

POSTI GROUP CORPORATION

Remuneration Statement 2017

LETTER FROM THE CHAIR OF THE PERSONNEL COMMITTEE

Our approach

Posti Group Corporation ("Posti") remuneration policy is designed to support the achievement of our strategic goals and reward for proven results and excellent performance delivered in line with the Group's strategy, culture and values.

The policy supports the Group in attracting, keeping and motivating the best possible talents to deliver the development and results of the Posti Group. The policy covers the top executives as well as all employees of Posti Group. All should feel part of Posti's success and achievements.

Our decision-making process

The Personnel Committee is responsible for planning the remuneration of the Posti Group Executive Board members and setting the principles for pay arrangements covering all Posti personnel. The Board of Directors determines the remuneration of the CEO and other members of the Executive Board based on the proposals of the Personnel Committee. Remuneration of the Board of Directors and of the Supervisory Board is decided by the AGM.



Rewarding for performance

The CEO and other members of the Executive Board participate in a short-term bonus plan and a separate long-term incentive scheme.

Bonuses for performance in 2016 (which were paid in April 2017) were based on Group's financial performance (net sales and adjusted EBIT) and performance against individual strategic targets. Due to the strong performance of Posti in 2016, the CEO received a bonus of 45% of salary and the average bonus for the other Executive Board members was 41% of salary.

Bonuses for performance in 2017 (to be paid in April 2018) were based on Group's financial performance (net sales and adjusted EBIT) and performance against individual strategic targets, supporting our strategy of maintaining good profitability and delivering growth through new services. Based on performance against the targets set, bonuses for 2017 ranged 15.65% to 40.20% of salary for the CEO and Executive Board members.

The long-term incentive plan, LTI8 was based on Posti Group's average return on invested capital (ROIC) percentage over the three-year period to 31 December 2016. Average ROIC was 3.6% which was between the minimum and target performance hurdles. The award vested at 22% of the maximum and will be paid in three tranches (40% in 2017, 30% in 2018 and 30% in 2019). The first tranche was paid in March 2017.

The long-term incentive plan, LTI 9, was based on profitability (ROCE %) and growth (net sales) performance in each year of the three-year performance period, 2015 to 2017. Overall, the plan vested at 43% of maximum amount for the CEO and Executive Board members, to be paid over 2018, 2019 and 2020.

Remuneration policy for 2018 and beyond

During 2017, the Personnel Committee undertook a review of the remuneration policy and recommended to the Board of Directors changes to performance measures and weightings used in the short-term bonus plan and long-term incentive plan to ensure that the plans continue to support and align with the strategic priorities of the Posti. Namely, the Committee proposed an introduction of a free cash flow measure to the short-term bonus plan. The phased payment approach under the long-term incentive plan has been removed for the 2018 award cycle onwards. No changes were made to the maximum limits under either plan. The changes were approved by the Board of Directors.

The Personnel Committee also reviewed the approach to reward and recognition for all Posti personnel and approved for year 2018 the replacement of the existing profit sharing scheme with a targeted reward and recognition program for employees who demonstrate excellent performance in customer service, operation performance or safety at work.

Posti is going through a period of significant change as we position the business for the future. Posti's Board of Directors has approved Posti's strategy and financial targets for the years 2018–2020. As the company adapts, we need to ensure that our remuneration policies continue to support chosen strategic focus areas as well as evolve and adapt to suit the changing needs of the business. However, our key principles of rewarding for excellent performance delivered in line with our culture and values remain unchanged and lie at the core of our approach.

Markku Pohjola

Chair of the Personnel Committee

REMUNERATION POLICY FOR THE EXECUTIVE BOARD

Remuneration philosophy, policy and approach

The success of Posti Group is highly dependent on capable, performance oriented and motivated executives and employees. Our remuneration philosophy aims to ensure that the remuneration policy is aligned with and supports the strategic agenda of the company and its target corporate culture. The remuneration philosophy supports the company in attracting, keeping and motivating the best possible individuals to deliver the targeted development and results of the Group.

The remuneration policy establishes the idea of this philosophy into the principles and practices of remuneration. Remuneration is not the only means to this end and is part of a series of management practices such as performance appraisals, job rotation, successor planning and furthering of individual development of employees. The remuneration policy covers the top executives as well as all employees of Posti. All should feel part of Posti's success and achievements.

Posti's remuneration policy and general compensation and benefits practices direct remuneration at Posti. The Board of Directors and the Personnel Committee are involved in the preparation and decision making regarding remuneration.

The purpose of our reward programs is to create a clear link between business performance, individual performance and individual remuneration. The programs recognize and reward high performance which is delivered in line with company strategy, culture and values. The reward programs contribute to business success by ensuring that the remuneration of employees and senior leaders is market competitive, making it possible to attract and retain the best talent.

A consistent, reasonable and understandable remuneration policy contributes to a positive employer brand creation and is valued by employees. Posti endorses transparency, fairness and diversity in all reward programs and in order to support successful implementation of company strategy, it is essential to maintain balance between market competitiveness and total cost of remuneration.

Posti complies with the state-ownership guidelines concerning the remuneration and pension benefits of executive management.

Structure of remuneration for the Executive Board

The remuneration packages for the President and CEO, Executive Board and other key individuals contain the following key elements:

ELEMENT	PURPOSE	STRUCTURE	MAXIMUM LIMITS
Salary	Salary is the fixed compensation paid to an employee for performing specific job responsibilities.	Total salary includes monthly salary, benefits and holiday pay. Benefits for the CEO include medical expense, risk and life insurance, car and mobile phone in accordance with the Group policy.	Salary and benefits are reviewed annually.
Short-term bonus	The short-term bonus scheme is a cash-based incentive scheme which rewards for the achievement of Posti's strategic priorities and short-term business plan. The annual bonus rewards both individual and collective performance. Around 1800 employees, including the Executive Board, participate in the annual bonus scheme.	The short-term bonus targets for the CEO and other members of the Executive Board are based on Group financial targets (including business level targets where appropriate) and individual strategic projects as determined by the Board of Directors. The maximum weighting on individual strategic projects is 20%.	The on-target bonus opportunity is 30% of salary (reduced from 40% in 2016). Bonuses are capped at 60% of salary.
Long-term incentive	The long-term incentive (LTI) program supports the delivery of long-term performance and aligns the interests of management with the shareholder. The long-term incentive plan is a monetary incentive scheme designed to motivate and reward key employees who are critical to the company's success. The Board of Directors approves the key employees entitled to participate in the long-term incentive plan (participation is discretionary with no automatic entitlement from year to year). Around 95 executives and key individuals participate in the long-term incentive scheme.	The long-term incentive plans is based on Group performance, measured over three financial years. For awards with performance periods ending in 2017 and before (i.e. LTI9 and prior), any reward earned is paid in installments over the following three years. For awards with performance periods starting in 2018 and beyond (e.g. LTI10), any reward earned will be paid in one installment at the end of performance period*.	Awards are capped at 60% of salary for the CEO and other members of the Executive Board.
Pension	To provide appropriate retirement benefits for employees.	Executive Board members nominated prior 2012 belong to a defined contribution pension plan. Executive Board members nominated after 2012, including the CEO, have no supplementary pension plan arrangements. They participate solely in the statutory pension arrangements as set out by TyEL legislation.	In line with statutory limits, or, in the case of the defined contribution pension plan, annual contributions are capped at 20% of salary.

Contractual arrangements for the President & CEO

The mutual termination notice period is six months. The CEO is entitled to an additional severance pay of six months' salary in case the company terminates his service.

The reward approach for other Posti employees

Fixed pay

Salary includes fringe benefits such as mobile phone and car benefits in roles eligible for defined benefits as per the company policy.

Posti follows local legislation and practices when defining salary levels. In Finland salaries are for the most part defined in their respective collective agreements. Outside Finland, Posti follows the pay practices and collective agreements of each country of operation.

Participation in market salary surveys ensures company salary levels are competitive when compared to relevant market.

Benefits

Benefits include programs that are used to supplement cash compensation. Company benefits vary by country to ensure competitiveness and local alignment in each market. In Finland benefit programs include mobile phone benefit, car benefit, extensive occupational healthcare coverage, subsidy for exercise services and lunch costs as well as company owned holiday accommodation. Posti Työhyvinvointisäätiö supports wellbeing at work through pilot projects and by arranging employee well-being events in Finland.

Pension

Pension benefits are arranged per local national requirements and practices.

Variable pay

Variable pay links company success and an individual's performance providing an incentive to work towards commonly agreed targets. In addition to the senior management scheme set out above, company short-term incentive plans include employees from different operational management and specialist roles in accordance with the company policy. At the target level, the short-term variable pay for other eligible employees ranges from 3.5–30% of base salary.

Recognition

Posti has a recognition model available to all personnel. In addition to non-monetary awards, a formal cash based achievement award program provides a quick, easy and practical tool to recognize excellent customer service, exceptional effort or improvement in performance. Receiving specific and meaningful recognition is an important employee engagement driver. Recognition takes place throughout the year on an as-needed basis.

REMUNERATION STATEMENT

Remuneration to the President and CEO and the Executive Board

The table below shows the total salary, Supplementary pension contribution, short term bonuses and long-term incentives, paid to the President and CEO and the Executive Board during 2017. Total salary includes fringe benefits and holiday pay.

	Total salary		Supplementary pension contribution		Short-term bonus		Long-term incentives		Total	
	2017	2016	2017	2016	2017 ¹	2016	2017 ²	2016	2017	2016
President and CEO	544,367	543,590	0	0	221,400	125,312	16,427	0	782,194	668,902
Other members of Executive Board ³	2,402,487	1,803,029	154,980	149,800	612,518	449,269	41,558	0	3,211,543	2,402,098
Total	2,946,854	2,346,619	154,980	149,800	833,918	574,581	57,985	0	3,993,737	3,071,000

¹ Short-term bonus paid in 2017 relating to 2016 performance

² Long-term incentive payments in 2017 relating to performance in 2014-2016 (LT18).

³ At 31.12.2016 Executive Board composed of 8 members. Turkka Kuusisto has been member of Executive Board since August 1, 2016. At 31.12.2017 Executive Board composed of 10 members.

Executive Board members nominated prior 2012 belong to a defined contribution pension plan. Executive Board members nominated after 2012, including the CEO, have no supplementary pension plan arrangements).

Short-term bonus

The short-term bonus is linked to company and individual performance. The maximum incentive opportunity is 60% of salary.

2016 short-term bonus (paid in 2017)

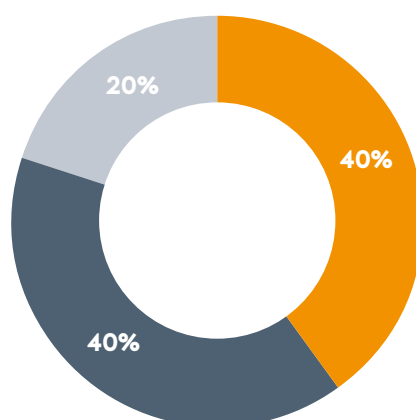
The short-term bonus for 2016 was based on the following measures:

Strategic targets

Targets tailored to each executive's area of responsibility, typically projects linked to the delivery of Posti strategy.

Group adjusted EBIT

2016 result: €46m
Outcome: above target



Group net sales

2016 result: €1,606m
Outcome: between threshold and target

The on-target opportunity was 40% of salary in 2016. The bonus paid to the CEO for 2016 performance was 45% of salary. The average bonus for the other Executive Board members was 41% of salary. The bonuses were paid in April 2017.

2017 short-term bonus (paid in 2018)

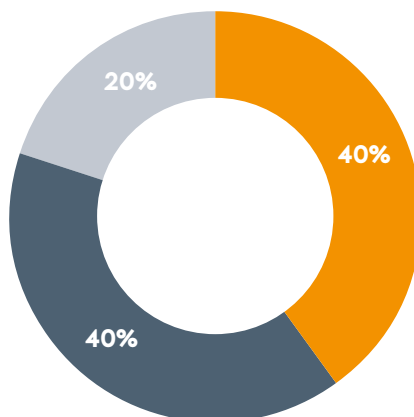
The on-target bonus opportunity for 2017 was 30% of salary (reduced from 40% in 2016). The bonus for 2017 was based on:

Strategic targets

Targets tailored to each executive's area of responsibility, linked to the delivery of Posti strategy.

Group adjusted EBIT

2017 result: €42,4m
Outcome: between threshold and target



Group comparable net sales

2017 result: €1,658m
Outcome: between target and maximum

The bonus to be paid the CEO for 2017 performance is 16.79% of salary. The average bonus for the other Executive Board members is 19.46% of salary. The bonuses will be paid in April 2018.

2018 short-term bonus

The bonus for 2018 will be based 40% on Adjusted Group EBIT, 30% on adjusted free cash flow, 15% on net sales and 15% on individual strategic targets. The weighting of targets aligns the bonus plan our key strategic priorities.

Long-term Incentives

The long-term incentive plan is a cash-based scheme designed to motivate and reward key employees who are critical to the company's success. The plan is based on group level performance.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
LTI7 2013–2015	Performance period			Payment period						
LTI8 2014–2016		Performance period			Payment period					
LTI9 2015–2017			Performance period			Payment period				

	Performance measures	Maximum opportunity	Outcome	Payment as % maximum
LTI7 2013–2015	Profitability (ROIC %)	40% of participant's one-year salary	Below the minimum threshold	0%
LTI8 2014–2016	Profitability (ROIC %)	40% of participant's one-year salary	Between threshold and target	22%
LTI9 2015–2017	80% profitability (ROCE %) and 20% growth (net sales)	40%–60% of participant's one-year salary	At target	47%

LTI8 (2014–2016)

LTI8 was based on Posti's average return on invested capital (ROIC) percentage over the three-year period to 31 December 2016. Average ROIC was 3.6% which was between the minimum and target performance hurdles. The award vested at 22% of the maximum and will be paid in three tranches (40% in 2017, 30% in 2018 and 30% in 2019). The first tranche was paid in March 2017.

LTI9 (2015–2017)

LTI9 was based 80% on Posti's return on capital employed (ROCE) percentage and 20% on Posti Group's net sales growth. Performance was assessed annually at the end of each year in the three-year performance period. The award out-turn for LTI9 was as follows:

LTI9

Performance measure	Weight	Year	Result	Outcome	Payment Year
Posti Group's ROCE%	80%	2015	5.4%	Above target	2018
Posti Group's net sales	20%		€1,626m	Between threshold and target	
Posti Group's ROCE%	80%	2016	5.6%	Between threshold and target	2019
Posti Group's net sales	20%		€1,606m	Between threshold and target	
Posti Group's ROCE%	80%	2017	-5.5%	Below threshold	2020
Posti Group's comparable net sales	20%		€1,658m	Between target and maximum	

Overall, the award vested at 47% of the maximum and will be paid in tranches in 2018, 2019 and 2020.

Supervisory Board Remuneration

Posti has a governance model, by which the management of Posti is the responsibility of the General Meeting of Shareholders, the Board of Directors and the President & CEO. In addition, the management of the company is supervised by the Supervisory Board. The Supervisory Board's key duties are overseeing that the company is managed according to law and the byelaws, providing the Board with guidance on issues of broad implication, monitoring the functionality of postal services and providing the Annual General Meeting (AGM) with a statement regarding the financial statements and the auditor's report.

The remuneration of the Supervisory Board is approved annually at the AGM. Supervisory Board members receive a fixed fee based on meeting attendance. Meeting compensation in euro payable to Supervisory Board members determined at the AGM in 2017 was:

- Chair of the Supervisory Board EUR 800 per meeting;
- Deputy Chair of the Supervisory Board EUR 600 per meeting; and
- Member EUR 500 per meeting.

Supervisory Board members do not receive other benefits from Posti.

Supervisory Board members' attendance in meetings and remuneration paid in 2017 (actual), EUR

Member	Attendance	Remuneration
Markku Rossi (Chair)	4/4	3,200
Jani Toivola (Deputy Chair)	2/4	1,200
Maria Guzenina	3/4	1,500
Rami Lehto	3/4	1,500
Eeva-Maria Maijala	4/4	2,000
Sari Moisanen	2/4	1,000
Mats Nylund	4/4	2,000
Juha Pylväs	4/4	2,000
Sari Raassina	3/4	1,500
Lulu Ranne	4/4	2,000
Satu Taavitsainen	2/4	1,000
Kari Tolvanen	4/4	2,000

Board of Directors Remuneration

The Board of Directors is responsible for the management of the company and the proper organization of its operations. Remuneration for the Board of Directors is approved annually at the AGM. The Board members receive a monthly fee (based on their role) and an additional meeting attendance fee. The fee structure for the Board of Directors has remained unchanged since 2010.

Remuneration in euro payable to Board members determined at the 2017 AGM

	Remuneration / month	Fee / meeting
Chair of the Board of Directors	3,650	600
Deputy Chair of the Board of Directors	2,350	600
Member of the Board of Directors	2,100	600
Member of the Committee	-	600

Board members' attendance in meetings and remuneration paid in 2017 (actual), EUR

Member and Committee	Member and Committee Attendance: Board of Directors	Attendance: Committee	Monthly remuneration, total	Meeting fees: Board of Directors	Meeting fees: Committee	Total
Markku Pohjola (Chair) (as from March 27, 2017) Personnel Committee (Chair) (as from April 12, 2017)	12/12	5/5	33,438	7,200	3,000	44,238
Suvi-Anne Siimes (Deputy Chair) Audit Committee (until April 12, 2017) Personnel Committee (as from April 12, 2017)	16/16	7/8	27,490	9,600	4,200	41,890
Eero Hautaniemi (as from March 27, 2017) Audit Committee (as from April 12, 2017)	9/12	5/5	19,238	5,400	3,000	27,638
Petri Järvinen Personnel Committee (until April 12, 2017) Audit Committee (as from April 12, 2017)	16/16	8/8	25,200	9,600	4,800	40,200
Petri Kokko Personnel Committee	14/16	7/8	25,200	8,400	4,200	38,400
Kirsi Nuotto Personnel Committee	16/16	8/8	25,200	9,600	4,800	40,200
Marja Pokela Audit Committee	16/16	8/8	25,200	9,600	4,800	40,200
Arja Talma Audit Committee (Chair)	16/16	8/8	25,200	9,600	4,800	39,600
Arto Hiltunen (Chair) (Until March 27, 2017) Personnel Committee (Chair)	4/4	3/3	10,479	2,400	1,800	14,679

In addition to the regular Board meetings, in 2017 the Board and the Supervisory Board had a joint meeting in connection with one of the regular Supervisory Board meetings.

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