

CEO and Executive Management Remuneration in 2020

This report outlines the remuneration of the Executive Management Team and the President and CEO (“CEO”).

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.

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.

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 and the executive management team members in Finland participate in a voluntary Group Pension Plan. The Company shall contribute annually 20 per cent of each participant's annual fixed salary to the plan. Group 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.

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 programs consist of rolling structures of individual plans, each with a three-year performance period. The commencement of a new performance period is subject to 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.

Due to the public cash tender offer for all Ahlstrom-Munksjö shares, the Board resolved on an accelerated cash pay-out from all active long term incentive plans, conditional on the completion of the public tender offer.

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.

Due to the public cash tender offer given for all Ahlstrom-Munksjö shares, the Board has resolved to waive the share ownership recommendation.

Long-term Share Based 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 was set to be paid out in 2020 in the form of shares, provided that required performance and service conditions are met.

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 was not paid in 2020.

Long-term Share Based 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 was decided to be paid out in shares in 2021 provided that required performance and service conditions are met.

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.

Long-term Share Based Incentive Program, Performance Period 2019-2021

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

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 was required to exceed an underlying comparable EBITDA requirement.

Long-term Share Based Incentive Program, Performance Period 2020-2022

The Company announced on February 13th, 2020 the Board of Directors' decision on the commencement of a new plan period for 2020 – 2022 under the in the long-term share-based incentive plan structure. The possible reward was set to be paid out in shares in 2023 provided that required performance and service conditions are met.

The performance criterion for the 2020-2022 performance period was the Total Shareholder Return (TSR) including share price change and profit distribution during the performance period and earnings per share (EPS).

Fixed Matching Share Plan, Period 2019-2021

The Company announced on March 28th, 2019 the Board of Directors' decision on a one-off Fixed Matching Share Plan, which covers the years 2019 - 2021. A precondition of an eligible individual's participation in the plan was the individual's personal investment in shares of Ahlstrom-Munksjö.

In the Matching Share Plan the participant was entitled to receive one matching share for each invested share free of charge after an approximately three-year restriction period in the year 2022, provided that the participant continues to own the invested shares and that the employment relationship of the participant with Ahlstrom-Munksjö still continues.

Fixed Matching Share Plan, Period 2020-2022

The Company announced on March 28, 2019 the Board of Directors' decision that The Fixed Matching Share Plan is from 2020 onwards based on a rolling structure and its first plan period covers the years 2020 - 2022. A precondition of an eligible individual's participation is a personal investment in Ahlstrom-Munksjö shares.

In the Matching Share Plan the participant will in the Spring 2023 receive one matching share (gross before the withholding of all applicable taxes) for each two invested shares free of charge after an approximately three-year restriction period in the spring 2023. A precondition for the receipt of the share reward was the continued holding of the invested shares and continued employment with Ahlstrom-Munksjö throughout the plan.

Remuneration of the CEO and Executive Management Team in 2020

Remuneration of the CEO and the Executive Management Team in 2020, EUR thousand	Fixed salary payments	Short term incentives and bonuses	Long-term incentives	Fringe benefits	Pension Costs	Total
CEO - Hans Sohlström	599,4	223,3	0,0	0,3	124,1	947
Executive Management Team	2 328,4	857,9	0,0	29,3	341,6	3 557
Total	2 928	1 081	0	30	466	4 504