

# Remuneration Statement and Report

Updated 21 March 2018

Remuneration Statement of CapMan Plc (“CapMan”) has been prepared in accordance with the Finnish Corporate Governance Code (the “Code”), which entered into force on 1 January 2016. The statement includes the information required by the Code to be disclosed in the remuneration report i.e. information on the remuneration and other financial benefits paid to the directors, the CEO, and any other executives during the previous financial period. The Code is publicly available on the website of the Securities Market Association at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/).

When considering the remuneration elements set out in this Remuneration Statement, the Remuneration Committee and the Board of Directors have primarily applied principles of fairness and competitiveness, balancing of interests of shareholders, fund investors as well as employees, and promoting as well as strengthening the performance culture both short and long term.

## Board of Directors

### Decision-making process and main principles of remuneration

The remuneration of the members of the Board of Directors (the “Board”) is confirmed by the Annual General Meeting (the “AGM”). According to the decision of the AGM 2018, the Shareholders’ Nomination Board replaces the Nomination Committee of the Board of Directors and the Shareholders’ Nomination Board will make the proposals regarding the remuneration of the Board members in the future. According to the decision of the AGM 2018, the monthly fee of the Chairman of the Board of Directors is EUR 4,750 (2017: EUR 4,000), the monthly fee of the Vice Chairman is EUR 4,000 (2017: EUR 3,200), the monthly fee of the Chairman of the Audit Committee of the Board of Directors is EUR 4,000, where such individual is neither the Chairman or the Vice Chairman of the Board of Directors and monthly fee of the members of the Board is EUR 3,250 (2017: EUR 2,800). Based on the AGM resolution, the monthly remuneration will be paid in cash.

The Chairmen of the Board and Board’s Committees are paid a meeting fee of EUR 800 per meeting (2017: EUR 800) and the members of the Board and Board’s Committees are paid meeting fee of EUR 400 per meeting (2017: EUR 400). All members of the Board shall be reimbursed for reasonable travel expenses in accordance with the company’s travel compensation policy.

Karri Kaitue was paid a consultancy fee of EUR 20 000 in 2017. No financial benefits pertaining to employment relationship or service contract were paid to other Board members in 2017. Except the partial payment of Board remuneration with CapMan shares set out above, the Board members do not currently participate in share-based remuneration schemes.

Remuneration and other financial benefits paid to the directors in 2017 are described in the Remuneration Report.

## CEO and Management Group

CapMan

## Decision-making process

The Board of Directors of CapMan confirms the overall remuneration principles and elements covering the CEO and Management Group members on an annual basis. The Board's Remuneration Committee, consisting of at least two independent Board members and non-executives, prepares remuneration-related matters for the Board.

Any adjustments to the CEO's salary and other compensation can only be made with the Board's approval. The monthly salaries of the Management Group members can be increased on the basis of a proposal by the CEO and subsequent approval by the Board.

## Remuneration of the CEO

The CEO Joakim Frimodig is entitled to remuneration corresponding to a monthly salary of EUR 30,000 and fringe benefits (phone, lunch and sports benefit). Additionally, he is entitled to an additional defined contribution-based pension insurance for which the company pays an annual premium of 10% of the participant's annual salary (excluding fringe benefits). The entitlement to a premium-free policy increases gradually after three years and after six years covers 100% of the cumulative additional pension saving. The retirement age of the CEO is 63 years.

The CEO has a mutual notice period of six months and he will be entitled to a severance fee of 12 months' salary, if his employment is terminated by the company.

The CEO is not part of short-term incentive programs. His long-term incentive consists of a share-based remuneration, the details of which are described in section 'Share-based incentive plan'. The CEO was granted option rights based on his prior role as the Management Group member. The option programs are described below in section 'Stock option programs'.

The base salary, fees and other financial benefits paid to the CEO in 2017 are described in the Remuneration Report.

## Remuneration of the Management Group members

The remuneration of the Management Group members consists of fixed monthly pay and fringe benefits (phone, lunch and sports benefit). In addition, certain Management Group members are entitled to an additional defined contribution-based pension insurance, for which the company pays an annual premium equivalent to 5% of the participant's annual salary (excluding fringe benefits). The individual's entitlement to a premium-free policy increases gradually after three years and after six years covers 100% of the cumulative additional pension saving.

While considering CapMan's current remuneration programs the Board has emphasized the long-term commitment of the management and decreased the proportion of short-term incentives in the total remuneration package. In addition to the CEO, the CFO does not participate in the short-term incentive program. Other Management Group members may be paid annual bonuses as short-term incentive based on the program confirmed by the Board annually. Typically, the annual bonuses are linked to the Group's and/or business unit's result and achievement of individual and team objectives. The maximum amount of the annual bonus corresponds to 12 months' salary.

The long-term incentive of the Management Group members consists of share-based remuneration, the details of which are described in section 'Share-based incentive plan'. The Management Group members have been granted option rights under the option programs described below in section 'Stock option programs'.



The base salaries, fees and other financial benefits paid to the Management Group members in 2017 are described in the Remuneration Report.

## Stock option programs

Stock options are used to commit key individuals/executives to the company and reinforce the alignment of interests of key individuals/executives and CapMan shareholders. CapMan has two stock option programs, stock option program 2013 and stock option program 2016. These programs have been replaced with a long-term incentive program described in section 'Share-based incentive plan' and no option rights will be granted under the option programs. The terms and conditions of the programs are available in the **Stock options** section on the company's website, and the number of option rights granted to the CEO and Management Group members are described in the Remuneration Report.

## Share-based incentive plan

The Board of Directors of CapMan Plc resolved in January 2018 to establish a new share plan 2018-2021 for Group management and selected key employees. The participants commit to shareholder value creation by investing a significant amount into the CapMan Plc share, which is the prerequisite for the participation in the plan. In addition, the aim of the new long-term incentive plan is to retain the plan participants at the company's service, and to offer them a competitive reward plan based on owning, earning and accumulating the company's shares. Pursuant to the decision, CapMan will no longer grant new options from the ongoing option plans 2013 and 2016.

The plan includes one performance period. The performance period will commence on 1 April 2018 and end on 31 March 2021. The participants may earn a matching reward and a performance-based reward from the performance period.

The prerequisite for receiving reward on the basis of the plan is that a participant acquires company's shares or allocates previously owned company's shares to the plan up to the number determined by the Board of Directors. The performance-based reward from the plan is based on the company share's Total Shareholder Return (TSR) and on a participant's employment or service upon reward payment.

The rewards from the plan will be paid fully in the company's shares in 2021. The Board shall resolve whether new shares or existing shares held by the Company are given as reward. As a general rule, no reward will be paid, if a participant's employment or service ends before the reward payment. The shares paid as reward may not be transferred during the lock-up period established for the shares. The lock-up period will end in 2022.

The target group of the plan consists of approximately 20 people, including the members of the Management Group. The rewards to be paid on the basis of the performance period amount up to a maximum of approximately 6.0 million CapMan Plc shares.

As a general rule, a participant must hold a minimum of 25 per cent of the gross shares given on the basis of the plan, until the participant's shareholding in the company in total corresponds to the value of the participant's fixed annual gross salary and for as long as the participant's employment or service in a company belonging to the Group continues.

## Carried interest income

Carried interest income from funds established in 2004 and thereafter are divided between the investment team responsible for the funds' investment activities and CapMan. This is a precondition from the fund

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "apMan" following in a smaller, similar font.

investors. The objective thereof is to ensure that the interests of the investment professionals and investors are aligned and that the investment professionals are committed to the company long term by requiring significant investment in the fund. Entitlement to carried interest potential requires that the investment professional makes a capital investment in the fund.

It is common practice in the private equity industry that the majority of the carried interest income belongs to the investment teams. The fund typically starts to generate carried interest after 6 or 7 years from the establishment, provided that the original investment and a preferred annual return, which is generally 8 %, have been paid to investors. The amount of the carried interest income depends among others on fund's overall performance i.e. on the success of the investment operations.

CapMan

# Remuneration Report 2017

CapMan Plc Board 31 January 2018

The Remuneration Report forms part of the Remuneration Statement. The Remuneration Report includes information on the remuneration and other financial benefits paid to the directors, the CEO, and any other executives in 2017.

## Remuneration and other financial benefits of the members of the Board in 2017

The following table includes the remuneration and other financial benefits paid to the members of the Board of Directors in 2017. Based on the AGM resolution, approximately 40 per cent of the monthly fees of the Board members were paid in CapMan shares and 60 per cent in cash.

Name	Board fee paid in cash, €	Meeting fees, €	Board fee paid in shares, €	Board fee paid in shares, No	Financial benefits pertaining to an employment or service contract, €
Andreas Tallberg* Chairman	18,800	5,600	19,199	11,530	0
Karri Kaitue Vice Chairman	27,040	14,800	15,359	9,224	20,000
Nora Kerppola	22,760	8,800	13,439	8,071	0
Ari Tolppanen	21,560	7,200	13,439	8,071	0
Mammu Kaario*	13,160	3,200	13,439	8,071	0
Dirk Beeusaert**	8,400	4,800	0	0	0
Claes de Neergaard**	8,400	5,600	0	0	0

\*) elected to the Board in the AGM held on 15 March 2017

\*\*) Board member until the AGM held in 15 March 2017

CapMan

## Remuneration and other financial benefit of the CEO and Management Group members in 2017

The following table includes the remuneration and other financial benefits paid to the CEO and members of the Management Group in 2017. The figures presented include amounts paid to individuals in 2017 for the period during which they held the relevant position as the CEO or Management Group member.

Name	Salary, €	Bonus, €	Severance pay, €	Total, €	Voluntary pension payment, €	Option rights granted, No
<b>Joakim Frimodig</b> as of 4 May 2017	230,594	0	0	230,594	20,605	100,000
<b>Heikki Westerlund</b> until 3 May 2017	438,525	434,604	357,600	1,230,729	30,477	0
<b>Management Group*</b>	1,198,420	701,108	0	1,899,528	40,218	312,500

\*) excluding the CEO