

REMUNERATION STATEMENT

The Finnish Corporate Governance Code requires the disclosure of a remuneration statement. This statement was prepared in accordance with recommendation 47 of the Corporate Governance Code.

REMUNERATION AND SHAREHOLDING OF THE BOARD MEMBERS

The Annual General Meeting determines the emoluments payable to the members of the Board of Directors in advance, for one year at a time.

In 2013, the following annual fees were decided to be paid: Chairman EUR 46,250, Vice Chairman EUR 30,500 and each member EUR 25,750. The fees are paid so that 40% of the annual fee is in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the markets on behalf of Board members within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting. In addition, meeting fees are paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman and EUR 500 to each member for each meeting. Meeting fees are also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company.

In 2013, the Board of Directors met 15 times, the Audit Committee six times and the Remuneration Committee four times.

Heikki Bergholm is the Chairman of the Board of Directors. The Vice Chairman is Eero Hautaniemi. Eero Hautaniemi is the Chairman of the Audit Committee and the members are Sakari Lassila and Miikka Maijala. Heikki Bergholm is the Chairman of the Remuneration Committee and the member is Hille Korhonen.

In 2013, the fees decided by the Annual General Meeting were paid to the Board of Directors.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS 1 JAN.-31 DEC. 2013

	Annual fee, EUR*	Meeting fee, EUR	2013 total, EUR	2012 total, EUR
Heikki Bergholm	46 250	17 800	64 050	66 650
Eero Hautaniemi	30 500	14 500	45 000	45 200
Hille Korhonen	25 750	8 500	34 250	33 750
Sakari Lassila	25 750	10 700	36 450	34 250
Miikka Maijala	25 750	10 500	36 250	34 250

*40% of the annual fee is paid in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets.

SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

	31 Dec. 2013	Percentage of shares and voting power	1 Jan. 2013
Heikki Bergholm	796 247	2,05 %	780 758
Eero Hautaniemi	9 268	0,02 %	8 286
Hille Korhonen	4 314	0,01 %	3 485
Sakari Lassila	9 283	0,02 %	8 454
Miikka Maijala	71 187	0,18 %	70 358
Total	890 299	2,29 %	871 341

REMUNERATION AND SHAREHOLDING OF THE GROUP EXECUTIVE BOARD MEMBERS

The Board of Directors determines the salaries, bonuses and other benefits of the President and CEO and the direct subordinates of the President and CEO. The Board has established a Remuneration Committee. The duties of the committee include among others handling and preparing questions related to management and personnel remuneration and drafting statements to the Board regarding them.

The remuneration of the President and CEO and the other members of the Group Executive Board consists of a fixed monthly salary and benefits, of a compensation scheme and of a share-based incentive programme.

The President and CEO and the other members of the Group Executive Board are included in the share-based incentive programmes directed to the key personnel of the company. The basis for the determination of the reward is decided annually by the Board of Directors. Rewards to be paid for the year 2014 will be based on the Group's EVA result. The maximum share-based payment may equal 5–12 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is done by the Board of Directors based on the statement drafted by the Remuneration Committee.

The company has also provided a bonus scheme, the criteria of which are determined annually in advance by the Board of Directors. The bonus is based on operating profit excluding non-recurring items and it may equal 3–6 months' salary, at maximum, depending on the responsibilities of the member of the Group Executive Board. The decision on the bonus is done by the Board of Directors based on the statement drafted by the Remuneration Committee.

Separate emoluments are not paid to the President and CEO and other members of the Group Executive Board for the memberships of Boards of Directors of the subsidiaries.

The President and CEO and other members of the Group Executive Board are not covered by any supplementary pension scheme.

Service contract of the President and CEO

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate the contract. In case the company terminates the contract the President and CEO will be paid compensation amounting to twelve (12) months' salary. The company has taken out statutory pension and accident insurance for the President and CEO.

Remuneration of the President and CEO and other management in 2013

In 2013 the salary of the President and CEO totalled EUR 708,000 which includes EUR 487,000 salaries and benefits and EUR 221,000 in bonuses. The salary and fringe benefits of the President and CEO include EUR 31,000 in share rewards.

The salaries paid to the other members of the Group Executive Board totalled EUR 1,092,000, which includes EUR 1,014,000 in salaries and benefits and EUR 78,000 in bonuses. The salaries and fringe benefits of the Group Executive Board include EUR 43,000 in share rewards. The figures include salaries for

the period during which the persons in question were members of the Group Executive Board.

Share-based payments of 10,752 shares will be paid to the President and CEO and a total of 21,706 shares to other members of the Group Executive Board for the year 2013. No options were granted in 2013.

In 2013, EUR 12,000 arising from the pension agreement of President and CEO Jari Sarjo was recognised in the income statement.

SHARES HELD BY THE GROUP EXECUTIVE BOARD

	31 Dec. 2013	1 Jan. 2013
Pekka Ojanpää	12 775	10 230
Timo Leinonen*	200	
Petri Salermo	2 182	1 698
Ville Rantala	15 500	12 175
Petri Myllyniemi**	0	
Kirsi Matero	763	0
Tuomas Mäkipeska	1 284	800
Antti Tervo	984	500
* Member of the Group Executive Board as of 23 January 2013		
** Member of the Group Executive Board as of 7 January 2013		

LONG AND SHORT-TERM INCENTIVE PROGRAMMES

Lassila & Tikanoja has a one-year share-based incentive programme that was initiated in 2014. The one-year share-based incentive programme that started in 2013 ended at the close of the financial year. The company also has a bonus scheme, which is described in greater detail under Remuneration and Shareholdings of the Group Executive Board.

Share-based incentive programme 2014

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 18 December 2013 on a new one-year share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The earnings period began on 1 January 2014 and ends on 31 December 2014. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Rewards to be paid for the year 2014 will be based on the Group's EVA result.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 39,105 Lassila & Tikanoja plc shares may be paid out on the basis of the programme.

The shares to be paid out as potential rewards will be transferred from the shares held by the company, and therefore the incentive programme will have no diluting effect on the share value. The programme covers 10 persons.

Share-based incentive programme 2013

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2012 on a one-year share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The earnings period began on 1 January 2013 and ended on 31 December 2013. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Rewards to be paid for the year 2013 will be based on the Group's EVA result.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 53,300 Lassila & Tikanoja plc shares could be paid out on the basis of the programme.

The shares to be paid out as rewards will be transferred from the shares held by the company, and therefore the incentive programme will have no diluting effect on the share value. 10 people were included

in the programme.

Under the programme, 35,818 shares were granted for 2013.

REPORT BY THE BOARD OF DIRECTORS

L&T's strategy is based on the desire to transform our consumer society into an efficient recycling society. This means a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to optimise energy consumption, and more jobs and greater wellbeing are created through sustainable growth. This will be achieved by improving customers' material, energy and cost efficiency.

The extensive strategy work carried out in 2012 was updated slightly in spring 2013. The financial objectives set for the strategy period remained unchanged.