

Loihde Plc's remuneration report 2021

1. INTRODUCTION

The remuneration of governing bodies of Loihde Plc (below Loihde) will henceforth be based on the Remuneration Policy that the Annual General Meeting will decide on in spring 2022. It is the objective of the remuneration policy to promote Loihde's business strategy, long-term growth and profitability and sustainable growth of shareholder value.

The remuneration report is formulated in accordance with the Finnish Corporate Governance Code 2020 for listed companies, which entered into force on 1 January 2020. It is the purpose of this report to paint a clear and understandable picture of the implementation of the remuneration of Loihde's Board of Directors, Supervisory Board, Shareholders' Nomination Board, CEO and the potential deputy of the CEO, and in future also of the implementation of the remuneration policy.

Five-year development of remuneration and the company's financial result

| (EUR 1,000) | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|--------|---------|---------|---------|---------|
| Revenue | 87 910 | 104 924 | 103 104 | 106 823 | 108 079 |
| Change compared to the previous year, % | | 19 % | -2 % | 4 % | 1 % |
| Adjusted EBITDA | 5 275 | 6 309 | 5 492 | 6 160 | 4 250 |
| Change compared to the previous year, % | | 20 % | -13 % | 12 % | -31 % |
| Remuneration of the Board of Directors ¹ | 163 | 165 | 159 | 179 | 208 |
| Change compared to the previous year, % | | 1 % | -3 % | 12 % | 17 % |
| Basic salary and benefits of the Group CEO ² | 223 | 242 | 258 | 273 | 291 |
| Change compared to the previous year, % | | 9 % | 6 % | 6 % | 7 % |
| Total remuneration of the Group CEO | 246 | 345 | 331 | 307 | 416 |
| Change compared to the previous year, % | | 41 % | -4 % | -7 % | 35 % |
| Average wages and salaries of the employees ³ | 49 | 57 | 61 | 61 | 65 |
| Change compared to the previous year, % | | 16 % | 6 % | 1 % | 6 % |

¹ The remuneration of the Board of Directors includes meeting fees for the members of the Board of Directors when they have participated in the Supervisory Board's meetings.

² The salaries for 2021 include both Samu Konttinen's and Mika Vihervuori's CEO salaries but not the termination payment that was part of Mika Vihervuori's CEO contract.

³ The average wages and salaries of the employees include cash wages and salaries without add-on costs, divided by the average number of employees (FTE) during the year. The wages, salaries and remuneration information presents the wages, salaries and remuneration paid during each financial period. The remuneration paid as part of the short-term and long-term incentive schemes is paid during the year following the end of the vesting period.

2. REMUNERATION OF THE SUPERVISORY BOARD, THE SHAREHOLDERS' NOMINATION BOARD AND THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2021

Supervisory Board

The Annual General Meeting decided to abolish the Supervisory Board at its meeting on 6 May 2021, and the Supervisory Board stopped operating on 6 October 2021, when the company's new Articles of Association came into effect. The Annual General Meeting on 6 May 2021 decided to keep the meeting fees of the Supervisory Board unchanged at EUR 700 per meeting for the Chairperson and EUR 400 for the members of the Supervisory Board.

The remuneration earned by the Supervisory Board in 2021 was as follows:

| Meeting fees* | EUR 1,000 |
|-----------------|-----------|
| Chairperson | 11 |
| Others in total | 34 |

*The meeting fees of the Supervisory Board were paid retrospectively, therefore in 2021, the Chairperson of the Supervisory Board has received fees of EUR 3,000 earned in 2020 and the members of the Supervisory Board have received fees of EUR 3,000 earned in 2020. These fees are not included in the table. The meeting fees of the Supervisory Board also include fees for the members of the Supervisory Board when they have participated in the meetings of the Board of Directors.

Shareholders' Nomination Board

On 6 May 2021, the Annual General Meeting decided that a meeting fee of EUR 400 per meeting shall be paid to the members of the Shareholders' Nomination Board and a meeting fee of EUR 700 per meeting to the Chairperson of the Nomination Board. The Chairperson of the Board of Directors that participates in the meetings of the Nomination Board as an expert is paid a meeting fee of EUR 400 per meeting.

The remuneration earned by the Nomination Board in 2021 was as follows:

| Meeting fees* | EUR 1,000 |
|-----------------|-----------|
| Chairperson | 2 |
| Others in total | 7 |

*EUR 2,000 of the meeting fees that were earned by the members of the Nomination Board in 2021 and are included in the table will be paid in 2022.

Board of Directors

The amount of remuneration of the Board of Directors has been decided by the Supervisory Board at their meeting on 26 November 2020.

It was decided that the Chairperson of the Board of Directors will be paid an annual fee of EUR 36,000 and a meeting fee of EUR 700 per meeting and that each member of the Board of Directors will be paid an annual fee of EUR 15,000 and a meeting fee of EUR 600 per meeting. It was also decided that the Chairperson of a committee will be paid a meeting fee of EUR 700 and the member of a committee a meeting fee of EUR 600 per meeting.

In future, it is the General Meeting that decides on the amount of remuneration of the Board of Directors.

The company's Annual General Meeting held on 25 June 2020 resolved to adopt a long-term share-based incentive scheme for the members of the Board of Directors. Under the incentive scheme, the members of the Board of Directors can subscribe for company shares at an amount corresponding to half of their annual fee at a maximum. In 2021, there was a 10% discount on the price of the shares subscribed for. The sum of the discount has been added to the taxable income of the members of the Board of Directors. The Annual General Meeting may resolve on issuing commitment shares to the participants in the scheme based on their share ownership after a specified vesting period. Eligibility for the commitment shares is conditional on the participant still being a member of the company's Board of Directors.

The remuneration earned by the Board of Directors in 2021 was as follows:

| | Annual fees* EUR 1,000 | Meeting fees* EUR 1,000 | In total EUR 1,000 | Amount of shares subscribed for in the share-based incentive scheme in 2021 | Committee memberships |
|-----------------|---------------------------|----------------------------|-----------------------|--|----------------------------------|
| Timo Kotilainen | 36 | 20 | 56 | 1 028 | Audit Committee, member |
| Kaj Hagros | 15 | 15 | 30 | 428 | Personnel Committee, member |
| Jussi Hattula | 15 | 15 | 30 | | Personnel Committee, member |
| Elina Piispanen | 15 | 16 | 31 | 428 | Personnel Committee, Chairperson |
| Matti Piri | 15 | 16 | 31 | 428 | Audit Committee, Chairperson |
| Stefan Wikman | 15 | 15 | 30 | 428 | Audit Committee, member |

*The annual fees and meeting fees of the Board of Directors are paid retrospectively, therefore in 2021, the Chairperson of the Board of Directors has received fees of EUR 5,000 earned in 2020 and the members of the Board of Directors have received fees of EUR 10,000 earned in 2020. These fees are not included in the table. As for the fees earned in 2021 that are included in the table, the Chairperson of the Board of Directors is paid EUR 3,000 and the members of the Board of Directors are paid EUR 9,000 in 2022.

3. REMUNERATION OF THE CEO FOR THE FINANCIAL YEAR 2021

The Board of Directors decides on the remuneration and bonuses of the CEO, as well as other terms of the CEO contract. The CEO contract also specifies financial benefits, including severance pay and other possible compensations.

The remuneration of the CEO consists of fixed basic salary (including benefits in kind), life insurance, annual performance bonus (STI), a personal share reward relating to the CEO contract and a long-term share-based incentive scheme (LTI). The share-based incentive schemes are described in more detail on the page Remuneration in the For Shareholders section on the company's website.

The CEO is entitled to statutory pension. The retirement age of the CEO is defined in the statutory employee pension scheme.

The period of notice for the CEO contract is 6 months on both sides. If the company terminates the CEO contract, the CEO is under certain conditions entitled to a one-time payment corresponding to 12 months' monthly salary.

There was a change of CEO on 1 January 2021, when Samu Konttinen started as CEO of Loihde Plc. The CEO duties of the previous CEO Mika Vihervuori ended at the end of 2020, but in 2021 he still received remuneration based on his CEO duties and the targets reached in 2020.

| Samu Konttinen: | EUR 1,000 | Per cent of the maximum amount |
|---|-----------|--------------------------------|
| Paid in 2021 | | |
| Fixed annual salary including holiday pay and holiday bonus | 291 | |
| Share reward, paid in shares* | 49 | |
| Paid in 2022 | | |
| Short-term performance bonus (STI) for 2021 | 87 | 49 % |

*The CEO contract includes an agreement on a personal share-based incentive scheme, on the grounds of which the CEO had the right to acquire 6,000 (six thousand) shares between 1 December 2020 and 30 June 2021 and in one year's time receive 3,000 shares as remuneration for the share purchase and in two years' time another 3,000 shares, providing that he still is CEO. The subscription price was based on the average price of Loihde's share on Privanet during the period 24 May–23 November 2020, on which a discount of 10 per cent was applied. The share reward for 2021, paid based on the CEO contract, is 3,000 shares, which at the time of payment were worth EUR 49,000.

| Mika Vihervuori: | EUR 1,000 | Per cent of the maximum amount |
|---|-----------|--------------------------------|
| Paid in 2021 | | |
| Severance pay in accordance with the CEO contract | 195 | |
| Short-term performance bonus (STI) for 2020 | 33 | 26 % |
| Long-term share reward (additional and bonus shares) for the vesting period 2018–2020 | | |
| • Paid in shares | 21 | |
| • Paid in cash | 20 | |
| • Share reward in total | 41 | 52 % |

Short-term incentive (STI) for 2021:

The targets of the short-term performance bonus (STI) to be paid for the financial year 2021 were based on Loihde Group's revenue (weight 60%) and adjusted EBITDA (weight 40%). The performance bonus has been paid in March 2022. The performance bonus paid to the CEO for 2021 is EUR 87,000 in total (97% of the target level of the bonus and 49% of the maximum amount of the performance bonus).



Short-term incentive (STI) for 2020

The Board of Directors set the performance criteria for the CEO for the 2020 incentive scheme based on revenue and profitability development as well as strategic targets relating to enabling growth, promoting Group synergies in sales and developing operations.

Long-term share reward for the share-based incentive scheme's vesting period 2018–2020:

In accordance with the terms of the vesting period 2018–2020 for the share-based incentive scheme that was resolved by the Board of Directors and began in 2018, the participants in the scheme received one additional share for each four shares they had subscribed for. In addition, the CEO could earn bonus shares for achieving targets set by the Board of Directors relating to the company's profitability and shareholder value.