



## Parent company Olvi plc's Remuneration Report 2013

The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010. This report has been prepared in accordance with Section 7 (Remuneration), Recommendation 47 of the Code.

### 1. Remuneration of the Board of Directors

According to the Articles of Association of Olvi plc, the Annual General Meeting shall decide on the remuneration of the Board of Directors.

According to a decision made by the Annual General Meeting 2013, the members of the Board of Directors of Olvi plc were remunerated for their term of office ending at the close of the Annual General Meeting 2014 as follows:

Member of the Board	Annual pay	Attendance allowances	Total remuneration
Hortling Heikki (Chairman)	75,986	9,500	*85,486
Lager Esa (Vice Chairman)	30,000	6,500	36,500
Sinnemaa Heikki (Member)	24,000	6,500	30,500
Pääkkönen Tarja (Member)	24,000	6,500	30,500
Autere Jaakko (Member)	24,000	6,500	30,500
Total:	177,986	35,500	213,486

\* The remuneration of the Chairman of the Board includes fringe benefits of 15,746.00.

The members of the Board have not received any other benefits and have not belonged to the company's incentive schemes.

Remuneration for Board work confirmed by the Annual General Meeting 2013 until the close of the Annual General Meeting 2014:

Monthly fee:

- Chairman of the Board EUR 5,000
- Vice Chairman of the Board EUR 2,500
- Member of the Board EUR 2,000

Attendance allowance per meeting:

- Chairman of the Board EUR 950
- Member of the Board EUR 650

Travel expenses for the members of the Board shall be reimbursed in accordance with the company's travel regulations.

### 2. General principles of remuneration

Bonuses based on the achievement of earnings and performance targets are an important incentive for personnel and a management tool. Performance bonus schemes communicate the targets, will and desire set by the company's Board of Directors.

Bonuses based on earnings or performance are a sign of achievements that outperform the target level. Basic wages and salary are compensation for work well done. The overall objectives of

bonuses based on target-setting include clarity, fairness and sufficient effect. Bonus schemes must not encourage imprudent risk-taking or negligence.

The objectives for long-term bonuses in particular include increasing shareholder value, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company.

### 3. Remuneration scheme for the Managing Director and other management

#### 3.1. Components of remuneration

The components of total remuneration to management are as follows:

- a. Fixed remuneration consisting of basic salary and fringe benefits (company car and mobile phone benefit);
- b. Short-term incentives; and
- c. Long-term incentives.

#### 3.2. Fixed remuneration

The company's Board of Directors decides on the terms of service of the Managing Director, which are specified in a written directors' contract. The Board of Directors assesses the Managing Director's performance annually. The terms of service of other top management shall be decided by the Board of Directors on the basis of the Managing Director's proposal. The Managing Director and other management executives shall not receive separate remuneration for their work in the management group or other internal management organs within the Group.

#### 3.3. Short-term incentives

Short-term incentives are performance bonus schemes in which the monitoring period is one accounting period. The Board of Directors shall decide upon the basis for determination of the incentives. The basis for determination of the performance bonus paid in 2013 (based on achievements in 2012) was operating profit. The maximum performance bonus payable to the Managing Director can be 25 percent, and to other Management Group members 20 percent, of annual income determined on the basis of basic monthly income.

#### 3.3. Long-term incentives

Long-term incentives are based on programmes confirmed by the company's Board of Directors that are valid for at least two accounting periods. The programmes can be share-based incentive schemes, excluding option schemes, or performance bonus schemes based on Group-level targets.

The company's Board of Directors is entitled to review the crucial terms and conditions of long-term incentive schemes during their term of validity in case of unexpected changes in the Group's business environment that have a substantial impact on the Group's operations and performance, or if the Group's structure, business volume or profitability level changes due to corporate acquisitions or divestments.

#### 3.4. Salaries for 2013 (2012) and performance bonuses for 2012 (2011) paid to the Managing Director and other members of the Management Group of the parent company Olvi plc

EUR	Salary in money	*) Performance bonuses	Fringe benefits	Total
Managing Director	339,365 (306,079)	0 (44,824)	240 (240)	339,605 (351,143)
Other Management Group total	613,835 (652,287)	0 (86,588)	15,180 (13,987)	628,015 (752,862)
Total	953,200 (958,366)	0 (131,412)	15,420 (14,227)	968,620 (1,104,005)

\*) The performance bonus was accumulated for 2012 and paid in 2013 (the performance bonus was accumulated for 2011 and paid in 2012)

#### **4. Pension schemes**

Pensions for the company's Managing Director and Management Group members are determined on the basis of valid legislation. They belong to the Finnish TyEL pension scheme in which the amount of employment pension is affected by the length of service and earnings. Income used for the determination of pensions includes the beneficiary's basic salary, bonuses and any other taxable extra pay but not any income realised from shares.

The TyEL pension scheme allows for early retirement at 62 years of age with reduced pension benefits.

One can retire on old-age pension between 63 and 68 years of age, and the pension is determined on the basis of an increasing percentage.

The company's pension schemes are defined contribution plans. Contributions paid to pension plans are recognised in the income statement during the accounting period to which the charge applies.

#### **5. Terms and conditions of termination and serving notice**

The Managing Director's period of notice is three months if resigning himself or herself, and six months if the contract is terminated by the company.

If the company terminates the Managing Director's service, the company shall also pay a severance payment equalling six months' salary.