ALTIA

Remuneration Report 2020

Remuneration Report 2020

Dear Shareholder,

Rewarding transparency in stock-listed companies is increasingly important. The Remuneration Policy for the governing bodies of Altia was adopted by the Annual General Meeting 2020. The Remuneration Policy sets forth the rewarding policies and processes of Altia, as required by the EU Shareholder Rights Directive and the renewed Finnish Corporate Governance Code. From the Annual General Meeting 2021 onwards, Altia reports on the materialized remuneration according to these new requirements.

Altia is committed to building a strong pay for performance culture at all levels in our organization. To ensure this we maintain a strong connection between the company's financial performance and remuneration of the CEO and personnel. Our performance targets for short-term and long-term incentives are connected to Altia's business results and strategy.

In 2020, 59% of all Altia employees, including management, participated in an annual short-term performance incentive scheme where the potential annual reward is based on both the Group's and its business units' business results as well as individual targets. Those employees who do not participate in the Group's short-term incentive scheme participate in sales bonus schemes (5%) or production bonus schemes (36%), where the targets are also linked to company's business results. Altia's common business targets emphasize measurable performance and therefore targets are numeral. Safety and wellbeing of our personnel is in the core of our corporate responsibility and we aim to reach zero accidents by 2030. This is the reason why safety performance indicators are included in the CEO's and top management's as well as in industrial operations' performance targets.

To ensure the company's strategic success and to align shareholders' interests with those of management and key personnel, the Board of Directors has approved a performance share-based incentive program under which three-year plans have started in 2019 and in 2020, respectively. The Board of Directors evaluates future long-term incentive schemes in connection with the closing of the merger between Altia and Arcus.

The year 2020 was an exceptional year not only due to COVID-19 and its impact on Altia's business environment and the daily work of Altia's employees, but also due to the announcement of the planned merger between Altia and Arcus to join forces to become a leading Nordic wine and spirits brand house. In November 2020, the extraordinary general meetings of Altia and Arcus approved the merger, which is expected to be closed during the first half of 2021. During this unusual year the Board of Directors convened 18 times compared to 11 times during 2019. The Board of Directors decided to reward the CEO and members of his management team with a one-time cash reward for their exceptional performance and successful work in connection with negotiation and preparation for the merger. To retain important key professionals over the closing and post-closing phase of the merger, the Board of Directors has also approved a cash-based retention incentive scheme for certain key employees, management and the CEO.

The CEO's remuneration package is aligned with our pay-for-performance principle. The Board of Directors regularly reviews market benchmark data for executive remuneration to determine the right compensation level for CEO and other executives. The latest review showed that the CEO's basic salary is close to market median. A significant portion (45%) of CEO's remuneration is based on variable pay in short- and long-term incentive programs. In 2020 the CEO's high variable pay is correlating with successful leadership and exceptional performance in the merger project. Long-term share-based earning opportunities with shareholding recommendation aligns the interests of the CEO with those of Altia's shareholders.

Altia includes significant part of its employees to its short-term incentive planning. The incentive plan is directly linked to company's performance and includes also improved safety performance. The financial development of the company has been good, and we are pleased that this is also visible on employees' reward. Altia's employees and management had done outstanding job in during this exceptional year.

Sanna Suvanto-Haarsae
Chairman of the Human Resources Committee

1. Introduction

This Remuneration Report follows the guidelines of the Corporate Governance Code 2020. The remuneration paid or due to the Board members and the Chief Executive Officer ("CEO") for the year 2020 is in line with the Remuneration Policy of the Governing Bodies of Altia adopted at the Annual General Meeting ("AGM") 2020. The materialized remuneration of the Board members and the CEO in 2020 reflects the targets of the remuneration principles which Altia has set with its Remuneration Policy. The first individual short-term and long-term incentive plans which commence after the Remuneration Policy was presented to AMG 2020 are the plans which commence at the beginning of 2021.

Remuneration paid or due to the Board members and the CEO for year 2020 promotes the long-term financial performance and success of Altia Oyj ("Altia" or the "Company") as described below.

The purpose of the total compensation of the Board members, consisting of term of office fees and meeting fees, is to sufficiently compensate for the time commitment required for the Board Members' contribution to the Board's work and for the associated responsibility. It should be competitive enough to attract and retain high caliber individuals qualified to serve as Board members. This enables the Board to set Altia's strategy and long-term targets and to monitor their implementation. By contributing to the achievement of Altia's strategic targets, the principles for Board remuneration contribute to Altia's long-term financial performance and success.

The CEO's remuneration is based on Altia's remuneration principles, as set forth in Altia's Remuneration Policy. 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, thus promoting Altia's long-term financial performance and success. The strategy and development phase of the Company are considered when determining the CEO's remuneration.

The Board of Directors takes the applicable recommendations of the government resolution on state ownership policy under consideration when deciding on the remuneration of the CEO and other executives.

Our profitability has improved from previous years. In 2020 comparable EBITDA developed with EUR 7.6 million. As a result of increasing development of comparable EBITDA in 2020, we have reached our long-term financial target with a comparable EBITDA margin with 15.3%. CEO's total remuneration development correlates with improved company performance as illustrated bellow. The achievement of STI performance measures in 2020, due to be paid in 2021 is illustrated in section 3.

Comparison of the development of the fees of the Board of Directors and the remuneration of the CEO paid in 2020 to the development of the average remuneration of the employees and to the Company's comparable EBITDA is illustrated and compared in the table below.

DEVELOPMENT OF TOTAL REMUNERATION AND FINANCIAL DEVELOPMENT OVER THE PAST FIVE YEARS

EUR	2020	2019	2018	2017	2016
Comparable EBITDA (EURm)	52.4	44.8	40.0	42.4	40.8
Board of Directors	358 725	279 450	264 500	210 733	223 900
CEO	573 679	337 737	628 950	610 560	429 000
Employees' average remuneration[1]	57 796	49 688	51 867	52 187	49 103

[1] Employees' average remuneration is total employee remuneration divided by the average number of personnel during the year.

2. Fees of the Board of Directors

Altia's Annual General Meeting 2020 decided based on the proposal by the Shareholders' Nomination Board that the remuneration to the members of the Board of Directors during the next term consists of a monthly term of office fee as follows:

- EUR 4 000 per month, Chairman
- EUR 2 500 per month, Vice Chairman
- EUR 2 000 per month, member

In addition to the monthly fee, the members of the Board of Directors receive a meeting fee for the Board of Directors and Board Committee meetings of EUR 600 per meeting for Board members residing in Finland and EUR 1 200 per meeting for Board members residing abroad. Travel expenses are reimbursed in accordance with the company's travel 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. Meeting fees are regarded as variable remuneration. The fees paid to the Board members are presented in the table below.

REMUNERATION AND MEETING FEES OF THE BOARD OF DIRECTORS PAID IN 2020 AND IN 2019

	2020				2019			
	Term of office fees	Board meeting fees[1]	Committee meeting fees[1]	Total	Term of office fees	Board meeting fees[1]	Committee meeting fees[1]	Total
Sanna Suvanto-Harsaae, Chairman	48 000	21 600	25 200	**94 800**	42 375	13 200	15 600	**71 175**
Jyrki Mäki-Kala, Vice Chairman [2]	17 500	7 200	3 600	**28 300**	-	-	-	**-**
Tiina Lencioni, Member	24 000	10 800	4 800	**39 600**	21 525	6 000	5 400	**32 925**
Jukka Ohtola, Member	24 000	10 800	2 400	**37 200**	21 525	6 600	1 800	**29 925**
Anette Rosengren, Member [3]	24 000	21 600	-	**45 600**	15 000	7 200	-	**22 200**
Torsten Steenholt, Member	24 000	21 600	7 200	**52 800**	21 525	12 000	-	**33 525**
Jukka Leinonen, Member [4]	14 000	7 200	1 200	**22 400**	-	-	-	**-**
Kai Telanne, Member[5]	13 125	3 600	1 200	**17 925**	26 850	6 000	1 800	**34 650**
Kim Henriksson, Member [6]	10 500	6 000	3 600	**20 100**	21 525	12 000	12 000	**45 525**
Annikka Hurme, Member [7]	-	-	-	**-**	6 525	2 400	600	**9 525**
Total	**199 125**	**110 400**	**49 200**	358 725	**176 850**	**65 400**	**37 200**	279 450

[1] Meeting fees have been entered in the table on the year when they have been paid.
[2] As of 4 June 2020
[3] As of 15 May 2019
[4] As of 4 June 2020
[5] Until 4 June 2020
[6] Until 4 June 2020
[7] Until 15 May 2019

3. Remuneration of the CEO

The remuneration of the CEO consists of fixed base salary, benefits and an annually determined short-term incentive plan. In addition, the CEO participates in the long-term incentive arrangement of the Company consisting of individual performance share plans.

Altia applies a shareholding recommendation for the CEO. The CEO should accumulate and once achieved, hold a shareholding in Altia corresponding to his annual gross base salary. The shareholding is expected to be accumulated out of rewards received under the share-based incentive schemes of Altia.

The retirement age of the CEO is 63 years, and his pension is in accordance with the Employees' Pensions Act. The CEO does not have a supplementary pension insurance paid by the Company. No signing bonus has been paid to the CEO, nor does he have a stay bonus. The CEO has a six months' period of notice. If the service contract is terminated by Altia, the CEO is entitled to a severance payment corresponding to six months' salary, in addition to the salary for the notice period.

CEO's variable remuneration earning opportunity and performance measures

The CEO's maximum earning opportunity in the short-term incentive plan is 60% of gross annual fixed salary. In the short-term incentive plans for 2020 and 2019, the CEO's performance was measured based on EBITDA, net sales and lost-time injury frequency (LTIF). The minimum level of the performance measures for the short-term incentive plan for 2019 were not achieved and thus there was no pay-out in 2020.

The CEO's maximum earning opportunity in the Cash long-term incentive plan ("Cash LTI plan") 2017-2019 was 40% of gross annual fixed salary. In the Cash LTI plan 2017-2019 performance was measured based on enterprise value and net sales growth. The Cash LTI plan 2017-2019 resulted in 8.2% total achievement and based on the achievement 26 888 euros was paid out in 2020.

The CEO participates in Performance Share Plans 2019-2021 and 2020-2022 ("PSP 2019-2021" and "PSP 2020-2022"). The CEO's maximum earning opportunity in PSP 2019-2021 and PSP 2020-2022 is 45 000 shares (gross) per plan. In both of the plans, performance measures are relative total shareholder return and earnings per share ("EPS"). Performance periods of the plans are ongoing.

In addition to the variable earnings opportunities under short-term and long-term incentive plans pursuant to the Remuneration Policy, the CEO received a variable one-time cash reward for his exceptional performance in connection with negotiation and preparation for the merger of Altia and Arcus. The Board of Directors has also established a Retention Incentive Programme that covers the closing- and post-closing phase of the combination of Altia and Arcus. The CEO participates in this incentive program and his earning opportunity is 70% of gross annual fixed salary. The objective of the programme is to retain and motivate important key personnel and experts over closing and post-closing time of the merger and thereby secure management continuity. The incentive consists of one-time incentive cash payment which is payable after the expiry of a three month period after the official closing of the transaction (due date), provided that the CEO has not resigned or provided notice of termination of his service contract prior to the due date.

REMUNERATION OF THE CEO PAID IN 2020 AND 2019

EUR	2020	2019
Fixed base salary and benefits	304 481	323 697
Fringe benefits	12 780	14 040
Short-term incentives[1]	-	-
One-off merger project reward [2]	229 530	-
Long-term incentives[3]	26 888	-
Total remuneration	**573 679**	**337 737**
Share of fixed pay of total remuneration	**55%**	**100%**
Share of variable pay of total remuneration	**45%**	**0%**

[1] Paid short-term incentives have been entered in the table on the year when they have been paid, and payment is based on performance in the previous year.
[2] In 2020 the CEO received a one-time cash reward for his exceptional performance in connection with negotiation and preparation for the merger of Altia and Arcus.
[3] Remuneration paid based on Cash LTI plan 2017–2019

REMUNERATION OF THE CEO NOT YET PAID BUT DUE BASED ON THE YEAR 2020

Short-term incentives	EUR
Remuneration due based on the achievement of STI performance measures in 2020	150 000
Retention Incentive Programme[1]	
Long-term incentives	--

[1] Retention Incentive Programme of closing- and post-closing phase of the combination of Altia and Arcus.

ALTIA

ALTIA PLC
P.O. Box 350, FI-00101 Helsinki,
Finland
+358 207 013 013
communications@altiagroup.com
www.altiagroup.com