

# Remuneration Report 2020

February 10, 2021

**Huhtamaki**

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## Introduction

Huhtamäki Oyj (the Company, and together with its group companies Huhtamäki) complies with the Finnish Corporate Governance Code (Code) adopted by the Securities Market Association. This Remuneration Report has been prepared in accordance with the Code effective from January 1, 2020. The Code is available in its entirety on the internet at [www.cgfinland.fi](http://www.cgfinland.fi). Huhtamäki Oyj is a support member of the Securities Market Association.

This separate Remuneration Report has been issued and published in connection with the Directors' Report. The Human Resources Committee of the Board of Directors has reviewed the report and it has been approved by the Board of Directors. The Company's Auditor has reviewed that the report has been issued.

The Remuneration Report provides information on the remuneration paid to the Board of Directors (Board) and the Managing Director (President and CEO since April 26, 2019 and CEO until April 25, 2019) during the financial year 2020. Updated information on the remuneration of the Company is available on the Company's website in section "Remuneration" ([www.huhtamaki.com](http://www.huhtamaki.com) - Investors - Corporate Governance - Remuneration).

Remuneration paid to the Board members and the President and CEO during the financial year 2020 was in line with the Remuneration Policy for the Governing Bodies (Remuneration Policy) approved by the Annual General Meeting of the Company (AGM) on April 29, 2020. There were no deviations from the Remuneration Policy and no claw back on compensation has been used.

According to the Remuneration Policy, the annual compensation of Board members shall be in proportion to the time commitment required from the Board members and be competitive to attract and retain professionals with strong expertise and knowledge relevant in conducting the Board's responsibilities, such as establishment of strategic and financial directions and monitoring their implementation. Thereby, the remuneration contributes to the Company's long-term financial performance and success. The remuneration of the Board members during the financial year 2020 consisted of annual compensation and meeting fees paid for each meeting attended as approved by the AGM.

According to the Remuneration Policy, the remuneration principles applied to the President and CEO contribute towards creating shareholder value through competitive remuneration based on performance and linking remuneration to the business strategy. Total remuneration shall be in line with the relevant market practices in corresponding global industries to ensure motivation and engagement. The President and CEO's remuneration during the financial year 2020 consisted of a non-variable annual base salary, benefits and performance-based short-term incentive plan. The Company also focused on shareholder value creation by aligning the interests of the President and CEO with those of the shareholders through a share-based long-term incentive plan.

## Development of remuneration over the past five financial years

During the past five financial years the Company's net sales has increased with 15%. Improvement in adjusted EBIT was 13% and improvement in adjusted EPS was 7% during the same period. The Company's adjusted EBIT margin has changed from 9.4% in 2016 to 9.1% in 2020. At the same time, the development of remuneration over the past five financial years and compensation changes have been moderate.

The remuneration of the Board of Directors has been decided by the Annual General Meeting of the Company. The annual remuneration of the Board members has remained unchanged from 2016. The meeting fees were increased in 2019.

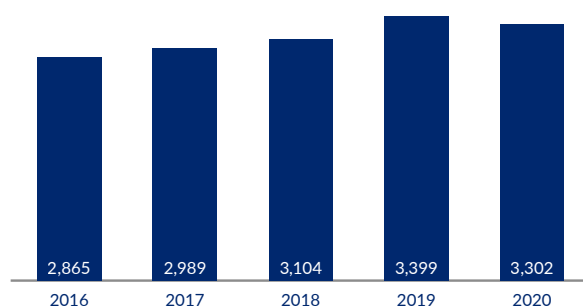
	Paid compensation (EUR)				
	2020	2019	2018	2017	2016
Board of Directors <sup>1</sup>	687,490	679,790	687,590	663,590	621,090
President and CEO Charles Héaulmé (President and CEO since April 26, 2019)	1,732,507	1,368,666	-	-	-
CEO Jukka Moisio (CEO until April 25, 2019)	-	243,143	2,538,525	2,755,159	2,278,727
Employees' average remuneration <sup>2</sup>	32,601	29,990	29,200	28,780	27,636

<sup>1</sup> Total compensation of the Board of Director's

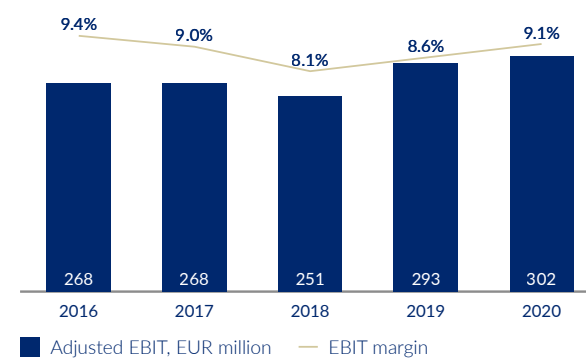
<sup>2</sup> The total wages and salaries amount (excluding share-based payments) of Huhtamaki reduced with the wages and salaries amount (excluding share-based payments) paid to the managing director and Board members of the Company and divided with the number of employees of Huhtamaki (other than the managing director) in the end of the respective financial year. Short-term incentives are taken into account on the year they are paid. Pensions are not included.

## Net sales

EUR million

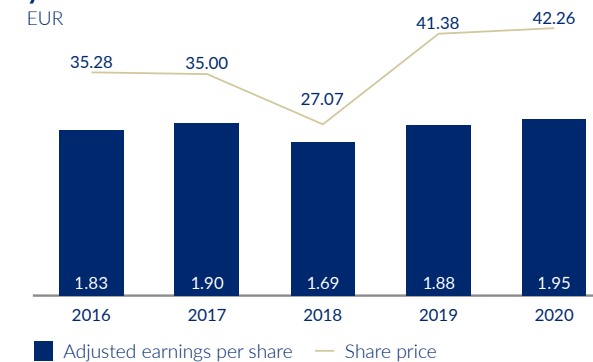


## Adjusted EBIT and EBIT margin



## Adjusted earnings per share and share price, year-end

EUR



Adjusted EBIT, Adjusted EBIT margin and Adjusted earnings per share are presented excluding items affecting comparability.

IFRS 16 Leases standard has been adopted as of January 1, 2019 using full retrospective transition method. The financial information for 2018 has been restated. Financial information for 2016-2017 is not restated and thus not fully comparable.

## Board of Directors

In accordance with the resolution passed by the AGM held on April 29, 2020, as of the AGM 2020 the annual compensation for the Chairman of the Board is EUR 120,000, for the Vice-Chairman EUR 68,000 and for other members EUR 57,000. In addition, the following meeting fees are paid for each meeting attended: EUR 1,500 for all meetings, except EUR 3,000 to the Chairman of the Audit Committee for the Audit Committee meetings and EUR 1,750 to the Chairman of the Human Resources Committee for the Human Resources Committee meetings. Traveling expenses of the Board members are compensated in accordance with the Company policy. In addition, the Chairman of the Board has a mobile phone benefit.

None of the Board members were employed by the Company or any company belonging to its group or acted as an advisor thereof. Thus, Board members were not eligible for any employment relationship related salaries, remuneration or financial or other benefits not related to the Board work nor were they eligible for any pension scheme. Board members did not receive the Company's shares as remuneration and they were not participants in the Company's share-based or other incentive plans. Board members are not obliged to acquire the Company's shares.

The following remuneration was paid to the members of the Board for the financial year 2020.

	2020 (EUR)		
	Annual compensation	Meeting fees	Total
Pekka Ala-Pietilä <sup>1</sup>	120,240	31,250	151,490
Kerttu Tuomas	68,000	31,500	99,500
Doug Baillie	57,000	30,000	87,000
William R. Barker	57,000	28,500	85,500
Anja Korhonen	57,000	39,000	96,000
Sandra Turner	57,000	25,500	82,500
Ralf K. Wunderlich	57,000	28,500	85,500
<b>Total</b>	<b>473,240</b>	<b>214,250</b>	<b>687,490</b>

<sup>1</sup> Annual compensation for Pekka Ala-Pietilä includes a mobile phone benefit.

## President and CEO

The following remuneration was paid to the President and CEO for the financial year 2020.

Remuneration	2020 (EUR)
<b>Non-variable annual base salary and benefits<sup>1</sup></b>	<b>1,209,476</b>
<b>Signing bonus<sup>2</sup></b>	
Number of shares received as signing bonus	-
Value of the shares at the time of transfer	-
Amount of income taxes and tax-like charges arising based on the shares received	-
Total value of the signing bonus	-
<b>Short-term incentives<sup>3</sup></b>	
Remuneration based on the performance in the year preceding the payment year	523,031
<b>Long-term incentives<sup>4</sup></b>	
Number of shares received as a reward	-
Value of the shares at the time of the transfer	-
Amount of income taxes and tax-like charges arising based on the shares received	-
Total value of the reward	-
<b>Total remuneration</b>	<b>1,732,507</b>

<sup>1</sup> Non-variable annual base salary and benefits includes cash payments for pension.

<sup>2</sup> The signing bonus consists of two parts. The second part of the signing bonus (15,000 shares (net)) is due in 2021 and the first part (15,000 shares (net)) of the signing bonus was paid in April 2019.

<sup>3</sup> Short-term incentives are presented in the table on the year they have been paid. The total amount of remuneration includes remuneration paid under the short-term incentive plan 2019 and a one-time incentive plan.

<sup>4</sup> Share-based incentives include the monetary value of the payments based on the performance share plans at the time of awarding the shares and including the value of taxes and tax-like charges arising based on the received shares. The share-based incentives are based on the performance in the year preceding the payment year and they are presented in the table on the year they have been paid. The adjusted EPS target for the performance share plan 2017-2019 was not reached and, therefore, no shares under the long-term incentive plan was paid during the financial year 2020.

The remuneration of the President and CEO consisted in the financial year 2020 of a non-variable annual base salary and an annually determined short-term incentive plan. In addition, the President and CEO participated in the long-term incentive plan of the Company (Performance Share Plan) and had the following benefits:

- Car benefit
- Housing benefit
- Support for child's education
- Support for insurance premiums

The pension coverage is arranged by the President and CEO himself. The Company contributes towards the pension through monthly cash payments to the President and CEO. The total cash payment in 2020 was EUR 280,000 gross.

The total compensation paid (excluding EUR 280,000 pension allowance) to the President and CEO in the financial year 2020 was EUR 1,452,507 of which 36% consisted of variable compensation. The relatively small part of variable compensation is due to the fact that there was no payout under the Performance Share Plan 2017-2019 as the adjusted EPS target was not reached.

According to the Service Agreement between the Company and the former CEO Jukka Moisio, termination compensation amounting to 18 months' base salary was paid to the former CEO during the financial year 2020.

## Variable remuneration earning opportunity and performance measures

The President and CEO's earning opportunity in short-term incentive plans 2019 and 2020 is 100% of the annual base salary. Group level criteria and payments under the short-term incentive plans are presented in the table below.

	Short-term incentive plan 2019	Short-term incentive plan 2020
Criteria	Adjusted EPS	Adjusted EBIT
	Return on Investment (ROI)	Free Cash Flow
Paid 2020	EUR 356,364	
Payment due in 2021		EUR 520,000

## Long-term incentive and other share-based remuneration grants

President and CEO has been granted shares under the following Performance Share Plans.

Long-term incentive plan	Earning opportunity	Performance measure	Pay-out year	Achievement
Performance Share Plan 2017–2019	31,000 shares (net)	Adjusted EPS	2020	Target was not reached
Performance Share Plan 2018–2020	31,000 shares (net)		2021	Target was not reached
Performance Share Plan 2019–2021	31,000 shares (net)		2022	in progress
Performance Share Plan 2020–2022	62,000 shares (gross)		2023	in progress

President and CEO shall hold at least half (50%) of the Company's shares received until he holds shares received from the performance share plans corresponding in aggregate to the value of his annual gross base salary. The ownership requirement applies until termination of service.

## President and CEO's signing bonus

The signing bonus of the President and CEO consists of two parts. The second part of the signing bonus (15,000 shares (net)) is due in 2021 and the first part (15,000 shares (net)) of the signing bonus was paid in April 2019. The second part of the signing bonus was subject to reaching an adjusted EBIT target for 2020 which was reached. The Company will in addition process a cash payment to cover taxes and tax related payments. A lock-in period of 12 months will apply.