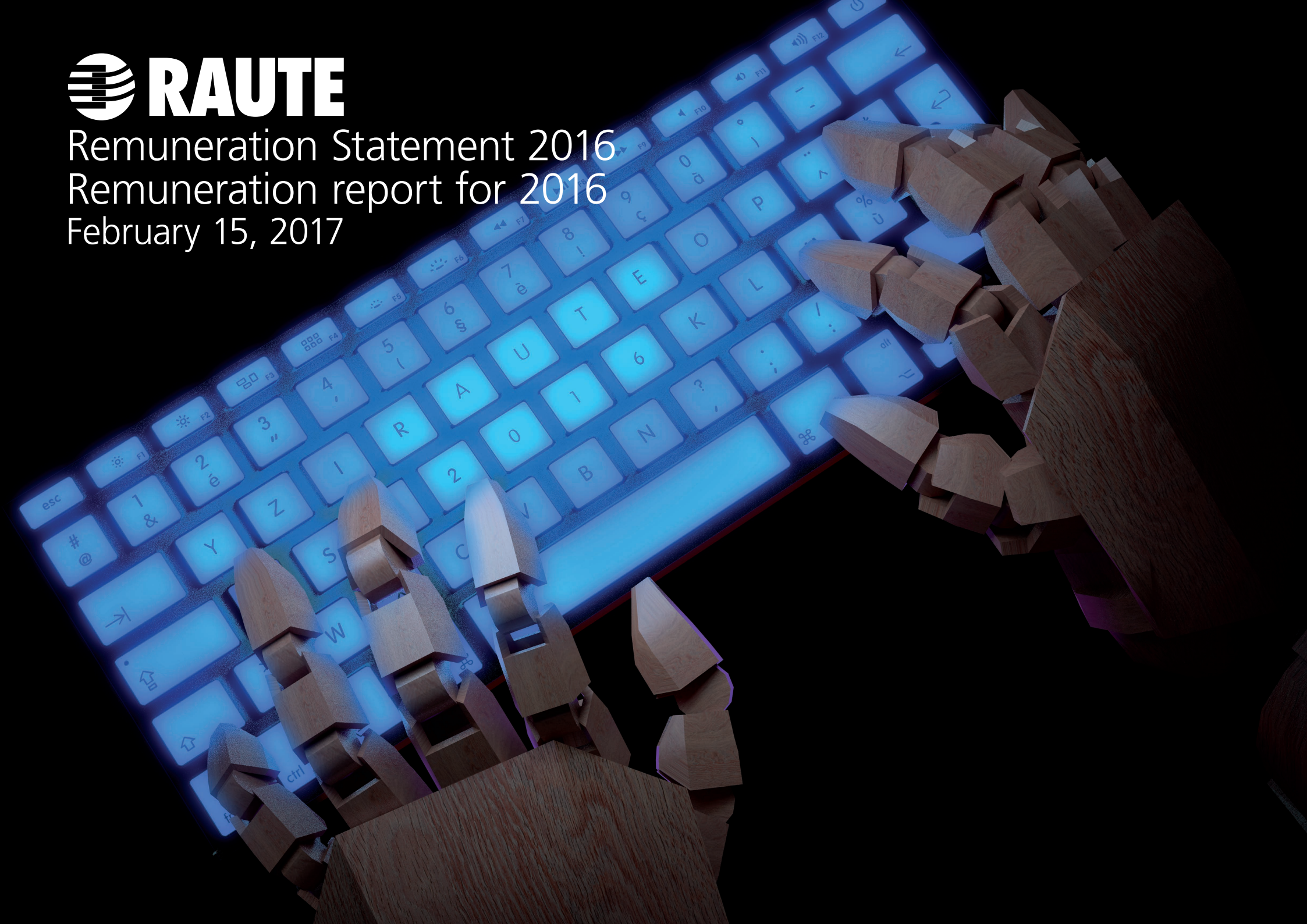




Remuneration Statement 2016  
Remuneration report for 2016  
February 15, 2017





# Remuneration Statement 2016

## PREFACE

**This remuneration statement on Raute Corporation's Board of Directors, President and CEO, and Executive Board has been drawn up in compliance with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association. The Code is available on the Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).**

The objective of Raute's personnel policy is for remuneration and other employment contract terms to form a whole which is just, fair, competitive and based on performance. The goal of the performance-based bonus systems is to encourage the management to manage the company based on the values, strategy and annual plan and, on the other hand, to encourage the personnel to act for the benefit of the company. The goal of the long-term share-based incentive plans is to engage the management to the company and targets, which are in line with the shareholders' benefits.

The overall remuneration of the President and CEO and Executive Board consists of three parts

- the basic salary including fringe benefits
- a performance-based bonus system based on annual targets
- long-term incentive plans.

## A. Decision-making

The Annual General Meeting decides on the remuneration of the Board members. The Board's Appointments Committee prepares the proposal to the Annual General Meeting.

The Board of Directors decides on the remuneration of the President and CEO. In addition, the Board of Directors decides on the compensation paid to the President and CEO based on the ending of the employment contract. The proposal is prepared for the Board of Directors by the Chairman of the Board of Directors.

The Board of Directors decides on the remuneration of the rest of the Executive Board. The proposal is prepared by the President and CEO.

In other remuneration, the Group follows the one-over-one principle.

## B. Key principles of remuneration

### Remuneration of the Board of Directors

The Annual General Meeting annually decides on the total bonus to be paid for each term of office. The bonus is paid in 12 equal monthly instalments. Board members are not paid additional fees for their work in committees. The Board members' travel expenses will be compensated according to the company's travel policy.

The Board of Directors is not covered by the long-term incentive plans. The members of the Board are not employed by the company. The company has not transferred any shares nor any other benefits derived from the stock as a bonus to the Board. The company does not remunerate the Board members on any other grounds nor does it grant them loans or provide any guarantees for them.

### Remuneration of the President and CEO

President and CEO Tapani Kiiski's monthly salary and fringe benefits, in accordance with his executive contract, come to EUR 278 thousand annually. The executive contract does not include any special conditions concerning retirement or the amount of retirement allowance. The term of notice is six months, and, in addition, the severance pay equals 12 months' salary. The company does not remunerate the President and CEO on any other grounds nor does it grant him loans or provide any guarantees for him.

The President and CEO's remuneration also includes a performance-based bonus equaling no more than six months' salary and any bonuses from the long-term incentive plans. President and CEO Kiiski is part of the share plans for 2015 and 2016, described below. The bonus accrued from the 2015 earnings period corresponded to approximately six months' basic salary. The bonus paid in shares will be 4,587 of the company's A shares. Their corresponding tax portion will be paid in cash. The vesting period ends at the end of 2017. The value of the bonus accrued from the 2016 earnings period corresponded to 4.8 months' basic salary. The number of shares will be determined in 2017. The vesting period will end in 2018. In both share plans, the maximum amount of bonus corresponded to six months' salary.

### Remuneration of the rest of the Executive Board

The remuneration of the rest of the Group's Executive Board members consists of the monthly fixed salary and fringe benefits. The fixed salaries and fringe benefits total, at an annual level, EUR 865 thousand. The Executive Board members serve according to an indefinite employment contract without entitlement to extra severance pay or other compensation. The additional pension benefits and terms of notice do not significantly differ from the statutory terms and conditions. The company does not remunerate the Executive Board members on any other grounds nor does it grant them loans or provide any guarantees for them.

The remuneration also includes a performance-based bonus equaling no more than three months' salary and any bonuses from the long-term incentive plans. Five members of the Group's Executive Board are part of the 2015 share plans and six are part of the 2016 share plan. The bonus accrued from the 2015 earnings period corresponded to approximately three months' basic salary. The bonus paid in shares will be altogether 5,681 of the company's A shares. Their corresponding tax portion will be paid in cash. The vesting period ends at the end of 2017. The value of the bonus accrued from the 2016 earnings period corresponded to 2.4 months' basic salary. The number of shares will be determined in 2017. The vesting period will end in 2018. In both share plans, the maximum amount of bonus corresponded to three months' salary.

### **Performance-based bonus systems' key principles of remuneration**

Raute Corporation's performance-based bonus system includes separate systems for the President and CEO, the Group's Executive Board, key personnel, and the entire personnel. A person can receive bonuses from no more than one of these systems at a time. The Board of Directors annually confirms the general principles, maximum amounts and calculation methods for the remuneration systems. The performance-based bonus system is in force for one year at a time. Bonuses are paid provided that the Group has made a positive annual profit. The maximum amount of performance-based bonuses has been restricted to 20 per cent of the Group's operating profit. Performance-based bonuses are paid once a year after the Annual General Meeting has confirmed the financial statements.

Payment of bonuses within the performance-based bonus systems for the President and CEO, the rest of the Group's Executive Board and key personnel is dependent on the person's performance and task-related personal targets for the entire year. The maximum bonus for the President and CEO in the performance-based bonus system is six months' salary and for the other Executive Board members three months' salary.

Payment of bonuses within the performance-based bonus system for the rest of the personnel is dependent on the Group's profit and the targets set for the unit's performance, quality and operations. In the performance-based bonus system for the entire personnel part of the bonuses are determined and paid quarterly.

### **Key principles of the long-term incentive plans**

Long-term incentive plans include Performance Share Plan 2014–2018.

On 12 February 2014, Raute Oy's Board of Directors decided on a new long-term Performance Share Plan for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management, for example, in terms of developing the company's value and to engage the management by offering a competitive incentive plan based on ownership of the company's shares.

The share plan includes three three-year share plans, which each include a year-long earnings period and a two-year vesting period following the earnings period, during which the bonus's value development is based on the development of the value of the share. Any payment of share rewards is carried out in the company's series A shares and the portion intended for paying tax on the bonus is paid in cash. Participants in the share plan cannot sell or otherwise transfer any shares received as a bonus during the vesting period. The share plans commenced in 2014, 2015 and 2016.

The company's Board of Directors separately decided on the participants in the share plans and on the earnings criteria applied during each earnings period, the targets set for them and the target and maximum levels of the bonus to be paid. The earnings criteria of the share plan are earnings per share and growth in net sales. The 2015 share plan covers altogether 11 persons and the 2016 share plan covers altogether 12 people belonging to the Group's senior management.

The bonus earned during the 2014 earnings period, altogether EUR 49 thousand, was paid out entirely in cash in 2015, as decided by the Board of Directors, and the share plan has ended.

The total amount of bonuses earned during the 2015 earnings period and the personal proportion of shares was confirmed in March 2016. The bonus will be paid in spring 2017.

The total amount of bonuses earned during the 2016 earnings period and the personal proportions will be confirmed in 2017.

### **C. Remuneration report for 2016**

The remuneration report for 2016 is presented as an attachment to this Remuneration statement.

## Attachment: Raute Goup – Remuneration report 2016

This remuneration report on the bonuses and other financial benefits paid to the Board of Directors, President and CEO, and the rest of the Group's Executive Board in 2016 has been drawn up in compliance with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association.

The calculation of the bonuses is described in the company's remuneration statement for 2016.

Table: Payment-based remuneration 2016

1 January–31 December 2016, figures in euro	Remuneration	Fixed salaries and fringe benefits	Paid performance- based bonuses	Shares, options or share rights	Total
<b>Board of Directors</b>					
Pehu-Lehtonen, Erkki	40,000.08				
Bask, Joni	20,000.04				
Hautamäki, Risto	6,666.68				
Leiwo, Päivi	20,000.04				
Mustakallio, Mika	20,000.04				
Suominen, Pekka	20,000.04				
von Essen, Patrick	13,333.36				
<b>Board of Directors, total</b>	<b>140,000.28</b>				<b>140,000.28</b>
<b>President and CEO</b>					
Kiiski, Tapani					
<b>President and CEO, total</b>		<b>278,430.01</b>	<b>134,659.52</b>		<b>413,089.53</b>
<b>Rest of the Group's Executive Board</b>					
Hakala, Arja					
Hjelt, Marko					
Hyysti, Mika					
Kangas, Timo					
Laulainen, Antti					
Strengell, Petri					
<b>Rest of the Group's Executive Board, total</b>		<b>823,797.52</b>	<b>159,847.71</b>		<b>983,645.23</b>





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Youtube: [www.youtube.com/RauteMachinery](http://www.youtube.com/RauteMachinery)

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