

Remuneration report 2021

1. INTRODUCTION

As of 1 January 2020, Talenom Plc complies with the full 2020 Finnish Corporate Governance Code issued by the Securities Market Association. The Corporate Governance Code is available on the site of the Securities Market Association at www.cgfinland.fi. In addition to the Corporate Governance Code, Talenom Plc complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, other legal provisions concerning listed companies, Talenom Plc's Articles of Association, and the rules and guidelines issued by Nasdaq Helsinki Ltd.

This remuneration report is also available on the company's website at www.sijoittajat.talenom.fi/en. In accordance with the Limited Liability Companies Act and the Articles of Association, the highest responsibility for the governance and operations of Talenom is held by its governing bodies, which are the General Meeting of Shareholders, Board of Directors and CEO.

The principles and decision-making processes for the remuneration of the Board of Directors and CEO and for the key terms of the service contract are set forth in Talenom Plc's remuneration policy. The company's remuneration principles apply to the entire personnel. The transparency and market orientation of remuneration and remuneration based on good performance are key principles in remuneration. The company's remuneration policy applies to the company's Board of Directors and CEO. The objective of the company's remuneration policy is to encourage and reward management for work that is in line with the company's current strategy and for compliance with the set rules, as well as to motivate them to strive for the success of the Talenom Group. Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the company. This, in turn, contributes to the financial success of the company and the implementation of good corporate governance. In addition to supporting the company's long-term profitability and results, remuneration supports the implementation of the objectives set by the company and the company's strategy.

Remuneration in accordance with the remuneration policy consists of the following components:

- Basic salary and employee benefits are in compliance with the local market practices, laws and regulations
- A short-term incentive scheme intended to guide the performance of an individual and the organisation as well as to support rapid implementation of strategic projects
- A long-term remuneration scheme designed to commit key personnel to the company. Long-term incentives aim to commit management to the company and harmonise their interests with those of shareholders.

Development of remuneration in relation to the financial development of the company

The following table and diagrams present the trend in the remuneration of the Board of Directors and CEO compared to the trend in the average remuneration of Group employees and the financial development of the Group during the past five financial periods. In accordance with Talenom's remuneration policy, part of the remuneration of the CEO consists of short-term and long-term incentives that are linked to the result of operations. The options granted in 2016 and the sharp increase in the company's share price had a positive effect on the value of long-term incentives from 2018 to 2020. The amount paid in remuneration to the Board of Directors rose in 2020 as one extra Board member was elected and the remuneration increased.

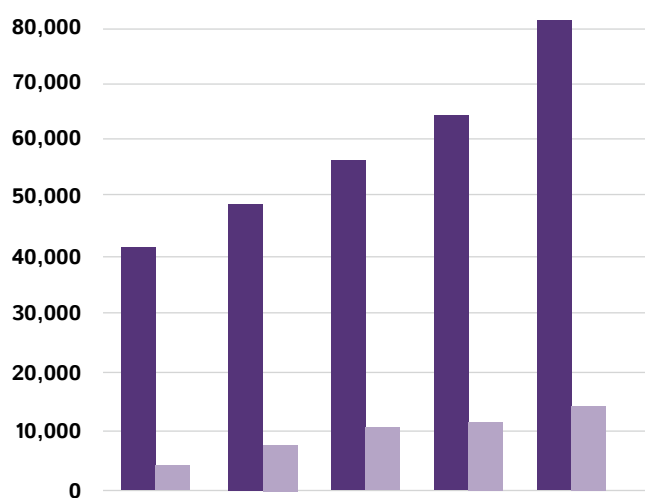
REMUNERATION TREND

Thousand euro	2017	2018	2019	2020	2021
Annual remuneration of the Board of Directors	122.7	133.7	131.9	182.0	192.0
Annual remuneration of the CEO	146.0	212.4	409.1	712.3	231.2
Average salary trend EUR thousand per person *)	36.8	37.2	37.8	37.9	39.5

* The average salary trend at Talenom is calculated by dividing salaries and rewards by the average number of employees during the financial period.



FINANCIAL DEVELOPMENT OF THE COMPANY



Thousand euro

	2017	2018	2019	2020	2021
■ Consolidated net sales	41,421	48,871	57,955	65,161	82,808
■ Consolidated operating profit	4,840	8,545	10,409	12,881	14,763

2. REMUNERATION OF THE BOARD OF DIRECTORS

Decisions concerning the remuneration of the Board of Directors are made in general meetings for a single term of office at a time based on a proposal of the Board of Directors. The decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the general meeting.

On 3 March 2021, the Annual General Meeting of 2021 approved a monthly fee of 6,000 euros for the Chairman of the Board of Directors and 2,000 euros for the members of the Board of Directors. In addition, it was decided that the Board members shall be reimbursed for their travel expenses according to the company's travel rules.

REMUNERATION PAID TO BOARD MEMBERS 1 JANUARY-31 DECEMBER 2021

	Annual fees	Other financial benefits	Total
Harri Tahkola (Chairman of the Board)	72,000		EUR 72,000
Olli Hyyppä (Board member)	24,000		EUR 24,000
Mikko Siuruainen (Board member)	24,000		EUR 24,000
Anne Riekkö (Board member) *	4,000		EUR 4,000
Johannes Karjula (Board member)	24,000		EUR 24,000
Sampsa Laine (Board member)	24,000		EUR 24,000
Elina Tourunen (Board member) **	20,000		EUR 20,000
Total	192,000		EUR 192,000

*) Board member from 1 January to 2 March 2021

**) Board member since 3 March 2021

The Board members do not participate in the company's share-based incentive schemes, and Board fees are not paid in the form of shares in the company.

3. REMUNERATION OF THE CEO

Decisions concerning the remuneration of the company's CEO and the terms applicable to the service contract of the CEO are made by the company's Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

The company's CEO is Otto-Pekka Huhtala. As set out in the CEO's contract, the CEO will serve in the position indefinitely, and his notice period is two months. Normal occupational pension contributions are paid on the salary of the CEO in accordance with occupational pension legislation. No supplementary pension contributions are paid to the CEO.

Fixed salary component

The fixed salary component of the CEO consists of a monthly salary and fringe benefits. In 2021, the annual salary including fringe benefits was 204,240 euros, of which fringe benefits accounted for 240 euros.

Short-term incentive scheme

The CEO, like the other members of the Executive Board, is entitled to a performance bonus when predetermined criteria are met.

The criteria for the Executive Board's performance bonus take into account the company's net sales, EBITDA, EBIT, customer retention, operational efficiency, personnel satisfaction, progress in product development and product group-specific growth. In addition, the Board of Directors separately assesses the performance of the CEO in his or her task and decides on the separate performance bonus to be paid to the CEO. The CEO's maximum bonus under the short-term incentive scheme is 25% of the fixed annual salary (gross).

The Board of Directors set targets for the company's net sales and operating profit as the earning criteria for the CEO's short-term incentive in 2021. The CEO needed to reach minimum values in both. The criteria each had a weighting of 50%. No short-term performance bonus will be paid for 2021.

Long-term incentive schemes

The purpose of the long-term performance bonus is to incentivise the CEO to increase shareholder value over the long term and further commit the CEO to the company. CEO Otto-Pekka Huhtala is included in the 2020–2024 performance share plan, the 2021 restricted share plan, and the 2019 and 2021 option schemes.

CEO's participation in the stock option scheme

Option rights	Number of options granted to the CEO on the basis of option schemes	Number of shares that one option entitles the holder to subscribe to	Share subscription price (euros)	Share subscription time
2019	120,000	1	3.10	1 March 2022 to 28 February 2023
2021	90,000	1	13.44	1 March 2026 to 28 February 2027

With respect to the 2020–2024 long-term shared-based incentive scheme, the Board of Directors decides upon the performance metrics and the related targets and weightings for each new scheme annually. The performance metrics may vary from one scheme to another, and they are intended to promote the company's long-term value creation.

ded to him under the share-based incentive scheme until the value of his shareholding in the company is equal to his gross annual salary. These shares must be held for as long as the person remains a member of the Executive Board.

The CEO must hold at least half of the net number of shares awar-

The maximum values of share-based bonuses shown in the table are expressed as gross sums. The applicable taxes will be deducted from these sums before the shares are transferred to the CEO.

Performance Share Plan 2020–2024	PSP 2020–2022	PSP 2021–2023
Maximum number of shares allocated to the CEO	54,000	25,000
Earning criteria (weighting)	Consolidated net sales (3/6) Internationalisation (1/6) Growth (1/6) as well as Share of net sales accounted for by value-added services	Consolidated net sales (50 %) Operating profit (30 %) and Implementation of strategic projects (20%)
Year of share transfer	2023	2024

The CEO was allocated 3,200 shares under the 2021 restricted share plan. The bonuses to be paid for the period from 2021 to 2023 will be paid partly in the company's shares and partly in cash after the end of a 12–36-month vesting period. No bonus was paid for 2021.

Remuneration of the CEO during the financial period

	Fixed annual salary (including fringe benefits)	Variable short-term incentive bonus *)	Total remuneration
Bonuses paid (thousand euros)	204.2	27	231.2
Percentage of total remuneration	88%	12%	

*) Earned for performance in the 2020 financial period and paid in 2021.