has discretion on a weighty ground to adjust the STI or LTI pay-out in exceptional or changed business, financial, market or other circumstances or in case of material market volatility. A weighty ground may e.g. be outstanding or exceptional individual contribution or performance, fair reflection of individual or company performance in such circumstances and alignment of reward pay-out with shareholder value creation despite challenging market circumstances.

## 5. Deviation from this Policy

If the continued adherence to the Policy would in the opinion of the Shareholders' Nomination Board (with respect to Board remuneration) or the Board (with respect to CEO remuneration), after careful consideration, not be appropriate or well-grounded anymore due to the grounds mentioned in the next paragraph below, Altia may in order to safeguard its

long-term interests temporarily deviate from this Policy. In the assessment of its long-term interests, Altia may among other aspects especially take into account its long-term financial success and performance, its competitiveness, safeguarding the undisturbed continuation of its business or the undisturbed implementation of its strategy and financial targets or the development of the shareholder value.

Among the grounds for a temporary deviation from this Policy may be a **structural change** (change in Altia's corporate, group, business or organizational structure or a material change in Altia's ownership structure), a **personnel change** (such as changes in the Board or in the top management of Altia or need to recruit a CEO or Deputy to the CEO), other **exceptional or unexpected event** or change or materially changed circumstances in Altia or in its business or operating environment or a material change in Altia's **strategy or business plan**, material change in Altia's **financial position** or outlook, **regulatory** or judicial changes or rulings, changes in governmental or administrative orders or in **taxation** or taxation practice or other change or circumstances not specified above if it is after careful consideration deemed that a deviation is necessary or advisable in order to safeguard Altia's long-term interests, operations or sustainability such as, without limitation, in order to ensure the continuity of the Company's management.

The temporary deviation from this Policy may in the Shareholders' Nomination Board's or the Board's full discretion, as applicable, concern any and all of the elements of this Policy and of payable remuneration, including, but not limited to, the amount, type, elements and conditions of payable remuneration and the terms applied thereto. Where necessary in case of the recruitment of a new CEO or Deputy to the CEO, additional benefits may also be provided such as, but not limited to, relocation support and expatriate allowance and other benefits which reflect local market practice and applicable legislation.

The procedure to be followed in the deviation from this Policy shall be the same as the decision-making procedure for the implementation of this Policy described above in this Policy. If the deviation concerns Board remuneration, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances. The deviation and its grounds shall be reported in the next annual Remuneration Report and presented to the next AGM as part thereof.

\*\*\*\*\*