



# Remuneration Report

**PREFACE**

**This remuneration report contains information about the remuneration of Raute Corporation’s Board of Directors (“Board”), President and CEO (“CEO”) and Deputy to the President and CEO (“Deputy CEO”) for the period January 1 – December 31 2020, and it is based on the recommendations of the Corporate Governance Code 2020 for listed companies issued by the Finnish Securities Market Association and on the requirements of the Finnish Companies Act and the Securities Markets Act. The Code is available on the Securities Market Association’s website [www.cgfinland.fi](http://www.cgfinland.fi).**

The report describes the development of the average salary of the employees and the company’s performance over the past five years, as compared to the remuneration of the Board, the CEO and the Deputy CEO.

The remuneration report will be presented at Raute’s Annual General Meeting on March 31, 2021.

The members of the Board remained unchanged during the financial year. Tapani Kiiski served as the CEO for the full financial year. The Deputy CEO during the year was Executive Vice President, CFO Tarja Järvinen.

**Key principles of remuneration**

The remuneration of Raute Corporation’s governing bodies is based on the remuneration policy, which the Board approved in its meeting held on February 12, 2020 and which the Annual General Meeting addressed on March 31, 2020. The remuneration policy shall be applied until the Annual General Meeting of 2024, unless the Board proposes that it be addressed earlier by the Annual General Meeting. No deviations were made from the remuneration policy during the 2020 financial year, nor were there any situations during the financial year that would have called for a remuneration clawback.

Raute’s remuneration principles are based on: supporting the growth of the company’s value; ensuring leading performance; and responsibility, consistency and competitiveness. Through remuneration, we support the implementation of the company’s mission, value proposition and strategy. We encourage strong performances and behavior that is in accordance with Raute’s values, and we reward world-class expertise, performances and results.

The aim of the short-term incentive plan (STI Plan) is to encourage implementation of the short-term business plan and to give rewards accordingly. The most important goals in the short term are profitability, the order book and indicators that ensure continuity. The indicators under the long-term incentive plan (LTI Plan) are the company’s EPS and TSR. The CEO’s short-term maximum incentive pay is 60% of his basic annual salary and the Deputy CEO’s is 40% of her basic annual salary. For the CEO, the long-term incentive bonus is equal to max. six months’ salary, and for the Deputy CEO, it is an amount equal to three months’ salary.

**Remuneration of the CEO**

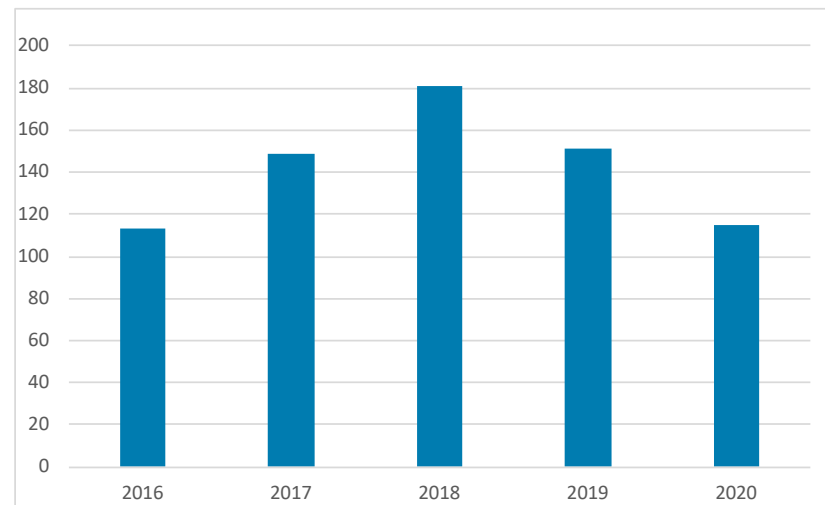
The remuneration of the CEO is in line with our culture of encouraging strong performances. A significant part of the CEO’s remuneration is based on a variable share. In order to maintain a strong connection between the company’s result and the CEO’s remuneration, the performance targets of both the STI and LTI plans are directly linked to Raute’s business result. In addition, the CEO is expected to use the share of the net remuneration of the long-term incentive plan specified by the Board of Directors to accrue his/her shareholding until the shareholding reaches the level specified by the Board of Directors in order to ensure that the interests of the CEO and the shareholders are aligned.

The remuneration of the Deputy CEO complies with the same principles.

**DEVELOPMENT OF RAUTE’S FINANCIAL RESULT AND REMUNERATION**

Raute’s business is based on projects, and net sales vary annually. The company’s financial performance has varied over the past five years along with net sales. In 2020, the pandemic also posed challenges in recognizing revenues from projects and in the sales of technology services.

**Net sales M€**



**Operating profit M€**



	2016	2017	2018	2019	2020
Earnings per share	1,60 €	2,13 €	2,78 €	1,80 €	-0,21 €
Share price at Dec. 31	16,70 €	29,00 €	21,30 €	25,00 €	22,70 €
Dividend	1,00 €	1,25 €	1,40 €	1,45 €	0,80 €*

\*Board's dividend proposal to the AGM

In accordance with Raute's remuneration policy, the CEO's remuneration is performance based, and a significant proportion of his bonus is based on a variable share, i.e. on short- and long-term incentives. Since the goals of the STI and LTI are linked to Raute's operating result, the actual performance is reflected in the CEO's remuneration. The remuneration of the employees varies less than the CEO's, because a smaller proportion of their total remuneration is based on variable pay components. However, since all of the STI plans are to some extent linked to the same key figures, the company's performance also affects the employees' remuneration.

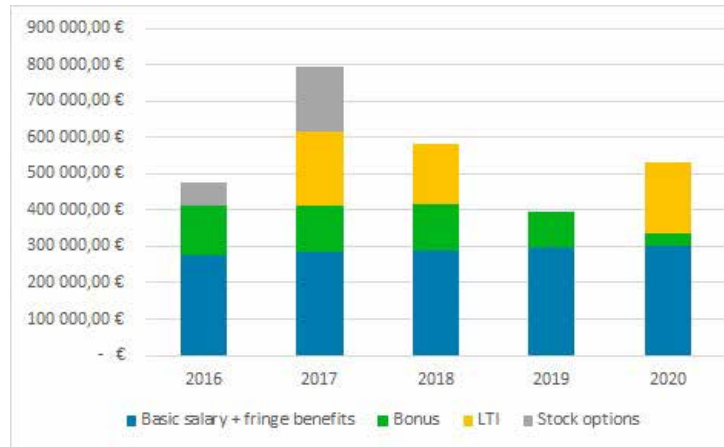
For the CEO's remuneration, the incentives under the short-term incentive plans (STI Plan) are paid in spring of the year following the performance year, after the adoption of the financial statements. The long-term incentive plans (LTI Plan) consist of a three-year monitoring period and the incentives are paid in the spring of the fourth year after the end of the plan, once the financial statements for the final year of the monitoring period have been adopted. Due to what is stated above, the CEO's total remuneration does not directly correlate with Raute's financial result in the same or previous year.

**DEVELOPMENT OF REMUNERATION OVER 5 YEARS (BONUSES PAID DURING THE YEAR)**

Average remuneration, €	2016	2017	2018	2019	2020
Chairman of the Board of Directors	40	40	40	48	48
Vice-Chairman of the Board of Directors	20	20	20	23	24
Other members of the Board of Directors	20	20	20	23	24
CEO	475	795	580	397	532
Deputy CEO	273	262	258	178	192
Raute employee *	51	55	57	56	53

\* The pay development of Raute's average employee is based on personnel expenses, excluding non-wage labor costs, divided by the average number of employees during the year. Raute is a global company whose remuneration varies considerably in the markets where it operates. For that reason, the calculation applies the remuneration data of Raute's Finnish personnel. Finnish employees account for 65% of the total number of employees. In 2016-2019, the Deputy CEO was Arja Hakala.

**CEO (SALARIES AND REMUNERATION)**



The remuneration paid during the financial year is presented in the graph.

Example in 2020

- Basic salary and fringe benefits in 2020
- Annual bonus earned in 2019 and paid in spring 2020
- Incentive bonus earned under the three-year monitoring period of the share-based LTI 2017-2019, paid, based on the Board's decision, in cash in the spring of the fourth year after the adoption of the financial statements for the final monitoring year

## BOARD FEES FOR 2020

### RAUTE'S BOARD FEES FOR JANUARY 1 – 31 DECEMBER 2020

Board member	2020
Laura Raitio, Chair of the Board of Directors	48
Mika Mustakallio, Vice-Chairman of the Board of Directors	24
Joni Bask	24
Ari Harmaala	24
Pekka Suominen	24
Patrick von Essen	24

In addition to the annual fee, Board members are compensated for travel expenses in accordance with the company's travel policy.

The Board's fees are paid in cash. The Board members are not included in the incentive plans or performance-based remuneration.

All paid bonuses are in accordance with the remuneration policy.

## REMUNERATION OF THE CEO

The evaluation of CEO Tapani Kiiski's performance is based on the achievement of strategic and operational targets. In addition to basic salary, the CEO's remuneration includes an annual performance-based bonus and the share-based long-term incentive plan (LTI).

Raute's CEO was paid a salary and bonuses for 2020 totaling EUR 532,200. His fixed salary accounted for 57% of his full remuneration. The CEO does not have special pension arrangements.

### Remuneration of the CEO January 1 – December 31 2020

Basic salary + fringe benefits	301 811,61 €
Performance-based bonus	33 319,64 €
LTI	197 068,80 €
<b>Total</b>	<b>532 200,05 €</b>

## ANNUAL PERFORMANCE-BASED BONUS

The short-term performance-based bonus paid in 2020 was based on the key targets for 2019 related to the Group's financial, strategic and operational targets set by the Board at the start of the 2019 financial year. The CEO's short-term incentive plan outturn for 2019 was EUR 33,320, which corresponds to 23% of the maximum amount.

The Board set short-term incentive criteria for 2020 at the start of the 2020 financial year to support business development. Based on his achievements, the CEO's performance-based bonus for 2020 was EUR 0.

## SHARE-BASED LONG-TERM INCENTIVE PLAN

The maximum number of Raute's A shares to be earned based on the CEO's long-term incentive (LTI) plan from the LTI 2017–2019 program was 7,900 shares, of which a cash bonus equal to 7,698 shares was paid as an outturn in the spring of 2020. The outturn corresponded to 97% of the maximum. The average conversion rate of the shares' value was EUR 25.60, which means the bonus paid was EUR 197,069.

### Maximum amounts of the earnings-specific share bonuses under the 2018–2022 share-based bonus plan during the 2020 financial year

	LTI 2018-2020 to be paid in 2021 number of shares, max	LTI 2019-2021 to be paid in 2022 number of shares, max	LTI 2020-2022 to be paid in 2023 number of shares, max
CEO	5 310	5 600	5 500
Deputy CEO	0	1 600	1 530

## OTHER FINANCIAL BENEFITS, SUCH AS FRINGE BENEFITS, SIGNING BONUS, RETENTION BONUS OR SEVERANCE PACKAGE

The CEO's fringe benefits (car and phone) are included in the basic salary component. The CEO does not have any other special benefits or pension arrangements.

The period of notice for the CEO's resignation or termination of employment is six months. If the employment relationship ends for a reason attributed to Raute, the CEO is entitled to severance pay equaling 12 months' full salary.

## AUDITING OF THE REMUNERATION REPORT

Raute's auditor for the 2020 financial period, PricewaterhouseCoopers Oy, has verified that the remuneration report contains the information required by legislation.



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