

# Posti's Remuneration Statement 2018

# Remuneration Statement 2018

## Letter from the Chair of the Personnel Committee

### Our approach

Posti Group Corporation ("Posti") remuneration policy is designed to support the achievement of our strategic goals and reward for proven results and excellent performance delivered in line with the Group's strategy, culture and values.

The policy supports the Group in attracting, keeping and motivating the best possible teams and talents to deliver the development and results of the Posti Group. The policy covers the top executives as well as all employees of Posti Group; all should feel part of Posti's success and achievements.

### Our decision-making process

The Personnel Committee is responsible for planning the remuneration of the Posti Group Executive Board members and setting the principles for pay arrangements covering all Posti personnel. The Board of Directors determines the remuneration of the CEO and other members of the Executive Board based on the proposals of the Personnel Committee. Remuneration of the Board of Directors and of the Supervisory Board is decided by the AGM.

### Rewarding for performance

The CEO and other members of the Executive Board participate in a short-term bonus plan and a separate long-term incentive scheme.

Bonuses for performance in 2017 (paid in April 2018) were based on Group's financial performance (net sales and adjusted EBIT) and performance against individual strategic targets, supporting our strategy of maintaining good profitability and delivering growth through new services. Based on performance against the targets set, bonuses for 2017 ranged 15.65% to 40.20% of salary for the CEO and Executive Board members.

Bonuses for performance in 2018 (to be paid in April 2019) were based on Group's financial performance (net sales, adjusted free cash flow and adjusted EBIT) and performance against individual strategic targets, supporting our strategy of maintaining good profitability and delivering growth through new services. Based on performance against the targets set, bonuses for 2018

<b>Annual General Meeting</b>	Decides on the remuneration for the Board of Directors and Supervisory Board.
<b>Board of Directors</b>	Decides on CEO and Executive Board remuneration. Decides on short-term and long-term incentive plans and criteria and sets the company level targets.
<b>Personnel Committee</b>	Prepares remuneration proposals to the Board.

ranged 9.15% to 43.76% of salary for the CEO and Executive Board members.

The long-term incentive plan, LTI 9, was based on profitability (ROCE %) and growth (net sales) performance in each year of the three-year performance period, 2015 to 2017. Overall, the plan vested at 43% of maximum amount for the CEO and Executive Board members, to be paid over 2018, 2019 and 2020.

The long-term incentive plan LTI10 is based on three-year adjusted EPS set and measured annually and a Group strategic target related to Parcel business unit net sales set for full plan period. Any reward earned under LTI10 will be paid in a single installment in 2021.

The long-term incentive plan LTI11 is based on three-year adjusted EPS set and measured annually, and a Group strategic target related to Parcel & eCommerce business unit net sales set for the full plan period. Any reward earned under LTI10 will be paid in a single installment in 2022.

Bridge incentive plan 2X is an incentive plan from July 1st, 2018 until June 30th, 2019 with a possible payout in December 2019. The plan has two performance targets measured on 2H2018 & 1H2019: Posti Group's adjusted EBIT and Posti Group's consolidated customer satisfaction.

### **Remuneration policy for 2019 and beyond**

During 2018, the Personnel Committee reviewed the approach for reward and recognition of all Posti personnel and the Board approved for year 2018 as well as for 2019 to replace the existing profit sharing scheme with a targeted reward and recognition program, emphasizing a spot bonus and a timely rewarding of employees who demonstrate excellent performance in customer service, operational performance or safety at work.

Posti continues to go through a period of significant transformation as we position the business for the future. As the company adapts, we need to ensure that our remuneration policies continue to support chosen strategic focus areas as well as evolve and adapt to suit the changing business needs. However, our key principles of timely rewarding for excellent performance delivered in line with our culture and values remain unchanged and lie at the core of our approach.

Markku Pohjola

Chair of the Personnel Committee

## Remuneration Policy for the Executive Board

### Remuneration philosophy, policy and approach

The success of Posti Group is highly dependent on capable, performance oriented and motivated executives and employees. Our remuneration philosophy aims to ensure that the remuneration policy is aligned with and supports the strategic agenda of the company and its target corporate culture. The remuneration philosophy supports the company in attracting, keeping and motivating the best possible individuals to deliver the targeted development and results of the Group.

The remuneration policy establishes the idea of this philosophy into the principles and practices of remuneration. Remuneration is not the only means to this end and is part of a series of management practices such as performance appraisals, job rotation, successor planning and furthering of individual development of employees. The remuneration policy covers the top executives as well as all employees of Posti. All should feel part of Posti's success and achievements.

Posti's remuneration policy and general compensation and benefits practices direct remuneration at Posti. The Board of Directors and the Personnel Committee are involved in the preparation and decision making regarding remuneration.

The purpose of our reward programs is to create a clear link between business performance, individual performance and individual remuneration. The programs recognize and reward high performance which is

delivered in line with company strategy, culture and values. The reward programs contribute to business success by ensuring that the remuneration of employees and senior leaders is market competitive, making it possible to attract and retain the best talent.

A consistent, reasonable and understandable remuneration policy contributes to a positive employer brand creation and is valued by employees. Posti endorses transparency, fairness and diversity in all reward programs and in order to support successful implementation of company strategy, it is essential to maintain balance between market competitiveness and total cost of remuneration.

Posti complies with the state-ownership guidelines concerning the remuneration and pension benefits of executive management.

## Structure of remuneration for the Executive Board

The remuneration packages for the President and CEO, Executive Board and other key individuals contain the following key elements:

Element	Purpose	Structure	Maximum Limits
Salary	Salary is the fixed compensation paid to an employee for performing specific job responsibilities.	Total salary includes monthly salary, benefits and holiday pay.  Benefits for the CEO include medical expense, risk and life insurance, car and mobile phone in accordance with the Group policy.	Salary and benefits are reviewed annually.
Short-term bonus	The short-term bonus scheme is a cash-based incentive scheme which rewards for the achievement of Posti's strategic priorities and short-term business plan. The annual bonus rewards both individual and collective performance.  Around 1,800 employees, including the Executive Board, participate in the annual bonus scheme.	The short-term bonus targets for the CEO and other members of the Executive Board are based on Group financial targets (including business level targets where appropriate) and individual strategic projects as determined by the Board of Directors. The maximum weighting on individual strategic projects is 20%.	The on-target bonus opportunity is 30% of salary (reduced from 40% in 2016). Bonuses are capped at 60% of salary.
Long-term incentive	The long-term incentive (LTI) program supports the delivery of long-term performance and aligns the interests of management with the shareholder.  The long-term incentive plan is a monetary incentive scheme designed to motivate and reward key employees who are critical to the company's success.  The Board of Directors approves the key employees entitled to participate in the long-term incentive plan (participation is discretionary with no automatic entitlement from year to year). Around 120 executives and key individuals participate in the long-term incentive scheme.	The long-term incentive plans is based on Group performance, measured over three financial years.  For awards with performance periods ending in 2017 and before (i.e. LT19 and prior), any reward earned is paid in installments over the following three years.  For awards with performance periods starting in 2018 and beyond (e.g. LT10), any reward earned will be paid in one installment at the end of performance period*.	Awards are capped at 60% of salary for the CEO and other members of the Executive Board.
Pension	To provide appropriate retirement benefits for employees.	Executive Board members nominated prior 2012 belong to a defined contribution pension plan.  Executive Board members nominated after 2012 have no supplementary pension plan arrangements. They participate solely and totally in the statutory pension arrangements as set out by TyEL legislation. The CEO's pension age is 63 years, no supplementary pension arrangements.	In line with statutory limits. In case of the defined contribution pension plan, annual contributions are capped at 20% of salary.

## Contractual arrangements for the President & CEO

The mutual termination notice period is six months. The CEO is entitled to an additional severance pay of six months' salary in case the company terminates his service without cause.

## The reward approach for other Posti employees

### Fixed pay

Salary includes fringe benefits such as mobile phone and car benefits in roles eligible for defined benefits as per the company policy.

Posti follows local legislation and practices when defining salary levels. In Finland salaries are for the most part defined in their respective collective agreements. Outside Finland, Posti follows the pay practices and collective agreements of each country of operation.

Participation in market salary surveys ensures company salary levels are competitive when compared to relevant market.

### Benefits

Benefits include programs that are used to supplement cash compensation. Company benefits vary by country to ensure competitiveness and local alignment in each market. In Finland benefit programs include mobile phone benefit, car benefit, extensive occupational healthcare coverage, subsidy for exercise services and lunch costs as well as company owned holiday accommodation. Posti Työhyvinvointisäätiö supports wellbeing at work through pilot projects and by arranging employee well-being events in Finland.

### Pension

Pension benefits are arranged per local national requirements and practices.

### Variable pay

Variable pay links company success and an individual's performance providing an incentive to work towards commonly agreed targets. In addition to the senior management scheme set out above, company short-

term incentive plans include employees from different operational management and specialist roles in accordance with the company policy. At the target level, the short-term variable pay for other eligible employees ranges from 3.5–30% of base salary.

### Recognition

Posti has a recognition model available to all personnel. In addition to non-monetary awards, a formal cash-based achievement award program provides a quick, easy and practical tool to recognize excellent customer service, exceptional effort or improvement in performance. Receiving specific and meaningful recognition is an important employee engagement driver. Recognition takes place throughout the year on an as-needed basis. During 2018 the personnel committee emphasized even stronger the principle of spot bonus and a timely rewarding for employees who demonstrate excellent performance in customer service, operation performance or safety at work. This principle continues to be valid also for 2019.

# Remuneration Statement

## Remuneration to the President and CEO and the Executive Board

The table below shows the total salary, Supplementary pension contribution, short term bonuses and long-term incentives, paid to the President and CEO and the Executive Board during 2016-2018.

	Total salary 2017 <sup>1</sup>	2016	Supplementary pension contribution 2017	2016	Short-term bonus 2017 <sup>2</sup>	2016	Long-term incentives 2017 <sup>3</sup>	2016	Total 2017	2016
President and CEO	544,367	543,590	0	0	221,400	125,312	16,427	0	782,194	668,902
Other members of Executive Board <sup>4</sup>	2,402,487	1,803,029	154,980	149,800	612,518	449,269	41,558	0	3,211,543	2,402,098
<b>Total</b>	<b>2,946,854</b>	<b>2,346,619</b>	<b>154,980</b>	<b>149,800</b>	<b>833,918</b>	<b>574,581</b>	<b>57,985</b>	<b>0</b>	<b>3,993,737</b>	<b>3,071,000</b>

<sup>1</sup>Total salary includes fringe benefits and holiday pay.

<sup>2</sup>Short-term bonus paid in 2017 relating to 2016 performance

<sup>3</sup>Long-term incentive payments in 2017 relating to performance in 2014–2016 (LT18)

<sup>4</sup>At 31.12.2016 Executive Board composed of 8 members. Turku Kuusisto has been member of Executive Board since August 1, 2016. At 31.12.2017 Executive Board composed of 10 members. During 2017 two members left and three new members joined the executive board.

	Total salary 2018 <sup>5</sup>	2019	Supplementary pension contribution 2018	2019	Short-term bonus 2018 <sup>6</sup>	2019	Long-term incentives 2018 <sup>7</sup>	2019	Total 2018	2019
President and CEO	610,924		0		82,607		294,234		987,764	
Other members of Executive Board <sup>8</sup>	2,689,355		112,759	340,081			531,973		3,674,168	
<b>Total</b>	<b>3,300,279</b>		<b>112,759</b>	<b>340,081</b>	<b>422,687</b>		<b>826,207</b>		<b>4,661,932</b>	

<sup>5</sup>Total salary includes fringe benefits and holiday pay.

<sup>6</sup>Short-term bonus paid in 2018 relating to 2017 performance

<sup>7</sup>Long-term incentive payments in 2018 relating to performance in 2014–2016 (LT18) and 2015 (LT19)

<sup>8</sup>At 31.12.2018 Executive Board composed of 9 members. During 2018 two members left and three new members joined the executive board.

Executive Board members nominated prior 2012 belong to a defined contribution pension plan. Executive Board members nominated after 2012, including the CEO, have no supplementary pension plan arrangements).

**Short-term bonus**

The short-term bonus is linked to company and individual performance. The maximum incentive opportunity is 60% of salary.

**2016 short-term bonus (paid in 2017)**

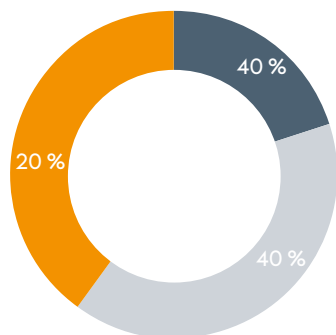
The short-term bonus for 2016 was based on the following measures:

**Strategic targets**

Targets tailored to each executive's area of responsibility, typically projects linked to the delivery of Posti strategy.

**Group net sales**

2016 result: €1,606m  
Outcome: between threshold and target



**Group adjusted EBIT**

2016 result: €46m  
Outcome: above target

The on-target opportunity was 40% of salary in 2016. The bonus paid to the CEO for 2016 performance was 45% of salary. The average bonus for the other Executive Board members was 41% of salary. The bonuses were paid in April 2017.

**2017 short-term bonus (paid in 2018)**

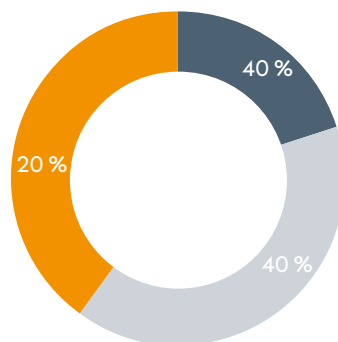
The on-target bonus opportunity for 2017 was 30% of salary (reduced from 40% in 2016). The bonus for 2017 was based on:

**Strategic targets**

Targets tailored to each executive's area of responsibility, linked to the delivery of Posti strategy.

**Group adjusted EBIT**

2017 result: €1,658m  
Outcome: between threshold and target



**Group comparable net sales**

2017 result: €42.4m Outcome: between target and maximum

The bonus paid the CEO for 2017 performance was 16.79% of salary. The average bonus for the other Executive Board members was 19.46% of salary. The bonuses were paid in April 2018.

**2018 short-term bonus (to be paid 2019)**

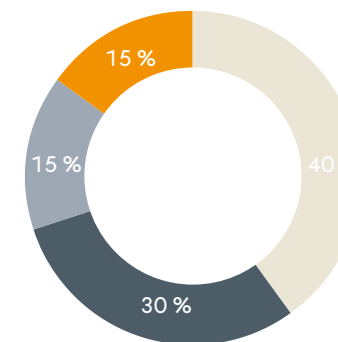
The bonus for 2018 will be based 40% on Adjusted Group EBIT, 30% on adjusted free cash flow, 15% on net sales and 15% on individual strategic targets. The weighting of targets aligned the bonus plan our key strategic priorities.

**Net sales**

2018 result: € 1,610m  
Outcome: between threshold and target

**Group adjusted EBIT**

2018 result: €44.8m  
Outcome: above target



**Strategic targets**

Targets tailored to each executive's area of responsibility, linked to the delivery of Posti strategy.

**Free cash flow**

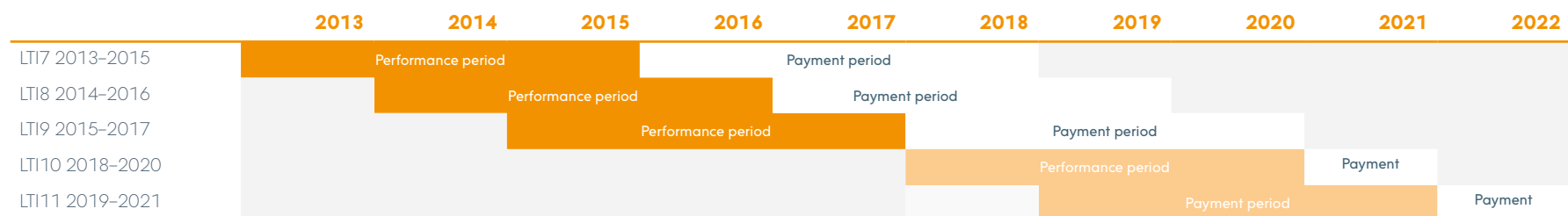
2018 result: € 37.5m  
Outcome: above target

The bonus to be paid the CEO for 2018 performance is 32.85% of salary. The average bonus for the other Executive Board members is 25.47% of salary. The bonuses will be paid in April 2019.



## Long-term Incentives

The long-term incentive plan is a cash-based scheme designed to motivate and reward key employees who are critical to the company's success. The plan is based on group level performance.



	Performance measures	Maximum opportunity	Outcome	Payment as % maximum
LT17 2013–2015	Profitability (ROIC %)	40% of participant's one-year salary	Below the minimum threshold	0%
LT18 2014–2016	Profitability (ROIC %)	40% of participant's one-year salary	Between threshold and target	22%
LT19 2015–2017	80% profitability (ROCE %) ja 20% growth (net sales)	40%–60% of participant's one-year salary	At target	47%
LT110 2018–2020	70% profitability (EPS) and 30% growth (eCommerce net sales)	20%–60% of participant's one-year salary		
LT111 2019–2021	70% profitability (EPS) and 30% growth (Parcel & eCommerce net sales)	20%–60% of participant's one-year salary		

### LT18 (2014–2016)

LT18 was based on Posti's average return on invested capital (ROIC) percentage over the three-year period to 31 December 2016. Average ROIC was 3.6% which was between the minimum and target performance thresholds. The award vested at 22% of the maximum and will be paid in three tranches (40% in 2017, 30% in 2018 and 30% in 2019). The first tranche was paid in March 2017 and remaining two will be paid in 2018 and 2019.

**LTI9 (2015–2017)**

LTI9 was based 80% on Posti's return on capital employed (ROCE) percentage and 20% on Posti Group's net sales growth. Performance was assessed annually at the end of each year during the three-year performance period. The award outcome for LTI9 was as follows:

Performance measure	Weight	Year	Result	Outcome	Payment Year
Posti Group's ROCE%	80%	2015	5.4%	Above target	2018
Posti Group's net sales	20%		€1,626m	Between threshold and target	
Posti Group's ROCE%	80%	2016	5.6%	Between threshold and target	2019
Posti Group's net sales	20%		€1,606m	Between threshold and target	
Posti Group's ROCE%	80%	2017	-5.5%	Below threshold	2020
Posti Group's comparable net sales	20%		€1,658m	Between target and maximum	

Overall, the award vested at 47% of the maximum and will be paid in tranches in 2018, 2019 and 2020.

**LTI10 (2018–2020)**

LTI10 is based on three-year adjusted earnings per share and measured annually (70% weighting) and a Group strategic target related to Parcel business unit net sales for the full plan period (30% weight). Any reward earned under LTI10 will be paid in a single installment in 2021.

Performance measure	Weight	Year	Result	Outcome	Payment Year
Posti Group's adjusted EPS	70%	2018 2019 2020	0,88	Above target	2021
Parcel BU net sales	30%	2018-20			

### LTI11 (2019–2021)

LTI11 is based on three-year adjusted earnings per share set and measured annually (70% weighting) and a Group strategic target related to Parcel & eCommerce business unit net sales for full plan period (30% weight). Any reward earned under LTI11 will be paid in a single installment in 2022.

Performance measure	Weight	Year	Result	Outcome	Payment Year
Posti Group's adjusted EPS	70%	2019 2020 2021			2022
Parcel & eCommerce BU net sales	30%	2019-21			

### Bridge incentive plan 2X

2X is an incentive plan bridging the change in LTI payment periods. Earning period in 2X is from July 1st, 2018 until June 30th, 2019 with a possible payout in December 2019.

The plan has two performance targets measured in 2H2018 & 1H2019:

- Posti Group's adjusted EBIT (80% weight) and
- Posti Group's consolidated customer satisfaction (20% weight).

Maximum target opportunity is 12%–60% of participant's one-year salary.

If the performance targets set by the Board of Directors (BoD) are met and results approved by them, the reward will be paid in December 2019.

## Supervisory Board Remuneration

Posti has a governance model, by which the management of Posti is the responsibility of the General Meeting of Shareholders, the Board of Directors and the President & CEO. In addition, the management of the company is supervised by the Supervisory Board. The Supervisory Board's key duties are overseeing that the company is managed according to law and the bye-laws, providing the Board with guidance on issues of broad implication, monitoring the functionality of postal services and providing the Annual General Meeting (AGM) with a statement regarding the financial statements and the auditor's report. The Supervisory Board does not participate in remuneration and reward related decisions.

The remuneration of the Supervisory Board is approved annually at the AGM. Supervisory Board members receive a fixed fee based on meeting attendance. Meeting compensation in euro payable to Supervisory Board members determined at the AGM in 2018 was:

- Chair of the Supervisory Board EUR 800 per meeting;
- Deputy Chair of the Supervisory Board EUR 600 per meeting; and
- Member EUR 500 per meeting

Supervisory Board members do not receive other benefits from Posti.

## Supervisory Board members' attendance in meetings and remuneration paid in 2018 (actual), EUR

Member	Attendance	Remuneration
Markku Rossi (Chair)	5/5	4,000
Jani Toivola (Deputy Chair)	4/5	2,400
Maria Guzenina	4/5	2,000
Kari Kulmala (as from March 27, 2018)	3/4	1,500
Rami Lehto	4/5	2,000
Eeva-Maria Maijala	5/5	2,500
Silvia Modig (as from March 27, 2018)	3/4	1,500
Sari Moisanen (until March 27, 2018)	1/1	500
Mats Nylund	5/5	2,500
Juha Pylväs	5/5	2,500
Sari Raassina	2/5	1,000
Lulu Ranne (until March 27, 2018)	1/1	500
Satu Taavitsainen	5/5	2,500
Kari Tolvanen (until March 27, 2018)	1/1	500
Juhana Vartiainen (as from March 27, 2018)	2/4	1,000

## Board of Directors Remuneration

The Board of Directors is responsible for the management of the company and the proper organization of its operations. Remuneration for the Board of Directors is approved annually at the AGM. The Board members receive a monthly fee (based on their role) and an additional meeting attendance fee. The fee structure for the Board of Directors has remained unchanged since 2010.

## Remuneration in euro payable to Board members determined at the 2018 AGM

	Remuneration / month	Fee / meeting*
Chair of the Board of Directors	3,650	600
Deputy Chair of the Board of Directors	2,350	600
Member of the Board of Directors	2,100	600
Member of the Committee	-	600
Committee Chair other than Chair of the Board of Directors or Deputy Chair of the Board of Directors	2,350	-

\*For foreign board members the fee is paid in double i.e. 1,200 € per meeting.  
As per Annual General Meeting decision, those board members who are employed by a Posti Group company will not receive any Board remuneration.

## Board members' attendance in meetings and remuneration paid in 2018 (actual), EUR

Member and Committee	Member and Committee Attendance: Board of Directors	Attendance: Committee	Monthly remuneration, total	Meeting fees: Board of Directors	Meeting fees: Committee	Total
<b>Markku Pohjola</b> (Chair) Personnel Committee (Chair)	17/17	8/8	43,800	10,200	7,800*	61,800
<b>Suvi-Anne Siimes</b> (Deputy Chair) Personnel Committee	16/17	7/8	28,200	9,600	4,800*	42,600
<b>Eero Hautaniemi</b> Audit Committee	17/17	10/10	25,200	10,200	8,400*	43,800
<b>Petri Järvinen</b> Personnel Committee (as from March 27, 2018) Audit Committee (until March 27, 2018)	17/17	6/6 2/2	25,200	10,200	5,400*	40,800
<b>Petri Kokko</b> Personnel Committee (until March 27, 2018)	3/3	2/2	6,029	1,800	1,200	9,029
<b>Frank Marthaler</b> (as from March 27, 2018) Audit Committee (as from March 27, 2018)	13/14	7/8	19,239	15,600	12,000*	46,839
<b>Kirsi Nuotto</b> Personnel Committee (until March 27, 2018)	3/3	2/2	6,029	1,800	1,200	9,029
<b>Marja Pokela</b> Audit Committee	17/17	10/10	25,200	10,200	6,600*	42,000
<b>Per Sjödel</b> (as from March 27, 2018) Personnel Committee (as from March 27, 2018)	13/14	6/6	19,239	15,600	8,400*	43,239
<b>Arja Talma</b> Audit Committee (Chair)	16/17	10/10	27,490	9,600	8,400*	45,490
<b>Pertti Miettinen</b> (as from March 27, 2018) Personnel representative**	14/14	-	-	-	-	-

\* 2018 Remuneration for Committees include the Committee meeting fees as well as fees for meetings Board working groups. Part of the meeting fees were paid during 2019.

\*\* As per Annual General Meeting decision, those board members who are employed by a Posti Group company will not receive any Board remuneration.

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