

Remuneration policy for Pihlajalinna Oyj

1) INTRODUCTION

Pihlajalinna Oy's ("company") remuneration policy is a remuneration policy for the company's organs as referred to in the Limited Liability Companies Act, Securities Markets Act and Corporate Governance Code. It defines the principles for remuneration of the members of the board of directors, managing director and potential acting managing director who is registered in the trade register. As referred to in the applicable regulations, the policy will be presented to the company's ordinary general meeting in 2020.

Information regarding the principles of remuneration of the board of directors, managing director and executive team, current remuneration systems as well as comprehensive data regarding the remuneration of the executive team are available on the company's website.

The objective of the remuneration system for the board of directors and managing director is to promote the positive development of the ownership value and the company's competitiveness and long-term financial success as well as the realisation of the objectives and strategy set by the company.

The main principle of the remuneration policy is that remuneration of the board of directors and managing director must promote the achievement of the above-mentioned objectives and offer a fair, engaging and competitive system which follows the market practices in its extent and structure.

The objective of all remuneration carried out in the Pihlajalinna group is to encourage good performance and motivate the personnel to long-term efforts in order to reach the company's objectives. Remuneration is one method that the company uses to ensure it has competent and motivated people in each task on all levels of the organisation. These principles also apply to remuneration of the members of the board of directors and the managing director. However, the characteristics needed in the task of a member of the board of directors and managing director as well as measuring success in these tasks deviate significantly from most of the other tasks in the company. The terms of the company's employees' salaries and employment relationships do not affect this remuneration policy.

The decision-making process regarding the remuneration of members of the board of directors and the managing director is described below. The decision-making follows the regulations regarding the disqualification of the members of the board of directors and managing director.

2) DESCRIPTION OF THE DECISION-MAKING PROCESS

2.1 Preparation and validation

The remuneration policy and potential essential adjustments to it are prepared by the company's board of directors' remuneration committee (or another corresponding organ to which the preparation of remuneration has been assigned to).

The board of directors processes and approves the remuneration policy and its essential adjustments which are presented to the general meeting. The remuneration system is presented to the ordinary general meeting as referred to in the legislation and Corporate Governance Code. The general meeting will make an advisory decision on whether it supports the proposed remuneration policy or not. Shareholders cannot propose adjustments to the remuneration policy which is proposed to the general meeting. If the majority of the general meeting does not support the proposed remuneration policy, a revised remuneration policy will be presented to the following ordinary general meeting at the latest. In this case, the decision on remuneration of the board of directors and managing director is based on the remuneration policy proposed to the general meeting until the revised remuneration policy has been processed by the general meeting.

2.2 Monitoring

The board of directors' remuneration committee monitors the implementation of the remuneration policy and, if necessary, presents its proposals for action to the board of directors to ensure the realisation of the remuneration policy. The board of directors presents the remuneration policy to the general meeting whenever necessary; however, at least every four (4) years.

In addition, the board of directors will present a remuneration report to the ordinary general meeting that the shareholders can use to assess the realisation of the remuneration policy in the company. The general meeting will decide on whether the remuneration report will be validated. The general meeting's decision regarding the remuneration report is advisory.

2.3 Implementation

Pihlajalinna's general meeting will decide on remuneration of the members of the board of directors annually based on the nomination committee's proposal. The decision regarding the remuneration of the members of the board of directors is based on the remuneration policy proposed to the general meeting.

The company's board of directors will decide on remuneration of the managing director based on the remuneration policy. The remuneration committee prepares matters related to remuneration with the help of independent external specialists, if necessary.

3) DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

Pihlajalinna's general meeting decides on the remuneration paid to the members of the company's board of directors. The draft decision on remuneration of the members of the board of directors is prepared by the shareholders' appointment committee.

The remuneration of the board of directors may consist of one or several components. For example, the members of the board of directors can be paid an annual or monthly bonus as well as a meeting fee for the meetings of the board of directors, its committees or other organs. Fees can be paid in money and/or partly or fully in shares or other financial instruments.

4) DESCRIPTION OF THE REMUNERATION OF THE MANAGING DIRECTOR

The company's board of directors appoints the managing director and decides on the terms of their employment relationship. Before the board of directors makes its decision, the matter will be prepared in the board of directors' remuneration committee. The managing director is not a member of the remuneration committee and will not participate in the decision-making regarding their remuneration.

4.1 The components of remuneration and their relative proportions

The remuneration system of the managing director consists of a fixed monthly salary with fringe benefits as well as potential alternating components of remuneration which are decided upon separately. These can comprise e.g. a short-term result-based incentive programme and a long-term share-based remuneration system or some other comparable long-term incentive system. The managing director may also have a supplemental payment-based pension benefit.

The relative proportions of components of remuneration may vary based on the goals set by the board of directors and how they are achieved.

4.2 The components of the potential alternating remuneration and how they are determined

The components of the alternating remuneration are determined by the objectives set by the board of directors. The objectives are set so that they support the realisation of the company's strategy as well as the long-term and short-term financial success. In addition to the financial criteria, the objectives can also include other criteria.

Short-term incentive programme

The managing director's potential short-term incentive can be based on the group's results or other criteria decided by the board of directors. Objectives for the short-term incentives are set and their realisation is primarily assessed annually. The prerequisite for the payment is that the managing director's employment relationship is valid during the time of payment unless otherwise decided by the board of directors in an individual situation.

Long-term incentive programme

For the managing director, a long-term incentive can be a share-based incentive scheme or some other similar system. The company's board of directors decides on a potential share-based or other long-term incentive programme as proposed by the remuneration committee. If the remuneration of the managing director includes a share-based incentive system, its terms define the related earning periods and criteria, maximum number of share rewards, potential commitment periods, transfer limitations of the shares and terms related to the recovery of already paid remuneration. The basis of the assessment is that the terms correspond to market practices unless the board of directors deems it justified to deviate from the market practices in some case. The remuneration can be paid partly in shares and partly in money.

Using the share-based incentive system as a part of the remuneration of the managing director is primarily for the benefit of the company and its shareholders because it combines the objectives of

the shareholders and managing director so that they promote the company's strategy and its long-term financial success.

The prerequisite for paying the remuneration is that the managing director's employment relationship is valid during the time of payment unless otherwise decided by the board of directors in an individual situation. In addition, a prerequisite can be imposed on the managing director indicating that they must own a certain number of shares during the employment relationship.

4.3 Other key terms applied to the employment relationship

Other terms applied to the managing director's employment relationship are agreed upon in the managing director's service contract, approved by the board of directors, the key terms (e.g. terms related to the period of notice and potential compensation during the period of notice) of which are explained on the company's website and/or remuneration report. When defining the terms of the managing director's employment relationship, the principle is that the extent and structure of the remuneration of the managing director are competitive and market-based.

4.4 Terms related to the postponement of remuneration and potential claim for recovery

The company's possibility to postpone remuneration and claim the recovery of already paid remuneration is based on the terms of the incentive systems and valid Finnish legislation.

5) DEVIATING FROM AND REVISING THE REMUNERATION POLICY

The company may temporarily deviate from the remuneration policy proposed to the general meeting if the deviation is necessary to ensure the company's long-term benefit and the valid remuneration policy would not be appropriate in the changed circumstances. These situations include, among others, a change of the board of directors or managing director, a significant change in the company's strategy, changes in the company's remuneration-related decision-making process, corporate transactions such as a fusion, takeover bid or acquisition and changes in taxation, other regulations or legal praxis. The deviation can apply to all components of the remuneration. In terms of the managing director, the board of directors will decide on the deviation.

Essential changes in the remuneration policy are prepared and proposed to the general meeting according to the decision-making process described in section 2. In addition, the company may make other than essential changes in the remuneration policy without presenting the revised policy to the general meeting. The essential changes that are permitted include, for example, technical changes in the remuneration-related decision-making process or terminology. In addition, a change in legislation may be a justification to make other than essential changes in the organs' remuneration policies.

The company's board of directors assesses the review needs in the remuneration policy. The company will make situation-based assessments regarding how much and to what extent the general meeting's decision regarding the previous remuneration policy or comments presented at the

general meeting regarding the published remuneration reports after the validation of the remuneration policy affect the preparation of the new remuneration policy.

Regarding a revision of the remuneration policy, the introduction to the remuneration policy states:

- significant changes to the valid remuneration policy;
- how the new remuneration policy has considered the general meeting's decision on the previous remuneration policy; and
- how the new remuneration policy has considered the shareholders' comments which were presented after the previous remuneration policy was validated by the general meeting when processing published remuneration reports.

6) OTHER

What has been determined regarding the managing director in this remuneration policy shall also apply to an acting managing director registered in the trade register. However, regarding the extent and structure of remuneration, the board of directors is not bound to the remuneration of the managing director when determining the remuneration for the acting managing director.