

## HONKARAKENNE OYJ'S REMUNERATION POLICY 2020

### 1. INTRODUCTION

This remuneration policy describes the practices and principles associated with remunerating Honkarakenne's Board members and the CEO. The remuneration policy will also be applied to any deputy CEO or person standing in for the CEO. The remuneration policy is prepared and approved by the Board or, if one is appointed, remuneration committee, after which the remuneration policy will be presented to the General Meeting. The General Meeting will make an advisory decision on the remuneration policy. The remuneration policy will be presented to the General Meeting at least every four years, or whenever material changes are made to it.

The Honkarakenne Board has already taken account of the recommendations of the Finnish Corporate Governance Code 2020 and the provisions of the Securities Markets Act and Limited Liability Companies Act. The Board or the remuneration committee, if appointed, will monitor and assess the remuneration policy to ensure that it is in line with the company's strategy and performance. The Board and the remuneration committee, if appointed, will also take account of the General Meeting's voting results and any comments on the remuneration policy by shareholders.

The remuneration policy is based on the following main principles:

- The opportunity for overall remuneration must be sufficiently competitive in relation to the market level.
- Performance-based incentives form part of the CEO's remuneration potential.
- Some of the performance-based incentives emphasise long-termism, being linked to shareholder value development and the company's strategy.

### 2. DECISION-MAKING PROCESS

#### Board of Directors

The General Meeting shall decide on the basis for remuneration for work in the Board and committees.

#### CEO

The Board shall decide on the CEO's remuneration and any other compensation. CEO remuneration shall comply with the valid remuneration policy.

The Board or the remuneration committee, if appointed, shall prepare matters concerning CEO remuneration. The Board or the remuneration committee, if appointed, shall assess the appropriateness of remunerating the CEO to ensure that it complies with the company's strategy,

business requirements and shareholder interest. The assessment may include external consultation and research data on remuneration to ensure that the level of CEO remuneration is appropriate with regard to comparable companies.

The CEO is not a member of the Board or remuneration committee, if one is appointed, and will not take part in the decision-making concerning his or her personal remuneration.

### 3. PRINCIPLES OF THE BOARD'S REMUNERATION

The General Meeting shall decide on the Board's remuneration. The Board's remuneration shall always comply with the valid remuneration policy. The Board or the remuneration committee, if appointed, shall make a proposal to the General Meeting concerning remuneration of the Board. The remuneration of Board members may consist of annual or monthly remuneration and/or meeting remuneration. Board members may also, if the General Meeting so decides, be reimbursed for expenses related to travel for Board work and/or other Board work.

Based on the General Meeting's decision, remuneration for work in the Board or any committees may be paid in cash and/or entirely or partly in the form of company shares or equity securities, within the limits of the remuneration policy.

If a company employee is a Board member, their remuneration for work on the Board is determined on the same grounds as other Board members, and their salary based on their employment relationship and other benefits is determined on the basis of the terms applicable to their employment relationship.

The purpose of the decision to remunerate the Board is to ensure that the remuneration is competitive and in line with the demands, obligation and amount of work involved.

### 4. PRINCIPLES OF THE CEO'S REMUNERATION

The terms of the CEO's remuneration and contract shall be decided by the Board. CEO remuneration shall comply with the valid remuneration policy.

#### CEO's remuneration elements

The CEO's remuneration consists of a fixed monthly salary including fringe benefits, variable long- or short-term incentive schemes based on performance, and any other elements that may be included in the remuneration policy.

The CEO's basic salary shall be in line with the interests of the company and shareholders. The basic salary shall be competitive compared to similar positions in the market, in order to attract and retain skilled professionals in the company.

Long- and/or short-term incentive schemes form the performance-based part of the CEO's remuneration.

Short-term, performance-based incentive schemes are part of the CEO's annual remuneration system. Short-term, performance-based incentive schemes may include elements paid in cash and/or share-based elements, and supplementary pension cover.

Long-term, performance-based incentive schemes may be used to further commit the CEO, ensuring a strong alignment between the CEO and shareholders' interests. Long-term, performance-based incentive schemes may include elements paid in cash and/or share-based elements.

The proportion of fixed remuneration to variable remuneration shall be determined on the basis of the company's business situation to ensure that the overall remuneration system is appropriate. The Board shall decide on both annual and longer-term remuneration elements, their weighting, their criteria and targets, considering the Honkarakenne strategy and targets and typical market practices.

The Board will set a target and maximum level either in euro terms and/or number of shares for both short- and long-term remuneration. In share-based systems, the remuneration's value is calculated according to IFRS practices.

#### Pension scheme

The CEO's pension cover has been organised with statutory pension cover that is based on length of service and earnings. The CEO's retirement age is determined by the Employees Pensions Act. As part of the CEO's overall remuneration, supplementary pension cover may be offered in addition to statutory cover. Any supplementary pension cover shall be implemented with defined contribution plans.

#### Conditions for termination

If the CEO's contract is terminated, the CEO's compensation will be determined on the basis of contractual obligations and the incentive scheme's terms and conditions.

The CEO's contract specifies the CEO's period of notice and any severance pay. The CEO's notice period is six months on both sides. If the CEO's contract is terminated by the company, the CEO will also receive additional severance pay equivalent to six months' salary.

## 5. SPECIFIC SITUATIONS AND EXCEPTIONS TO THE REMUNERATION POLICY

The remuneration policy may be deviated from temporarily if this is in the company's interests. The Board may deviate from the remuneration policy in exceptional circumstances, involving a major change in the company's key operational prerequisites. Such situations include:

- Appointment of a new CEO
- A significant reorganisation, such as purchase offer, M&A, merger or demerger
- A significant change in the Honkarakenne strategy
- Immediate incentivisation needs caused by external factors
- Changes in legislation, government regulations, taxation or other similar situations
- Some other important reason, such as material and significant changes in the company's operating conditions

Deviating from the remuneration policy always requires careful consideration by the Board. Any changes may concern the remuneration elements, other key conditions applicable to the CEO's contract, incentivisation instruments and mechanisms, and the incentive scheme's time plans, criteria and opportunities.

If it is estimated that a deviation from the remuneration policy will continue for longer than can be considered a temporary period, the company shall prepare a new remuneration policy, and submit it to the next possible Annual General Meeting for consideration.

## 6. AVAILABILITY OF REMUNERATION POLICY

The company will make its valid remuneration policy available to the public on its website. If the company's General Meeting has voted on the remuneration policy, information on the voting date and result must also be published together with the remuneration policy.