



ANNUAL REPORT

2017

REMUNERATION STATEMENT 2017

MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS

Decision-making procedure

Remuneration paid to the members of the Board of Directors of SATO Corporation (hereinafter "SATO") is resolved by the company's shareholders at the Annual General Meeting. The proposal for the remuneration is prepared, together with a proposal for the election of board members, by the Shareholders' Nomination Committee. The Nomination Committee is formed by representatives of SATO's four largest shareholders registered in the book-entry system on 1 October, which shareholders have approved the assignment.

SATO's Annual General Meeting held on 8 March 2017 resolved that the following annual remuneration be paid for the term starting at the close of the AGM and ending at the close of the 2017 AGM:

- Chair of the Board of Directors: EUR 36,000
- Deputy chair of the Board of Directors: EUR 22,000
- Other members of the Board of Directors: EUR 18,000 each

In addition, the AGM resolved that a meeting fee of EUR 500 per meeting be paid to the chair, deputy chair and members of the Board of Directors for meetings of the Board of Directors and its committees. These fees correspond to fees paid to members of the Board of Directors during the previous term.

Fees paid to members of the Board of Directors in 2017

The following fees were paid to members of SATO's Board of Directors during the financial period of 1 January – 31 December 2017:

Erik Selin, chairman of the Board of Directors	40,000 €
Jukka Hienonen, deputy chairman of the Board of Directors	27,500 €
Marcus Hansson	22,500 €
Esa Lager	23,500 €
Tarja Pääkkönen	23,500 €
Johannus (Hans) Spikker (member as of 8 March 2017)	16,000 €
Timo Stenius	23,500 €
Total	176,500 €

During the financial period, no shares or share-based rights were issued to members of the Board of Directors as fees.

CEO AND OTHER MANAGERS OF THE GROUP

Decision-making procedure

On the basis of proposals presented by the Nomination and Remuneration Committee, SATO's Board of Directors makes resolution on the terms and conditions of the term of office and employment of SATO's CEO and members of the Group's management team, and their salaries, the criteria of their annual bonus schemes and long-term incentive schemes, as well as the amount of bonuses paid based on the schemes, in addition to the payment method and date.

Individuals employed by the Group do not receive any separate compensation for acting as a member of the Board of Directors or as CEOs in the subsidiaries of the Group.

The CEO's employment contract

A written employment contract has been signed between SATO and its CEO Saku Sipola, according to which the CEO receives a monthly salary divided into a monetary component and customary fringe benefits. The CEO is within the scope of the annual bonus and long-term incentive schemes in accordance with SATO's policies valid at the time, following the terms and conditions defined by SATO's Board of Directors.

The period of notice for the CEO is six months if the employment contract is terminated by SATO. If SATO terminates the CEO's employment contract, the CEO will receive compensation corresponding to a 12-month salary in addition to the regular salary paid for the period of notice.

REMUNERATION SCHEMES

The objective of incentive schemes is to combine the targets of shareholders and key individuals to increase the company's value, improve the Group's competitiveness and ensure long-term financial success.

In 2017, SATO used the following incentive schemes:

a. Scheme applicable to years 2015–2017

On the basis of the scheme, key individuals within the scope of the scheme receive bonuses on the basis of criteria related to the development of the company's value fulfilled during the earnings period. The scheme covers a total of 18 key individuals

b. Scheme applicable to years 2016–2018

On the basis of this scheme, key individuals within the scope of the scheme receive bonuses, the amount of which is based on the development of the company's value and another objective which supports business improvement. The scheme covers a total of 17 key individuals.

SATO's Board of Directors has decided who participates each scheme, the maximum bonus to be paid, and the values which form the basis of the bonuses, as well as the amount of bonuses to be paid annually.

c. c. Incentive scheme for year 2017

Members of the Group's management team and separately appointed key individuals of the Group are within the scope of an annual bonus scheme. In 2017, the objectives defined for the Group's management team were related to the Group's profit and the value development of the company. The objectives set for key individuals were related to the successful performance of their tasks.

The Board of Directors annually approves the criteria for bonuses, the individuals within the scope of bonus schemes and the payment of bonuses.

SALARIES AND FEES PAID TO THE CEO AND MEMBERS OF THE GROUP'S MANAGEMENT TEAM IN 2017

In 2017, CEO Saku Sipola received EUR 311.935 in salary, of which monetary salary accounted for EUR 298.337 and fringe benefits made up EUR 13.598. The CEO was paid bonuses for year 2016 EUR 53.550 and on the basis of previous long-term incentive schemes EUR 20.034.

In 2017, Erkkä Valkila, who acted as the CEO of SATO until 15 November 2015, received EUR 163.869 in bonuses paid on the basis of previous long-term incentive schemes.

In 2017, other members of the Group's management team received EUR 769.693 in salaries and fringe benefits, EUR 79.523 in bonuses based on long-term incentive schemes, and EUR 71.098 in bonuses based on the annual bonus scheme. In addition to the CEO, the Group's management team consisted of a total of five individuals in 2017.