# Kemira Oyj remuneration policy for the governing bodies

**Approved by the Board of Directors on December 17, 2019**

**Presented to the Annual General Meeting of Shareholders on May 5, 2020**

## 1. Purpose

The purpose of this Remuneration Policy is to provide a framework for the remuneration of the governing bodies of Kemira, and to provide investors with information about the remuneration of Kemira's governing bodies. This Policy describes the remuneration as required by Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association.

## 2. Scope

This Policy applies to the remuneration of the members of Board of Directors **("Board")**, the managing director (i.e., President & CEO) **("CEO")**, and the deputy managing director of Kemira Oyj.

## 3. Key remuneration principles

The remuneration at Kemira is designed to drive the company's long-term financial success, business strategy and positive development of the shareholder value.

**Kemira's key remuneration principles are:**

- **Pay-for-performance** is Kemira's main principle in remuneration. Kemira acknowledges and rewards good performance and achievements. Kemira strives to establish a clear link between the company and employee performance and success.
- **Competitive, market driven** remuneration ensures that Kemira can attract, motivate and retain the best employees for Kemira. Kemira regularly benchmarks its remuneration against the relevant geographic and industrial markets.

- **Effective communication** of remuneration principles and programs ensures transparency both internally and externally. Reward principles and programs are communicated to employees and external stakeholders.
- **Compliance** with local laws and Kemira's internal remuneration approval principles is a prerequisite for remuneration at Kemira. Kemira has implemented internal controls to ensure compliance.

These key remuneration principles are applied to the CEO as well as all Kemira employees.

## 4. Decision-making procedure

The General Meeting decides on the remuneration of the Board. The Nomination Board, consisting of the representatives of the four largest shareholders of Kemira Oyj, annually prepares a proposal for the next General Meeting concerning the composition and remuneration of the Board.

The Board decides the salaries, other remuneration, and the terms of service of the CEO based on the proposal by the Personnel and Remuneration Committee **("Committee")**. The Board may delegate its decision- making authority to the Committee. To avoid conflicts of interest, the majority of the Committee members must be independent of the company, and the CEO or any member of the Management Board of Kemira may not be a member of the Committee. The CEO is not involved in the decision-making process of his or her remuneration.

The Committee has prepared this Policy for the Board's approval.

Incentive plans involving a share issue, an issue of option rights or special rights entitling one to shares must be based on a share issue approval by the General Meeting or an authorization by the General Meeting to the Board to decide on the share issue.

## 5. Remuneration of the Board

Kemira operates globally in competitive markets. To ensure the long-term success of the company, the members of the Board should have diverse and strong expertise. The remuneration of the Board aims to be competitive, helping Kemira to attract and retain the suitable capabilities to the Board.

The General Meeting may, at its discretion, decide to remunerate the Board with one or more types of remuneration, such as cash and shares.

The level of remuneration may vary according to the amount of work required from each member, taking into account their positions as the Chairman or the Vice Chairman and their role in the Board committees.

## 6. Remuneration of the CEO

### 6.1 Remuneration approach and elements

Kemira follows a total remuneration approach which aims to increase the long-term Kemira shareholder value by aligning the interest of the CEO and the shareholders. To ensure this alignment, the weighting of variable pay, and especially long-term incentive plans in the CEO's total remuneration opportunity is substantial.

Kemira aims to offer a competitive total remuneration to ensure that it can attract and retain the best CEO for the company. The competitiveness of the total remuneration is ensured through external comparisons that take into consideration the market conditions. The following remuneration elements may be included in the remuneration of the CEO:

| ELEMENT | OBJECTIVE | DESCRIPTION |
|---|---|---|
| **Base salary and benefits** | To attract and retain the best CEO for the company. | Base salary is defined based on a variety of factors. It is set to be competitive compared to the market and the individual's competencies and experience.<br><br>The benefits may vary based on the home country of the CEO. The CEO is entitled to company prevailing benefits. |
| **Insurances** | To complement the base salary and benefits in accordance with normal market practice. | The CEO may be entitled to insurances, such as life and permanent disability, private accident, business travel, and directors' and officers' liability. The CEO typically participates in the company sickness fund or other equivalent arrangement based on the country practice. |
| **Supplementary pension** | To provide a competitive level of retirement income. | The CEO may be entitled to a supplementary defined contribution pension plan in accordance with the market practice. |
| **Short-term incentives** | To drive the annual objectives and priorities of the company, ensuring alignment with the company strategy and the shareholders' interests. | The CEO may be entitled to a short-term incentive plan.<br><br>The criteria for the short-term incentive plan is decided annually by the Board. The short-term incentive plan criteria typically include both financial and non-financial objectives. The performance period is typically one financial year. |
| **Long-term incentives** | To combine the interests of the shareholders and the CEO in order to increase the value of Kemira and to commit the CEO to Kemira. | The CEO may be entitled to a long-term incentive plan, which is typically share-based.<br><br>The criteria and other terms, including possible vesting periods of the long-term incentive plan are decided by the Board for each performance period separately. The criteria for the long-term incentive plan typically include financial and/or strategic objectives. The vesting periods of the long term-incentive plans are at least three years, while the performance periods may be less.<br><br>The long-term incentive plan terms and conditions contain a share ownership recommendation. |
| **One-time payments** | To ensure company's interests in special circumstances. | For example, a sign-in bonus in the beginning of the service term or severance payment at the end of the service term. |

At target performance, the majority of the CEO's remuneration typically consists of incentive plan rewards where remuneration is earned based on performance. A long-term performance-related pay opportunity shall form the majority of the incentive pay opportunity for the CEO.

**6.2 Term and termination of the service contract**

The service contract of the CEO is made for an indefinite period up until the agreed retirement age. The termination notice period, if any, and the severance payment, if any, are aligned with the market practices. The notice period and the severance payment are determined by the Board and agreed between the company and the CEO in his/her service contract. Upon termination of the service contract, the Board may exercise its discretion regarding potential partial or full payment of granted short-term and/or long-term incentive rewards. Potential rewards may be paid during the year of departure or later. In addition, the Board may set conditions for the reward payout.

**6.3 Remuneration of the deputy managing director**

The position of the deputy managing director is held as a *secondary* position by a senior executive of the company appointed by the Board. Due to the secondary nature of the position, the company does not pay remuneration for holding this position. The deputy receives the remuneration that he/she receives based on his/her primary position in the company's organization.

In the event that the CEO is hindered to perform his/her duties other than temporarily and, as a result, the deputy managing director or any other person assumes the duties of an interim CEO, the Board may decide to remunerate the interim CEO in the same way as the CEO as described in this Policy.

**6.4 Terms and conditions for deferral of payment and possible clawback of variable remuneration**

The Board has the right to fully or partially cancel or reclaim the variable remuneration of the CEO payable under the incentive plans in case of:

- manipulation of the results of the plan's criteria or performance levels,
- violation of law or Kemira's Code of Conduct or other unethical behavior,
- action against Kemira's business interest or violation of criminal or employment laws,
- restatement of Kemira Group's financial statements which affects the amount of the reward, and
- other circumstances decided by the Board and set out in the terms of the incentive plans.

**7. Conditions for temporary derogation from this Policy**

Kemira may exceptionally temporarily derogate from this Policy provided that the derogation is necessary to secure the long-term interests of the company. Such interests may include, for example, the long-term financial success and competitiveness of the company and the development of the shareholder value.

The derogation is possible if the core business conditions of the company have changed after the General Meeting where this policy was presented to the shareholders, for example, due to:

- a change of the CEO,
- material merger, acquisition, demerger or other corporate restructuring involving Kemira Oyj or a significant part of Kemira group of companies,
- material regulatory changes, such as taxation,
- a material change of Kemira's business strategy, financial position, or market conditions.

The company may deviate from the substantive provisions of this policy governing the remuneration elements, terms and conditions of the service contract or the short- and long-term incentive plans applicable to the CEO. The company may not deviate from the provisions governing the decision-making procedures.

To the extent of the derogation concerning the CEO, the derogation must be prepared by the Committee and approved by the Board. To the extent of the derogation concerning the Board, the derogation must be approved by the General Meeting.

If the derogation from this Policy is expected to continue longer than on a temporary basis, the company shall prepare an updated policy to be discussed at the next Annual General Meeting.

## 8. Validity

This Policy has been approved by Kemira Oyj Board on December 17, 2019 and enters into force on January 1, 2020. This Policy is presented to the Annual General Meeting of Shareholders of Kemira Oyj on March 25, 2020. This Policy shall be reviewed and, if necessary, revised by December 31, 2023 at the latest and presented to the Annual General Meeting in 2024 at the latest.