

## **PIHLAJALINNA PLC**

### **THE ANNUAL GENERAL MEETING APRIL 5, 2018**

#### **PROPOSALS TO THE ANNUAL GENERAL MEETING 2018**

##### **Resolution on the Use of the Profit Shown on the Balance Sheet and the Payment of Dividend (Item 8 of the Annual General Meeting)**

The Board of Directors proposes that a dividend of EUR 0.16 per share would be paid based on the balance sheet adopted for the financial period ended on 31 December 2017. The dividend would be paid to a shareholder who on the dividend record date 9 April 2018 is registered as a shareholder in the Company's shareholders' register held by Euroclear Finland Ltd. The Board of Directors proposes that the dividend would be paid on 16 April 2018.

##### **Resolution on the Remuneration of the Members of the Board of Directors (Item 10 of the Annual General Meeting)**

Pihlajalinna Plc's Shareholders' Nomination Board proposes to the Annual General Meeting that the remuneration of the Board of Directors be kept unchanged, and that the following annual remuneration be paid to the members of the Board of Directors to be elected at the Annual General Meeting for the term of office ending at the close of the Annual General Meeting 2019: to the full-time Chairman of the Board of Directors EUR 250,000 per year; to the Vice-Chairman EUR 48,000 per year, and to members EUR 24,000 per year.

Additionally, the Nomination Board proposes that each Member of the Board will be paid EUR 500 per meeting of the Board and of a Committee. In addition, reasonable travelling expenses would be paid according to the Company travel rules.

##### **Resolution on the Number of Members of the Board of Directors (Item 11 of the Annual General Meeting)**

Shareholders' Nomination Board proposes to the Annual General Meeting that the number of the members of the Board be confirmed to be seven.

##### **Election of Members of the Board of Directors, the Chairman of the Board and the Vice-Chairman (Item 12 of the Annual General Meeting)**

Shareholders' Nomination Board proposes to the Annual General Meeting that Timo Everi, Leena Niemistö, Jari Sundström, Seija Turunen and Mikko Wirén, currently members of the Board of Directors, be re-elected as members of the Board of Directors.

Shareholders' Nomination Board proposes to the Annual General Meeting that Matti Bergendahl and Kati Sulin be elected as new members of the Board.

The Nomination Board proposes that the Annual General Meeting elects Mikko Wirén as the Chairman of the Board and Matti Bergendahl as Vice-Chairman.

Further information on the proposed nominees to the Board of Directors and the evaluation regarding their independence is presented on the Company's website <http://investors.pihlajalinna.fi>.

**Resolution on the Remuneration of the Auditor  
(Item 13 of the Annual General Meeting)**

The Board of Directors proposes, based on recommendation of the Board's Audit Committee, to the Annual General Meeting that the Auditor's remuneration would be paid against an invoice approved by the Audit Committee of the Board of Directors.

**Election of the Auditor  
(Item 14 of the Annual General Meeting)**

The Board of Directors proposes, based on recommendation of the Board's Audit Committee, to the Annual General Meeting that KPMG Oy Ab, a firm of authorized public accountants, would be re-elected as Auditor for the financial year 1 January – 31 December 2018. KPMG Oy Ab has announced that Ms. Lotta Nurminen, APA, would be the Auditor with principal responsibility.

**Authorizing the Board of Directors to Resolve on the Repurchase of the Company's Own Shares  
(Item 15 of the Annual General Meeting)**

The Board of Directors proposes that the Annual General Meeting would authorize the Board of Directors to resolve on the repurchase of an aggregate maximum of 2,061,314 of the Company's own shares, which corresponds to approximately 10 percent of all the existing shares in the Company at the date of this notice, in one or several instalments. Own shares may be repurchased on the basis of the authorization only by using non-restricted equity.

Own shares may be repurchased at a price formed in regulated market on the date of the repurchase or otherwise at a price formed on the market. Own shares may be repurchased using, inter alia, derivatives. The Board of Directors resolves on how shares are repurchased. Own shares may be repurchased otherwise than in proportion to the shares held by the shareholders (directed repurchase) if there are weighty reasons for the company.

The authorization cancels the authorization given by the Annual General Meeting on 4 April 2017 to decide on the repurchase of the company's own shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until 30 June 2019.

**Resolution on the Authorization of the Board of Directors to Decide on Issuance of Shares and Other Special Rights Entitling to Shares  
(Item 16 of the Annual General Meeting)**

The Board of Directors proposes to the Annual General Meeting that the Board of Directors would be authorized to decide on the issuance of shares and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Finnish Companies Act by virtue of one or several decisions as follows.

The number of shares issued pursuant to the authorization shall not exceed 3,091,971 shares, which corresponds to approximately 15 percent of all the existing shares in the Company. The authorization concerns both the issuance of new shares as well as the transfer of the Company's own shares.

The Board of Directors decides on all other terms and conditions of the issuance of shares and other special rights entitling to shares. The authorization includes a right to deviate from the shareholders pre-emptive right to subscription (directed issue) if there are weighty reasons for the company. The authorization may be used, for example, to finance acquisitions or other business arrangements and investments or the implementation of the Company's share-based incentive plans as well as other purposes determined by the Company's Board of Directors.

The authorization cancels the authorization given by the Annual General Meeting on 4 April 2017 to decide on issuance of shares and other special rights entitling to shares. The authorization remains in force until the end of the next Annual General Meeting, however, no longer than until 30 June 2019.

**Amendment of the composition of the shareholders' Nomination Board as well as its Charter  
(Item 17 of the Annual General Meeting)**

The Company's shareholders Mr. Mikko Wirén, MWW Yhtiö Oy and Ms. Leena Niemistö, who together represent approximately 14.6 percent of the voting rights carried by the Company's shares, have delivered to the Company a proposal according to which the Nomination Board would consist of six (6) members instead of current four (4) members.

The Company's shareholders referred to above have also proposed that the Nomination Board would not make a proposal on the Chairman and Vice-Chairman of the Board of Directors to the General Meeting, but instead, the Board of Directors would elect the Chairman and Vice-Chairman from among its members. The abovementioned shareholders have proposed that the first paragraph of section 2 of the Charter of the Shareholders' Nomination Board, as well as section 4.1, would be amended to correspond with the changes referred to above.

In addition, the abovementioned shareholders have proposed that into the second paragraph of section 2 of the Charter of the Shareholders' Nomination Board would be made the following addition (the proposed addition is in brackets):

"In case two of the largest shareholders have an equal number of shares and votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots. If a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in his/her share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on August 31, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes which determines the nomination right, [and provided that combined holdings entitle, pursuant to the preceding paragraph, to appoint a member in the

Nomination Board, such shareholder has a right to appoint one member in the Nomination Board]. Should a shareholder not wish to exercise his/her nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.”

The Charter of the Nomination Board, which includes the abovementioned amendment proposals, is available at the Company’s website at <http://investors.pihlajalinna.fi>.

#### **Amendment of section 4 of the Articles of Association (Item 18 of the Annual General Meeting)**

The Company’s shareholders Mr. Mikko Wirén, MWW Yhtiö Oy and Ms. Leena Niemistö, who together represent approximately 14.6 percent of the voting rights carried by the Company's shares, have delivered to the Company a proposal according to which section 4 of the Articles of Association would be amended so that the General Meeting would not decide on the election of the Chairman and Vice-Chairman of the Board of Directors, but instead, the Board of Directors would elect the Chairman and Vice-Chairman from among its members.

According to the proposal, after the amendment section 4 of the Articles of Association would read as follows in its entirety:

“The Company has a Board of Directors, which consists of no less than four (4) and not more than ten (10) members. The term of office of the members of the Board of Directors shall expire at the closure of the first Annual General Meeting following the election.”

#### **The Annex to the item 17 Amendment of the composition of the shareholders’ Nomination Board as well as its Charter**

##### **CHARTER OF THE SHAREHOLDERS’ NOMINATION BOARD**

###### **1. Background and Purpose**

The Shareholders’ Nomination Board (the "**Nomination Board**") of Pihlajalinna Plc (the "**Company**") is the Company’s shareholders’ body responsible for preparing the proposals to the General Meeting concerning the election and remuneration of the members of the Board of Directors.

The Nomination Board’s main responsibility is to ensure that the Board of Directors and its members have a sufficient level of knowledge and experience for the needs of the Company, and to prepare well-grounded proposals to the General Meeting concerning the election and remuneration of the members of the Board of Directors.

Each Shareholder of the Company can also make its own proposal directly to the General Meeting.

## **2. Appointment and Composition of the Nomination Board**

The Nomination Board consists of six (6) members nominated by the shareholders of the Company. In addition, the Chairman of the Board of Directors of the Company participates in the work of the Nomination Board as an expert. The right to nominate members shall be vested with the six (6) shareholders of the Company having the largest share of the votes represented by all the shares in the Company annually on September 1 based on the Company's shareholders' register held by Euroclear Finland Ltd. The Nomination Board shall elect a Chairman from among its members, who may not be the Chairman of the Board of Directors of the Company.

In case two of the largest shareholders have an equal number of shares and votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots. If a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in his/her share of ownership makes a written request to such effect to the Chairman of the Board of Directors no later than on August 31, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes which determines the nomination right, and provided that combined holdings entitle, pursuant to the preceding paragraph, to appoint a member in the Nomination Board, such shareholder has a right to appoint one member in the Nomination Board. Should a shareholder not wish to exercise his/her nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.

The term of office of the Nomination Board expires annually when the new Nomination Board has been appointed.

The member nominated by a shareholder is obliged to resign from the Nomination Board if the shareholder concerned later transfers more than half of the shares it held on the September 1 which entitled it to nominate a member and as result is no longer among the Company's ten largest shareholders. If a member nominated by a shareholder resigns from the Nomination Board, the Nomination Board may decide to request a shareholder who is not represented in the Nomination Board to nominate a new member. The request shall be presented to the largest shareholders in the order of votes represented by their shares based on their shareholdings on the day preceding such request. Should the number of members of the Nomination Board (excluding the Chairman of the Company's Board of Directors) decrease to less than two, the Nomination Board is obliged to request for such nomination.

## **3. Decision-making**

The Nomination Board shall constitute a quorum when more than half of its members are present. No decision shall be made unless all members have been reserved the possibility to consider the matter and to participate in the meeting.

Decisions of the Nomination Board shall be made unanimously.

All decisions of the Nomination Board shall be recorded in minutes. The minutes shall be dated, numbered and retained in a safe manner. The minutes shall be signed by the Chairman of the Nomination Board together with at least one other member of the Nomination Board.

## **4. Duties of the Nomination Board**

### **4.1 Duties of the Nomination Board**

The duties of the Nomination Board shall include:

- (a) to prepare and present to the General Meeting a proposal on the remuneration of the members of the Board of Directors;
- (b) to prepare and present to the General Meeting a proposal on the number of members of the Board of Directors;
- (c) to prepare and present to the General Meeting a proposal on the members of the Board of Directors;
- (d) to seek prospective successor candidates for the members of the Board of Directors.

### **4.2 Qualifications of the Members of the Board of Directors**

The Board of Directors of the Company shall have sufficient expertise, and it shall as a collective have sufficient knowledge of and competence in the Company's field of business and industry.

In particular, the Board of Directors as a whole shall have sufficient knowledge of and competence in:

- (a) the Company's business activities and industry;
- (b) the management of a publicly listed company of corresponding size;
- (c) financial statements and financial reporting;
- (d) risk management;
- (e) corporate acquisitions; and
- (f) corporate governance.

The actions of the Board of Directors will be evaluated annually and the results of such evaluation will be disclosed to the Nomination Board. The results of the evaluation shall be taken appropriately into account in the work of the Nomination Board. The Nomination Board may also consult with other Shareholders or use external experts in order to find suitable candidates.

In addition to the foregoing, the Nomination Board shall comply with applicable legislation, Stock Exchange rules and the recommendations set out in the Finnish Corporate Governance Code, and in particular the independence requirements set out in the Corporate Governance Code.

### **4.3 Chairman**

The Chairman of the Nomination Board shall steer the work of the Nomination Board so that the Nomination Board achieves the objectives set for it and takes duly into account the interests of the shareholders and the Company.

The Chairman of the Nomination Board shall convene and chair the meetings of the Nomination Board. In addition, the Chairman of the Nomination Board shall convene an extraordinary meeting of the Nomination Board within 14 days from a request made by a member of the Nomination Board to that effect.

### **4.4 Proposals to the General Meeting**

The Nomination Board shall submit its proposals to the Board of Directors of the Company at the latest on the February 1 preceding the next Annual General Meeting. The proposals of the Nomination Board will be included in the notice to the Annual General Meeting.

The Nomination Board shall also present its proposals and report on its activities to the General Meeting. The above-mentioned information will be published on the Company's website.

Should a matter that is to be prepared by the Nomination Board come up for decision-making in an Extraordinary General Meeting, the Nomination Board shall submit its proposal to the Board of Directors of the Company in sufficient time for it to be included in the notice to the General Meeting.

## **5. Confidentiality**

The members of the Nomination Board and the shareholders they represent shall keep the information regarding the proposals to the General Meeting confidential until the decisions of the Nomination Board have been published by the Company. The Chairman of the Nomination Board may, if he/she considers it necessary, propose to the Board of Directors of the Company that the Company should enter into non-disclosure agreements with the shareholders or the members nominated by them.

## **6. Amendments to the Charter and authorization**

The Nomination Board shall review this Charter annually and propose potential amendments to the Annual General Meeting for adoption. Any changes concerning the number of members of the Nomination Board or their selection criteria shall always be decided by the General Meeting. The Nomination Board is authorized to make technical updates and changes to this Charter when necessary.

## **7. Other Terms**

In case any fixed date prescribed in this Charter does not fall on a business day, the Charter shall be construed to refer to the business day immediately preceding such fixed date.

This Charter has been drafted in both Finnish and English language versions. In the event of any discrepancies, the Finnish language version shall prevail.