

Remuneration Statement and Report

Confirmed by the Board of Directors on 1 February 2017.

Remuneration Statement of CapMan Plc (“CapMan”) has been prepared in accordance with the Finnish Corporate Governance Code (the “Code”), which entered into force on 1 January 2016. This statement includes the information required to be disclosed in the remuneration report. The Code as a whole is publicly available on the website of the Securities Market Association at www.cgfinland.fi/en/.

When deliberating the remuneration elements set out in this Remuneration Statement, the Remuneration Committee and the Board of Directors have foremost applied principles of fairness and competitiveness, balancing of interests of shareholders, fund investors as well as employees, and promoting as well as strengthening the performance culture both short and long term.

Board of Directors

Decision-making process and main principles of remuneration

The remuneration of the members of the Board of Directors (the “Board”) is confirmed by the Annual General Meeting (the “AGM”). The Nomination Committee prepares the proposals regarding the remuneration of the Board members. According to the decision of the AGM 2016, the Chairman of the Board of Directors is paid a monthly basic fee of EUR 4,000 (2015: EUR 4,000), the Vice Chairman is paid a monthly basic fee of EUR 3,200 (2015: EUR 3,200) and members of the Board are each paid a monthly basic fee of EUR 2,800 (2015: EUR 2,800). The Chairmen of the Board and Board’s Committees are paid a meeting fee of EUR 800 per meeting (2015: EUR 900) and the members of the Board and Board’s Committees are paid meeting fee of EUR 400 per meeting (2015: EUR 600). Based on the currently confirmed remuneration principles, these fees are not convertible into the company’s shares or share-based rights. All members of the Board shall be reimbursed for reasonable travel expenses in accordance with the company’s travel compensation policy.

Biographical details of the members of the Board

The biographical details of the current members of the Board are available at the company’s website in [Board of Directors](#) and [Insider issues](#).

Remuneration of the members of the Board in 2016

Name	Board remuneration, €	Committee fees, €	Other remuneration paid to Board members employed by CapMan or acting as advisors to CapMan, €	Voluntary pension payments, €
Karri Kaitue Chairman	54,400	5,000	-	-
Nora Kerppola Vice Chairman	41,600	2,600	-	-
Ari Tolppanen Member	36,800	600	39,301 (consisting of monthly salary)	1,970
Claes de Neergaard Member	36,400	2,000	-	-

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Dirk Beeusaert Member*	28,400	800	-	-
Koen Dejonckheere** Member	0	0	-	-

* From 16 March 2016.

** Until 15 March 2016. Mr. Dejonckheere has informed the company that he prefers not to accept board compensation.

Financial benefits of the Board members pertaining to employment relationship or service contract

Mr Ari Tolppanen, who was re-elected as member of the Board in AGM 2016, was also in employment relationship to a CapMan Group company until 31 May 2016 and worked as Senior Partner in the investment activities at CapMan. The retirement age of Mr Tolppanen is determined according to the Finnish legislation and he has been part-time retired from 1 January to 31 May 2016 and full-time retired from 1 June 2016. Mr Tolppanen is entitled to additional defined contribution based pension insurance of Senior Partners arranged by the company with annual premiums corresponding to 5% of annual salary. The base salary, fees and other financial benefits paid to Mr Tolppanen during his tenure as member of the Board in 2016 are displayed in the table above. Mr Tolppanen has not received shares or share-based rights as remuneration during the financial period 2016.

Participation of the Board members in share-based remuneration schemes

Board members of CapMan do not currently participate in share-based remuneration schemes.

CEO and Management Group

Decision-making process and main principles of remuneration

The Board of Directors of CapMan confirms the overall remuneration principles and elements covering the CEO and Management Group members on an annual basis. The Board's Remuneration Committee, consisting of at least two independent Board members and non-executives, prepares remuneration-related matters for the Board.

Currently, the total compensation program of the CEO and Management Group consists of a monthly fixed salary, fringe benefits (such as lunch, sports and phone benefit), additional pension insurance, performance bonuses as short-term incentives (STI) and stock options as long-term incentives (LTI). The CEO and other Management Group members do not receive any payment or remuneration for their work on CapMan's board, committees, or other decision-making or preparatory bodies.

Any adjustments to the CEO's salary and other compensation can only be made with the Board's approval. The monthly salaries of the Management Group members can be increased on the basis of a proposal by the CEO and subsequent approval by the Board.

The annual performance-based incentive scheme is tied to CapMan Group's profit level, Business Unit profit level, where applicable, as well as to the annual individual performance. The Board defines in advance an annual minimum profit level (threshold) which must be achieved to pay out any bonuses as well as a profit level at which the maximum bonuses can be paid. Payment of bonuses is in all cases



always subject to individual performance of the relevant person. The CEO's and the Management Group members' bonuses are approved by the Board on the basis of the above criteria.

Remuneration of the CEO

The CEO Heikki Westerlund is entitled to remuneration corresponding to a monthly salary of EUR 29,973 including fringe benefits. Additionally, he is entitled to an additional defined contribution based pension insurance for which the company pays an annual premium of 10% of the participant's annual salary. The retirement age of the CEO is determined according to the Finnish legislation.

The CEO's performance incentive is defined based on actual EPS (earnings per share) of the Group achieved during the year. The CEO's current incentive scheme includes a threshold of four cents per share after which the incentive scheme is generating bonus potential to the CEO. The maximum bonus potential is capped at an amount corresponding to 24 months' salary. To achieve the maximum bonus potential EPS before bonuses needs to exceed 25 cents.

Based on agreements entered into prior to his current appointment as CEO, Heikki Westerlund is entitled to receive a share of carried interest from certain CapMan funds

The CEO has a mutual notice period of six months and he will be entitled to a severance fee of 12 months' salary, if his employment is terminated by the company.

The base salary, fees and other financial benefits paid to the CEO in 2016 are displayed in the table below.

Remuneration of Management Group members

In addition to annual base salary and fringe benefits, the Management Group members are entitled to an additional defined contribution based pension insurance, for which the company pays an annual premium equivalent to 5% of the participant's annual salary (excluding fringe benefits). This premium can be increased by up to 10% of the annual salary if the Board so decides. The individual's entitlement to a premium-free policy increases gradually after three years and after six years covers 100% of the cumulative additional pension saving.

The Management Group members belonging to CapMan investment teams are entitled to a Management Fee Incentive Scheme where 50% of the profit generated by the team as management fees, deducted with team costs and service fees, forms the bonus pool for the team including social charges. The maximum bonus potential for Management Group members belonging to this scheme is capped at an amount corresponding to 12 months' fixed base salary. Bonuses will be paid out only if the minimum threshold for CapMan Group's profit set by the Board is reached.

The Management Group members not belonging to one of CapMan's investment teams are entitled to an EPS Incentive Scheme based on actual EPS (earnings per share) of the Group achieved during the year. A threshold is set at four cents per share after which the incentive scheme is generating bonus potential. The maximum bonus potential for Management Group members belonging to this scheme is capped at an amount corresponding to 24 months' salary. To achieve the maximum bonus potential EPS before bonuses needs to exceed 25 cents.

The base salaries and fees paid to the Management Group members in 2016 are reported in the table below.



Stock option programmes

Stock options are used to commit key individuals/executives to the company and reinforce the alignment of interests of key individuals/executives and CapMan shareholders. CapMan has currently two effective stock option programmes, stock option programme 2013 and stock option programme 2016. The AGMs held on 20 March 2013 and 16 March 2016 approved the terms and conditions of the stock option programmes. In the 16 March 2016 AGM, the Board was authorised to decide on the allocation of options in 2016, 2017 and 2018 under the stock option programme 2016. The allocation decisions of the Board are prepared by the remuneration committee. The terms and conditions of the programmes are available in the [Stock options](#) section on the company's website.

Biographical details of Management Group members

The Management Group's biographical details are available in the [Management section](#) on the company's website.

Remuneration of CEO and Management Group in 2016

Name	Salary, €	Bonus linked to financial performance and achievement of personal goals, €	Salary and bonuses in total, €	Voluntary pension payments, €	Option rights granted
Heikki Westerlund CEO	373,632	112,380.90	486,012.90	37,524.90	-
Management Group*	1,147,702	312,155	1,459,857	48,756.08	330,000

*The figures include the aggregate remuneration paid by CapMan to all members of the Management Group (excluding CEO).

Carried interest income

Carried interest income from funds established in 2004 and thereafter are divided between the investment team responsible for the funds' investment activities and CapMan. This is a precondition from the fund investors. The objective thereof is to ensure that the interests of the investment professionals and investors are aligned and that the investment professionals are committed to the company long term by requiring significant investment in the fund. Entitlement to carried interest potential requires that the investment professional makes a capital investment in the fund. The investment team's share of carried interest paid to the management company by the fund is typically at least 50 %.

It is common practice in the private equity industry that the majority of the carried interest income belongs to the investment teams. The fund typically starts to generate carried interest after 6 or 7 years from the establishment, provided that the original investment and a preferred annual return, which is generally 8 %, have been paid to investors. The amount of the carried interest income depends among others on fund's overall performance i.e. on the success of the investment operations.

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