

# Remuneration report 2022

## 1. INTRODUCTION

As of 1 January 2020, Talenom Plc complies in full with the 2020 Finnish Corporate Governance Code issued by the Securities Market Association. The Corporate Governance Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi). In addition to the Corporate Governance Code, Talenom Plc complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, and other legal provisions concerning listed companies, Talenom Plc's Articles of Association, and the rules and guidelines issued by Nasdaq Helsinki Ltd.

This remuneration report is also available on the company's website at [investors.talenom.com/en](http://investors.talenom.com/en). In accordance with the Limited Liability Companies Act and the Articles of Association, the highest responsibility for the governance and operations of Talenom is held by its governing bodies, which are the General Meeting of Shareholders, Board of Directors and CEO.

The principles and decision-making processes for the remuneration of the Board of Directors and CEO and for the key terms of the service contract are set forth in Talenom Plc's remuneration policy. The company's remuneration policy applies to all employees of the company. The key principles of remuneration are its transparency and market orientation, as well as remuneration based on good performance. The company's remuneration policy applies to the company's Board of Directors and CEO. The objective of the compa-

ny's remuneration policy is to encourage and reward management for work that is in line with its current strategy and for compliance with set rules, as well as motivate them to strive for the success of Talenom Group. Effective and competitive remuneration is an essential tool for hiring competent directors and executives at the company, which in turn contributes to the company's financial success and good governance. Remuneration supports achievement of the company's objectives, implementation of the strategy and long-term performance.

Remuneration in accordance with the remuneration policy consists of the following components:

- Basic salary and employee benefits where Talenom applies local market practices, legislation and regulations
- A short-term incentive scheme whose purpose is to guide the performance of an individual and the organisation and support fast implementation of strategic projects
- A long-term remuneration scheme designed to commit key personnel to the company. Long-term incentives aim to commit management to the company and harmonise their interests with those of shareholders.

### **Development of remuneration in relation to the financial development of the company**

The following table and diagrams present the trend in the remuneration of the Board of Directors and CEO compared to the trend in the average remuneration

of Group employees and the financial development of the Group during the past five financial periods. In accordance with Talenom's remuneration policy, part of the remuneration of the CEO consists of short-term and long-term incentives that are linked to the operating result. The options granted in 2016 and 2019 and the sharp increase in the company's share price had a

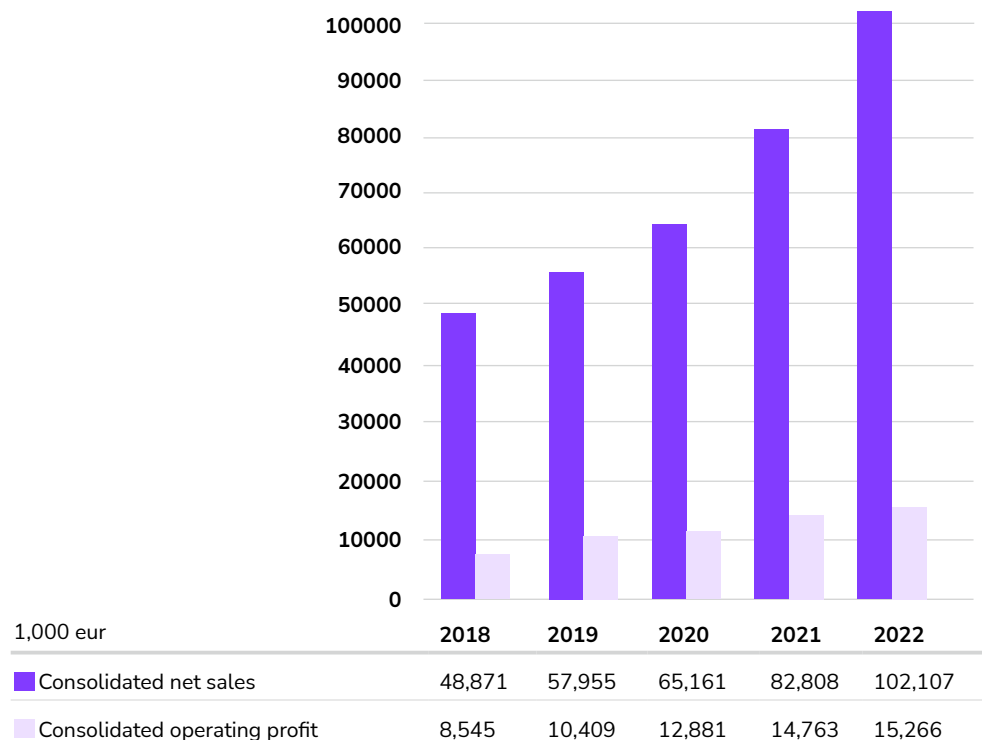
positive effect on the value of long-term incentives in 2018-2020 (subscription to 2016A, 2016B and 2016C options) and in 2022 (subscription to 2019 options). The amount paid in remuneration to the Board of Directors rose in 2020 as an additional Board member was elected and the remuneration increased.

## REMUNERATION TREND

1 000 €	2018	2019	2020	2021	2022
Annual remuneration of the Board of Directors	133.7	131.9	182.0	188.0	192.0
Annual remuneration of the CEO	212.4	409.1	712.3	231.2	1,003.5
Average salary trend EUR 1,000 per person *)	37.2	37.8	37.9	39.5	40.2

\* The average salary trend at Talenom is calculated by dividing salaries and benefits by the average number of employees during the financial period.

## COMPANY'S FINANCIAL PERFORMANCE



## 2. REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting decides on the remuneration of the Board of Directors for one term of office at a time based on a proposal by the Board of Directors. The decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the general meeting.

On 3 March 2022, the Annual General Meeting of 2022 approved a monthly fee of EUR 6,000 for the Chairman of the Board of Directors and EUR 2,000 for the members of the Board of Directors. In addition, it was decided that the members of the Board of Directors will be reimbursed for travel expenses according to the company's travel rules.

### REMUNERATION PAID TO BOARD MEMBERS 1 JANUARY–31 DECEMBER 2022

	Annual fees	Other financial benefits	Total
Harri Tahkola (Chairman of the Board)	72,000		EUR 72,000
Olli Hyyppä (Board member)	24,000		EUR 24,000
Mikko Siuruainen (Board member)	24,000		EUR 24,000
Elina Tourunen (Board member)	24,000		EUR 24,000
Johannes Karjula (Board member)	24,000		EUR 24,000
Sampsa Laine (Board member)	24,000		EUR 24,000
Total	192,000		EUR 192,000

The Board members do not participate in the company's share-based incentive schemes, and Board fees are not paid as shares in the company.

## 3. REMUNERATION OF THE CEO

The remuneration of the CEO and the terms of his or her service contract are decided by the Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

The company's CEO is Otto-Pekka Huhtala. In line with the CEO contract, the CEO will work in the task until further notice and the period of notice applied to the contract is two months. A normal pension contribution in accordance with the pension legislation is paid on the CEO's salary. No supplementary pension contributions are paid to the CEO.

### Fixed salary component

The fixed salary component of the CEO consists of a monthly salary and fringe benefits. In 2022, the annual salary including fringe benefits was EUR 216,146, of which fringe benefits accounted for EUR 769.

### Short-term incentive scheme

The CEO, like the other members of the Executive Board, is entitled to a performance bonus when predetermined criteria are met.

The criteria consider the company's net sales, EBITDA, EBIT, customer retention, operational efficiency, personnel satisfaction, progress in product development and product group-specific growth. In addition, the Board of Directors separately assesses the performance of the CEO in his or her task and decides on a separate performance bonus to be paid to the CEO. The CEO's maximum bonus under the short-term incentive scheme is 25% of the fixed annual salary (gross).

The Board of Directors set targets for the company's net sales and operating profit as the earning criteria for the CEO's short-term incentive in 2022. Minimum values had to be achieved in both. The weight for both were 50%.

## Long-term incentive schemes

The purpose of the long-term performance bonus is to motivate the CEO to increase shareholder value over the long term and further commit the CEO to the company. CEO Otto-Pekka Huhtala is included in the

2020–2024 performance share plan and the 2021 and 2022 option schemes.

### CEO's participation in the stock option scheme

Option rights	Number of options granted to the CEO on the basis of option schemes	Number of shares that one option entitles the holder to subscribe to	Share subscription price, EUR	Share subscription period
2021	90,000	1	13.44	1 Mar. 2022 to 28 Feb. 2027
2022	30,000	1	9.46	1 Mar. 2025 to 28 Feb. 2026

For the 2020–2024 long-term shared-based incentive scheme, the Board of Directors decides upon the performance metrics and the related targets and weights for each new scheme annually. The performance metrics may vary from one scheme to another, and they are intended to promote the company's long-term value creation.

The CEO must hold at least half of the net number of shares awarded to him or her under the share-based

incentive scheme until the value of his or her shareholding in the company is equal to his or her gross annual salary. The shares must be held for as long as the person remains a member of the Executive Board.

The maximum values of share-based bonuses shown in the table are expressed as gross sums from which applicable taxes are deducted before the shares are transferred to the CEO. There is no valid share bonus for 2022–2024.

Performance Share Plan 2020-2024	PSP 2020-2022	PSP 2021-2023
Maximum number of shares allocated to the CEO	54,000	25,000
Earning criteria (weight)	The Group's operating profit (3/6), Internationalisation (1/6), Growth (1/6) and Share of value-added services in net sales (1/6)	The Group's net sales (50%), Operating profit (30%) and Implementation of strategic projects (20%)
Year of share transfer	2023	2024

### Remuneration of the CEO during the financial period

	Fixed annual salary (including fringe benefits)	Variable short-term incentive bonus	Long-term incentive bonus, benefit from employment-based stock options*)	Total remuneration
Remuneration paid (EUR 1,000)	216.1	0	787.4	1,003.5
Percentage of total remuneration	22%	0%	78%	

\*) Consists of 2019 option scheme. Number of 2019 options 120,000 and subscription price EUR 2.93 per share