

# REMUNERATION REPORT OF SUOMINEN CORPORATION

## 1. Introduction

### REMUNERATION POLICY FOR GOVERNING BODIES OF SUOMINEN CORPORATION AT A GLANCE

According to the Remuneration Policy (the "Remuneration Policy" or "Policy") for Governing Bodies of Suominen Corporation ("Suominen" or the "Company") approved by the Annual General Meeting (the "AGM") on March 19, 2020, Suominen's aim is to offer a framework for remuneration that incentivizes to pursue towards the Company's long-term financial performance and shareholder value creation.

The Policy has the following guiding principles:

1. Total remuneration opportunity shall be competitive enough in relation to the market
2. Performance-based incentives form a significant part of the President & CEO's total target remuneration in order to emphasize a strong pay-for-performance alignment
3. Majority of the performance-based incentives emphasize long-term, rather than short-term performance and have a straight link to shareholder value
4. Share ownership requirement is set for the President & CEO in order to ensure balanced risk taking

The General Meeting determines the remuneration of the Board of Directors (the "Board"). The Shareholders' Nomination Board prepares the proposal for the General Meeting.

The President & CEO's (the "CEO") remuneration consists of a fixed base salary (including fringe benefits) and variable incentives. Variable incentives can be short-term, such as cash bonuses, or long-term, such as share-based incentive plans. Share-based incentive plans can be used for rewarding for performance and/or for retention purposes. The aim of the Board is that variable remuneration shall form a significant portion of the annual remuneration opportunity at the target level granted to the CEO. On average, variable incentives shall at target level be equal to the CEO's fixed annual salary. If performance exceeds the Board's expectations, the variable incentives shall exceed the fixed annual salary.

The Board may deviate from the Policy in certain exceptional situations.

To read the full Policy, please visit our website: [www.suominen.fi/en/investors/corporate-governance/remuneration](http://www.suominen.fi/en/investors/corporate-governance/remuneration)

### 2020 REMUNERATION AT A GLANCE

Level of the Board's remuneration has remained rather stable during the past years with occasional increases to annual and meeting fees. In 2020, as per the decision of the AGM, the annual fees were increased and a fee for telephone conference meetings was introduced. In addition, the payment frequency was changed so that all meeting fees related to 2020 were actually paid during the year. Therefore, total Board remuneration paid in 2020 includes some meeting fees from 2019 and all 2020 fees. These changes combined are visible as increased total remuneration for the Board in 2020.

Our current President & CEO started in Suominen in January 2019 and therefore did not receive any variable pay in 2019. The total pay for the CEO increased from 2019 to 2020 due to receiving a performance based annual bonus payment during 2020. Additionally, the CEO was awarded the first instalment of the Matching Restricted Share Plan, which was paid out in autumn 2020 and increased the value of his total pay.

The year 2020 was record high for Suominen in terms of financial results. This is also visible in the earned variable remuneration of the CEO and other Suominen employees as well.

Our strategic ambition of profitable growth was very well achieved during 2020 and shareholder value creation (measured as Total Shareholder Return, TSR) was excellent. For the CEO, this resulted in maximum pay-out (to be paid in 2021) under the Global Short-Term Incentive (the "STI") Plan and also to a share-based reward under the Long-Term Incentive (the "LTI") Plan's Performance Period 2018–2020 (pay-out being between the threshold and target level and to be paid in 2021).

## 1.1 Letter from the Chair of the Personnel and Remuneration Committee

Dear Shareholders,

As the Chair of the Personnel and Remuneration Committee (the "PRC"), I am pleased to present Suominen's Remuneration Report for the financial year 2020. The report has been approved by the Board of Directors on February 3, 2021.

The Remuneration Report describes the remuneration for our Governing Bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 (the "Governance Code") issued by the Securities Markets Association. The report presents information on the remuneration of the CEO and the Board during the financial year 2020. It also presents the development of average employee remuneration and company performance over the past five financial years in comparison to the CEO and Board remuneration.

For further information on the Company, Board and executive remuneration, to review the Remuneration Policy that was approved at the 2020 AGM, and to see other remuneration related information, including summaries of the Executive Team remuneration and incentive plans, please visit our website: [www.suominen.fi/en/investors/corporate-governance/remuneration](http://www.suominen.fi/en/investors/corporate-governance/remuneration).

The PRC prepares matters relating to the appointment, dismissal, remuneration, pension, benefits and other material terms of employment of the CEO and other members of the Executive Team, as well as matters relating to the Company's share based incentive plans. The PRC prepares for the Board matters that fall under its areas of responsibility, but it does not have independent decision-making powers unless the Board resolves otherwise on individual matters. Despite the COVID-19 pandemic, the PRC has been able to manage its activities in a normal manner utilizing telephone conference meetings.

The CEO started in January 2019 and we made good progress in many important areas during 2019. The overall company performance in 2019 was good which is also

visible in the CEO's remuneration paid in 2020. Total pay for the CEO increased from 2019 to 2020 due to receiving variable pay from the annual Global STI and from the Matching Restricted Share Plan.

Our financial results were record high in 2020. Our employees have done a fantastic job in working towards our strategic priorities and targets. The year 2020 was characterized by the COVID-19 pandemic, which has caused major challenges for the society as a whole. Our primary focus at Suominen has been, and continues to be, to safeguard the health and safety of our employees while keeping our operations running. Thanks to our proactive approach, the exceptional situation had only a limited impact on our ability to serve our customers and to run our operations. The COVID-19 pandemic increased sales volumes in all our markets. Record high 2020 financial result is also visible in our people's remuneration from variable incentive plans (to be paid in 2021). The CEO achieved maximum earnings from the Global STI Plan 2020, from which the reward will be paid in spring 2021.

The Performance Period of the LTI Plan launched in 2018 came to an end at the end of 2020. The potential reward from the Performance Period 2018–2020 was based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT%). The Company's financial performance especially in 2018 was weak, improved in 2019 and achieved record high levels in 2020, and consequently some shares will be awarded to the participants, including the CEO, as a reward in spring 2021.

During 2020, we have complied with and executed the Remuneration Policy as approved by the 2020 AGM. There was no need to temporarily deviate from the Policy.

This is the first Remuneration Report for Suominen as required by the new Governance Code. We will continue to welcome shareholder feedback regarding our remuneration and reporting.

### **Jan Johansson**

Chair of the Board and the Personnel and Remuneration Committee

## 1.2 Pay-for-performance during the preceding five years

This section presents a comparison between the remuneration of the CEO and the Board, the average employee remuneration and the Company performance for the financial years 2016 to 2020. During 2016–2020 our financial performance has fluctuated but we have had a strong upwards trend in 2019 and 2020.

Our current CEO started in his position in January 2019 after which the Company's new strategy was defined and launched in early 2020. The implementation of our strategy is progressing well, and the benefits of that new strategy are starting to be visible. Financially the year 2020 was a record year for Suominen as we achieved the highest ever net sales and operating profit. Sales volumes increased by the pandemic-driven high demand for wipes, while sales prices decreased following lower raw material prices. Our operating profit improved significantly thanks to higher production and sales volumes, favorable raw material prices, and improved production and raw material efficiency.

The current CEO, when joining in 2019, was invited to participate to the LTI Performance Period of 2018–2020 and a separate Matching Restricted Share Plan. The potential reward from the Performance Period 2018–2020 was based on the Relative Total Shareholder Return (TSR) and Earnings before Interest and Taxes margin (EBIT %). The Company's business performance especially in 2018 was weak, improved in 2019 and achieved record high levels in 2020 with the consequence that shares will be awarded to the CEO in spring 2021.

As per the Terms and Conditions of the Matching Restricted Share Plan, the CEO is entitled to receive in total 20,000 Suominen shares (gross before taxes) on the condition that he has personally invested into 10,000 Suominen shares. The first part of the matching shares was delivered in autumn 2020 and the second part will be delivered in autumn 2021.

The CEO also has been granted participation to the LTI Performance Periods 2019–2021, 2020–2022 and 2021–2023 that are currently on-going. The CEO must hold 50% of the net number of shares given on the basis of the Performance Share Plan as long as his shareholding in total corresponds to the value of his annual gross

salary. Such number of shares must be held as long as his employment or service in Suominen continues.

The objective of our Remuneration Policy is to enable Suominen to offer the CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation. Short-term and long-term performance-based remuneration is used for rewarding good performance, and the Board annually selects the optimal performance metrics for each of the performance-based incentives. KPI selections aim to steer our employees and the CEO specifically towards the implementation of Suominen's strategy and achievement of sustainable financial results in a competitive market.

Rewards under the LTI Performance Periods are currently awarded based on three-year relative Total Shareholder Return. This is the most important performance indicator that the Board closely follows to assess whether our strategy has been successfully implemented in the long term. The PRC believes it is appropriate to reward the Company's key employees for attaining long-term targets linked to the relative TSR as it is a holistic way of measuring our overall success as a company in terms of shareholder value creation.

On the other hand, financial and operative metrics and strategic targets are being set and followed on an annual Global STI Plan, which aligns short-term strategic actions to long-term shareholder value creation. For the financial year 2019, the CEO's STI reward from the period was based on Group EBIT and certain personal targets. EBIT target achievement was between threshold and target level, whereas the outcome of the personal targets reached maximum level. In 2020, the CEO's reward from the STI was based on Group EBIT, Group Value Add and specific personal targets. All targets for the CEO reached the maximum outcome as aligned with the record high 2020. The maximum reward from the STI Plan for the CEO was and is capped at 60% of annual base salary.

Suominen's Remuneration Policy is aligned with the remuneration principles applied to all Suominen employees. The remuneration shall be fair and reflect the competencies required to fulfill the requirements of

each position. Pay-for-performance philosophy is widely followed in Suominen and many of the performance metrics in the CEO's incentive plans are concurrently used in the employees' incentive plans.

As Suominen has operations on three continents, the remuneration markets in which Suominen operates vary to an extent. The PRC believes that the most appropriate internal comparison of the development of remuneration over time is to compare the CEO and Board remuneration with the average total pay of all Suominen employees. Employee remuneration is inherently less volatile than executive pay as a smaller portion of total remuneration consists of variable remuneration and therefore typically remains rather stable. However, as our incentive plans are, to a varying degree, bound to the same or related performance indicators, and remuneration is also aligned with the performance of the company, region and/or site for all personnel, the average employee pay has increased during the past years due to improved company performance.

As the Board members do not participate in any incentive schemes, the Board remuneration has remained rather stable with occasional increases to annual and meeting fees. Variation mainly occurs due to different number of meetings during the year. In 2020, there was a change of actually paying all 2020 meeting fees during the financial year, which is visible as increased total remuneration for the Board.

During the last five years, remuneration for the CEO has been aligned quite well with the company performance. Exception is year 2018, which is due to the severance payments made to the previous CEO. It is important to note that the CEO remuneration in a specific year partly reflects the performance of the preceding year in terms of annual bonus and previous three years in terms of long-term incentive payments. Therefore, the exceptional performance in 2020 will not be fully visible in the CEO remuneration until in 2021.

See the table on the next page for specific values.

## Five year development of remuneration and company performance

	2016	2017	2018	2019	2020
Current CEO (Petri Helsky) total remuneration <sup>1</sup> (EUR, '000)				474.6	745.4
Index <sup>2</sup>				101%	158%
Previous CEO (Nina Kopola) total remuneration <sup>3</sup> (EUR, '000)	471.5	419.1	985.1		
Interim CEO (Tapio Engström) total remuneration <sup>4</sup> (EUR, '000)			99.7		
Index <sup>2</sup>	100%	89%	230%		
Employee pay (average) <sup>5</sup> (EUR, '000)	50.3	53.1	52.7	54.9	59.9
Index <sup>2</sup>	100%	106%	105%	109%	119%
Total Board remuneration <sup>6</sup> (EUR, '000)	227.3	242.5	236.0	244.5	275.3
Index <sup>2</sup>	100%	107%	104%	108%	121%
Jan Johansson		60.0	67.0	70.0	76.3
Andreas Ahlström	32.7	33.5	31.5	33.0	38.0
Laura Raitio	32.2	33.5	32.0	33.0	38.0
Sari Pajari-Sederholm				28.0	37.3
Björn Borgman					33.3
Nina Linander					43.5
Risto Anttonen	42.2	43.0	41.5	43.0	4.5
Hannu Kasurinen	32.7	33.5	32.0	33.5	4.5
Jaana Tuominen	32.7	33.5	32.0	4.0	
Jorma Eloranta	54.8	5.5			
3-year Total Shareholder Return (TSR) <sup>7</sup> (%)	64.1%	45.3%	-57.5%	-34.0%	11.6%
Share price development <sup>8</sup> (EUR)	3.88	4.54	2.24	2.34	4.90
Index <sup>2</sup>	100%	117%	58%	60%	126%
EBITDA (EUR, '000 000)	44.1	34.3	25.6	33.7	60.9
Index <sup>2</sup>	100%	78%	58%	76%	138%

<sup>1</sup> Current CEO started in January 2019. No annual bonuses or LTI based payments were paid to the CEO in 2019. CEO total remuneration includes all payments made to the CEO during the financial year

<sup>2</sup> First year in the time-series set at 100%

<sup>3</sup> Previous CEO pay in 2018 includes base and benefits until August 3, 2018, severance payments of EUR 482,819 and the value of receiving 14,182 shares as reward. No LTI based payments occurred in 2016 and 2017. Previous CEO total remuneration includes all payments made to the CEO during the financial year

<sup>4</sup> Interim CEO total remuneration in 2018 is for the time period he acted as interim CEO: August 4, 2018-December 31, 2018

<sup>5</sup> Employee pay is the wages and salaries of our personnel as stated in the Financial Statements divided by the average number of employees during the respective financial year

<sup>6</sup> Total Board remuneration may fluctuate during years due to different number of Board and/or Committee meetings arranged. In addition, for 2020, the fee structure was changed slightly and all fees related to 2020 were actually paid during the year. Therefore, year 2020 is not fully comparable to previous years as it includes some meeting fees from 2019 and all 2020 fees

<sup>7</sup> Total Shareholder Return (share price increase plus dividend yield) is calculated based on 3-month closing average prior to end of financial year. For example the 3-year TSR for 2016 is calculated as (Q4 2016 average share price - Q4 2013 average share price) / Q4 2013 average share price + (paid dividends in 2014, 2015 and 2016) / Q4 2013 average share price

<sup>8</sup> Share price development is calculated based on 3-month closing average prior to end of financial year

### 1.3 Information on the previous vote for the Remuneration Policy and any deviations or clawbacks made

At the AGM on March 19, 2020, the shareholders resolved to favor the Remuneration Policy pursuant to the Board's proposal. The PRC and the Board have considered the feedback provided by the shareholders at the 2020 AGM and have concluded that there is currently no need to present an amended Remuneration Policy at the 2021 AGM.

During 2020, Suominen has not exercised any rights to reclaim (clawback) or cancel (malus) any paid or unpaid incentives.

Also, there was no need to deviate from the Policy during 2020.

## 2. Remuneration of the Board of Directors for the preceding financial year

As stated in the Remuneration Policy approved at the 2020 AGM, the General Meeting determines the remuneration paid to the members of the Board in advance, for one year at a time. Shareholders' Nomination Board prepares independently a proposal on the remuneration of the Board to be presented for the General Meeting.

The basis for determination of the Board remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board to fulfill their duties.

Suominen's AGM held on March 19, 2020 resolved that the remuneration payable to the members of the Board is as follows:

- The Chair will be paid an annual fee of EUR 66,000
- The Deputy Chair and other Board members an annual fee of EUR 31,000
- Chair of the Audit Committee will be paid an additional fee of EUR 10,000
- Further, the members of the Board will receive a fee for each Board and Committee meeting as follows:

- EUR 500 for each meeting held in the home country of the respective member
- EUR 1,000 for each meeting held elsewhere than in the home country of the respective member
- EUR 250 for each meeting held as telephone conference

60% of the annual fee was paid in cash and 40% in Suominen's shares. The number of shares to be transferred was determined based on the share value in the stock exchange trading maintained by Nasdaq Helsinki Ltd, calculated as the trade volume weighted average quotation of the share during the one-month period immediately following the date on which the interim report of January–March 2020 of the Company was published. The shares were transferred out of the own shares held by the Company by the decision of the Board on May 26, 2020.

Members of the Board are not employees of Suominen and do not participate in any Suominen incentive scheme or pension arrangement. All payments to the members of the Board during the financial year 2020 have been in compliance with the Remuneration Policy. In 2020, the following fees were paid to the members of the Board:

## Remuneration of the Board of Directors in 2020

		Annual remuneration paid in cash (EUR)	Value of the annual remuneration paid in shares (EUR)	Annual remuneration paid in shares (nr of shares)	Meeting fees (EUR)	Total (EUR)
Jan Johansson	Chair	39,600.93	26,399.07	8,320	10,250	76,250
Andreas Ahlström	Deputy Chair	18,600.05	12,399.95	3,908	7,000	38,000
Laura Raitio	Member	18,600.05	12,399.95	3,908	7,000	38,000
Sari Pajari-Sederholm	Member	18,600.05	12,399.95	3,908	6,250	37,250
Björn Borgman	Member as of March 19, 2020	18,600.05	12,399.95	3,908	2,250	33,250
Nina Linander	Chair of Audit Committee as of March 19, 2020	24,598.94	16,401.06	5,169	2,500	43,500
Risto Anttonen	Member until March 19, 2020		N/A	N/A	4,500	4,500
Hannu Kasurinen	Member until March 19, 2020		N/A	N/A	4,500	4,500

Remuneration of the members of the Board of Directors, including the value of the remuneration paid in Suominen shares, totaled EUR 275,250 in 2020.

Additionally, compensation for expenses has been paid in accordance with the Company's travel policy.

### 3. Remuneration of the President & CEO for the preceding financial year

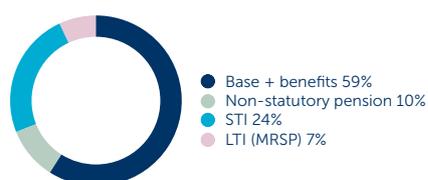
In 2020, the CEO’s remuneration consisted of fixed base salary (including fringe benefits), supplementary pension and variable incentives. Payments from variable incentives were made under the annual Global STI Plan 2019 and Matching Restricted Share Plan.

In 2020, the CEO was paid a total remuneration of EUR 745,398. Total remuneration consisted of salaries and benefits EUR 442,451, supplementary pension payments EUR 71,315, Annual STI (cash bonus) EUR 181,712 and value of LTI reward from the Matching Restricted Share Plan EUR 49,921 (4,676 Suominen shares + cash proportion to cover taxes).

The payment under the annual Global STI Plan was based on overall achievement between target and maximum for the KPIs set for 2019.

The relative proportion of fixed pay was 66% and variable pay 34%. The PRC considers the one-off Matching Restricted Share Plan award made to the CEO to be variable pay as the reward value is determined by the share price at a future date. Non-statutory pensions are considered neither fixed nor variable pay.

Total CEO pay in 2020 in proportions



#### STI 2019 KPIs and achievement for the President & CEO<sup>1</sup>

KPI	Weight	Achievement
Group EBIT	50%	Between threshold and target
Personal targets	50%	Reached maximum
Total	100%	Between target and maximum

<sup>1</sup> STI 2019 paid during 2020

The CEO remuneration in 2020 is further described in the table below.

Element	Quantum	Purpose, link to strategy and description from the remuneration policy	Comment on compliance
<b>Base Salary + Benefits</b>	<p>Paid in 2020 (including holiday pay):</p> <p>Base salary: EUR 424,862</p> <p>Benefits: EUR 17,588</p>	<p>The purpose is to provide fixed remuneration that is competitive with the external market and reflects the scale and complexity of the Company's business. Base salary includes taxable fringe benefits, such as company car, lunch and telephone. Base salary is determined based on variety of factors, such as market level and the individual's skills and experience. Base salary is typically reviewed annually.</p>	<p>Complies with the Policy: The CEO has benefits such as company car, health insurance, lunch and telephone. The CEO did not receive a base salary increase in 2020 and based on external remuneration benchmark, the salary level is competitive with the external market.</p>
<b>Supplementary Pension Arrangement</b>	<p>Paid in 2020: EUR 71,315</p>	<p>The purpose is to provide a competitive level of retirement income. The supplementary pension plan is a defined-contribution pension scheme. The pension allowance is determined based on the CEO's annual base salary, benefits and cash bonus.</p>	<p>Complies with the Policy: The CEO participates in a non-statutory defined contribution pension plan. The Company's contribution was 11.5% of the annual base salary, benefits and cash bonus in 2020. Pension starts from the age of 63.</p>
<b>Cash Bonus (Short-Term Remuneration)</b>	<p>Earned from financial year 2019, paid in 2020: EUR 181,712</p> <p>Earned from financial year 2020, to be paid in 2021: EUR 244,800</p>	<p>The purpose is to steer towards and reward for the achievement of short-term financial and operational performance and to support the delivery of the business strategy. Performance is measured over one year and the cash bonus is paid after the year end. The cash bonus is paid in cash based on achieved one-year performance.</p>	<p>Complies with the Policy: Maximum STI% in 2019 and 2020 was 60% of the annual base salary (excluding holiday pay). In 2019, the total achievement was between target and maximum and in 2020 reached maximum.</p>
<b>Share-Based Incentive Plans (Long-Term Remuneration)</b>	<p>Matching Restricted Share Plan ("MRSP") paid in 2020: 10,000 gross shares with a value of EUR 49,921. Net shares delivered: 4,676</p> <p>Matching Restricted Share Plan ("MRSP") to be paid in 2021: 10,000 gross shares</p> <p>Earned from LTI Performance Period 2018–2020, to be paid in 2021: 22,581 gross shares</p>	<p>The purpose is to reward for the delivery of long-term shareholder value, to align the President &amp; CEO's interests with those of the shareholders and to increase the value of the Company by offering a share ownership-based reward structure. The President &amp; CEO may have share-based incentive plans, which reward for Company performance or which are used for retention purposes.</p> <p>Currently Suominen's performance-based long-term incentive mechanism is a Performance Share Plan (the "PSP"), which offers the President &amp; CEO the opportunity of earning predetermined number of Suominen shares as a reward. Payment of the reward is dependent on the achievement of performance targets set by the Board of Directors and continued employment. Matching Restricted Share Plan (the "MRSP") is used for retention purposes and to promote immediate share ownership.</p> <p>The Board of Directors resolves the maximum number of shares that can be earned from the Performance Share Plan. Long-term incentive awards are denominated in number of Suominen shares but paid in shares and cash intending to cover the taxes that incur from the receipt of shares.</p>	<p>Complies with the Policy: The CEO was eligible in the PSP Performance Period 2018–2020 in which the total achievement of the two KPIs was between threshold and target. Therefore, the CEO will be rewarded with 22,581 gross shares in spring 2021. The Board has resolved the maximum number of shares that can be earned from the PSP. Additionally, the performance based LTI plans have a share price cap, which cuts the reward if the limits set by the Board for the share price are reached. These limits were not reached in Performance Period 2018–2020.</p> <p>In the MRSP, the CEO has invested in Suominen shares and in return for the investment, he shall receive free Suominen shares in relation to his own investment after a vesting period. Prerequisite for the reward payment is continuation of service. The matching shares will be delivered in two equal installments in 2020 and 2021, 10,000 gross shares in each. First installment of 4,676 net shares were delivered to the CEO during 2020. Payment was made partially in shares and cash.</p> <p>The CEO is also eligible for PSP Performance Periods 2019–2021, 2020–2022 and 2021–2023 in which his total potential reward from all Performance Periods combined corresponds approximately to the value of 504,500 shares (including also the proportion to be paid in cash).</p>
<b>Share Ownership Prerequisite</b>		<p>The CEO must hold 50% of the net number of shares given based on long-term performance-based plan, until his or her shareholding in total corresponds to the value of his/her annual gross salary. Such number of shares must be held as long as his or her service in the Company continues.</p>	<p>Complies with the Policy: The CEO has not yet received any shares from performance-based plans.</p>