

Cramo Group

# REMUNERATION STATEMENT 2018

7 February 2019

C R A M O

## **CRAMO'S DECISION-MAKING ORDER AND MAIN PRINCIPLES RELATED TO RE- MUNERATION**

The remuneration at Cramo Group is based on the Company's remuneration principles, including compensation and benefit practices. Decisions related to the remuneration take into account Cramo's strategy and financial targets. In order to ensure that remuneration is in line with Cramo's financial performance, remuneration principles are based on predetermined and measurable performance and result criteria. This remuneration statement is prepared in accordance with the Finnish Corporate Governance Code 2015.

### **Decision-making order related to remuneration**

According to good corporate governance principles, the decisions on the remuneration shall be made by the body that appoints the individual(s) in question. In line with the principle, Cramo's Annual General Meeting of the Shareholders decides on the remuneration of the Board of Directors. The decision is made based on a proposal of the Shareholder's Nomination Committee. Further, the Board of Directors decides on the matter pertaining to the remuneration of the Company's President and CEO, as well as the Group Management Team members. The Board decisions are based on the Remuneration Committee's proposal. The Remuneration Committee prepares issues pertaining to the fixed salaries and short-term incentives of the President and CEO and the Group Management Team members. Furthermore, regarding the President and CEO, the Remuneration Committee prepares a proposal regarding the employment terms, total remuneration package and the compensation paid upon in an event of contract termination. It is also the responsibility of the Remuneration Committee to prepare a proposal regarding all matters pertaining to the long-term incentive schemes of the Company.

### **Main principles of remuneration**

#### *Board of Directors*

The remuneration of the Board of Directors consists of the annual remuneration approved by the

Annual General Meeting. It has been decided, that remuneration is paid in cash and that the Board of Directors adopts a policy on Board member share ownership. The policy entails that Board members, who do not already have such a holding of Cramo Plc's shares, are under a four-year (4) period from the start of their directorship expected to acquire Cramo Plc's shares to a total market value which equal at least one (1) year's Board fees before taxes, excluding any Committee compensation. The Shareholder's Nomination Committee will, as part of its process, annually follow up on the Board members' shareholding and evaluate that it is according to the policy.

A member of the Board of Directors may not trade in the Company's financial instruments, if the Board of Directors has not given permission for the trade. In addition, a separate compensation can be paid for each committee meeting for each participating committee member. The Chairman of the Audit Committee receives an additional annual compensation. The Board's members are not in an employment or a service relationship with the company and therefore, not covered by the Company's long-term incentive schemes, bonus scheme or pension schemes.

#### *Remuneration and Service Contract of the President and CEO*

Cramo's President and CEO has a written service contract which is approved by the Board of Directors. In addition to the fixed annual base salary, the compensation paid to the President and CEO includes a profit-based incentive tied to the Group's financial targets and/or personal targets as set by the Board. In 2018, the maximum bonus paid to the President and CEO was 80 per cent of base salary. The President and CEO's remuneration also includes fringe benefits such as, a company car. As a member of the Group Management team, the President and CEO participates in Cramo's short-term incentive schemes as of 2016, One Cramo Share Plan as of 2015 and the share-based incentive plan as of 2016.

Based on his service contract the retirement age for the President and CEO is 65 years. In addition to the statutory pension system, the President

and CEO participates in a voluntary, defined contribution pension plan. The notice period for the President and CEO's service contract is six months, during which time he receives a full salary. In case the contract is terminated by the employer, there is a severance payment of 12 months' salary.

### *Group management and key personnel*

The aim of a well-designed remuneration scheme is to attract and engage talented employees to the Company and to promote the Company's financial success. Therefore, the Company applies a competitive policy related to salaries. In addition to fixed salaries, Cramo offers a short and long-term incentive schemes for management and its key personnel. Management remuneration is based on an individual compensation package that is in compliance with local regulations and includes all taxable fringe benefits. The compensation package is divided into three components: fixed annual salary, short-term incentives and long-term incentives. Cramo's executives participate in local pension systems for each operating country which provide for a retirement benefit based on years of service and earnings according to the prescribed statutory system.

### *Short-term incentives – Cramo Bonus*

Cramo's short-term incentive system is aimed at supporting the achievement of the Company's financial targets by enhancing a strong performance culture. The Group Management Team members and other key personnel of Operating Companies and the Group's key personnel are covered by a profit-based incentive scheme which is specific to the financial targets of the Group and/or Operating Company. In addition to this, Cramo countries have short-term incentive schemes, which cover typically almost the whole personnel of the Operating Company. The Board of Directors approves annually the financial targets for the Group and Operating Companies, to the achievement of which the short-term incentives are tied. The Remuneration Committee assesses the achievement of set targets and prepares its suggestion for allocation of incentives for the Board's approval. Possible compensation

is paid once a year after the end of the financial period in March.

### *Long-term incentives*

In 2012 and 2015, the Board of Directors of Cramo Plc resolved on share-based incentive plans for the Group Management team and key personnel which consisted of three discretionary periods, calendar years 2012, 2013 and 2014 and respectively calendar years 2015, 2016 and 2017. The Board of Directors resolved to continue the share-based incentive plan in 2018 with one discretionary period, calendar year 2018. The possible reward on the basis of the entire Plans is at maximum 2,245,000 shares, including a cash proportion needed for taxes and tax-related costs. The rewards shall be paid to the key employees approximately two years after the confirmation of the reward, if his or her employment with a company has not been terminated. The Board of Directors of the Company will decide, on the proposal of the Remuneration Committee, on the plan's performance criteria and on their targets at the beginning of each discretionary period.

Should shares be paid as reward on the basis of the incentive plans resolved in 2012, 2015 and 2018, the members of the Group management team must hold 50% of the shares paid on the basis of the plan, until the value of the share ownership in total corresponds to the employee's annual gross salary. The Board of Directors shall decide on other details concerning the execution of the Ownership Obligation. In 2017 and 2018, participation to share-based incentive plan was made contingent on participation in One Cramo Share Plan, starting from Period 2017-2018, and any subsequent Plan Periods until payment of the matching shares from the respective Discretionary Period.

### *One Cramo Share Plan for whole personnel*

According to the remuneration principles of Cramo, it is important that as many as possible of Cramo's employees would also be shareholders in the Company. The target of One Cramo Share Plan is to encourage all Cramo Group's employees to become shareholders in the Company and

to reward Cramo employees for their efforts in working towards the Company's goals. It also strengthens the tie between Cramo shareholders and employees. The One Cramo Share Plan was started in 2012 and 2018 was seventh year of operating the plan.

In 2018, the plan was offered in Cramo countries to approximately 2,500 Cramo employees. The maximum monthly saving is 5 per cent and the minimum is 2 per cent of each participant's monthly gross salary. The total amount of all savings from the Plan Period may not exceed EUR 4 million. The savings are automatically used to purchase Cramo shares for the participants at market price. In return, each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the plan period until the end of the designated holding period, regarding the current plan until 15 May 2022, and if his or her employment with a company has not been terminated on the last day of the holding period on bad leaver terms. An employee will participate in the plan for one year at a time. Shares will be acquired with the accrued savings at the market price quarterly, after the publication date of Cramo's interim results. Any dividends paid on purchased shares during the commencing plan period will automatically be reinvested into additional shares on the following purchase date. These shares will have an equal right to matching shares. A total of approximately 923 Cramo employees have become shareholders in Cramo through the One Cramo Share Plan since its initiation. A number of matching shares delivered to employees participating the Plan was 6,738 shares in 2018. The current Plan Period begun on 1 January 2019 and will end on 31 December 2019.

## REMUNERATION IN 2018

### Remuneration of the Board of Directors

The remuneration of the Board of Directors consists of the annual remuneration approved by the

General Meeting:

- Chairman of the Board: EUR 85,000
- Other Board members: EUR 37,500

It was resolved that the remuneration is paid in cash and that the Board of Directors will adopt a policy on Board member share ownership. The policy shall entail that Board members, who do not already have such a holding of Cramo Plc's shares, are under a four-year (4) period from the start of their directorship expected to acquire Cramo Plc's shares to a total market value which equal at least one (1) year's Board fees before taxes, excluding any Committee compensation. The Nomination Committee will, as part of its process, annually follow up on the Board members' shareholding and evaluate that it is according to the policy. In addition, it was decided that all Board members are entitled to a compensation of EUR 1,000 per attended meeting of the Audit and Remuneration Committees and EUR 500 per attended meeting of the M&A Committee.

Further, the member of the Board elected in the position of Chairman of the Audit Committee would receive an additional compensation of EUR 5,000 per year. In 2018, the Board of Directors met twelve times. The Audit Committee met eight times, the Remuneration Committee met three times, and the M&A Committee met four times during 2018.

The following table below outlines the remuneration received by Cramo's Board members in 2018 on a cash basis.

Board Members	Board, Fees	Committee, Fixed Fees	Board, Total	Audit Committee	Remuneration Committee	M&A Committee	Total
Veli-Matti Reinikkala (Chairman)	85,000 €		85,000 €		3,000 €	2,000 €	90,000 €
Perttu Louhiluoto (Deputy Chairman)	37,500 €		37,500 €	5,000 €		2,000 €	44,500 €
Peter Nilsson	37,500 €		37,500 €		3,000 €	500 €	41,000 €
Joakim Rubin	37,500 €	5,000 €	42,500 €	8,000 €		1,500 €	52,000 €
Raimo Seppänen	37,500 €		37,500 €		3,000 €		40,500 €
Caroline Sundewall	37,500 €		37,500 €	8,000 €			45,500 €
Members of the Board from 28 March 2018							
AnnaCarin Grandin	37,500 €		37,500 €	6,000 €			43,500 €
Members of the Board until 27 March 2018							
Erkki Stenberg (Deputy Chairman)				2,000 €			2,000 €
<b>Total</b>	<b>310,000 €</b>	<b>5,000 €</b>	<b>315,000 €</b>	<b>29,000 €</b>	<b>9,000 €</b>	<b>6,000 €</b>	<b>359,000 €</b>

### Remuneration of the President and CEO, Group Management Team and Key Personnel

The short-term incentives, in 2018, were tied only to the financial targets and linked mainly to the amount of Economic Profit and Return on Equity (ROE). The Remuneration Committee assessed the achievement of set targets and prepared its suggestion for allocation of incentives for the Board's approval. For the financial year 2018, the maximum bonus level was set at 80 per cent of the employee's annual base salary. The annual short-term incentives will be paid in March 2019. In 2018, the potential reward from the long-term incentive plan was decided to be based on Cramo Group's key figures Earnings per Share (EPS) and Return on Equity (ROE). The potential reward to be paid partly in the Company's shares and partly in cash in spring 2021. The cash pro

portion will cover taxes and tax-related costs arising from the reward to a key employee. No reward will be paid, if a key employee's employment or service ends before the reward payment. According to the long-term incentive plan, the maximum reward amount, for the discretionary period of 2018, corresponded the value of 232,500 Cramo Plc shares (including also the proportion to be paid in cash). Realisation of the target set for the year 2018 was 73.45 per cent of maximum (63.30 per cent of maximum for 2017), which led to a final reward maximum of approximately 170,777 Cramo Plc shares for 2018 (125,524 Cramo Plc shares for 2017) including also, the portion to be paid in cash. In 2018, the expenses of the voluntary pension system for the President and CEO were EUR 157,500. The next table outlines the remuneration based on 2018 performance to President and CEO and Group Management team.

	EUR						
	Fixed annual base salary	Profit based incentives	Fringe benefits	Termination benefits	Share based payments	Post- employment benefits	2018 Total
President and CEO	693,619	223,373	15,730		365,244	157,500	1,455,466
Group Management team	1,490,995	341,890	90,123	421,427	638,504	229,858	3,212,797
<b>Total</b>	<b>2,184,614</b>	<b>565,263</b>	<b>105,853</b>	<b>421,427</b>	<b>1,003,749</b>	<b>387,358</b>	<b>4,668,264</b>