

# *Remuneration report 2021*

## Introduction

The Board of Directors of Honkarakenne has approved Remuneration Policy at its General Meeting in 2021. The Remuneration Policy describes the practices and principles associated with remunerating Honkarakenne's Board members and the President & CEO. Honkarakenne's corporate governance is based on recommendations of the Finnish Corporate Governance Code 2020 and the provisions of the Securities Markets Act and Limited Liability Companies Act.

This Remuneration Report discloses the remuneration of the members of the Company's Board of Directors and the President & CEO for the preceding financial year and compares the development of the average remuneration of Honkarakenne's employees and of the Company's financial performance to the development of the fees paid to the Company's governing bodies. This Remuneration Report describes how the Remuneration Policy has been implemented over the preceding financial year.

The remuneration of Honkarakenne is based on the following main principles presented in the Remuneration Policy:

- 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 emphasize long-termism, being linked to shareholder value development and the company's strategy.

## **Deviations from the Remuneration Policy and exercise of Clawback**

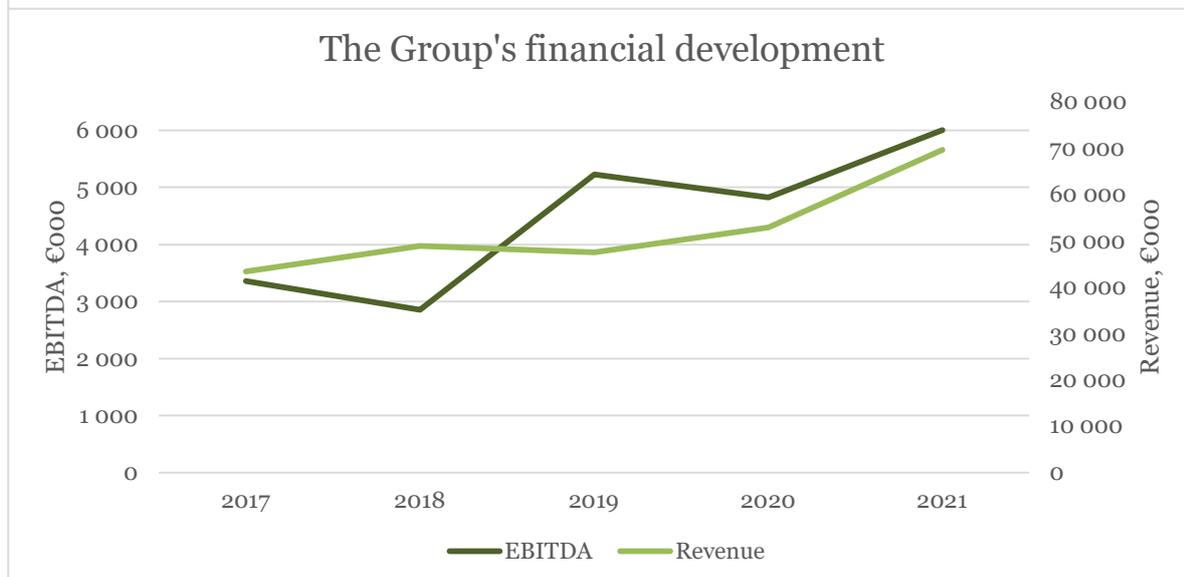
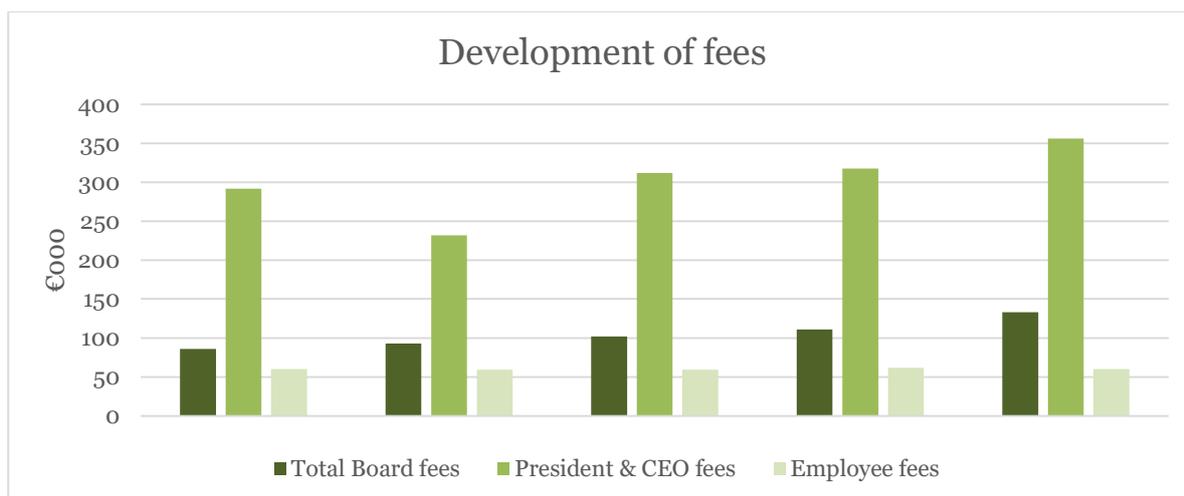
The Company has not exercised the right to deviate from the Remuneration Policy nor exercised the option of clawback of remuneration in 2021.

## **Development of remuneration and fees**

Below is a comparable description of the remuneration paid to the Board members and President & CEO, as well as the remuneration of employees and the financial performance of the Group.

Fees paid to the President & CEO have remained at the same level for the past five years. The increase in total Board total fees from 2017 is due to changes in the Board composition and the increase in remuneration made in 2021. The employee fee is presented as average annual expenses per employee. The total employee expenses have increased as the number of employees also increased similarly.

€000	2017	2018	2019	2020	2021
Total Board fees <sup>1</sup>	86	93	102	111	133
President & CEO fees <sup>2</sup>	292	232	312	318	356
Employee fees (average) <sup>3</sup>	60	59	59	62	60
Revenue	43,413	48,864	47,549	52,896	69,652
EBITDA	3,354	2,855	5,227	4,824	6,005



<sup>1</sup> Total annual fees of Board members.

<sup>2</sup> The total annual remuneration of the President & CEO.

<sup>3</sup> Personnel costs according to the company's financial statements divided by the number of employees (FTE).

## Remuneration of the Board of Directors

The General Meeting of Honkarakenne decides on the basis for remuneration for work in the Board. The remuneration of Board members consists of monthly remuneration and possible Board Committee meeting remuneration. In the General Meeting 16 April 2021, the following fees were decided to be remunerated to Board members:

	<b>Fee, EUR</b>
Monthly fee of Chairman of the Board	3,500
Monthly fee of member of the Board	2,000
Meeting fee of possible Board Committee	500 / meeting

The Board members do not have an employment relationship with the Company and are not part of any share-based remuneration scheme of the Company. The travel costs of permanent Board members will be reimbursed according to the Company's travel policy.

In 2021 the Board of Directors had 5 members and met 11 times. The Board did not have committees in 2021 nor paid any Committee meeting fees. The fees to the Board were paid fully in cash once a month. There are no additional financial benefits paid to the Board members in 2021. The payments made in 2021 are described in the table below.

All fees paid to the Company's Board of Directors are made within the framework of the effective Remuneration Policy for governing bodies presented to the Annual General Meeting.

	<b>Paid in 2021</b>
	<b>Annual fee, EUR</b>
<b>Saarimäki Kyösti</b> Chairman of the Board since 16 April 2021	36,600
<b>Kohtamäki Timo</b> Member	23,100
<b>Saarelainen Kari</b> Member	23,100
<b>Halonen Arto</b> Member since 16 April 2021	18,000
<b>Ristola Maria</b> Member since 16 April 2021	18,000
<b>Ristola Arimo</b> Member and Chairman until April 2021	9,000
<b>Ruponen Helena</b> Member until 16 April 2021	5,100
<b>Total</b>	<b>132,900</b>

## Remuneration of the President & CEO

The terms of the President & CEO's remuneration and contract shall be decided by the Board. President & CEO remuneration has complied with the valid remuneration policy.

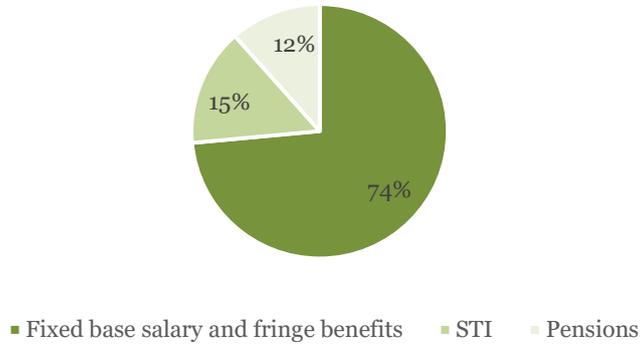
The President & CEO's remuneration consists of a fixed monthly salary including fringe benefits, variable long- and short-term incentive schemes based on performance, and any other elements that may be included in the remuneration policy. Long- and short-term incentive schemes form the performance-based part of the President & CEO's remuneration. In 2021 the President & CEO had no long-term incentive scheme in place.

In 2021 the President & CEO was paid a total fee of EUR 338.417. The President & CEO's remuneration consisted of the following in 2021:

- fixed base salary
- fringe benefits (incl. medical expenses insurance)
- voluntary pension insurance, which amounted to two monthly salaries in 2021 including additional pension plan payment and payment related to the short-term incentive.
- remuneration for short-term performance-based incentive scheme decided by the Board, that is, the 2021 bonus. The remuneration under the short-term performance-based incentive scheme consisted of both cash and share-based elements.

Element	Paid fees in 2021	Fees due in 2022
Fixed base salary	247,820	-
Fringe benefits	1,097	-
Short-term incentive		
<i>Performance period 2020</i>	18,500	-
<i>Performance period 2021</i>	-	20,500
Share-based incentive		
<i>Performance period 2020</i>	32,000	-
<i>Performance period 2021</i>	-	67,000
Supplementary pensions based on pension plan	20,500	-
Supplementary pensions based on short-term incentive		
<i>Performance period 2020</i>	18,500	-
<i>Performance period 2021</i>	-	20,500

## Proportions of the President & CEO 's remuneration in 2021

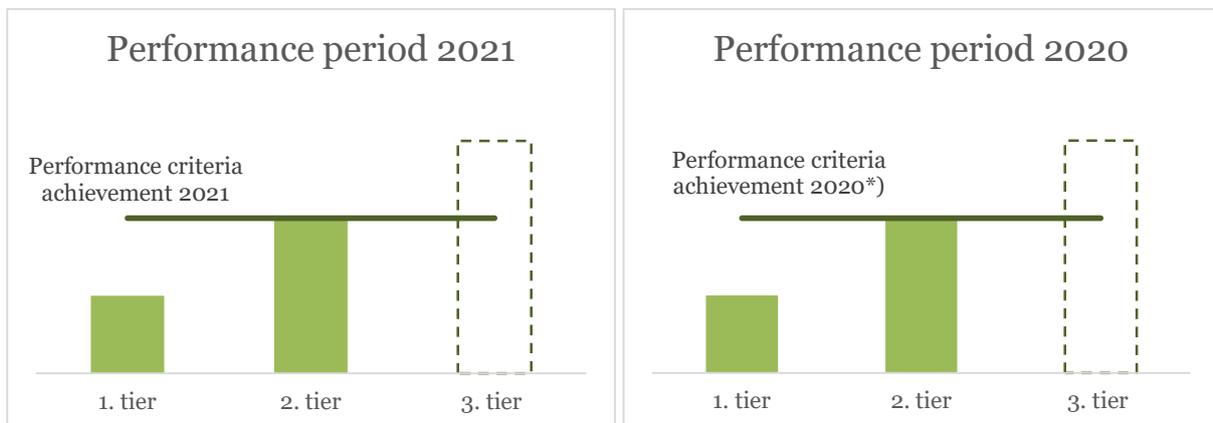


### Short-term incentive

Short-term, performance-based incentive schemes are part of the President & 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.

In 2021, the President & CEO's incentive scheme based on short-term performance was in three tiers and it was tied to the budgeted operating margin. The scheme's first-tier bonus corresponded to a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj's Series B shares. The second-tier bonus consisted of the first-tier bonus, a cash bonus worth one monthly salary and 5,000 of Honkarakenne Oyj's Series B shares. The scheme's third-tier bonus corresponded to the first- and second-tier bonuses, a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj's Series B shares.

Description of the performance criteria, operating margin, achievement in the short-term incentive:



\*) The 2020 incentive scheme was implemented at the 2nd tier level in accordance with the Board's decision

**Pension scheme**

The President & CEO's pension cover has been organized with statutory pension cover that is based on length of service and earnings. The President & CEO's retirement age is determined by the Employees Pensions Act.

As part of the President & CEO's overall remuneration, supplementary pension cover of one month's salary was offered in addition to statutory cover. In addition, based on the short-term incentive an additional one month's salary amount of pension cover was paid on the achievement of the first tier in STI. Supplementary pension cover was implemented as defined contribution plan.

**Conditions for termination**

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

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