



Remuneration report

1. Introduction

The governance of Lehto Group Plc (hereinafter the “Company”) is determined by the Company’s Articles of Association, the laws of Finland (such as the Limited Liability Companies Act and the Securities Market Act) and the Company’s corporate governance guidelines. The Company complies with the Finnish Corporate Governance Code 2015 (hereinafter the “Governance Code”) published by the Finnish Securities Market Association. The Corporate Governance Code is available in its entirety on the website of the Securities Market Association at www.cgfinland.fi.

The statutory governing bodies of the Company are the shareholders’ meeting, the Board of Directors, the Managing Director and the auditor. They are supported by the Group Management which comprises the Chief Financial Officer and the Chief Operating Officer. The Group Management supports the Managing Director in duties falling within the Managing Director’s competence, as well as their implementation and monitoring, particularly as regards business development, financing, asset management, internal control and risk management. The company has no Supervisory Board. The company is domiciled in Kempele, Finland.

The Lehto Group’s parent company Lehto Group Plc is responsible for the Group’s administration and for the provision of certain Group services. Lehto Group’s operative business is handled by its subsidiaries which operate in one of the Group’s four service areas: Business Premises, Housing, Social Care and Educational Premises, and Building Renovation. The service areas have no separate management, but each of them has a steering group which steers the service areas’ operations and draws up a strategy for it, develops its business operations, controls and monitors the achievement of the targets set for it, supports management in the approval of major investments and handles personnel matters, among its other duties. Each service area’s steering group comprises the Group management and the Managing Directors of the relevant subsidiaries. Furthermore, a service area’s steering group includes, as needed, the HR Director and other directors of those subsidiaries which operate in several service areas.

A clear and up-to-date description of the Group’s remuneration policy supports the shareholder’s access to information. For this reason, the company has drawn up this remuneration report. The company’s corporate governance guidelines, corporate governance statement and remuneration report year are available on the company’s website at Lehto Group’s website.

Up-to-date information on the shareholdings and option rights of the Managing Director and other executives is available on the company's website at www.lehto.fi.

2. Remuneration

Decision-making procedure for remuneration

The Annual General Meeting decides on the remuneration payable for work in the Board of Directors and its Committees and determines the grounds for remuneration. The administrative organ nominating a person to a position typically decides on his/her remuneration. Since the Board of Directors nominates the CEO, it also decides on his/her remuneration. Furthermore, the Board of Directors decides on the remuneration payable to the CEO in the event of termination of employment. The Board of Directors also decides on the principles and structure of the company's remuneration system proposed by the CEO.

The company has no share-based remuneration systems in use.

3. Remuneration of the Board of Directors

Remuneration and other benefits of the Board of Directors

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. As a general rule, no extra remuneration is paid to Board members employed by the company for attending meetings. The Annual General Meeting of 30 March 2016 decided that the following remunerations will be paid to members of the Board of Directors to be elected, for a term that will expire at the end of the next Annual General Meeting:

- to the Chairman of the Board of Directors, an annual remuneration of EUR 28,800; and
- to the other members of the Board of Directors, an annual remuneration of EUR 16,000 for each.

Furthermore, an attendance allowance of EUR 750 will be paid to the members of the Board of Directors and EUR 1,500 to the Chairman of the Board of Directors for each Board meeting that they attend.

The Board members are also entitled to a remuneration for attending the meetings of Board Committees as follows: to the Chairman of a Committee, EUR 600 per meeting and to other members of the Committee, EUR 400 per meeting.

The travel costs of the members of the Board of Directors will be reimbursed in accordance with the company's travel rules. No remuneration shall be paid to the Board of Directors in the form of shares; instead, all remunerations shall be paid in money.

Remuneration paid to the Board of Directors in 2015, EUR 1,000

Name	Position in the company	Annual remuneration	Attendance allowance	Salary	Total
Pertti Huuskonen	Chairman of the Board of Directors	20	13		33
Martti Karppinen	Member of the Board of Directors	10	8		18
Tomi Koivukoski	Member of the Board of Directors			42	42
Hannu Lehto	CEO, member of the Board of Directors			76	76
Mikko Räsänen	Member of the Board of Directors	10	6		16
Päivi Timonen	Member of the Board of Directors	10	8		18

Financial benefits of the Chairman and members of the Board of Directors who are in an employment relationship with the Company, if any

The members of the Board of Directors elected by the Annual General Meeting of 2016 are not in an employment relationship with the company.

Participation of the members of the Board of Directors in share-based remuneration systems

The company has no effective share-based remuneration systems. Thus, no remuneration in the form of shares has been paid to Board members. Information on the shareholdings of the members of the Board of Directors is available in the company's insider register at www.lehto.fi.

4. Remuneration of the CEO and other Group Management**Information on the CEO's employment relationship**

The Board of Directors determines and approves the key terms of employment of the CEO, including his/her remuneration. According to the Executive Employment Agreement concluded with the CEO Hannu Lehto, his remuneration comprises a fixed monthly salary of EUR 10,000. The terms of his employment are stated in a written employment agreement. The employment agreement of CEO Hannu Lehto is in force until further notice and can be terminated by either party giving six (6) months' notice, for which period the CEO is entitled to receive his monthly salary and fringe benefits. If the company terminates Lehto's employment agreement

without a reason attributable to him, he is entitled to a remuneration corresponding to a salary of six (6) months, providing that Lehto has not entered into an employment relationship with a third party during the said period.

The CEO is entitled to a pension in accordance with the Employment Contracts Act and other legislation regulating pensions. The company has not provided him with additional pension arrangements. The pension scheme is contribution-based.

The company's present CEO has neither participated in a share-based remuneration system nor received remuneration in the form of the company's shares or option rights. Any performance bonuses and other incentives are determined on the basis of principles defined and communicated annually in advance by the Lehto Group's Board of Directors. According to his Executive Employment Agreement, CEO Hannu Lehto is entitled to a bonus, the grounds of which shall be determined by the Board of Directors on an annual basis.

In 2015, the remunerations paid to the CEO totalled approximately EUR 76,000.

Key remuneration principles of other Group Management

The company's other Group Management include the Chief Financial Officer and the Chief Operating Officer.

The employment agreements concluded with CFO Veli-Pekka Paloranta and COO Asko Myllymäki contain ordinary conditions related to the determination of remuneration, employee benefits and the period of notice.

The remunerations paid to other Group Management in 2015 totalled approximately EUR 95,000.

Performance bonus system

The basis for the payment of a performance bonus is the achievement of predetermined targets. The vesting period is one calendar year.

The targets are set separately for each vesting period. These short-term bonuses are determined on the basis of the achievement of the company's financial and strategic targets. Furthermore, part of the bonuses may be based on other targets of the company or its service areas, or personal targets. Personal targets vary depending on the person's position.

Long-term remuneration systems

The company has no effective share-based remuneration systems.