Parent company Olvi plc's Remuneration Report 2016

Olvi plc
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The company complies with the Finnish Corporate Governance Code issued by the Securities Market Association that entered into force on 1 October 2010 and was revised on 1 January 2016. This report has been prepared in accordance with Recommendations 22 to 24 within subsection V 'Remuneration' of the revised CG Code.

1. Principles of remuneration in Olvi plc

Bonuses based on the achievement of predetermined and measurable earnings and performance targets are an important incentive and management tool. Performance bonus schemes communicate the targets, will and desire set by the company's Board of Directors. The objectives for long-term bonuses include increasing shareholder value, improving competitive ability, supporting profitable growth and relative profitability, and making operational management and key employees committed to the company. Bonuses based on earnings or performance are a sign of achievements that outperform the target level. Basic wages and salary are compensation for work well done.

The objectives of bonuses based on target-setting include clarity, fairness and sufficient effect. Bonus schemes must not encourage imprudent risk-taking or negligence.

2. Procedure of decision-making on remuneration

According to the Articles of Association of Olvi plc, the Annual General Meeting shall decide on the remuneration of the Board of Directors. The company shall present a proposal for remuneration of the Board of Directors in the notice to convene the General Meeting (if the matter is on the agenda *).

*Any proposals submitted by shareholders concerning the remuneration of the Board of Directors shall be included in the notice of the General Meeting provided that the shareholders who submitted the proposal represent no less than 10% of the votes carried by all shares and the proposal was submitted to the company in such a manner that it can be included in the notice to convene the meeting. Prior to the commencement of a new accounting period, the company will announce the latest date on which such proposals for resolution must be received by Olvi plc's Board of Directors. The date will be included in the announcement concerning the schedule for financial disclosures. Once the notice of General Meeting has been issued, any similar proposals submitted by shareholders representing no less than 10% of the shares must be published separately.

The Board of Directors of Olvi plc shall prepare and confirm the salary, fringe benefits (total salary), short-term incentives, pension benefits and long-term share-based incentive plans for the Managing Director.

3. Structure of remuneration to the Board of Directors

Remuneration for Board work confirmed by the Annual General Meeting 2016 until the close of the Annual General Meeting 2017:

Monthly pay:

• Chairman of the Board	5,000 euro
• Vice Chairman of the Board	2,500 euro
• Member of the Board	2,000 euro

Attendance allowance per meeting:

• Chairman of the Board	950 euro
• Member of the Board	650 euro

Travel expenses for the members of the Board shall be reimbursed in accordance with the company's travel regulations.

According to a decision made by the Annual General Meeting 2016, the members of the Board of Directors of Olvi plc are remunerated for their term of office ending at the close of the Annual General Meeting 2017 as follows:

Remuneration 14 April 2016 to 20 April 2017

Member of the Board	Annual pay/€	Attendance allowances €	Total remuneration
Hortling Heikki *)(Chairman)	1,435	0	1,435
Lager Esa (Chairman)	57,500	10,150	67,650
Autere Jaakko (Member)	24,000	7,150	31,150
Hortling Nora (Vice Chair)	29,500	7,150	36,650
Markula Elisa (Member)	24,000	6,500	30,500
Sirviö Heikki (Member)	24,000	6,500	30,500
Total	160,435	37,450	197,885

*) Heikki Hortling, Honorary Industrial Counsellor, served as Chairman of Olvi plc's Board of Directors (elected to the Board by the General Meeting on 16 April 2015) until his death on 10 April 2016. The share of annual pay reported here pertains to the period from 1 to 10 April 2016. Hortling was also nominated for election to the Board of Directors for the period of office starting from the General Meeting of 14 April 2016.

The members of the Board have not received any other benefits and have not belonged to the company's share-based or other incentive schemes.

3. Structure of remuneration to management

The structure of total remuneration to management comprises fixed remuneration consisting of basic salary and fringe benefits (company car and mobile phone benefit), as well as short-term and long-term incentives.

Fixed remuneration

The company's Board of Directors decides on the terms of service of the Managing Director, which are specified in a written directors' contract. The Board of Directors assesses the Managing Director's performance annually.

The terms of service of other top management shall be decided by the Board of Directors on the basis of the Managing Director's proposal. The Managing Director and other management executives shall not receive separate remuneration for their work in the management group or other internal management organs within the Group.

Short-term incentives

Short-term incentives are performance bonus schemes in which the monitoring period is one accounting period. The Board of Directors shall decide upon the basis for definition of the incentives. The maximum performance bonus payable to the Managing Director can be 40 percent, and to other Management Group members 25 percent, of annual income determined on the basis of basic monthly income.

Long-term incentives

Long-term incentives are based on programmes prepared and confirmed by the company's Board of Directors that are valid for at least two accounting periods. The programmes can be share-based incentive schemes, excluding option schemes, or performance bonus schemes based on Group-level targets.

The company's Board of Directors is entitled to review the crucial terms and conditions of long-term incentive schemes during their term of validity in case of unexpected changes in the Group's business environment that have a substantial impact on the Group's operations and performance, or if the Group's structure, business volume or profitability level changes due to corporate acquisitions or divestments.

Salaries for 2016 (2015) and ** performance bonuses for 2015 (2014) paid to the Managing Director and other members of the Management Group of the parent company Olvi plc

EUR	Salary in money	** Performance bonuses	Fringe benefits	Total
Managing Director	362,321 (349,891)	30,000 (0)	240 (240)	392,561 (350,131)
Other Management Group total	643,693 (730,164)	0 (132,011)	22,560 (13,586)	666,253 (743,750)
Total	1,006,014 (1,080,055)	30,000 (132,011)	22,800 (13,826)	1,058,814 (1,093,881)

Share-based incentive plans for Olvi Group's key personnel

At the end of fiscal 2016, an incentive plan based on the Group's cumulative operating profit in the years 2014 to 2016 expired. Its target group included approximately 50 people. In accordance with the terms and conditions of the plan, rewards would have been paid in Olvi plc Series A shares and in cash. The targets of the plan were not met, which means that the plan will lapse. No costs arising from the plan have been recognised in the consolidated financial statements.

The Group has an active share-based incentive plan with one three-year performance period, beginning on 1 July 2014 and ending on 30 June 2017. In accordance with the terms and conditions of the plan, rewards will be paid in Olvi plc Series A shares and partially in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The prerequisite for receiving a reward for this performance period is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment. From January to December 2016, accounting entries associated with the performance period from 1 July 2014 to 30 June 2017 were recognised for a total of 91.3 thousand euro.

On 24 February 2016, Olvi plc's Board of Directors decided on a new share-based incentive plan for the Group's key personnel. The performance period for the share-based incentive plan is two years. The prerequisite for receiving reward is that a key employee purchases the company's Series A shares up to the maximum number determined by the Board of Directors. Furthermore, entitlement to a reward is tied to the continuance of employment or service upon reward payment.

Rewards will be paid partly in the company's Series A shares and partly in cash in 2018. The cash proportion is intended to cover taxes and tax-related costs arising from the rewards to the key employees. The Board of Directors may decide that the share proportion be paid fully or partially in cash.

The plan is directed to approximately 50 people. The rewards to be paid on the basis of the plan are in total an approximate maximum of 36,280 series Series A shares in Olvi plc and a cash payment needed for taxes and tax-related costs arising from the shares. The costs of the plan will be recognised over the performance period from 1 July 2016 to 30 June 2018. From January to December 2016, costs associated with the plan based on the 24 February 2016 decision were recognised for a total of 363.8 thousand euro.

The company does not have any other share-based plans or option plans.

Shares received by the Managing Director of the parent company Olvi plc as rewards

The Managing Director of the parent company belongs to both of the share-based incentive plans described under 3.3.1. No benefits have been realised from the plans in 2016.

4. Pension schemes

Pensions for the company's Managing Director and Management Group members are determined on the basis of valid legislation. They belong to the Finnish TyEL pension scheme in which the amount of employment pension is affected by the length of service and earnings. Income used for the determination of pensions includes the beneficiary's basic salary, bonuses and any other taxable extra pay but not any income realised from shares.

One can retire on old-age pension between 63 and 68 years of age, and the pension is determined on the basis of an increasing percentage. The company's pension schemes are defined contribution plans. Contributions paid to pension plans are recognised in the income statement during the accounting period to which the charge applies.

5. Terms and conditions of termination and serving notice

The Managing Director's period of notice is three months if resigning himself or herself, and six months if the contract is terminated by the company. If the company terminates the Managing Director's service, the company shall also pay a severance payment equalling twelve months' salary.