Orthex Corporation

Remuneration Policy for Governing Bodies

ORTHEX CORPORATION'S REMUNERATION POLICY FOR GOVERNING BODIES

1 INTRODUCTION

This remuneration policy of Orthex Corporation ("Orthex" or the "Company") defines the principles and decision-making processes for the remuneration of the members of the Board of Directors and the CEO. This remuneration policy has been prepared in accordance with the applicable regulations and the Finnish Corporate Governance Code.

The Company's general remuneration principles apply to the Company's entire personnel.

Effective and competitive remuneration is an essential tool for hiring capable management in the Company, which in turn contributes to the company's financial success and the implementation of good governance. Remuneration supports the implementation of the Company's strategy and long-term profitability and promotes the Company's competitiveness.

The Board of Directors has prepared and approved amendments to the Company's remuneration policy to be presented at the Annual General Meeting to be held on 18 April 2023. The decision of the Annual General Meeting regarding the remuneration policy is advisory.

The remuneration policy approved at the Annual General Meeting held on 6 April 2022 has been amended so that the remuneration policy defines clear maximum payments for short- and long-term incentives payable to the CEO and that the Company's potential long-term incentive scheme can be other than share based. When deciding to amend the remuneration policy, the Board of Directors considered the shareholders' opinions, which were presented in connection with the approval of the remuneration policy at the 2022 general meeting.

The Company keeps its current remuneration policy available to the public on its website. Detailed information on the actual remuneration of the members of the Board of Directors and the CEO is disclosed in the annual remuneration reports, which are presented to the Annual General Meeting for an advisory vote.

2 DECISION-MAKING PROCESS

The principles and guidelines for the remuneration of the Company are discussed by the Board of Directors of the Company.

The Board monitors and supervises the functioning of the remuneration policy, the competitiveness of remuneration and how the remuneration policy promotes the Company's long-term goals and, if necessary, proposes changes to the Company's remuneration policy to the Annual General Meeting.

When changing the remuneration policy, the Board will explain the significant changes. In addition, the Board of Directors explains how the new remuneration policy has taken into account the decision of the Annual General Meeting on the previous remuneration policy and the statements presented in the consideration of the remuneration reports published after the approval of the previous remuneration policy.

The Company's Board of Directors approves and presents the Company's remuneration policy to the Annual General Meeting. The Board of Directors has not considered it necessary to establish a separate remuneration committee.

The remuneration policy must be presented to the Annual General Meeting at least every four years. In addition, material changes to the remuneration policy must always be presented to the Annual General Meeting. Changes may be made to the remuneration policy for technical reasons, for example for statutory, otherwise regulatory, tax or administrative reasons, without the amended remuneration policy being presented to the Annual General Meeting. The Annual General Meeting will decide whether it supports the proposed remuneration policy. The decision of the Annual General Meeting is advisory.

If the majority of the Annual General Meeting has not supported the proposed remuneration policy, the revised remuneration policy and a description of how the new remuneration policy has taken into account the decision of the Annual General Meeting on the previous remuneration policy must be presented to the Annual General Meeting at the next Annual General Meeting.

The Shareholders' Nomination Board of the Company prepares and presents to the Annual General Meeting a proposal for the remuneration of the Board of Directors. The Annual General Meeting decides on the remuneration of the members of the Board of Directors.

The Board of Directors decides on the remuneration of the CEO and the key terms of employment. Decisions must be made within the framework of the valid remuneration policy presented to the Annual General Meeting. In order to avoid conflicts of interest, the CEO may not participate in the preparation or decision-making of their own remuneration.

The Annual General Meeting or its authorised Board of Directors may decide to issue shares, options or other special rights entitling to shares for use as part of the Company's remuneration and incentive schemes.

The Board of Directors decides on the Company's remuneration and incentive schemes. The Board may use external independent experts in the preparation of remuneration matters.

3 REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides on the remuneration of the members of the Board of Directors for one term at a time on the basis of a proposal prepared by the Shareholders' Nomination Board.

The decision on the remuneration of the members of the Board of Directors must be based on the valid remuneration policy presented to the Annual General Meeting.

4 REMUNERATION OF THE CEO

The purpose of CEO's remuneration is to guide the implementation of the Company's strategic goals and thereby promote the Company's long-term financial success, competitiveness, and favourable development of shareholder value.

4.1 Remuneration components and proportional shares of overall remuneration

Remuneration of the CEO may consist of, for example, the following components:

- A fixed base salary and fringe benefits
- Variable short-term incentive payments based on the Company's short-term incentive plan
- Variable long-term incentive payments based on the Company's long-term incentive plan
- Pension
- Other financial benefits

The purpose of the base salary is to compensate for the work input received by the Company, and it must be competitive in order to attract and retain skilled professionals. The base salary is reviewed annually as part of the CEO’s total remuneration. There is no defined maximum level of base salary.

A significant portion of the CEO's total remuneration is based on variable components of remuneration, and any remuneration based on them is contingent upon the achievement of pre-defined performance criteria.

4.2 Grounds for determining the variable remuneration

Variable remuneration may consist of a short-term and/or long-term incentive scheme.

The target levels and maximum levels of the variable remuneration indicators are based on the long-term strategic goals set by the Company's Board of Directors. The indicators are monitored regularly. Meeting the criteria will support the Company's long-term financial success. The Board of Directors has the right, at its discretion, to change the amount of both the short-term and long-term incentives and the time of payment of the incentive.

Short-term incentive scheme

The purpose of the short-term incentive scheme is to support the achievement of the Company's short-term financial and strategic goals.

The Board of Directors sets annual performance measures and related targets and weightings for a one-year earning period, as well as the minimum, target and maximum remuneration that may be paid based on the achievement of the targets. The measures may vary from year to year to align with the Company’s strategic objectives. In general, the measures consist of an appropriate combination of financial, strategic, operational, personal or sustainability and security or other measures, provided that each year the majority of the measures are based on financial criteria.

If the criteria determined in advance by the Board of Directors are met, the CEO may be entitled to an incentive paid in cash. The maximum amount of the annual incentive may be up to 60% of the CEO’s annual base salary.

Long-term incentive scheme

The Company may have a long-term incentive scheme. The purpose of the long-term incentive scheme is to support the implementation of the Company's strategy, to align the goals of management and the Company's shareholders in order to increase the Company's value and improve the Company's performance, and to commit the CEO to the Company.

The CEO may be covered by a long-term incentive scheme decided by the Company's Board of Directors.

The long-term incentive scheme consists of earning periods of several financial years. The Board of Directors annually decides on the performance criteria and related targets for each earning period.

The share of the long-term incentive payment in the CEO's total remuneration may vary significantly as the value of the share fluctuates during the earning period. For this reason, the maximum amount of long-term incentive is always an estimate at the beginning of each earning period.

The amount of remuneration paid to the CEO depends on the achievement of pre-defined targets. If the targets set for the earning period are met, the incentive will be paid after the end of each earning period.

Any incentive may be paid in shares and/or cash. The maximum amount of a cash incentive may be up to 150% of the CEO's annual base salary and the maximum amount of a share incentive up to 300% of the CEO's annual base salary.

4.3 Other key terms applicable to the service contract

The terms of the CEO's service contract are defined in writing in the CEO contract. The CEO contract is usually valid until further notice.

Pension

Employees Pensions Act (Työntekijän eläkelaki (TyEL)) offers pension security based on the term of service and earnings, as provided in law. The CEO's pension and retirement age will be determined on the basis of the Employees Pensions Act.

In addition to the statutory pension, the Company may agree on a supplementary pension plan with the CEO. The terms of the supplementary pension plan are decided by the Company's Board of Directors in accordance with market practices.

Terms of notice

The service contract may stipulate a period of notice applicable to the CEO, which shall be determined in accordance with the market practices in force at the time of concluding the contract.

In addition to the salary for the period of notice, the CEO may be paid severance pay, which is determined in accordance with the market practices in force at the time of concluding the contract.

The CEO's entitlement to short-term and long-term incentive payments, for example, upon termination of employment, retirement, or death, is determined by the terms of the Company's short-term and long-term incentive schemes.

Other financial benefits

The CEO may have other financial benefits in accordance with applicable market practice. These benefits may include, for example, car and telephone benefits, as well as supplementary insurance, such as sickness, life, disability, travel, and accident insurance.

4.4 Terms for deferral and possible clawback of remuneration

The Board of Directors of the Company may decide not to pay variable incentives either in full or in part if the financial position of the Company has deteriorated to such an extent that the Board of Directors estimates that the payment of incentives is unreasonable considering the Company's situation. In addition, fees related to a variable incentive plan may be recovered in exceptional circumstances, such as due to misconduct or incorrect financial calculations.

The Company has the right to cancel the severance pay paid to the CEO if the CEO has committed a material breach or acted in a manner that is detrimental to the Company or contrary to the Company's interests.

5 REQUIREMENTS FOR TEMPORARY DEVIATION

Remuneration of the governing bodies takes place within the framework of the remuneration policy, but in certain exceptional circumstances a temporary deviation from the remuneration policy is possible to ensure the long-term interests of the Company. The assessment of the conditions for a temporary deviation takes into account the Company's long-term financial success, competitiveness and the development of shareholder value.

The Board of Directors may decide to deviate temporarily from any part of the remuneration policy in the following pre-defined circumstances:

- Change of CEO
- Appointment of interim CEO
- Appointment of a deputy managing director
- Material changes in the Company structure, organisation, or ownership such as M&A, merger, or demerger
- A material change in the Company’s financial position, strategy, or governance structure
- Change in applicable legislation or regulation
- Other weighty and justified reason to adjust the remuneration of the incumbent CEO
- Other exceptional circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability

In the above-mentioned circumstances, it is considered that it is in the long-term interest of the Company and its shareholders that the Board has the right to use its full discretion when deciding on the remuneration of the CEO or the interim CEO.