

# **TALENOM PLC'S REMUNERATION POLICY**

Policy accepted by: the Board of Directors of Talenom

Accepted by the Board of Directors on 3 February 2020 for presentation to the general meeting on 25 February 2020

## **TALENOM PLC'S REMUNERATION POLICY**

### **1 INTRODUCTION**

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 this Talenom Plc's (the "company") remuneration policy.

The company's remuneration principles apply to the entire personnel. The transparency and market-orientation of remuneration and remuneration based on good performance are key principles in remuneration.

The company's remuneration policy applies to the company's Board of Directors and CEO. The objective of the company's remuneration policy is to encourage and reward management for the work that is in line with the company's strategy at a given time and for compliance with the set rules, as well as to motivate them to strive for the success of Talenom Group.

Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the company. This, in turn, contributes to the financial success of the company and the implementation of good corporate governance. In addition to supporting the company's long-term profitability and results, remuneration supports the implementation of the objectives set by the company and the company's strategy.

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

- Basic salary and employee benefits are in compliance with the local market practices, laws and regulations.
- The purpose of the short-term incentive scheme is to guide the performance of an individual and the organisation as well as to support rapid implementation of strategic projects.
- Long-term remuneration scheme is intended for committing key persons to the company. Long-term incentives aim at committing management to the company and harmonising their interests with those of shareholders.

### **2 DECISION-MAKING PROCESS**

Talenom Group's remuneration principles and policies are addressed by the company's Board of Directors. The company does not have a remuneration committee appointed by the Board of Directors for the administration of the remuneration scheme. It has not been considered necessary, taking into account the nature and scale of the company's operations.

The Board of Directors shall monitor and supervise the functionality of the remuneration policy, the competitiveness of remuneration and how the remuneration policy promotes the company's and group's long-term objectives and proposes amendments to the remuneration policy to the general meeting, if necessary.

When amending the remuneration policy, the Board of Directors shall state the material changes. Additionally, the Board of Directors shall state how the new policy takes into account the general meeting's resolution on the previous policy and the statements presented at the general meetings when discussing the remuneration reports disclosed since the adoption of the previous remuneration policy.

The company's Board of Directors approves and proposes the company's remuneration policy to the general meeting.

The remuneration policy must be presented to the general meeting at least every four years. In addition, material changes to the remuneration policy must always be presented to the general meeting. The general meeting will resolve whether it supports the presented policy. The resolution of the general meeting is advisory.

If a majority of the general meeting of a listed company opposes the presented remuneration policy, an amended policy and a statement of how the new policy takes into account the general meeting's resolution on the previous policy must be presented no later than in the next annual general meeting.

The preparation of the proposal relating to remuneration is assigned to the Board of Directors. Ultimately, the general meeting decides on the remuneration of the Board of Directors.

The Board of Directors decides on the remuneration of the CEO and possible deputy CEO as well as on the key terms and conditions of their service. The decisions must be made within the limits of the remuneration policy presented to the general meeting.

The management team assists the CEO in the management of business. Apart from the CEO, the Board of Directors appoints also other members of the management team and decides on the remuneration paid to the members of the management team and other terms of employment contracts. In addition to the above, the Board of Directors decides on the company's remuneration and incentive scheme.

### **3 DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS**

Decisions concerning the remuneration of the Board of Directors are made in general meetings for a single term of office at a time based on a proposal of the Board of Directors.

Decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the general meeting.

According to a resolution of the general meeting, an annual or a monthly fee and/or meeting fees are paid to the members of the Board of Directors.

According to a resolution of the general meeting, the members of the Board of Directors can be compensated for travelling expenses and/or other costs directly incurred by the board work.

The board and any committee fees can be paid partially or entirely in the company's shares, in accordance with a resolution of the general meeting.

The members of the company's Board of Directors are not eligible for short-term performance bonus scheme or the company's stock option schemes or any other long-term remuneration schemes.

Decisions concerning the distribution of the company's shares, stock options, or other special rights entitling to shares shall be made in the general meeting or by the company's Board of Directors pursuant to an authorisation from the general meeting. When shares, stock options, or other special rights entitling to shares are issued to the members of the governing bodies as part of their remuneration, this must take place within the limits of the remuneration policy.

If an employee of the company is a member of the Board of Directors, the board fee will be determined on the same basis as that of other members of the Board of Directors, and the salary paid and other benefits on the basis of the employment relationship, will be determined on the basis of the terms applicable to the employment relationship at the given time.

#### **4 DESCRIPTION OF THE REMUNERATION OF THE CEO**

Decisions concerning the remuneration of the company's CEO and the terms applicable to the service contract of the CEO are made by the company's Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

##### **4.1 Remuneration components and proportional shares of overall remuneration**

The remuneration of the CEO consists of a monthly salary, employee benefits and performance-based incentive systems. The remuneration of the CEO may also include supplementary pension arrangement and severance payment.

The incentive systems consist of an annual short-term performance bonus scheme and long-term share incentive scheme.

The CEO's basic salary shall be aligned with the interest of the company and its shareholders. The basic salary shall be competitive in the labour market comparison in order to be able to induce and engage talented professionals to the company's service.

The objective is that variable fees would comprise [100%] of the fixed salary in the remuneration of the CEO.

##### **4.2 Grounds for determining the variable remuneration**

The target levels and maximum levels of the variable remuneration's measures are based on the long-term strategic objectives defined by the Board of Directors. The measures are regularly followed.

*Short-term performance bonus*

The CEO can be paid an annually determined performance bonus. The CEO's performance objectives are set by the company's Board of Directors. The performance time for the CEO's short-term performance bonus is one year.

If the criteria predefined annually by the Board of Directors are met, the CEO may be entitled to a performance bonus, which may account for 25% of the fixed annual salary (gross) at most.

The criteria defined by the Board of Directors can take into account the company's turnover, operating profit, the stability of customers, efficiency of operations, employee satisfaction, the progress of product development and product-group specific growth. The Board of Directors evaluates the fulfilment of the criteria.

#### *Long-term performance bonus*

The purpose of the long-term performance bonus is to motivate the CEO to work to increase the shareholder value in the long-term and to commit the CEO to the company.

The CEO is eligible for a share or stock option incentive scheme decided by the company.

The company has three stock option schemes, a stock option scheme established in 2016 and stock option schemes established in 2018 and 2019. The terms and conditions of the Talenom Plc./Stock Option Rights 2016, Talenom Plc./Stock Option Rights 2018 and Talenom Plc./Stock Option Rights 2019 are available on Talenom's investor website at [Talenom.fi/sijoittajat/yhtiokokoukset](https://talenom.fi/sijoittajat/yhtiokokoukset) (in Finnish).

The stock option rights are distributed to key personnel employed by a group company as part of the group's incentive and commitment scheme for key personnel. The terms and conditions of the stock option rights define the commitment periods and ownership obligations relating to the stock option rights.

The company may continue to distribute stock options or share rewards to key personnel employed by the company and the CEO as a part of the group's incentive and commitment scheme for key personnel.

#### *Pension arrangement*

Employees Pensions Act (in Finnish: Työntekijän eläkelaki (TyEL)) that offers pension security based on the term of service and earnings, as provided in law. The CEO's retirement age will be determined on the basis of Employees Pensions Act. Supplementary pension payments are not paid to the CEO.

#### *Terms of notice*

Period of notice applicable to the CEO can be agreed in the service contract. The period of notice of the CEO's service contract is 2 months. Additionally, other terms of notice can also be agreed in the service contract with the CEO, such as that the CEO is entitled to a stock option scheme already issued in all situations, including in the event of termination of the service contract.

#### 4.3 Terms for deferral and possible clawback of remuneration

There are no terms of deferral or clawback terms in the company's remuneration policy other than regarding stock option rights. The starting point for stock option rights is that the key person will lose his/her stock options if the employment relationship is terminated. The Board of Directors of the company can, however, decide to deviate from the above-mentioned provision in the terms and conditions of the CEO's service contract.

### 5 REQUIREMENTS FOR TEMPORARY DEVIATION

A temporary deviation from the remuneration policy is allowed if this is necessary to ensure the company's long-term interests, taking into account the company's long-term success, competitiveness and shareholder value development.

A temporary deviation from the valid remuneration policy is only allowed in exceptional circumstances in which the company's key operating preconditions have changed after the general meeting discussed the remuneration policy, for example, due to a change of CEO or a corporate arrangement such as a merger or takeover bid, and the valid remuneration policy would no longer be appropriate in these changed circumstances.

If deviating from the remuneration policy is assessed to continue to the point that it cannot be deemed temporary, the company must prepare a new remuneration policy to be discussed at the next possible annual general meeting.

The Board of Directors of the company shall evaluate the needs for deviating from the remuneration policy and shall make a decision on the deviation. A temporary deviation must be reported in the annual remuneration report.

### 6 AVAILABILITY OF THE REMUNERATION POLICY

The company shall make the valid remuneration policy available to the public on its website.

If the general meeting has voted on the remuneration policy, information must be presented in the same connection on the date of the general meeting as well as on the voting result.