

Loihde Plc's remuneration report 2022

1. INTRODUCTION

The remuneration of governing bodies of Loihde Plc (below Loihde) is based on the remuneration policy that the Annual General Meeting approved on 5 May 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, Shareholders' Nomination Board, CEO, and the potential deputy of the CEO, and also of the implementation of the remuneration policy.

FIVE-YEAR DEVELOPMENT OF REMUNERATION AND THE COMPANY'S FINANCIAL RESULT

Loihde Plc has transitioned to IFRS-compliant reporting starting from the financial year 2022, with 2021 being the comparative period. For this reason, all figures from the

above-mentioned years are not entirely comparable to those of previous years.

EUR 1,000	2018 FAS	2019 FAS	2020 FAS	2021 ³ IFRS	2022 ³ IFRS
Revenue	104,924	103,104	106,823	104,418	122,987
Change compared to the previous year, %	19 %	-2 %	4 %	N/A ⁴	18 %
Adjusted EBITDA	6,309	5,492	6,160	7,236	10,290
Change compared to the previous year, %	20 %	-13 %	12 %	N/A ⁴	42 %
Remuneration of the Board of Directors¹	165	159	179	215	204
Change compared to the previous year, %	1 %	-3 %	12 %	N/A ⁴	-5 %
Base + benefits of the Group CEO	242	258	273	291	300
Change compared to the previous year, %	9 %	6 %	6 %	7 %	3 %
Total remuneration of the Group CEO	345	331	307	340	425
Change compared to the previous year, %	41 %	-4 %	-7 %	N/A ⁴	25 %
Average wages and salaries of the employees²	57	61	61	67	65
Change compared to the previous year, %	16 %	6 %	1 %	N/A ⁴	-3 %

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 meetings of committees and the Nomination Board and meeting fees for the members of the Board of Directors when they have participated in the meetings of the Supervisory Board in 2018–2021.

² 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 year. 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.

³ Continuing operations without Hibox Systems Oy Ab

⁴ All percentage changes for 2021 cannot be calculated, since it is the first year calculated in accordance with IFRS.

2. REMUNERATION OF THE SHAREHOLDERS' NOMINATION BOARD AND THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2022

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 2022 was as follows:

Meeting fees	EUR 1,000
Chairperson	4
Others, in total	10



BOARD OF DIRECTORS

The amount of remuneration of the Board of Directors has been decided at the Annual General Meeting on 5 May 2022.

It was decided that the Chairperson of the Board of Directors will be paid an annual fee of EUR 39,600 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 16,500 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 members of a committee a meeting fee of EUR 600 per meeting.

The remuneration earned by the Board of Directors in 2022 was as follows:

	Annual fees ¹ EUR 1,000	Meeting fees ¹ EUR 1,000	Total EUR 1,000	Number of shares subscribed for in the share-based incentive scheme in 2022	Committee memberships
Timo Kotilainen	34	22	56	1,375	Audit Committee, member, Personnel Committee, member
Kaj Hagros	16	15	31	573	Personnel Committee, member
Jussi Hattula ²	14	8	22		Personnel Committee, member
Elina Piispanen	16	16	32	573	Personnel Committee, Chairperson
Matti Piri	16	17	33	573	Audit Committee, Chairperson
Stefan Wikman	13	16	29	573	Audit Committee, member

¹ The annual fees and meeting fees of the Board of Directors are paid retrospectively, therefore in 2022, the Chairperson of the Board of Directors has received fees of EUR 4,000 earned in 2021 and the members of the Board of Directors have received fees of EUR 11,000 earned in 2021. As for the fees earned in 2022, the Chairperson of the Board of Directors is paid EUR 8,000 and the members of the Board of Directors are paid EUR 13,000 in 2023.

² Member of the Board of Directors until 5 May 2022

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 2022, 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.

3. REMUNERATION OF THE CEO FOR THE FINANCIAL YEAR 2022

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 fringe benefits), life insurance, annual performance bonus (STI), a personal share bonus related 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.

The remuneration earned by Samu Konttinen in 2022:

	EUR 1,000	Per cent of the maximum amount
Paid in 2022		
Fixed annual salary including holiday pay and holiday bonus	300	
Short-term incentive (STI) for 2021	87	49 %
Share bonus, paid in shares ¹	18	
Share bonus, paid in cash ¹	20	
Paid in 2023		
Short-term incentive (STI) for 2022	56	28 %

¹ 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 bonus for 2022, paid based on the CEO contract, is 3,000 shares, which at the time of payment were worth EUR 38,000.

SHORT-TERM INCENTIVE (STI) BONUS FOR 2022:

The targets of the short-term incentive (STI) bonus to be paid for the financial year 2022 were based on Loihde Group’s revenue (weight 50%) and adjusted EBITDA (weight 50%). The short-term incentive (STI) bonus has been paid in March 2023. The short-term incentive (STI) bonus paid to the CEO for 2022 is EUR 56,000 in total (56% of the target level and 28% of the maximum amount of the bonus).

