

# Alma Media Corporation: Salary and Remuneration Report

2013



Alma Media applies the Finnish Corporate Governance Code for listed companies, issued by the Securities Market Association on June 15, 2010 and valid as of October 1, 2010, in its unaltered form. This remuneration statement has been prepared in accordance with Section 7 (Remuneration), Recommendation 47. The Finnish Corporate Governance Code for listed companies can be reviewed on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi) or via a link provided on this page.

## Salary and remuneration report

### Remuneration of the members of the Board of Directors

The Annual General Meeting of Alma Media Corporation decides on the remuneration of the Board members, based on a proposal prepared by the Nomination and Compensation Committee of the Board of Directors.

As decided by Alma Media's ordinary Annual General Meeting of 2013, the following fees are paid to the Board members for their work in the Board of Directors and in its Committees: The Chairman of the Board shall be paid an annual fee of EUR 33,000, the Deputy Chairman EUR 27,000 and ordinary members EUR 22,000. In addition, the chairmen of the Board and the Committees will be paid a fee of EUR 1,000, the deputy chairmen EUR 700 and ordinary members EUR 500 for each Board and committee meeting they attend. Additionally, travel expenses will be compensated according to the company's travel policy.

The annual fees for the members of the Board are to be paid in Alma Media Corporation shares in the following manner: the member acquires a number of shares corresponding to approximately 40% of the full amount of the annual remuneration, taking into account tax deduction at source, at the public trading price. The Member of the Board has been obligated to arrange the acquisition of the shares within two weeks of the release of the January-March interim report or, if this has not been possible because of insider trading regulations, at the earliest possible time thereafter. If it has not been possible to acquire the shares by the end of 2013 because of pending insider transactions, the remuneration will be paid in cash. Shares thus acquired may not be transferred until the recipient's membership in the Board has ended.

The members of the Board of Directors were paid the following fees (EUR) for work in the Board and its committees in 2013, with comparison data from the previous financial period:

| Year | Name                           | Position        | Board meetings |  |              | Audit Committee | Nomination and Compensation Committee | Fees total |
|------|--------------------------------|-----------------|----------------|--|--------------|-----------------|---------------------------------------|------------|
|      |                                |                 | Annual fee     | Annual fee paid in shares, no. of shares * | Meeting fees |                 |                                       |            |
| 2013 | Seppo Paatelainen              | Chairman 1)     | -              | -  | 3,000        | -               | 2,000                                 | 5,000      |
| 2012 |                                | Chairman        | 33,000         | 2,234                                      | 11,000       | -               | 7,000                                 | 51,000     |
| 2013 | Harri Suutari                  | Chairman 2)     | 33,000         | 4,585                                      | 14,500       | 1,000           | -                                     | 48,500     |
| 2012 |                                | Member          | 22,000         | 1,489                                      | 5,500        | 6,000           | -                                     | 33,500     |
| 2013 | Petri Niemisvirta              | Deputy Chairman | 27,000         | 3,292                                      | 11,200       | -               | 3,500                                 | 41,700     |
| 2012 |                                | Deputy Chairman | 27,000         | 1,828                                      | 7,700        | -               | 4,900                                 | 39,600     |
| 2013 | Timo Aukia                     | Member          | 22,000         | 2,682                                      | 8,000        | 500             | 4,000                                 | 34,500     |
| 2012 |                                | Member          | 22,000         | 1,489                                      | 5,500        | 3,000           | -                                     | 30,500     |
| 2013 | Niklas Herlin 3)               | Member          | 22,000         | 2,682                                      | 6,000        | -               | -                                     | 28,000     |
| 2013 | Perttu Rinta 3)                | Member          | 22,000         | 2,682                                      | 6,000        | 1,500           | -                                     | 29,500     |
| 2013 | Kai Seikku                     | Member          | 22,000         | 2,682                                      | 8,000        | 6,500           | -                                     | 36,500     |
| 2012 |                                | Member          | 22,000         | 1,489                                      | 5,000        | 2,500           | -                                     | 29,500     |
| 2013 | Erkki Solja                    | Member          | 22,000         | -  | -            | -               | -                                     | -          |
| 2012 |                                | Member          | 22,000         | 1,489                                      | 5,500        | -               | 3,500                                 | 31,000     |
| 2013 | Catharina Stackelberg-Hammarén | Member          | 22,000         | 2,682                                      | 8,000        | 3,500           | -                                     | 33,500     |
| 2012 |                                | Member          | 22,000         | 1,489                                      | 5,500        | 3,000           | -                                     | 30,500     |

1) Chairman until 14 March 2013

2) Chairman as of 14 March 2013

3) Member of the Board as of 14 March 2013

\* The number of shares corresponds to approximately 40% of the full amount of the annual fee after taxation

In financial year 2013, the fees paid on accrual basis to the Board members totalled EUR 289,700.

Members of the Board of Directors of Alma Media Corporation do not have an employment relationship with the company. They are not included in the option programmes, share-based incentive plans or other incentive systems of Alma Media and have not received any other financial benefits.

### Remuneration of the President and CEO and the top management

The Board of Directors of Alma Media Corporation decides on the remuneration and reward system of the President and CEO of the parent company and his/her direct subordinates, based on a proposal prepared by the Nomination and Compensation Committee of the Board.

The reward system for the President and CEO of Alma Media Corporation, as well as the Group's top management, consists of a fixed salary (monthly salary), fringe benefits (car and mobile phone benefits, for the CEO also housing benefit), an incentive bonus for reaching financial and operational results (short-term remuneration scheme), an option programme, a share-based incentive plan (long-term remuneration scheme) for the Group's key personnel and management retirement benefits. Eligibility for remuneration programmes is determined by the job position.

Alma Media's management incentive programme follows the terms and conditions of Alma Media's incentive programme, based on the principle of continuous result improvement. The incentive bonus for members of the Group Executive Team and heads of business units may be no more than 40% of their respective annual salaries. The CEO's incentive bonus may be up to 60% of his annual salary.

The incentive bonus is defined for each calendar year based on three criteria: meeting the Group's financial targets (weight 40%), meeting the business unit's financial targets (weight 40%) and meeting personal performance targets (weight 20%).

In 2013, the President and CEO of Alma Media Corporation received a total of EUR 576,230 in salary and other rewards, of which EUR 146,853 were based on incentive bonus scheme and EUR 0 as option benefits. The total amount of salaries, rewards and benefits paid to other members of the Group Executive Team was EUR 1,442,262 of which EUR 148,580 were based on the incentive bonus scheme and EUR 0 as option benefits.

|                             | Fixed annual salary | Performance-based bonuses | Fringe benefits | Option benefits | Share-based payments |
|-----------------------------|---------------------|---------------------------|-----------------|-----------------|----------------------|
| <b>President &amp; CEO</b>  |                     |                           |                 |                 |                      |
| 2013                        | 380,423             | 146,853                   | 48,953          | -               | -                    |
| 2012                        | 359,916             | 41,580                    | 48,008          | -               | -                    |
| 2011                        | 308,418             | 154,192                   | 43,874          | 12,855          | -                    |
| <b>Group Executive Team</b> |                     |                           |                 |                 |                      |
| 2013                        | 1,216,556           | 148,580                   | 77,124          | -               | -                    |
| 2012                        | 1,172,409           | 98,922                    | 82,997          | 71,656          | -                    |
| 2011                        | 970,500             | 274,585                   | 78,948          | 122,725         | -                    |

## Option programmes

In addition to the incentive remuneration system, Alma Media has an option programme 2009 for the management in effect. The granting of option rights is decided by Alma Media's Board of Directors based on a proposal by the Nomination and Compensation Committee and according to the terms and conditions decided by the Annual General Meeting. The terms and conditions of the option programme 2009 can be reviewed at Alma Media's website.

The option rights granted to the President and CEO of Alma Media and other members of the Group Executive Team (31 December 2013):

|   | Options<br>2009A | Options<br>2009B | Options<br>2009C |
|---|------------------|------------------|------------------|
| <b>Kai Telanne,<br/>President &amp; CEO</b> | 100,000          | 100,000          | 100,000          |
| <b>Kari Juutilainen</b>                     | 30,000           | 30,000           | 30,000           |
| <b>Virpi Juvonen</b>                        | -                | -                | -                |
| <b>Kari Kivelä</b>                          | 45,000           | 45,000           | 45,000           |
| <b>Mikko Korttila</b>                       | 30,000           | 30,000           | 30,000           |
| <b>Juha-Petri Loimovuori</b>                | 45,000           | 45,000           | 45,000           |
| <b>Raimo Mäkilä</b>                         | 45,000           | 45,000           | 45,000           |
| <b>Minna Nissinen</b>                       | 30,000           | 30,000           | 30,000           |
| <b>Juha Nuutinen</b>                        | -                | -                | -                |
| <b>Total</b>                                | <b>325,000</b>   | <b>325,000</b>   | <b>325,000</b>   |

The stock option rights granted under Alma Media Corporation's option programmes 2009 A and B have not been used to subscribe any shares during the financial period 2013.

### Share-based incentive plan

The Board of Directors of Alma Media Corporation resolved on 14 February 2012 on a new share-based incentive plan for the Group's key employees. The aim of the new plan is to combine the objectives of the shareholders and key employees to increase the value of the company, to commit key employees to the company, and to offer them a competitive reward plan based on earning the company's shares and on long-term shareholding in the company.

The new Performance Share Plan consists of three performance periods, the calendar years 2012, 2013 and 2014. The Board of Directors will decide on the plan's performance criteria and targets at the beginning of each performance period. The potential reward from the plan for the performance period 2013 will be based on Alma Media Group's profitability, and when the targets are met, it will be paid partly in the company's shares and partly in cash in 2014. In addition, for the members of the Group Executive Team, the plan includes one three-year performance period, calendar years 2012-2014, based on the profitable growth of the Group. The potential reward from the performance period 2012-2014 will be paid partly in the company's shares and partly in cash one year and two years from the end of the performance period.

The shares paid on the basis of one-year performance periods may not be transferred during the restriction period, which will end two years from the end of the performance period. If a key person's employment or service ends during the restriction period, the person must return the shares given as reward to the company without compensation. The members of the Group Executive Team must hold half of all shares received on the basis of the plan until the total value of

the member's shareholding corresponds to the value of the member's gross annual salary. Such number of shares must be held as long as member's employment or service in a Group company continues.

The target group of the plan consists of approximately 20 people. The total maximum net rewards to be paid on the basis of the plan are 600,000 Alma Media Corporation shares. In addition, a cash reward will be paid in the amount needed to cover the key employee's taxes and similar obligations arising from the reward at the time of the subscription of the shares.

No rewards were paid in the Performance Share Plan 2012–2014 during the performance period 2013.

|   | Performance Share Plan<br>Performance period 2013<br>(profitability) * | Performance Share Plan<br>Performance period 2012-2014<br>(profitable growth)* |
|---|--|--|
| <b>Kai Telanne,<br/>President &amp; CEO</b> | 20,000   | 60,000   |
| <b>Kari Juutilainen</b>                     | 7,000  | 20,000   |
| <b>Virpi Juvonen</b>                        | 6,000  | 18,000   |
| <b>Kari Kivelä</b>                          | 7,000  | 20,000   |
| <b>Mikko Korttila</b>                       | 6,000  | 18,000   |
| <b>Juha-Petri Loimovuori</b>                | 7,000  | 20,000   |
| <b>Raimo Mäkilä</b>                         | 7,000  | 20,000   |
| <b>Minna Nissinen</b>                       | 6,000  | 18,000   |
| <b>Juha Nuutinen</b>                        | 6,000  | 18,000   |
| <b>Yhteensä</b>                             | <b>72,000</b>  | <b>212,000</b>   |

\*The number of shares is the maximum net number of shares (excl. taxes) to be paid in case the performance targets are achieved in full.

## Severance pay

The period of notice of the President and CEO of Alma Media Corporation, Mr Kai Telanne, is six months. Additionally, he has a director contract whereby he is entitled to a compensation corresponding to his base salary for 12 months in case he is dismissed by the employer and is not guilty of a breach of contract. In case the President and CEO resigns on his own initiative, he will not receive the compensation corresponding to the 12-month salary. The appointment and, if necessary, dismissal, of the President and CEO is decided by the Board of Directors.

The period of notice for the other members of Alma Media Group's Executive Team is six months. In addition, members of the Executive Team will receive a compensation corresponding to their respective base salaries for six months in case the dismissal is initiated by the employer without the members' own fault or negligence. It is a duty of the President and CEO to appoint and, if required,

dismiss the other members of the Alma Media Group Executive Team. However, the members of the Group's Executive Team who act as Editors-in-Chief of Aamulehti, Iltalehti, Kauppalehti, Kainuun Sanomat, Lapin Kansa, Pohjolan Sanomat or Satakunnan Kansa make an exception to this procedure. Their appointments and dismissals are confirmed by the Board of Directors of Alma Media Corporation, based on the CEO's proposal.

### **Pension agreements**

The CEO of Alma Media Corporation and members of the Group Executive Team have a defined contribution group pension plan. Those members of the Executive Team who have been appointed prior to the year 2008 will receive a contribution of 20% of their annual pay. Other members receive a contribution of 15% of their annual pay. The age of retirement is 60, at which time the contributions end. The pension is determined on the basis of savings accrued by the time of retirement. The beginning of the pension may be postponed no later than the age of 70. In this case, the pension is determined by the accrued savings adjusted with the value development of the investments.

The terms and conditions of the group pension plan for Alma Media's President and CEO and for other members of the Group Executive Team give the insured persons, after three-year insurance coverage, the right to receive a premium-free policy corresponding to the savings accrued until the termination of employment (paid-up policy). The paid-up policy includes old age pension after retirement age, coverage for incapacity for work and coverage in the event of death.

In 2013, the expenses related to the group pension plan for Alma Media's President and CEO totalled EUR 109,775 and for the other members of the Group Executive Team EUR 267,422. In total, the group pension plan expenses totalled EUR 377, 177.

Kai Telanne has held the position of President and CEO at Alma Media Corporation since 2005. The curriculum vitae of the members of the Group Executive Team, available on Alma Media's website, include information on when they have started in their current positions.