

2020

# Remuneration Report

# Remuneration report for governing bodies 2020

This remuneration report for governing bodies of Etteplan Oyj (Etteplan) has been prepared and published for the first time in accordance with the Finnish Corporate Governance code 2020. The remuneration report is published annually always in connection with Etteplan's corporate governance statement, and it will be presented to the shareholders in the annual general meeting following its publication.

## REMUNERATION PRINCIPLES

Remuneration of Etteplan Oyj governing bodies is based on the Remuneration Policy that was presented to the Annual General Meeting held on April 2, 2020. The Remuneration Policy is applied until the Annual General Meeting in 2024, unless the Board of Directors decides to present it to the General Meeting earlier.

The principles guiding Etteplan's remuneration are result-driven and performance-based remuneration, transparent and consistent remuneration principles and systems as well as competitive overall remuneration.

The remuneration of Etteplan's personnel is strongly guided by the performance-based remuneration which is applied throughout the organization. This has led to a personnel remuneration practice that is aligned with the interests of the Company and its shareholders and helps to engage and motivate key persons to operate in accordance with the shared goals.

The same principles are observed in the remuneration practices of the CEO. However, variable remuneration components, i.e. an annual performance bonus and a long-term incentive plan reward, constitute a significant share of the CEO's overall remuneration. This ensures maintaining a strong connection between the Company's financial performance and CEO remuneration. The Board of Directors decides on the structure and details of variable remuneration components annually. The annual performance bonus and long-term incentive plan reward typically constitute approximately half of the CEO's overall remuneration.

The General Meeting shall decide on the remuneration payable for Board and Committee work as well as the basis for its determination. The Nomination and

Remuneration Committee has been assigned the duty of preparing the remuneration of the Board. The Board of Directors shall decide on the remuneration of the CEO as well as other compensation payable to him or her. The compensation principles for the Management Group are determined by the CEO in cooperation with the Board of Directors.

## REMUNERATION AND THE FINANCIAL DEVELOPMENT OF THE COMPANY

The development of Etteplan's business operations has been consistent and in line with the Company's strategy during the past five years. The Company's revenue and operating profit (EBITA) have improved steadily. Etteplan's profitability remained on a good level during the financial period of 2020 despite the COVID-19 pandemic.

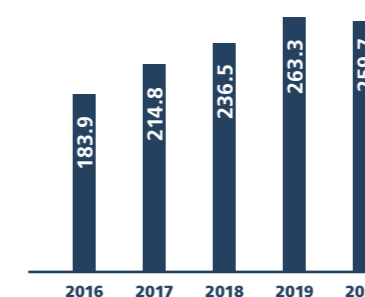
According to the Company's Remuneration Policy the CEO's remuneration is based on result and performance, and a significant part of the remuneration is constituted by variable remuneration components. As the result targets of long-term incentive plans are linked to the result of the Company's business operations, the positive development of the Company is reflected in the CEO's remuneration. Based on the development of the Company's business operations both short-term and long-term incentive plans can be regarded effective.

AVERAGE COMPENSATION (EUR)	2016	2017	2018	2019	2020
<b>Chairman of the Board</b>	62,600	61,400	62,600	74,600	92,400
<b>Members of the Board on average</b>	31,720	22,057	31,600	31,540	40,080
<b>President and CEO*</b>	434,968	1,727,610	495,584	491,738	805,287
<b>Average Etteplan employee**</b>	42,212	42,392	41,944	42,087	43,548

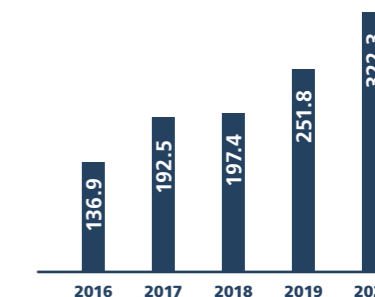
\* President and CEO compensation in 2017 ja 2020 include share rewards accrued in the previous three years.

\*\* Average Etteplan employee equals personnel expenses excluding indirect employee cost divided by the average number of personnel during the year.

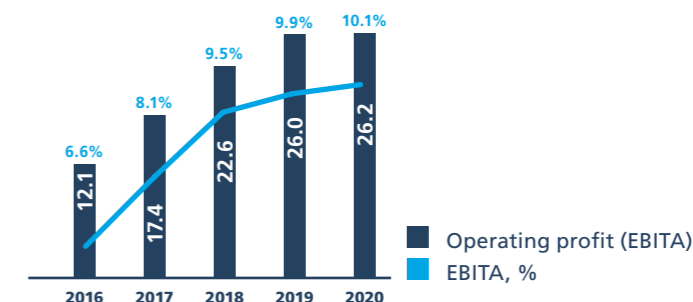
Revenue, EUR million



Market capitalization, EUR million



Operating profit (EBITA), EUR million



## REMUNERATION OF THE BOARD OF DIRECTORS IN THE FINANCIAL PERIOD OF 2020

Decisions on the remuneration of the Board of Directors are made annually by the Annual General Meeting. According to the resolution made by the Annual General Meeting held on April 2, 2020 the annual remuneration of the Chairman of the Board is EUR 72,000 and of a member of the Board EUR 36,000. The annual remuneration is paid in cash.

According to the resolution made by the Annual General Meeting held on 2 April, 2020, the remuneration for the Chairmen of the Board of Directors as well the Audit and Nomination and Remuneration Committees is EUR 1,200 per meeting. The remuneration for each member of the Board of Directors as well as the Audit and Nomination and Remuneration Committees is EUR 600 per meeting. This attendance remuneration is paid for each meeting the Chairmen or members attend. Daily allowances and travel expenses are paid to the Board members according to the Company's travel policy.

The annual remuneration of the Board of Directors is not paid partially in shares, share-based rights or in cash with an obligation to acquire Company shares. The members of the Board are not part of the Company's long-term incentive plan and they have not received other financial benefits during the financial year of 2020. The members of the Board do not have an employment or service contract with the Company nor do they act as advisors for the Company.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2020 (EUR)	ANNUAL REMUNERATION	ATTENDANCE REMUNERATION*	TOTAL
<b>Robert Ingman, chairman</b>	72,000	20,400	92,400
<b>Cristina Andersson (until 2 April 2020)</b>	9,000	2,400	11,400
<b>Matti Huttunen</b>	36,000	14,400	50,400
<b>Päivi Lindqvist (as of 2 April 2020)</b>	27,000	7,200	34,200
<b>Leena Saarinen</b>	36,000	22,800	58,800
<b>Mikko Tepponen</b>	36,000	9,600	45,600
<b>Total</b>	<b>216,000</b>	<b>76,800</b>	<b>292,800</b>

\* Attendance remuneration includes remuneration for the meetings of Board of Directors and its committees. It also includes part of attendance remuneration accrued in the financial period 2019.

## REMUNERATION OF THE CEO IN THE FINANCIAL YEAR OF 2020

The CEO's remuneration comprises a fixed annual salary (including car, phone and medical benefits) and variable remuneration components, i.e. an annual performance bonus and a long-term incentive plan reward. The proportion of the variable remuneration components was 56 per cent of the CEO's overall remuneration in the financial period of 2020.

The term of notice for the CEO is six months. In the event of dismissal, the CEO is at the most entitled to receive compensation equivalent to 18 months' salary which includes the salary for a six-month term of notice. In the financial period of 2020, no additional accrual basis pension insurance policy was paid for the CEO.

OVERALL REMUNERATION OF THE PRESIDENT AND CEO IN 2020 (EUR)	VARIABLE REMUNERATION COMPONENTS			Total
	Fixed annual salary (including taxable benefits)	Annual performance bonus (accrued in 2019)	Share-based incentive plan (accrued in 2017–2019)	
<b>President and CEO</b>	353,675	130,100	321,512	805,287

### Annual performance bonus

The annual performance bonus of the CEO consists of key targets based on the Group's financial result and other financial and operative targets that are decided on annually by the Board of Directors. The maximum amount of annual performance bonus is 100 per cent of the annual salary. The annual performance bonus is always paid in the financial period following the earning period.

In the financial period of 2020 the CEO received an annual performance bonus of EUR 130,100. The performance bonus was accrued in the financial period of 2019. The performance bonus was 40 per cent out of the maximum amount. The proportion of the performance bonus was 29 per cent of the variable remuneration components in the financial period of 2020.

In the financial period of 2020 the structure of the annual performance bonus remained unchanged and the essential targets were updated. The possible bonus will be paid in the financial period of 2021.

### Share-based incentive plan

The long-term remuneration of the CEO is based on a share-based incentive plan. The Board of Directors decides on the incentive plan in three year intervals and it is based on the strategic development of the business operations of the Group, financial indicators and total shareholder return. In addition to remuneration, the objective of the program is to engage the CEO to the Company and align the interests of the CEO and shareholders. The potential reward of the plan will be paid in the financial year following the earning period.

The CEO belonged to share-based incentive plan established by the Board of Directors which was intended for key personnel and comprised the calendar years 2017–2019. The earnings criteria of the plan were Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR), and the plan included approximately 20 people. According to the decision of the Board of Directors the rewards to be paid on the basis of the plan corresponded to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including also the proportion to be paid in cash), and the reward was paid in 2020.

After the earning period of the share-based incentive plan the Board of Directors decided on February 11, 2020 to transfer 84,124 shares to Group key personnel in accordance with the terms of the plan. The final number of shares transferred was 77,157 due to a change in the Company's management group. In April 2020 the CEO received according to the share-based incentive plan comprising calendar year 2017–2019 a total reward of EUR 321,512, constituting 20,901 Company shares and a cash reward intended to cover taxes and tax-related costs arising from the reward. The proportion of the share-based incentive plan reward was 71 per cent of the variable remuneration components in the financial period of 2020.

The Board of Directors of Etteplan decided on February 5, 2020 to establish a new share-based incentive plan for the Group key personnel. The plan includes one earning period comprising calendar years 2020–2022. The earnings criteria are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). The potential reward will be paid partly in the Company's shares and partly in cash after the end of the earning period. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel. Approximately 25 people belong to the plan, including the CEO and other Management Group members. The potential reward will be paid after the earning period in 2023.