

# LEADER OF THE REGENERATIVE SOCIETY

**Remuneration Report 2020**

Lassila & Tikanoja Plc



# Remuneration Report

This Remuneration Report has been prepared in accordance with the applicable legislation and the Securities Market Association's Finnish Corporate Governance Code for Finnish listed companies, which entered into force on 1 January 2020. This report describes the remuneration of the Company's governing bodies, i.e. the Board of Directors and the President and CEO, for the financial year 2020. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2021 Annual General Meeting of Lassila & Tikanoja plc ("L&T" or "the Company"). This Remuneration Report, other information disclosed in accordance with the Corporate Governance Code and information on the remuneration of the members of the Group Executive Board is available on the Company's website.

## Introduction

L&T's Personnel Committee has drafted and the Board of Directors has approved the Remuneration Policy, presented to the 2020 Annual General Meeting. The Remuneration Policy describes the remuneration principles concerning the Company's governing bodies, i.e. the Board of Directors and the President and CEO. During the financial year 2020, L&T complied with the Remuneration Policy presented to the Annual General Meeting. There were no deviations from the Remuneration Policy and no clawback of remuneration. The Remuneration Policy is available at L&T's [website](#).

In accordance with the Remuneration Policy, the aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to the positive development of shareholder value as well as enhance the Company's competitiveness, long-term financial success and the fulfilment of the strategy and goals set by the Company. The key principle of the Remuneration Policy is that remuneration of the Board of Directors and the President and CEO shall contribute to the achievement of the abovementioned goals and to provide – in terms of both level and structure – a fair and competitive package that promotes commitment and retention and is in line with market practices.

The aim of all remuneration throughout Lassila & Tikanoja Group is to promote good performance and to motivate personnel to engage in long-term efforts to promote the achievement of the Company's goals. Remuneration is one factor through which the Company strives to ensure the availability of skilled and motivated persons for all positions at all levels of the organisation. These principles apply also to the remuneration of the members of the Board of Directors and the President and CEO.

The chart on the right shows the development of the remuneration of the Board members and the President and CEO during the financial years 2016–2020 relative to the development of the average remuneration of employees and the Group's financial performance.

## Fees paid to the Board for the financial year 2020

The Annual General Meeting annually determines the annual fees and meeting fees payable to the members of the Board of Directors for Board and committee work. Until the Annual General Meeting held in the spring 2020, the Company's major shareholders prepared proposals concerning the remuneration of the Board of Directors. The Annual General Meeting held in the spring 2020 resolved to establish a Shareholders' Nomination Board, which will prepare proposals on remuneration for the Annual General Meeting to be held in the spring 2021.

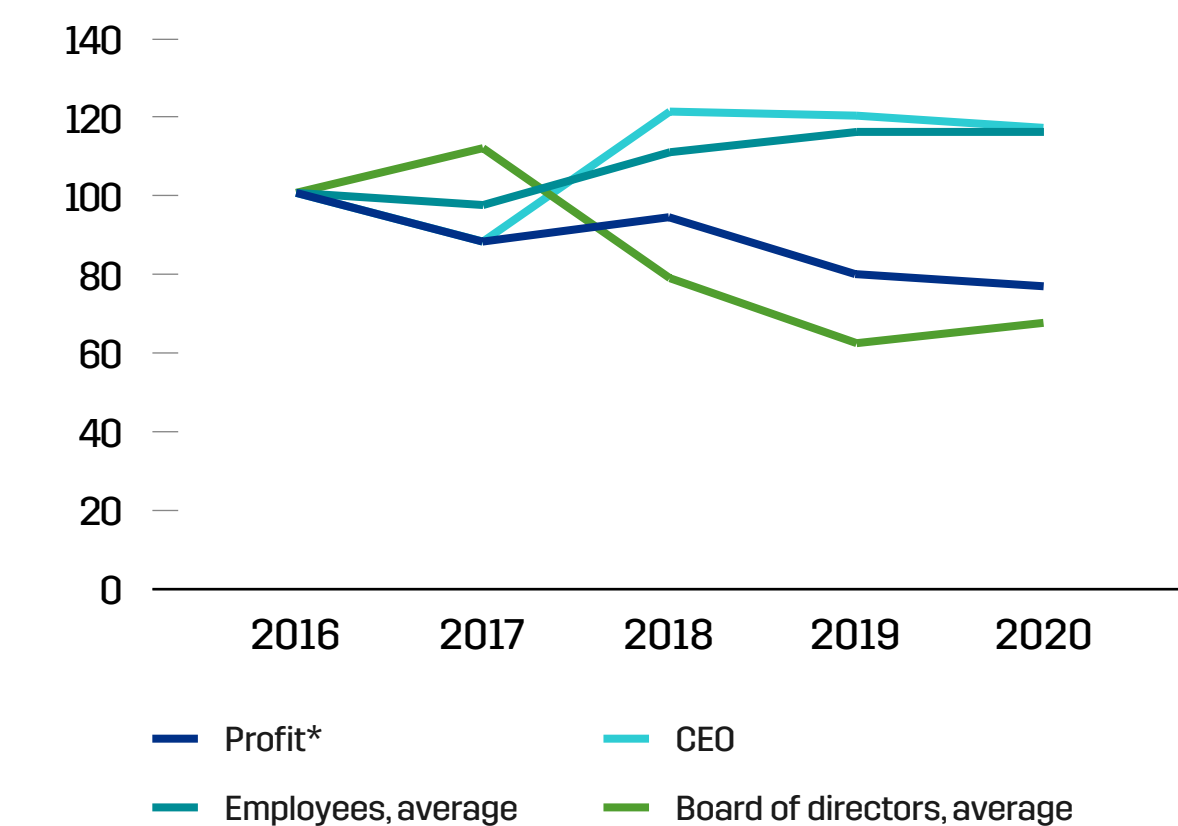
## Annual fees, meeting fees for Board and committee meetings and other financial benefits

The Annual General Meeting held on 12 March 2020 resolved on the remuneration of the Board of Directors in 2020 as follows:

- Chairman of the Board EUR 60,000
- Vice Chairman of the Board EUR 40,000
- members EUR 30,000.

The fees shall be paid so that 40 per cent 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 market, and 60 per cent in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the market on behalf of Board members

## Development of business and remuneration, indexed, 2016=100



\*Reported comparable operating profit for 2019–2020

Employee salaries relative to the total number of personnel, converted to a full-time equivalent basis.

The President and CEO's total remuneration, with the incentive schemes being based on the preceding year's results.

The annual fees of the Board of Directors were increased in 2018.

within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting.

In addition, meeting fees were 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 were 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.

None of the members of the Board of the Directors is employed by the company or a company belonging to the same group of companies with the company or acts as the company's advisor, and thereby they receive no salary, pension benefits, other financial benefits associated with employment or service, or other emoluments or fees not associated with Board work from the company. 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.

For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 9,727 shares held by the Company were transferred to the Board members on 20 March 2020 at a rate of EUR 10.28 per share in the following amounts: 2,335 shares to the Chairman, 1,557 shares to the Vice Chairman and 1,167 shares to each member. In 2019, a total of 5,903 shares held by the Company were transferred to the Board members on 20 March 2019 at a rate of EUR 14.90 per share in the following amounts: 1,610 shares to the Chairman, 1,073 shares to the Vice Chairman and 805 shares to each member.

### Remuneration of the President and CEO for the financial year 2020

The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO.

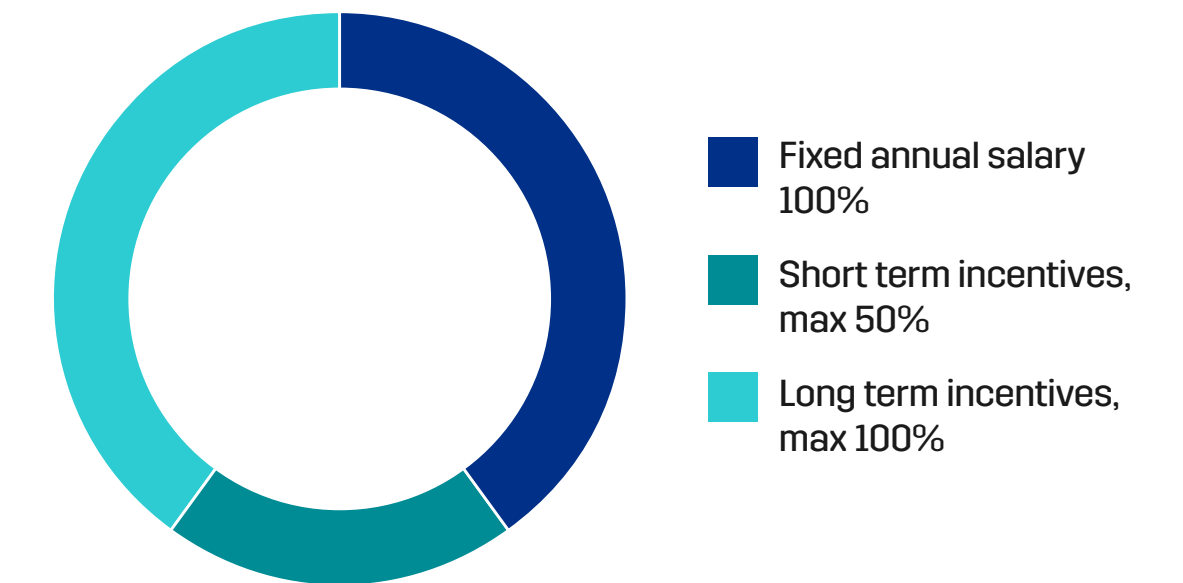
Before decision-making by the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board.

Eero Hautaniemi has served as the President and CEO since 1 January 2019. The Company did not have a Deputy CEO during the 2020 and 2019 financial years.

### Key remuneration principles

The remuneration of the President and CEO consists of a fixed monthly salary and benefits and a separate annually decided short-term incentive. In addition, the President and CEO is included in the share-based incentive scheme, which serves as a long-term incentive scheme. The short-term incentive scheme and the share-based incentive scheme that serves as a long-term incentive scheme constitute the variable components of the President and CEO's remuneration.

### Remuneration of the President and CEO: maximum earning potential



### Remuneration paid to the members of the Board of Directors

EUR	2020			2019		
	Annual fee	Meeting fees	Total	Annual fee	Meeting fees	Total
Heikki Bergholm, Chairman	60,000	16,500	76,500	60,000	15,800	75,800
Sakari Lassila, Vice Chairman	40,000	12,600	52,600	40,000	12,600	52,600
Teemu Kangas-Kärki, member	30,000	8,500	38,500	30,000	8,500	38,500
Laura Lares, member	30,000	9,000	39,000	30,000	8,500	38,500
Miikka Maijala, member	30,000	9,000	39,000	30,000	8,500	38,500
Laura Tarkka, member	30,000	9,000	39,000	30,000	9,000	39,000
Pasi Tolppanen, member*	30,000	6,500	36,500			

\* Member of the Board from 12 March 2020.

### Short-term incentive scheme

The President and CEO's short-term incentive scheme is based on the Group's result. The short-term incentives of the President and CEO are determined according to the Group's operating profit. The incentive bonus corresponds to six months' salary at a maximum.

The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. Any incentives are usually paid in February of the year following the earnings period typically spanning a calendar year. The precondition for payment is that the President and CEO is employed by the Company at the time.

### Long-term incentive scheme

The President and CEO's long-term incentive scheme is the Company's share-based incentive scheme. The Board of Directors decides on the share-based incentive scheme as part of the overall incentive and commitment scheme. The earnings period of the scheme is the calendar year. The Board of Directors decides on the earning criteria for each earnings period based on the Personnel and Sustainability Committee's proposal. The final numbers of shares issued based on meeting the earnings criteria are decided by the Board of Directors at the beginning of the year following the earnings period. Rewards will be paid in February of the calendar year following the earnings period. The rewards will be paid partly as shares and partly in cash. The reward corresponds to 12 months' salary at a maximum.

The precondition for payment is that the President and CEO is employed by the Company at the time. Any shares earned through the incentive scheme must be held for a minimum period of two years following payment (commitment period). After the two-year commitment period, shares must continue to be held at a value corresponding to the President and CEO's gross salary for six months as long as the President and CEO is employed by the Company. If the President and CEO resigns during the commitment period at their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2020 and 2019 as the earnings periods are described below:

- The share-based incentive scheme 2020 began in 2019. The rewards were based on the Group's EVA result and they were paid in 2020.
- The share-based incentive scheme 2021 began in 2020. The rewards were based on the Group's EVA result and no rewards were paid.

### Other key terms and conditions

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.

Separate rewards are not paid to the President and CEO for memberships of the Boards of Directors of the Company's subsidiaries, and the President and CEO receives no remuneration from L&T Group companies other than the parent company. The President and CEO is not covered by any supplementary pension scheme.

### Remuneration paid to the President and CEO

The President and CEO received 450 shares in the Company, at a rate of EUR 15.47 per share, as rewards under the share-based incentive scheme on 25 February 2020. The President and CEO was not paid any share-based rewards in 2019. There are no rewards due for the year 2020.

	2020	2019
Annual salary	440,520.91	419,760.00
Incentive reward	0.00	0.00
Share-based incentive reward	13,924.00	0.00
Fringe benefits	1,879.09	240.00
<b>Total</b>	<b>456,324.00</b>	<b>420,000.00</b>

### Verification of the Remuneration Report

L&T's auditor KPMG Oy Ab has verified that this Remuneration Report includes the legally required disclosures.



**LEADER OF THE REGENERATIVE SOCIETY**

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