



Remuneration Policy for Governing Bodies

February 12, 2020

CONTENTS

1	Introduction
2	Decision-making process
3	Remuneration of the Board of Directors
4	Remuneration of the President and CEO
5	Requirements for temporary deviation

1 INTRODUCTION

This is Raute Corporation's Remuneration Policy for Governing Bodies, which complies with the Securities Market Association's Finnish Corporate Governance Code 2020 and is valid as of January 1, 2020.

This Remuneration Policy is consistent with the company's Code of Conduct and current practices.

The Company's Board of Directors approved this Policy on February 12, 2020.

The Remuneration Policy for Governing Bodies will be presented to the 2020 Annual General Meeting, which will state whether it supports the Policy or not. Thereafter, the Policy will be presented to the Annual General Meeting whenever material changes have been made to it, for example, based on feedback given at the meeting, however at least every four years. Raute's remuneration is based on the following principles, which apply to all of the company's bodies and persons employed by Raute:

- **Supporting the growth of the company's value**
Through remuneration, we support the implementation of the company's mission, value proposition and strategy. We reward for the long-term growth of the company's value.
- **Ensuring operational excellence**
We encourage strong performances and behavior that is in accordance with Raute's values. We reward world-class expertise, performances and results
- **Responsibility, consistency and competitiveness**
Remuneration is responsible and consistent and based on clear principles and structures. We offer a comprehensive and competitive remuneration package.

2 DECISION-MAKING PROCESS

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Board's Appointments Committee prepares the proposal for the Annual General Meeting.

The Board of Directors decides on the remuneration of the President and CEO. In addition, the Board decides on the compensation paid to the President and CEO based on the expiry of the service contract. The proposal is prepared for the Board of Directors by the Chair of the Board of Directors.

The decision-making process is described in general in the attached figure.

3 REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors consists of annual remuneration that is paid for the term of office. Board members may also be paid additional remuneration for committee work. Board members' travel expenses are compensated according to the company's travel policy.

The remuneration payable and the basis for its determination are decided by the Annual General Meeting. The Board's Appointments Committee prepares the proposal for the Annual General Meeting.

The members of the Board may not be employed by or have a service contract with the company. The company does not remunerate the Board members on any other grounds nor does it grant them loans or provide any guarantees for them.

The members of the Board of Directors are not part of Raute's short- or long-term remuneration systems.

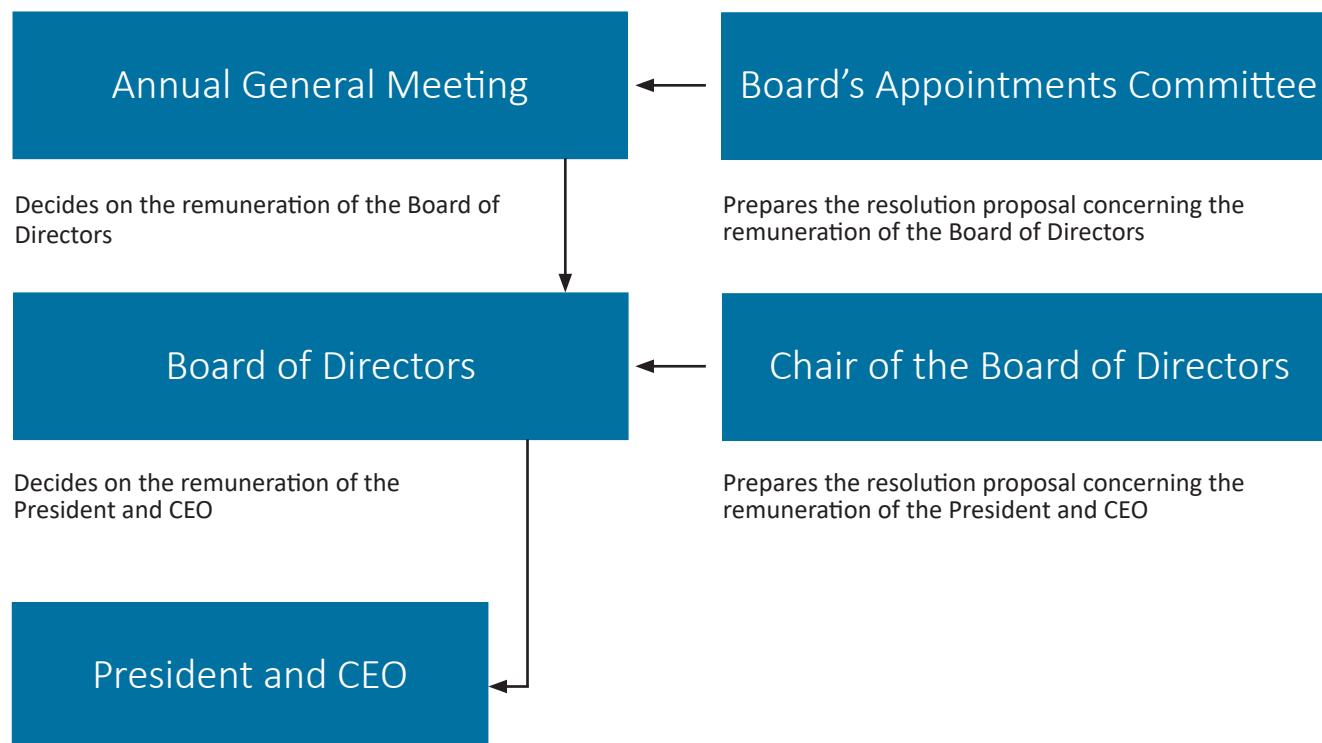


Figure: Decision-making process for remuneration

4 REMUNERATION OF THE PRESIDENT AND CEO

The remuneration of the President and CEO and his/her possible deputy is composed of the following:

- Basic salary
- Performance-based bonus system
- Long-term incentive plan
- Shareholding recommendation
- Supplementary pension
- Insurance
- Special remuneration
- Terms of the service contract
- The company's rights and clawback terms.

The remuneration components are described on the following page.

5 REQUIREMENTS FOR TEMPORARY DEVIATION

Temporary deviation from the Remuneration Policy is possible in exceptional circumstances in which the company's operating preconditions change and the valid remuneration policy would no longer be sensible in these changed circumstances.

The deviation must be necessary to ensure Raute's long-term interests, taking into account, among other things, Raute's long-term financial success, viability, competitiveness and development of shareholder value.

A deviation may concern part or all of the Remuneration Policy, depending on the nature of the exceptional circumstance.

The Board of Directors decides on deviations from the Remuneration Policy.

A temporary deviation must be reported in the remuneration report to be published for the financial period in question. If deviating from the Remuneration Policy continues to the point that it cannot be deemed temporary, a new Remuneration Policy must be prepared to reflect the new situation.

Remuneration components	Purpose	Description and grounds for determination
Basic salary	Fixed compensation for the President and CEO based on the difficulty, required competence and performance of the duties, as well as market practices.	Fixed monthly salary, which may include fringe benefits. The Board evaluates the President and CEO's basic salary and overall remuneration annually. Possible changes are approved by the Board of Directors, and the proposal is prepared for the Board of Directors by the Chair of the Board of Directors.
Performance-based bonus system	The goal of the performance-based bonus system is to encourage the President and CEO to manage the company based on the values, strategy and annual plans.	The earning period for the performance-based bonus system is one year. The President and CEO's performance-based bonus may correspond to a maximum of approximately one year's fixed basic salary. The Board of Directors annually decides on the structure, targets and performance indicators of the President and CEO's performance-based bonus system. Possible bonuses are based on the achievement of the Group's financial targets and other targets that support the implementation of the strategy. At the end of the earning period, the Board of Directors assesses the outturn of the set targets. The performance-based bonus is paid once a year after the Annual General Meeting has confirmed the financial statements and the Board has approved the bonus. The performance-based bonus system is in force for one year at a time.
Long-term incentive plan	The goal of the long-term incentive plan is to commit the President and CEO to the company and to targets that are in line with the shareholders' benefits.	The long-term incentive plan's earning period is a maximum of five years. The Board of Directors decides separately on a possible restriction period. The amount of the President and CEO's long-term incentive remuneration may correspond to, at the time of payment, a maximum of two years' fixed basic salary during the calendar year. The Board of Directors decides on the structure, targets and performance indicators of the incentive remuneration plan at the start of the earning period. Possible bonuses are based on the achievement of the Group's financial and other targets that support the implementation of the strategy. At the end of the earning period, the Board of Directors assesses the outturn of the set targets and approves the remuneration. The incentive remuneration is paid after the earning period and the possible restriction period. Part or all of the remuneration to be paid based on the incentive plan may be paid as shares or as other share-based benefits.
Shareholding recommendation	Ensures that the interests of the President and CEO and the shareholders are aligned	According to the shareholding recommendation that the company complies with, the President and 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.
Supplementary pension	A pension benefit that supplements statutory pensions	The President and CEO can be part of a defined benefit or defined contribution supplementary pension insurance plan.
Insurance	Insurance cover according to market practices	The President and CEO may have insurance benefits based on market practices.
Special remuneration	Used only in special circumstances	Special remuneration may be related to, for example, the recruitment of a new President and CEO or corporate arrangements. In terms of its value, time frame and performance requirements, special remuneration must always be consistent with Raute's remuneration principles and approved by the Board of Directors.
Terms of the service contract	Ensures clear service contract terms	The terms of the President and CEO's service contract are specified in writing in the President and CEO's service contract, which is approved by the Board of Directors. The President and CEO's service contract specifies the financial benefits of the service, including the severance package and any other compensation. The Board of Directors ensures that the financial benefits to be paid are consistent with the company's valid Remuneration Policy for Governing Bodies.
The company's rights and clawback terms	Ensures that remuneration is based on actual achievements and results	The Board of Directors has the discretionary right to change the set targets during the program period on justified grounds. The Board also has the right to defer or cancel the payment of remuneration under the short- and long-term incentive plans or to apply clawback terms to payments in exceptional circumstances, for instance in connection with possible misconduct or incorrect reporting of financial results.



Raute Corporation
Rautetie 2
P.O.Box 69, FI-15551 Nastola, Finland
Tel. +358 3 829 11
Fax +358 3 829 3200

Follow us online:

www.raute.com | [@rautemachinery](https://twitter.com/rautemachinery), [@RauteOyj](https://twitter.com/RauteOyj) | [LinkedIn: Raute Oyj](https://www.linkedin.com/company/raute-oyj) | [Youtube: www.youtube.com/RauteMachinery](https://www.youtube.com/RauteMachinery) | [Facebook: Raute Corporation](https://www.facebook.com/RauteCorporation) | [Instagram: @rautecorporation](https://www.instagram.com/rautecorporation)