

# Panostaja Oyj's Reward Policy for Operating Bodies

*This reward policy determines the principles for rewarding Panostaja Oyj's Board of Directors (hereinafter referred to as "Board") and CEO (hereinafter referred to as "CEO"). Where necessary, the principles applicable to the CEO will also be applied to the Executive Vice President.*

## 1. INTRODUCTION

The reward policy for Panostaja Oyj's operating bodies must serve to secure the long-term benefits of the company and its shareholders as well as encourage and engage the motivated and competent members of the operating bodies to operate in accordance with mutual goals. A key principle in the reward policy is building significant long-term holdings and providing rewards in the form of company shares.

The CEO's reward share is variable in relation to the company's business strategy and long-term financial success. In deciding on the structure and level of rewards in operating bodies, the terms of the employees' salaries and employment relationships have been taken into account to ensure that the reward schemes are fair and effective as incentives.

## 2. DESCRIPTION OF THE DECISION-MAKING PROCESS

This reward policy was prepared by Panostaja Oyj's Board for presentation to the Annual General Meeting. The Board will monitor the compliance of Panostaja Oyj's reward practices with this reward policy on a regular basis.

Rewarding decisions are made by the operating body that has appointed the reward recipient. Panostaja Oyj's General Meeting decides on rewards to members of the Board. Rewards to Board members are based on an annual proposal submitted by the largest shareholders (at least 10%) to the General Meeting, which then decides the reward level. As regards the CEO, rewards and the key terms and conditions of the service relationship are decided by Panostaja Oyj's Board. Conflicts of interest are prevented by ensuring that reward recipients cannot be involved in decisions regarding their own rewards.

As stated in the Limited Liability Companies Act, the General Meeting, or the company's Board of Directors with the GM's authorization, makes decisions on the issue of shares, options or other special rights entitling to shares. Shares, options or other special rights entitling to shares can be issued to members of

Panostaja Oyj's operating bodies as part of the reward scheme. In the context of the reward arrangements described above, rewarding decisions are made by the operating body that has appointed the reward recipient.

## 3. DESCRIPTION OF REWARDS TO THE BOARD

Panostaja Oyj's Annual General Meeting decides on rewards to members of the Board on an annual basis. Rewards to Board members are based on an annual proposal submitted by the largest shareholders (at least 10%) to the General Meeting, which then decides the annual reward level.

According to Panostaja Oyj's operating model, the boards of investment targets (subsidiaries or associated companies) can include other external members, in addition to Panostaja Oyj's employees. As a general rule, members of Panostaja Oyj's Board should not operate in the boards of other Panostaja Group companies or subsidiaries, with the exception of extraordinary circumstances, in which case the decision is made by Panostaja Oyj's Board.

## 4. DESCRIPTION OF REWARDS TO THE CEO

### A. REWARD PORTIONS APPLIED, THEIR RELATIVE PROPORTIONS AND THE CRITERIA FOR DETERMINING THE VARIABLE REWARD PORTIONS

As regards the CEO, rewards and the key terms and conditions of the service relationship are decided by Panostaja Oyj's Board. The CEO has a written CEO's contract, and the pay is fixed according to this and may include fringe benefits. The amount of fixed pay is competitive in that it accounts for the market situation and the demands of the duties. The amount of fixed pay is assessed each year.

In addition to the fixed pay, the reward arrangement for the CEO may include a variable reward portion. The structure of the variable reward is decided by the Board, and the annual amount cannot exceed the CEO's fixed pay. The reward paid based on

the variable reward element is provided after the end of the earnings period primarily as a combination of shares and cash, where the monetary sum corresponds to the taxes and parafiscal charges resulting from the share reward. Alternatively, the reward for the earnings period can be remitted to the CEO fully in cash, in which case the recipient must purchase the shares earned under the reward system. Shares received through the share reward system must be held for the period agreed in advance (at least 2 years) starting from the end of the earnings period in question, and the terms and conditions specify situations where the shares may be reclaimed by Panostaja Oyj.

The Board decides on the structure and proportion of the reward as well as the requisite targets on an annual basis. The targets are based on Panostaja Oyj's financial and/or other operational and persistent strategic goals in such a way that they promote Panostaja Oyj's business and financial success over the long term. Target achievement and relevant indicators are monitored on a regular basis. Any possible rewards are defined as quantities of Panostaja Oyj shares. The Board also determines the annual maximum that the reward may not exceed.

Pension benefits may be included in the overall reward arrangement by decision of the Board.

A key principle related to the total rewarding of the CEO is ensuring the CEO's persistent and significant share ownership. Panostaja Oyj's Board may utilize financial and loan arrangements to ensure that the CEO's holding in Panostaja Oyj is at a level that is deemed sufficient.

## **B. OTHER ESSENTIAL TERMS APPLIED TO THE SERVICE RELATIONSHIP**

Panostaja Oyj's Board decides on the other terms of the CEO's service relationship. The period of notice and amount of severance pay for the CEO are agreed upon in a written CEO contract, and conventional periods of notice for CEOs are applied to the relevant principles and amounts. The CEO contract includes agreement provisions on the non-compete clause applicable to the CEO.

## **C. TERMS REGARDING DELAYS AND POSSIBLE RECLAMATIONS OF REWARDS**

Panostaja Oyj's Board may decide to delay or reclaim the CEO's reward if their service relationship with Panostaja Oyj or other Panostaja Group company concludes before the end of the earnings period or a subsequent period of time that has been agreed upon in advance. Furthermore, the Board is entitled to reduce, cancel or reclaim paid rewards if the granting thereof has involved material malfeasance that has influenced the relevant financial reporting or the reward arrangement itself.

## **5. PRECONDITIONS RELATED TO TEMPORARY DEVIATION**

The rewards arrangements of Panostaja Oyj's operating bodies must be conducted within the framework of the reward policy specified above. However, temporary deviations from the reward policy are permitted when the purpose of the deviation is to secure the company's long-term interests. As an example, this can be the case in the context of CEO replacements, significant corporate restructurings and notable strategic changes resulting from internal or external factors. Deviations from the reward policy are also permitted in relation to regulatory changes, such as tax revisions.

In these extraordinary situations, Panostaja Oyj's Board decides on the changes to the rewards of all persons involved, with the exception of Board members. In such contexts, the Board introduces the deviations and their grounds to the next possible Annual General Meeting, in addition to which they must also be included in the next reward report.

If the deviation from the reward policy is excepted to persist, the company must prepare a new reward policy, which will be addressed in the next possible Annual General Meeting.