

## **REMUNERATION REPORT FROM FINANCIAL YEAR 1 FEBRUARY 2017 - 31 JANUARY 2018**

This Remuneration report by Kotipizza Group Oyj is a description on remuneration in the company. The report is updated and revised so that the information it withholds is as up-to-date as possible. Due to its nature, some of the information from the previous financial year remains relevant in current reporting. The shareholders can use their right to ask questions about the Remuneration during the general meeting.

The report is drafted accordingly to recommendations of the Finnish listed companies' Corporate Governance Code (2015) prepared by the Securities Market Association. The Corporate Governance Code can be viewed for example on the Securities Market Association's website [www.cgfinland.fi](http://www.cgfinland.fi).

The goal of Kotipizza Group Oyj's reward system is to promote company's competitiveness and the economic success for a longer period of time, along with contributing to a favorable development of shareholder value. The Remuneration system is based on fixed and measurable achievement and result criteria.

### **I Decision-Making Procedure Concerning Remuneration**

Kotipizza Group Oyj's Annual General Meeting decides on the remuneration of the Board of Directors.

The Remuneration Committee of the Board of prepares general remuneration principles, short- and long-term incentive schemes and the remuneration policy of Kotipizza Group Oyj, which the Board of Directors approves. Based on the remuneration policy the Board of Directors appoints the CEO and approves his/her terms of employment and remuneration. Based on the remuneration policy the Board of Directors also appoints the members of Kotipizza Group Oyj's Management Team and decides on their salaries and other benefits.

According to Kotipizza Group Oyj's guidelines, all individual remuneration decisions have to be approved by applying the manager's manager principle.

### **II Main Principles of Remuneration at Kotipizza Group Oyj**

#### **Short-term incentive schemes**

The basis of remuneration at Kotipizza Group Oyj is a fixed base salary, in addition to which Kotipizza Group Oyj's management and most of the salaried employees are included in a discretionary annual performance bonus plan. The aim of the annual performance bonus plan is to reward the management and selected employees based on the achievement of pre-defined and measurable strategic targets. The Board of Directors ratifies the rules of the annual performance bonus plan, according to which possible bonuses are paid. Performance of Kotipizza Group Oyj, the CEO as well as Management Team members is evaluated by the Board of Directors.

The amount of the possible bonus payment is based on the achievement of the set financial performance targets, such as Kotipizza Group Oyj's financial result, strategic targets and/or development objectives set separately. Individual target bonus opportunity and maximum bonus opportunity are based on role responsibilities. Possible bonus payments can vary from zero payment to the pre-defined maximum bonus payment based on the achievement of targets set.

Performance and development discussions are an essential part of the performance bonus plan and performance management at Kotipizza Group Oyj. In these discussions, individual targets, their relative weighting and realisation of the previously agreed targets are reviewed.

### **Long-term incentive schemes**

Long-term incentive schemes are a part of the management remuneration at Kotipizza Group Oyj. The key aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Kotipizza Group Oyj's strategy. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of Kotipizza Group Oyj's shares.

### **Performance share plan 2016-2021**

The Board of Directors approved performance share plan for years 2016-2021 in its April 2016 meeting. The plan consists of three three-year performance periods (2016-2019, 2017-2020, 2018-2021). The plan has performance based share incentives for all performance periods as well as possible share ownership based incentives for performance period commencing on 2018. A person participating in the plan has the possibility to earn a reward only if his/her employment continues until the payment of the reward. After the shares have been allocated, they will be freely transferrable.

The potential reward of accumulation period 1 February 2016 - 31 January 2019 is based on the targets set for Kotipizza Group Oyj's chain sales average growth during a 3-year period, 50 % weight and comparable earnings per share growth during a 3-year period, 50 % weight. The reward is to be paid in Kotipizza Group Oyj's shares and as cash payment, which is intended to cover the taxes and tax-related costs arising from the reward. If all targets will be reached, the share award will in total correspond to a maximum of 47 204 performance shares during accumulation period 1 February 2016 - 31 January 2019. Any shares to be potentially rewarded are newly issued shares and therefore the plan has a diluting effect on the share value. In total, the plan covers 5 persons. Expenses related to share-based incentive plan have been 0 euros during the financial year which ended 31 January 2018 as no rewards have yet been paid based on the share-based incentive plan.

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potentially rewarded are newly issued shares and therefore the plan has a diluting effect on the share value. In total, the plan covers 5 persons. Expenses related to share-based incentive plan have been 0 euros during the financial year which ended 31 January 2018 as no rewards have yet been paid based on the share-based incentive plan.

Kotipizza Group Oyj monitors the achievement of targets set for rewards continuously. The growth of chain sales is monitored on a monthly basis and the development of comparable earnings per share is monitored on a quarterly basis. Based on this monitoring, the company allocates in its result per each quarter calculational funds for the payment of potential rewards. The Board of Directors evaluates whether the set targets have been met upon the preparation of financial statements. Potential rewards are paid out based on the Board of Directors' evaluation. Upon the preparation of quarterly interim reports, the Board of Directors is provided with information on the likelihood of targets being met in a given review period.

### **Board of Directors**

The fees of the Board of Directors of Kotipizza Group Oyj are paid in cash. The members of the Board of Directors of Kotipizza Group Oyj do not belong to share-based reward system of the company and none of the members of the Board of Directors have employment relationship with the company.

### **Committees**

The Board of Directors has an audit committee and a remuneration committee. The fees of committee members are paid in cash.

### **CEO**

The key conditions of Kotipizza Group Oyj's CEO Tommi Tervanen are stated in the written CEO agreement approved by the Board of Directors of Kotipizza Group Oyj.

Remuneration of the CEO comprises of a fixed monthly salary, fringe benefits as well an incentive scheme based on achieving the economic goals laid down by the Board of Directors. The incentive scheme is divided into an annual performance bonus part and a long term (three three-year accumulation periods) share based part. The maximum amount of the CEO's annual performance bonus can be at the most 50 % of the fixed yearly salary. During the financial year which ended 31 January 2018, 50 % of the annual performance bonus opportunity was tied to Kotipizza Group Oyj's chain sales growth and 50 % to comparable EBITDA growth. During the accumulation period 1 February 2016 - 31 January 2019 the share based performance bonus can be at the most 13 816 shares. The criteria of the share based performance bonus for accumulation period 1 February 2016 - 31 January 2019 is based on the targets set for Kotipizza Group Oyj's chain sales average growth during a 3-year period, 50 % weight and comparable earnings per share growth during a 3-year period, 50 % weight. During the accumulation period 1 February 2017 - 31 January 2020 the share based performance bonus can be at the most 10 322 shares. The criteria of the share based performance bonus for accumulation period 1 February 2017 - 31 January 2020 is based on the targets set for Kotipizza Group Oyj's chain sales average growth during a 3-year period, 50 % weight and comparable earnings per share growth during a 3-year period, 50 % weight. These criteria are in line with Kotipizza Group Oyj's strategic targets.

The performance, i.e. achievement of set targets, is monitored continuously. The growth of chain sales is monitored on a monthly basis and the development of comparable earnings per share is monitored on a quarterly basis. Overall, the achievement of set targets is monitored yearly and the Board of Directors can make changes in the targets.

### **Management Team**

The remuneration of the Management Team members comprises of a fixed monthly salary and fringe benefits as well as an incentive scheme. The incentive scheme is divided into an annual performance bonus part and a long term (three three-year accumulation periods) share based part. The maximum amount of each Management Team member's annual performance bonus can be at the most 50 % of the fixed yearly salary. During the financial year which ended 31 January 2018, 50 % of the annual performance bonus opportunity was tied to Kotipizza Group Oyj's chain sales growth and 50 % to comparable EBITDA growth. The criteria of the share based performance bonus for accumulation period 1 February 2016 - 31 January 2019 is based on the targets set for Kotipizza Group Oyj's chain sales average growth during a 3-year period, 50 % weight and comparable earnings per share growth during a 3-year period, 50 % weight. The criteria of the share based performance bonus for accumulation period 1 February 2017 - 31 January 2020 is based on the targets set for Kotipizza Group Oyj's chain sales average growth during a 3-year period, 50 % weight and comparable earnings per share growth during a 3-year period, 50 % weight. These criteria are in line with Kotipizza Group Oyj's strategic targets. The performance is monitored yearly and the Board of Directors can change the targets.

The notice period is four to six months, and they are entitled to the salary for the notice period in accordance with the director contract, if dismissed by Kotipizza Group Oyj.

### **Auditor**

Ernst & Young Oy, firm of authorised public accountants, has served as Kotipizza Group Oyj's auditor for the financial year ending 31 January 2018. An authorised public accountant, Antti Suominen, has been the chief auditor. The auditor's fee is paid annually, in accordance with the Annual General Meeting's decision.

## **III Remuneration Report**

### **Board of Directors**

The General Meeting of Shareholders on 17 May 2017 resolved that the Chairman of the Board of Directors will be paid a monthly fee of EUR 3,500 and other Members of the Board of Directors a monthly fee of EUR 2,000. The Members of the Board of Directors are not paid separate compensation for attending meetings.

During the financial year which ended 31 January 2018, the fees paid to the members of Kotipizza Group Oyj's Board of Directors were following:

Kalle Ruuskanen, Chairman of the Board of Directors since 17 May 2017	36 714,29 euros
Kim Hanslin, member of the Board of Directors	24.000 euros

Minna Nissinen, member of the Board of Directors	24.000 euros
Petri Parvinen, member of the Board of Directors	24.000 euros
Dan Castillo, member of the Board of Directors since 17 May 2017	17 000 euros
Virpi Holmqvist, member of the Board of Directors until 17 May 2017	17 000 euros
Johan Wentzel, Chairman of the Board of Directors until 17 May 2017	1 761,90 euros
Marjatta Rytömaa, member of the Board of Directors until 17 May 2017	1 761,90 euros

The members of the Board of Directors have not been given any shares of the company or other share-based entitlements during the financial year which ended 31 January 2018.

### **Committees**

The General Meeting of Shareholders on 17 May 2017 resolved that the Chairmen of the committees will be paid a fee of EUR 400 per meeting and other Members of the committees a fee of EUR 400 per meeting.

During the financial year which ended 31 January 2018, the fees paid to the members of Kotipizza Group Oyj's Board of Directors for committee work were following:

Kalle Ruuskanen, Chairman of the remuneration committee	800 euros
Petri Parvinen, member of the remuneration committee	400 euros
Dan Castillo, member of the remuneration committee	200 euros
Minna Nissinen, Chairman of the audit committee	800 euros
Kim Hanslin, member of the audit committee	400 euros
Virpi Holmqvist, member of the Board audit committee	400 euros

For the avoidance of doubt, it is stated that during financial year commencing on 1 February 2018 the members of Kotipizza Group Oyj's Board of Directors will be paid fees for committee work from financial year ending on 31 January 2018.

### **CEO**

Kotipizza Group Oyj's CEO was paid 337 536,70 euros during the financial year which ended 31 January 2018 of this 224 151,70 euros was fixed monthly salary, 24 660,00 euros was fringe benefits, 88 725,00 euros was performance bonus. The CEO was not given any shares of the company or other share-based entitlements. For the avoidance of doubt, it is stated that during financial year commencing on 1 February 2018 the CEO will be paid performance bonus from financial year ending on 31 January 2018.

The contractual retirement age of Kotipizza Group Oyj's CEO is 63 years. He does belong to the Finnish statutory pension system.

Kotipizza Group Oyj's CEO has a twelve-month notice period. The CEO is entitled to a compensation corresponding to his salary for twelve months, if he is dismissed by Kotipizza Group Oyj.

## **Management Team**

Kotipizza Group Oyj's Management Team (excluding CEO) was paid 581 739,20 euros during the financial year which ended 31 January 2018 of this 396 125,40 euros was fixed monthly salary, 44 890,80 euros was fringe benefits, 140 723 euros was performance bonus. The Management Team was not given any shares of the company or other share-based entitlements. For the avoidance of doubt, it is stated that during financial year commencing on 1 February 2018 the Management Team will be paid performance bonus from financial year ending on 31 January 2018.

## **Auditor**

Ernst & Young Oy, firm of authorised public accountants, has served as Kotipizza Group Oyj's auditor for the financial year ending 31 January 2018. An authorised public accountant, Antti Suominen, has been the chief auditor.

Kotipizza Group Oyj's Auditor was all in all paid 89 400,00 euros in auditing fees and 35 533,54 euros in consultancy fees during the financial year which ended 31 January 2018.