

REMUNERATION STATEMENT 2016

Remuneration

Remuneration Statement

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

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 2016, 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 L&T 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 2016, the Board of Directors met 14 times, the Audit Committee five times and the Personnel Committee four times.

In 2016, the Chairman of the Board of Directors was Heikki Bergholm and the Vice Chairman was Eero Hautaniemi. Eero Hautaniemi was Chairman of the Audit Committee, with Sakari Lassila and Teemu Kangas-Kärki as members. Heikki Bergholm was Chairman of the Personnel Committee, with Miikka Maijala and Laura Lares as members.

In 2016, 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.2016

	Annual fee, EUR*	Meeting fees, EUR	2016 total, EUR	2015 total, EUR
Heikki Bergholm	46,250	14,800	61,050	58,050
Eero Hautaniemi	30,500	11,900	42,400	40,300
Teemu Kangas-Kärki	25,750	6,000	31,750	-
Laura Lares	25,750	8,000	33,750	32,750
Sakari Lassila	25,750	8,500	34,250	32,750
Miikka Maijala	25,750	8,000	33,750	32,250

* 40% of the annual fee is paid in L&T 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

	31.12.2016	Percentage of shares and votes	1.1.2016
Heikki Bergholm	827,050	2.13%	825,885
Eero Hautaniemi	13,103	0.03%	12,335
Teemu Kangas-Kärki	649	0.00%	-
Laura Lares	1,972	0.00%	1,323
Sakari Lassila	11,255	0.03%	10,606
Miikka Maijala	73,159	0.19%	72,510
Total	927,188	2.38%	922,659

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 Personnel Committee. The duties of the committee include 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, a compensation scheme and 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 2016 will be based on the Group's EVA result. The maximum share-based payment may equal 4–12 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is made by the Board of Directors based on the statement drafted by the Personnel 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 remuneration is made by the Board of Directors based on the statement drafted by the Personnel 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 the event that 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 2016

In 2016, the salary of the President and CEO totalled EUR 670,555, which includes EUR 585,732 in salaries and benefits and EUR 84,823 in bonuses. The salary and fringe benefits of the President and CEO include EUR 161,628 in share rewards.

The salaries paid to the other members of the Group Executive Board totalled EUR 1,573,622, which includes EUR 1,424,340 in salaries and benefits and EUR 149,222 in bonuses. The salaries and fringe benefits of the Group Executive Board include EUR 211,350 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 5,944 shares will be paid to the President and CEO and a total of 10,165 shares to other members of the Group Executive Board for the year 2016.

In 2016, EUR 8,000 arising from the pension agreement of Jari Sarjo, who served as the President and CEO until 13 June 2011, was recognised in the income statement.

Shares held by the Group Executive Board

	31 Dec. 2016	1 Jan. 2016
Pekka Ojanpää	35,524	30,492
Timo Leinonen	5,582	4,424
Petri Salermo	10,299	8,726
Antti Tervo	4,808	3,650
Kirsi Matero	5,082	4,370
Tuomas Mäkipeska	4,662	3,950
Tutu Wegelius-Lehtonen	555	0
Tomi Kontinen*	0	0
Jorma Mikkonen	5,791	5,529

*) Member of the Group Executive Board
from 1 July 2016

Long and short-term incentive programmes

Lassila & Tikanoja has a one-year share-based incentive programme that was initiated in 2017. The one-year share-based incentive programme that started in 2016 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 2017

L&T's Board of Directors decided at a meeting held on 13 December 2016 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 2017 and will end on 31 December 2017. 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 2017 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 must 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 of 31,900 L&T 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 2016

The company's Board of Directors decided at a meeting held on 16 December 2015 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 2016 and ended on 31 December 2016. The rewards will be paid during the year following the earnings period partly as shares and partly in cash. The rewards to be paid for 2016 are 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 must 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 of 34,200 L&T shares could be paid out on the basis of the programme.

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

A total of 16,109 shares for 2016 were transferred within the programme.