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Remuneration  
report 2020

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# Remuneration report 2020

## Introduction

This Remuneration Report for the financial year 2020 (the “Remuneration Report”) describes the remuneration for Governing Bodies of Glaston Corporation (“Glaston” or the “Company”) as required by the Finnish Securities Market Act (746/2012, as amended), the Finnish Companies Act (624/2006, as amended) and the Finnish Corporate Governance Code 2020 (the “CG Code”) issued by the Securities Markets Association. In addition to aforementioned, Glaston complies with other legal provisions concerning listed companies, Glaston’s Articles of Association and the rules and guidelines issued by Nasdaq Helsinki Ltd.

The Remuneration Report presents information on the remuneration of the Board of Directors, the President and CEO and the Deputy CEO for the financial year 2020 and has been approved by the Board of Directors (also the “Board”) of Glaston.

The principles, decision-making processes, and practises for the remuneration of the Board of Direc-

tors, the President and CEO and the Deputy CEO are set forth in the Remuneration Policy of Glaston (the “Remuneration Policy”). The Remuneration Policy was approved at the Annual general Meeting on 28 May 2020 without any advisory votes.

The remuneration principles in Glaston are designed to attract and retain to the Company’s management persons that possess relevant skills, industry knowledge and experience to oversee the Company’s achievement of its performance and strategy goals with emphasis on long-term shareholder value creation. The structure of the total remuneration is to be aligned with the long-term value of Glaston, the business strategy, financial results as well as to the employee’s contribution. Remuneration is based on predetermined and measurable performance and result criteria. The remuneration principles support the strategy of Glaston.

The remuneration of the Board and the President and CEO and the Deputy CEO follows the Remuneration Policy framework and principles.

The Board has temporarily deviated from the Remuneration Policy with respect to the remuneration of the President and CEO in connection with the change of the President and CEO by providing a special bonus in Glaston’s shares as further described later in this Report. No clawbacks of the remuneration have taken place during the financial year 2020.

## Development of remuneration in relation to financial development of the Company

This section presents the trend of remuneration of the President and CEO, the Deputy CEO and the Board, the average employee remuneration and company performance for the financial years 2016–2020.

The Remuneration Policy and further information about remuneration is available at Glaston website: [www.glaston.net/investors](http://www.glaston.net/investors).

In accordance with the Remuneration Policy, part of the remuneration payable to the President and CEO and the Deputy CEO may consist of short-term and long-term incentives. Crite-

ria of such incentive plans are linked to the Company’s performance (pay-for-performance) and thus incentive plans of Glaston ensure that the remuneration drives the best interest of the Company.

Glaston is a global company and the remuneration levels vary significantly in markets where Glaston operates. Nevertheless, it is considered most transparent to compare the remuneration of the governing bodies with the remuneration of employees globally on group level. Thus, the figures on average employee remuneration below are based on data for all Glaston employees globally. Further, Glaston acquired Bystronic glass in 2019. Bystronic glass was consolidated to Glaston as of 1 April 2019 and as a result of such transaction the total number of Glaston’s employees grew by 121% and totalled 790 on 31 December 2019 (31 December 2018: 357) while net sales in January–December 2019 totalled EUR 181.0 million (2018: EUR 101.1 million). Harmonization of remuneration of personnel is still partly ongoing.

Due to the COVID-19 pandemic, Glaston took several proactive actions in 2020. Actions affecting employee remuneration included temporarily reducing labour costs by initiating temporary layoffs and reducing working hours. The fixed salaries of the executive management group, of which the President and CEO and

the Deputy CEO are members, were temporarily cut by 10 % during Q2.

Due to the nature of the Board duties and responsibilities, the remuneration of the Board includes fixed remuneration only. The effect of Bystronic Glass transaction on Glaston and its operations has also been reflected in the remuneration level of the Board of Directors.

## Remuneration development

EUR	2016	2017	2018	2019	2020
Annual remuneration of the Board	197,400	210,200	237,425	283,550	331,300
Annual remuneration of the President and CEO	407,436	412,719	446,601	467,466	163,598 <sup>1</sup>
Annual remuneration of the Deputy CEO	192,980	199,611	198,958	305,777 <sup>2</sup>	108,645 <sup>3</sup>
Annual remuneration of the Acting President and CEO	-	-	-	-	254,558 <sup>4</sup>
Average salary development <sup>5</sup>	45,800	47,100	49,600	61,500	60,400

<sup>1</sup>Remuneration from the period 1 January to 31 May 2020. Former President and CEO since 1 June 2020.

<sup>2</sup>Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

<sup>3</sup>Remuneration from the period 1 January to 31 May 2020. Deputy CEO appointed as an Acting President and CEO for the rest of the year 2020. Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

<sup>4</sup>Remuneration from period 1 June to 31 December 2020. Excluding reimbursement of costs and expenses paid directly to third parties based on the expatriate agreement.

<sup>5</sup>Average salary development at Glaston is calculated by dividing salaries and rewards by the average number of employees during the financial year. Employees of former Bystronic companies are included as of April 1, 2019 onwards. Amounts do not include employer's social security costs.

## Key financial metrics

EUR thousand	2016	2017	2018	2019	2020
Net sales	107,141	109,665	101,139	181,018	170,067
Comparable operating result (EBIT)	2,760	4,994	5,663	5,941	3,225
Comparable EBITA	-	-	7,556	9,746	7,742

<sup>6</sup>Bystronic glass consolidated as of 1 April 2019.

<sup>7</sup>Glaston has reported comparable EBITA as of 1 January 2018.

## Remuneration of the Board of Directors

The 2020 Annual General Meeting resolved that an annual fee of EUR 60,000 shall be paid to the Chairman of the Board, EUR 40,000 to the Deputy Chairman and EUR 30,000 to other members of the Board. A meeting fee of EUR 800 shall be paid to the Chairman for meetings in Chairman's home country and EUR 1,500 for meetings elsewhere, and EUR 500 shall be paid to the other Members of the Board for meetings held in their home country and EUR 1,000 for meetings held elsewhere. Half of the normal fee shall be paid for a board meeting held per capsulam. In addition, it was decided that Board members shall be paid travel and accommodation expenses and other direct expenses arising from board work pursuant to the Company's normal practice.

Furthermore, the members of the Audit and Compensation Committees shall be paid a meeting fee of EUR 500 for each meeting that the members have attended. In addition to the meeting fee, the Chairman of the Audit Committee shall be paid an annual fee of EUR 10,000 and the Chairman of the Compensation Committee shall be paid an annual fee of EUR 7,500.

The members of the Board do not participate in any incentive plans and no fees are paid in the form of shares in the Company.

All the payments to the members of the Board during the financial year 2020 were in compliance with the Remuneration Policy.

In the financial year 2020, the following fees were paid to the members of the Board, an annual fee and meeting fees including both Board and committee related remuneration:



Board	Audit Committee	Compensation Committee	Annual fee (EUR)	Meeting fees (EUR)	Remuneration in total (EUR)
Teuvo Salminen, Chairman of the Board	Chairman		70,000	9,300	79,300
Sebastian Bondestam, Deputy Chairman of the Board		Chairman	47,500	6,250	53,750
Sarlotta Narjus		Member	30,000	10,250	40,250
Kai Mäenpää			30,000	9,250	39,250
Tero Telaranta	Member		30,000	6,750	36,750
Antti Kaunonen		Member	30,000	10,750	40,750
Michael Willome <sup>(1)</sup>			22,500	2,750	25,250
Veli-Matti Reinikkala <sup>(2)</sup>			15,000	1,000	16,000
<b>Total</b>			<b>275,000</b>	<b>56,300</b>	<b>331,300</b>

<sup>(1)</sup> member of the Board as of 28 May 2020.

<sup>(2)</sup> member of the Board as of 4 September 2020. Additionally, a partial board meeting fee of EUR 500 is due to Veli-Matti Reinikkala for the board meeting held in September 2020.

## Remuneration of the President and CEO and the Deputy CEO

The remuneration of the President and CEO and the Deputy CEO comprises of a base salary, benefits and performance-based incentive plans.

The President and CEO of the Company Arto Metsänen stepped down from his position on 1 June 2020 and he retired from the Company on 1 January 2021.

The Deputy CEO Sasu Koivumäki served as the Acting President and CEO from 1 June 2020 to 31 December 2020 and resumed his position as the Deputy CEO on 1 January 2021. He is referred to as the Acting President

and CEO with respect to the period he served as the Acting President and CEO and the Deputy CEO for the period he served as the Deputy CEO. Remuneration paid to Sasu Koivumäki has been reported on the basis of his position at the time of the payment of the remuneration. The Company did not have a Deputy CEO between 1 June to 31 December. Further, Sasu Koivumäki was already in 2019 relocated to Germany pursuant to the separate expatriate agreement, and he worked as an expatriate also in 2020 while serving as the Deputy CEO and the Acting President and CEO.

In 2020, the President and CEO Arto

Metsänen was paid the total remuneration of EUR 187,540 on the basis of his position as the President and CEO. The relative proportion of the fixed pay was 100 % and variable pay 0 %. The different components are described in more detail below. Additionally, in 2020 Arto Metsänen was paid the total remuneration of EUR 266,154 on the basis of his role as a senior advisor 1 June 2020 – 31 December 2020.

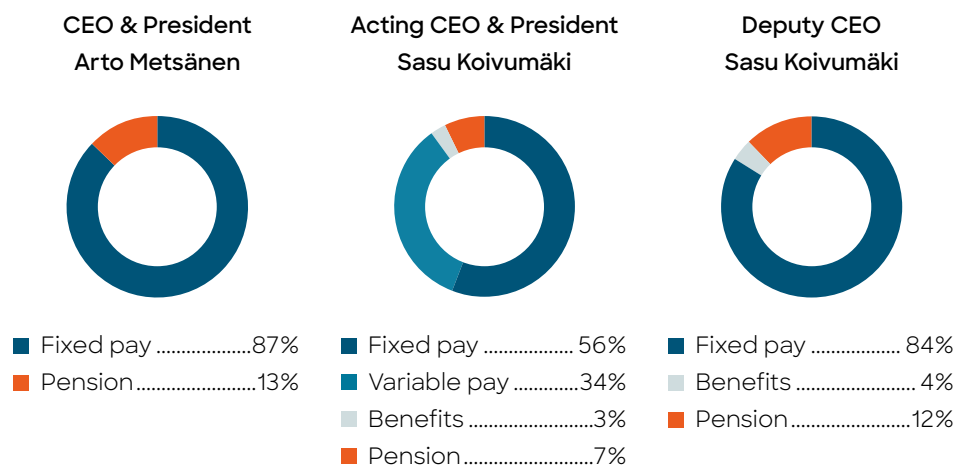
In 2020, the Acting President and CEO Sasu Koivumäki was paid the total remuneration of EUR 274,963 during his service as the Acting President and CEO. The relative proportion of

the fixed pay was 66 % and variable pay 34 %. The different components are described in more detail below.

Additionally, in 2020, Sasu Koivumäki was paid the total remuneration of EUR 123,220 during his service as the Deputy CEO. The relative proportion of the fixed pay was 100% and variable pay 0%. The different components are described in more detail below.

Further, total remuneration paid to Sasu Koivumäki in 2020 is excluding reimbursement of costs and expenses in the amount of EUR 66,000 paid directly to third parties based on the expatriate agreement.

## Actualised remuneration of the President & CEO, Acting President & CEO and Deputy CEO for 2020



### Performance Actualisation 2020 (STI AND LTI)

President and CEO's **short term incentive (STI)** opportunity was in 2020 tied to following metrics:

KPI	Weight	Achievement
Glaston EBITA	70%	Below threshold
Glaston Order Intake	20%	Below threshold
Group Net Working Capital	10%	Above target level

Deputy CEO and Acting CEO and President Sasu Koivumäki participated in the integration bonus plan for H1 in 2020 related to the Bystronic glass transaction and in the performance bonus plan for H2 in 2020, and therefore did not participate in STI 2020. Remuneration paid or due to be paid

under such plans are specified in more detail at the end of this section.

Glaston has **long-term incentive (LTI)** plans to i.a. retain the key personnel and to offer them with a competitive reward plan based on the earning and accumulating the Company's shares.

The President and CEO, the Acting President and CEO and the Deputy CEO participate(d) in the Performance Share Plan 2019-2023 which comprises of three (3) performance periods: calendar years 2019-2021, calendar years 2020-2022 and calendar years 2021-2023. Such participants shall hold 50 % of the net number of shares received under the plan until the number of the Company's shares hold by the participant corresponds

to the value of his gross annual base salary. Such number of shares shall be held during the term of the employment or service of the participant. As a rule, no reward will be paid in case the employment or service terminates before the reward payment is made.

For the two first performance periods under the plan objectives were set regarding Group Cumulative EBITA and Average Net Gearing.

KPI	Weight
Group Cumulative EBITA	80%
Average Net Gearing	20%
<b>Total</b>	<b>100%</b>

The maximum opportunity for the two first performance periods was for each period 92,000 shares for the President and CEO, and 40, 000 shares for the Deputy CEO.

No changes were made to Sasu Koivumäki's participation in the LTI due to his position as the Acting CEO and President but the maximum opportunity remained the same for such period.

In addition to the Performance Share Plan 2019-2023, the former long-term incentive plan linked to the development of share price of the Company

was still valid with respect to the last periods. For the period 2017-2019 (LTI 2017-2019) minimum share price level for payout was EUR 1,77 and maximum EUR 3,39, and any rewards would have been payable in 2020. For the period 2018-2020 (LTI 2018-2020) minimum share price level for payout was EUR 1,91 and maximum EUR 3,56, and any rewards would have been payable in 2021. Minimum target share prices were not achieved for LTI 2017-2019 or LTI 2018-2020, and therefore no payments were made or are due based on the former long-term incentive plan.

## Summary of remuneration to the President & CEO, Acting President & CEO and Deputy CEO

Element	Remuneration Description		
	President and CEO (until 1 June)	Acting President and CEO (1 June - 31 December)	Deputy CEO (1 January - 31 May)
FIXED Base salary and benefits	EUR 163,598 Including taxable fringe benefits: mobile phone	EUR 161, 223 Including taxable fringe benefits: company car, mobile phone	EUR 108,645 Including taxable fringe benefits: company car, mobile phone
VARIABLE Short-term incentive (STI)	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): 12,648 EUR. The maximum amount of the President & CEO's annual bonus is 50% of annual salary. No changes have been made to the maximum opportunity in 2020.	(please see Deputy CEO)	Performance year 2019 (Deputy CEO participated solely until 30 June) (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): N/A The maximum amount of the Deputy CEO's annual bonus is 40% of annual salary. Deputy CEO did not participate in STI 2020.
VARIABLE Integration bonuses	-	Performance year 2019 (paid in 2020): EUR 50,000. Maximum target was to achieve 3.7 MEUR synergy savings. Target achieved and bonus paid in maximum amount. Performance year 2020 (H1, paid in 2020): EUR 43,335. Integration bonus plan for H1. Maximum opportunity was EUR 50,000 for maximum target to achieve 6.04 MEUR synergy savings.	-
VARIABLE Other performance bonus	-	Performance year 2020 (paid in 2021): EUR 30,000. The maximum opportunity was EUR 50,000 payable in 2021 for H2 achievements in 2020 (sales and organisational targets as the CEO).	-

Element	Remuneration Description		
	President and CEO (until 1 June)	Acting President and CEO (1 June - 31 December)	Deputy CEO (1 January - 31 May)
VARIABLE Long-term incentive (LTI) plan 2017-2019	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): EUR 0.	-	Performance year 2019 (paid in 2020): EUR 0. Performance year 2020 (paid in 2021): EUR 0.
VARIABLE Long-term incentive (LTI) 2019-2023 For additional information on long- term incentive plans, please see Glaston's website.	Performance period 2019-2021: EUR 0.	-	Ongoing plans: The maximum reward for the ongoing LTI 2019-2021 is 40,000 shares, including also the portion to be paid in cash. The maximum reward for the ongoing LTI 2020-2022 is 40,000 shares, including also the portion to be paid in cash. The maximum reward for the ongoing LTI 2021-2023 to be defined.
OTHER Pensions	The President and CEO participates in two non- statutory defined contribution supplementary pension schemes: For the first one, the cost is 12% of annual earnings and for the other one the cost is EUR 8,500 for the full year amounting in total to EUR 23,942 in 2020. The President and the CEO may retire at the age of 63.	The Acting CEO participates in a non-statutory defined contribution supplementary pension scheme. The cost is 12% of annual earnings amounting to EUR 20,405 in 2020.	The Deputy CEO participates in a non-statutory defined contribution supplementary pension scheme. The cost is 12 % of annual earnings amounting to EUR 14,575 in 2020. Deputy CEO may retire in accordance with the stipulations of the applicable law.

**Other financial benefits:  
signing bonus to new President  
and CEO**

The appointment of the new President and CEO Anders Dahlblom was announced on 14 August 2020 and he assumed the position on 1 January 2021.

The new President and CEO Anders Dahlblom shall be entitled to receive 110,000 shares in the Company on 1 January 2022. The President and CEO shall hold the shares for the period of two years and shall return the shares should a notice of termination be given during the said two years' period. The Board may however resolve upon the President and CEO's right to keep the shares.

Such signing bonus is not listed as a remuneration component of the CEO in the Remuneration Policy and thus it qualifies as a deviation from the Remuneration Policy. The signing bonus is a one-off bonus payable upon change of the President and CEO and thus falls under the possibility of the Board to temporarily deviate from the Remuneration Policy without a need to amend the Remuneration Policy.

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