

Remuneration statement 2019

Ahlstrom-Munksjö Group (“Company”) has over 8,000 employees working in 45 production and converting facilities as well as offices in 24 different countries. The following section outlines the remuneration of the Executive Management Team, including the President and CEO (“CEO”) and the members of the Board of Directors.

Key Principles for Remuneration

The objective of executive remuneration in Ahlstrom-Munksjö is to ensure that the Company has the right people capabilities and leadership to achieve its business targets and reach its strategic goals.

Company’s target is to achieve profitable growth in selected markets, which offer a positive growth outlook and are supported by sustainable market drivers. By implementing the strategy the Company aims to fulfil its vision of being a global leader in chosen segments and achieving its financial targets.

The bodies governing remuneration in the Company regularly review the structure of the total remuneration to ensure that it is aligned with the Company’s long-term value development, its business strategy, financial results as well as the employees’ contribution. Remuneration is based on predetermined and measurable performance and result criteria.

Decision Making Bodies and Processes for Remuneration

The remuneration of the members of the Board, the Board Committees and the Shareholders’ Nomination Board is decided by the Annual General Meeting of Ahlstrom-Munksjö based on a proposal by the Shareholders’ Nomination Board. The Board decides on the remuneration of the CEO and Executive Management Team based on a proposal by the Human Resources Committee (“the Committee”). The remuneration of the CEO and the Executive Management Team may consist of fixed salary, short and long-term variable remuneration, pension and other benefits.

Term of notice for the CEO

The CEO’s service contract may be terminated by the Company with twelve (12) months’ notice and by the CEO with six (6) months’ notice. If the Company terminates the CEO’s contract for any other reason than material breach by the CEO, the Company shall pay the CEO severance compensation equal to the amount of his fixed salary for six months immediately preceding the termination.

Fixed Remuneration of the CEO and Other Executive Management Team Members

The fixed remuneration of the CEO and other Executive Management Team members consists of base salary and fringe benefits. The CEO and other members of the Executive Management Team do not receive any additional compensation for their work in the Executive Management Team or for acting in other decision making bodies of the Company.

Base Salary

Base salary is the fundamental part of the fixed remuneration for the CEO and other Executive Management Team members. The payments to the CEO and other members of the Executive Management Team are done in accordance with the same schedule as for other employees.

Fringe Benefits

The CEO and other members of the Executive Management Team are entitled to the same fringe benefits which the company offers to its other employees.

Pensions

Pension accumulation and the retirement age of the CEO and other Executive Management Team members are determined by the terms of the applicable laws and obligations in each country. The CEO and other Executive Management Team members may have additional pension arrangements. Pension payment for the CEO and the Executive Management Team members in Finland is based on the Finnish Employees Pensions Act (TyEL). In addition the CEO belongs to a voluntary Group Pension Plan. The Company shall contribute annually 20 per cent of each participant's annual fixed salary to the plan. Pension Plan participants may retire at the age of 63.

Variable Compensation of the CEO and Other Executive Management Team Members

The variable compensation of the CEO and other Executive Management Team members consists of long term and short term incentive programs. The Board of Directors decides on the terms and conditions, the earning criteria and the payment of the rewards from the plans.

Short Term Incentive programs (STI)

The maximum reward from the STI for the CEO and the other Executive Management Team members is 80% of annual base salary. The Board of Directors sets annual performance metrics, weightings as well as minimum, target and maximum levels for the metrics. Metrics are set yearly to reflect current business priorities. Metrics typically consist of key financial, strategic and operational measures.

The CEO's STI scorecard targets consist of Group financial and operational metrics.

Long-term Incentive programs (LTI)

The Company has share based incentive programs for its key employees. Participants in the programs may earn Company shares based on achievement of targets set by the Board of Directors.

Ahlstrom-Munksjö's Board of Directors decided on October 24, 2017 to introduce a rolling long-term share-based incentive program with the aim of aligning the objectives of the owners and key personnel to increase the Group's value and to commit the key personnel to the Group.

The program consists of a rolling structure of individual plans, each with a three-year performance period. The commencement of each new performance period is subject to the Board of Director's decision. Depending on the achieved performance and if the service conditions are met, the gross value of the reward paid will be within a minimum and maximum range. The final number of shares is determined based on Ahlstrom-Munksjö's share price at the end of the performance period.

Performance conditions

In order to the rewards to vest, performance conditions set by the Board of Directors will need to be met over the performance periods.

Service conditions

In addition to the performance conditions, in order for the rewards to vest the participant will need to be employed by the Company at the time when the reward is paid.

Share ownership guideline

All members of the Executive Management Team are expected to accumulate and, once achieved, maintain a level of share ownership corresponding to their annual gross base salary. The members of the Management Team are expected to use at least 50% of the net reward received under the long-term incentive programs to accumulate their share ownership until the aforementioned share ownership level has been achieved.

Long-term Incentive Program, Performance Period 2017-2019

The Company announced on October 24, 2017 the Board of Directors' decision to establish a Long-term Incentive Program and introduce the first performance period for 2017-2019. The possible reward will be paid out in 2020 in the form of shares, provided that required performance and service conditions are met. The CEO was a participant in the 2017 – 2019 earning period.

Performance condition for the earning period was Total Shareholder Return ("TSR") determined against Ahlstrom-Munksjö's volume weighted average share price over a certain period. In addition the Company's cumulative comparable EBITDA over the performance period will need to exceed an underlying comparable EBITDA requirement.

The threshold level for the performance condition was not reached and therefore reward based on the earning period outcome will not be paid.

Long-term Incentive Program, Performance Period 2018-2020

The Company announced on February 12, 2018 the Board of Directors' decision to start a performance period for 2018-2020 under the long-term share-based incentive plan. The possible reward will be paid out in shares in 2021 provided that required performance and service conditions are met. The CEO is a participant in the 2018 – 2020 earning period.

Performance condition for the earning period is Total Shareholder Return ("TSR") determined against Ahlstrom-Munksjö's volume weighted average share price over a certain period. In addition the Company's cumulative comparable EBITDA over the performance period will need to exceed an underlying comparable EBITDA requirement.

Long-term Incentive Program, Performance Period 2019-2021

The Company announced on March 28, 2019 the Board of Directors' decision to start the third performance period under the long-term share-based incentive plan for 2019-2021. The possible reward will be paid out in shares in 2022 provided that required performance and service conditions are met. The CEO is a participant in the 2019 – 2021 earning period.

Performance condition for the earning period is Total Shareholder Return (“TSR”) determined against Ahlstrom-Munksjö’s volume weighted average share price over a certain period. In addition the Company’s cumulative comparable EBITDA over the performance period will need to exceed an underlying comparable EBITDA requirement.

Fixed Matching Share Plan

The Company announced on March 28, 2019 the Board of Directors’ decision to establish a fixed matching share plan. A precondition for participation in the plan is the individual’s personal investment in Company shares. A participant will receive one matching share as a reward for each invested share free of charge after an approximately three-year restriction period in 2022 provided that the participant continues to own the invested shares and that the employment relationship of the participant with the Company still continues. The CEO is a participant in the Fixed Matching Share Plan.

Realized Remuneration of the CEO and Executive Management Team in 2019

Remuneration of the CEO and the Executive Management Team in 2019, EUR thousand	Fixed salary payments	Short term incentives and bonuses	Long-term incentives	Fringe benefits	Pension Costs	Total
CEO - Hans Sohlström	642,8	102,6	0,0	0,3	124,1	869,8
Executive Management Team	2 285,7	673,7	0,0	71,7	265,0	3 296,1
Total	2 928,5	776,3	0,0	72,0	389,1	4 165,9

Remuneration of the Board of Directors and Members of Board Committees

The Annual General Meeting resolved in accordance with the proposal of the Shareholders’ Nomination Board that the annual remuneration of the Board of Directors, Board Committees and Nomination Board in 2019 is as follows (2018 remuneration in brackets):

- The Chairman of the Board shall receive EUR 130,000 a year (EUR 100,000),
- The Vice Chairman of the Board EUR 90,000 (EUR 80,000)
- The ordinary members of the Board EUR 65,000 (EUR 60,000) each

- The Chairman of the Audit and Sustainability Committee shall annually receive EUR 15,000 (EUR 12,000) and the ordinary members of the committee EUR 7,500 (EUR 6,000) each
- The Chairman of the Human Resources Committee shall annually receive EUR 10,000 (EUR 8,000) and the ordinary members EUR 5,000 (EUR 4,000) each.

- The Chairman of the Shareholders’ Nomination Board shall annually receive EUR 8,000 (EUR 8,000) and the ordinary members EUR 4,000 (EUR 4,000) each.

Travel expenses of the Board members will be reimbursed in accordance with the Company's travel policy. The members of the Board of Directors shall have the right to abstain from receiving remuneration.

Remuneration of the Board of Directors and Members of Board Committees in 2019

Current members of the Board of Directors and/or board committees and/or shareholders' nomination board, EUR thousand		2019	2018
Peter Seligson	Chairman of the Board	127	102
Elisabet Salander Björklund	Vice-Chairman of the Board	102	92
Alexander Ehrnrooth		75	72
Jaakko Eskola		53	-
Johannes Gullichsen		69	64
Lasse Heinonen		69	17
Hannele Jakosuo-Jansson		73	68
Harri-Pekka Kaukonen		71	66
Valerie A. Mars		-	-
Kari Kauniskangas	Nomination board member	4	-
Mikael Lilius	Nomination board member	4	5
Mikko Mursula	Nomination board member	4	4
Former members of the Board of Directors and/or board committees and/or shareholders' nomination board, EUR thousand		2019	2018
Pernilla Walfridsson		16,5	66