Parent company Olvi plc's Remuneration Report 2015

Olvi plc
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The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010 and was revised on 1 January 2016. This report has been prepared in accordance with Recommendations 22 to 24 in the Remuneration section of the revised CG 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. In addition to what is provided by law and in the Articles of Association, a notice of the General
Meeting includes the following proposals (if the relevant item is included in the agenda of the meeting):

- a proposal for the composition of the Board of Directors,
- a proposal for the remuneration of the Members of the Board, and
- a proposal for the election of auditors.

Any proposals submitted by shareholders concerning the composition and remuneration of the Board of
Directors and the election of auditors shall be included in the notice of the General Meeting provided that the shareholders who submitted the proposal represent no less than 10% of the votes carried by all shares, the candidates have consented to the appointment, and the proposal was submitted to the company in such a manner that it can be included in the notice to convene the meeting. Prior to the commencement of a new accounting period, the company will announce the latest date on which such proposals for resolution must be received by Olvi plc's Board of Directors. The date will be included in the announcement concerning the schedule for financial disclosures.

Once the notice of General Meeting has been issued, any similar proposals submitted by shareholders representing no less than 10% of the shares must be published separately.

According to a decision made by the Annual General Meeting 2015, 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 2016 as follows:

Member of the Board	Annual pay	Attendance allowances	Total remuneration
Hortling Heikki (Chairman)	68,120	10,450	78,570
Lager Esa (Vice Chairman)	30,000	7,150	37,150
Autere Jaakko (Member)	24,000	7,150	31,150
Hortling Nora (member since 16 April 2015)	22,000	6,500	28,500
Markula Elisa (member since 16 April 2015)	22,000	5,850	27,850
Sirviö Heikki (member since 16 April 2015)	22,000	6,500	28,500
Sinnemaa Heikki (member until 16 April 2015)	2,000	650	2,650
Pääkkönen Tarja (member until 16 April 2015)	2,000	650	2,650
Total:	192,120	44,900	237,020

* The remuneration of the Chairman of the Board includes fringe benefits of 8,120.00 euro.

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 2015 until the close of the Annual General Meeting 2016:

Monthly fee:

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

Attendance allowance per meeting:

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

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

2. General principles of bonuses

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.

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

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.

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 definition of the incentives.

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.

No performance bonus was accrued for the year 2014 so no bonuses were paid in 2015.

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.

3.3.1. Share-based incentive plan for Olvi Group's key personnel

Olvi plc's Board of Directors decided on 29 April 2014 on a share-based incentive plan for the Group's key personnel. The aim of the plan is to combine the objectives of the shareholders and the key employees in order to increase the value of the company, to make the key employees committed to the company, and to offer them a competitive reward plan based on earning the company's shares.

The share-based incentive plan includes one three-year performance period, calendar years 2014—2016. The potential reward from the performance period 2014—2016 will be based on Olvi Group's cumulative operating profit, also known as earnings before interest and taxes (EBIT).

Furthermore, the plan includes one three-year performance period, beginning on 1 July 2014 and ending on 30 June 2017. The prerequisite for receiving reward on the basis of this performance period is that a key employee purchases the company's Series A shares up to the number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment.

Rewards from both performance periods will be paid partly in the company's Series A shares and partly in cash in 2017. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. As a rule, no reward will be paid if the key employee's employment or service ends before the reward payment. Members of the Management Group must hold one half of the shares received on the basis of the performance period 2014—2016 for the entire validity of their employment or service.

The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 40,000 Series A shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares.

3.4. Salaries for 2015 (2014) and ** performance bonuses for 2014 (2013) 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	349,891 (351,997)	0 (0)	240 (8,856)	350,131 (360,853)
Other Management Group total	730,164 (624,626)	132,011 (0)	13,586 (15,180)	743,750 (771,817)
Total	1,080,055 (976,623)	132,011 (0)	13,826 (24,036)	1,093,881 (1,132,670)

No performance bonus was accrued for the year 2014 so no bonuses were paid in 2015.

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 twelve months' salary.