



Pihlajalinna

Remuneration report 2022

REMUNERATION REPORT

INTRODUCTION

This Remuneration Report of Pihlajalinna Plc ("the Company" or "Pihlajalinna") is a Remuneration Report for Governing Bodies prepared in accordance with the Limited Liability Companies Act, the Securities Markets Act and the recommendations of the Corporate Governance Code 2020. The Remuneration Report contains information on the remuneration of the members of the Board of Directors and the CEO in the financial year 2022. The aim of the Remuneration Report is to provide a clear picture of the implementation of the Company's Remuneration Policy. The Remuneration Policy is available on the Company's investor website at investors.pihlajalinna.fi. The Pihlajalinna Board of Directors has approved the Remuneration Report for presentation to the Annual General Meeting in 2023.

The Pihlajalinna Remuneration Policy sets out the principles and decision-making process for the remuneration of the members of the Board of Directors and the CEO. The Company's Remuneration Policy has been approved by the Annual General Meeting on 13 April 2022. The Remuneration Policy is available on the Company's investor website at investors.pihlajalinna.fi.

The auditing firm KPMG Oy Ab, which served as Pihlajalinna Plc's auditor during the financial year 2022, has verified, in accordance with Ministry of Finance decree 608/2019, that the information referred to in Section 3 of the decree has been disclosed in this report.

Development of remuneration in relation to the Company's key financial indicators

The following table and graphs present the development of the remuneration of the Board of Directors and the CEO compared to the development of the average remuneration of the Group's employees and the Group's financial performance in the past five financial years:

	2018	2019	2020	2021	2022
Total remuneration of the Board of Directors ⁽¹⁾	522 000	487 000	473 000	587 742 ^(*)	491 074
Total remuneration of the CEO ⁽¹⁾	285 000	285 000	433 000	405 000	338 930
Average employee earnings ⁽²⁾	37 000	41 000	42 000	45 000	47 000
Revenue, EUR million	487,8	518,6	508,7	577,8	690,5
Operating profit (EBIT), EUR million	13,2	10,2	18,1	27,9	8,9
Profit for the period, EUR million	6,8	4,5	8,9	19,1	7,7

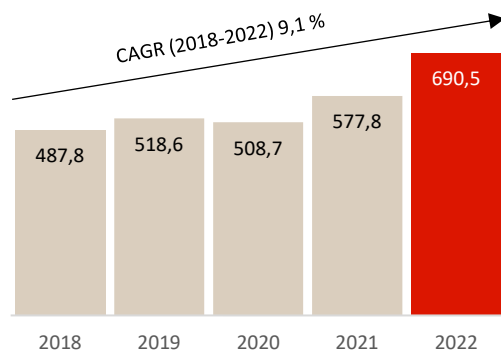
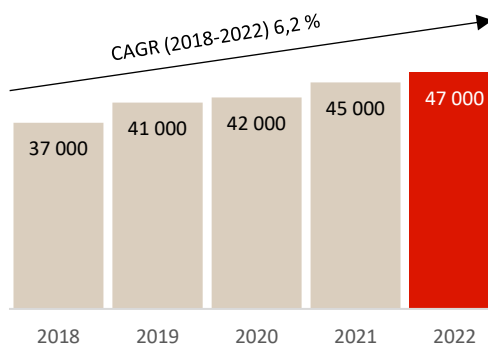
1) Rounded to the nearest thousand

2) Average employee earnings have been calculated by dividing the total wages paid during the financial year by the number of employees as full-time equivalents (FTE), rounded to the nearest thousand

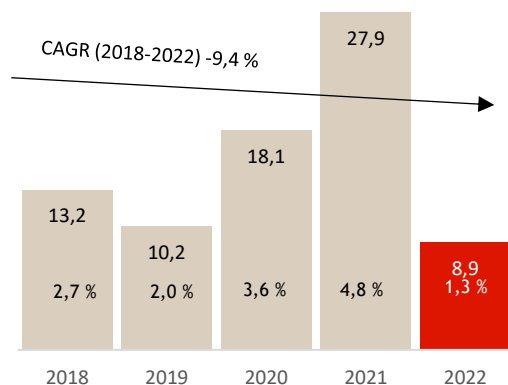
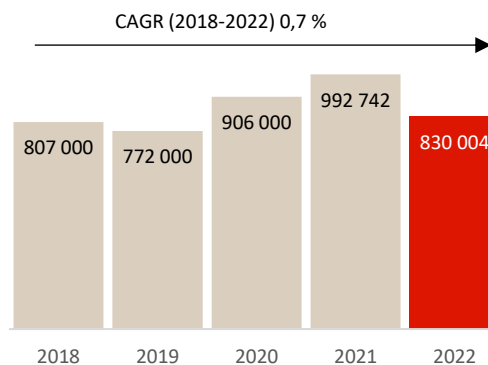
^(*) Monthly remuneration paid to the Board of Directors 1–4/2021 for the term 2020–2021 and the annual remuneration paid for the term 2021–2022 as a lump sum in shares and cash on 14 May 2021.



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Revenue,
MEURAverage employee earnings, EUR⁽²⁾

Operating profit (EBIT), EUR million

Total remuneration of the Board of
directors and the CEO, EUR

Pihlajalinna's General Meeting decides on the remuneration paid to the members of the Board of Directors. The proposal for the remuneration of the Board members is prepared by the Shareholders' Nomination Board. Assisting the Board of Directors, the People Committee prepares the principles applied to the remuneration of the CEO. The Company's Board of Directors appoints the CEO and potential Deputy CEO and decides on the terms and conditions of their service.

The remuneration of the Chairman of the Board of Directors has remained unchanged since the 2018 Annual General Meeting. The 2022 Annual General Meeting resolved to increase the annual remuneration of the Chairman of the Audit Committee and the members of the Board of Directors. The annual remuneration of the Vice-Chairman of the Board remained unchanged. In 2022, the Board of Directors was paid a one-time annual fee its the entire term, as in the previous year.

In accordance with the Remuneration Policy, the remuneration of the CEO is based on a fixed monthly salary including fringe benefits and separately decided variable remuneration components, such as long-term or short-term share-based incentive schemes, for example. Pihlajalinna's current CEO, Joni Aaltonen, has been in his position since the end of 2017. In 2020 and 2021, the CEO has been paid a retention bonus and performance-based remuneration in addition to the fixed monthly salary in accordance with the long-term incentive plan.

The development of the average earnings of employees has shown a growing trend. During the 2019 efficiency improvement programme, the number of employees was reduced. During the first COVID-19 pandemic year 2020, the number of employees decreased, while in 2021, as the demand for COVID-19 services went up, the number of employees increased due to recruitment. In 2022, several M&A transactions were carried out and the number of employees increased further. Approximately 81% (2021: 82%) of the Company's employees are within the scope of collective labour agreements. The development of wages for employees in these groups is guided by the general increases defined in the collective agreements.

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II REMUNERATION OF THE BOARD OF DIRECTORS

Pihlajalinna's Annual General Meeting 2022 decided, in accordance with the Shareholders' Nomination Board's proposal, that remuneration shall be paid as a fixed annual fee as follows: EUR 250,000 to the full-time Chairman of the Board, EUR 39,000 to the Vice-Chairman and the Chairman of the Audit Committee and EUR 26,000 to other members.

The Annual General Meeting resolved that annual remuneration shall be paid in Company shares and in cash, with approximately 40 per cent of the remuneration used to acquire shares in the name and on behalf of the members of the Board of Directors, and the remainder paid in cash. The Company was responsible for the expenses and transfer tax arising from the acquisition of the shares. The remuneration could be paid either entirely or partially in cash if the member of

the Board of Directors was, on the day of the Annual General Meeting, 13 April 2022, in possession of over EUR 1,000,000 worth of Company shares. If the term of a Board member ends before the next Annual General Meeting, the Board is entitled to decide on the possible recovery of the remuneration in a manner it deems appropriate.

The General Meeting also decided that each Board member shall be paid a meeting fee of EUR 500 for each Board and Committee meeting. Reasonable travel expenses will also be reimbursed to the members of the Board in accordance with the Company's travel policy.

In 2022, the fees paid to Pihlajalinna Plc's Board members for Board and Committee work totalled EUR 491,074 (2021: EUR 587,742). The amount paid in 2021 consisted of monthly fees paid to the Board of

Directors in the period 1–4/2021 regarding the Board of Directors' term 2020–2021 and the annual fee paid for the period of 2021–2022, which was paid to the Board members in the form of a lump sum in shares and in cash on 14 May 2021. The amount paid in 2022 consists of the annual fee paid to the Board of Directors for the term 2022–2023, which was paid to the Board members in the form of a lump sum in shares and in cash in May 2022.

The Company does not use any share-based incentive schemes that apply to members of the Board of Directors. The members of the Company's Board of Directors did not receive remuneration during the financial year 2022 from Pihlajalinna Group companies other than the parent company Pihlajalinna Plc.

Remunerations paid to the Board of Directors in 2022, EUR

		ANNUAL FEE (EUR), OF WHICH		MEETING FEES (EUR)	TOTAL REMUNERATION (EUR)	THE NUMBER OF SHARES TRANSFERRED AS PART OF THE ANNUAL FEE
BOARD MEMBER		SHARES (EUR)	CASH (EUR)			
Wirén Mikko	Chairman	0	242 220	18 500	260 720	0
Niemistö Leena	Vice-Chairman	15 602	23 399	13 500	52 500	1 423
Iisakka Heli	Member (from 13 April 2022)	10 405	15 595	8 000	34 000	949
Juvonen Hannu	Member	10 405	15 595	14 500	40 500	949
Manninen Mika	Member	10 405	15 595	10 500	36 500	949
Turunen Seija	Member, Audit Committee Chairman	15 602	23 399	11 000	50 000	1 423
Sulin Kati	Member (until 13 June 2022)	10 405	1 949	4 500	16 854	949
		72 824	337 752	80 500	491 074	6 642



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III REMUNERATION OF THE CEO

CEO Joni Aaltonen's salary and other taxable benefits for the financial year that ended on 31 December 2022 amounted to a total of EUR 338,930 (EUR 404,765 in 2021). The remuneration of the CEO consisted of a fixed annual salary, a free car benefit and mobile phone benefit totalling EUR 296,293 (EUR 297,083 in 2021), a variable remuneration component in the form of long-term incentives totalling EUR 31,787 (EUR 100,032 in 2021) and meeting fees paid by Pihlajalinna Group companies owned jointly with municipalities based on Board membership totalling EUR 10,850 (EUR 7,650 in 2021). The relative shares of fixed remuneration and variable remuneration were 87% (67%) and 13% (33%), respectively.

In 2022, the CEO was paid a performance-based remuneration for the earnings period of 2021 under the long-term incentive scheme in the gross amount of EUR 31,787, of which EUR 17,801 was paid in the Company's shares (1,540 shares) according to the weighted average share price of EUR 11.56 per share on the payment date, 15 March 2022, and the remaining EUR 13,986 was paid in cash to cover the taxes incurred. The shares are subject to a transfer restriction in accordance with the incentive scheme, but they are not subject to the obligation to return the shares in the event of termination.

According to the CEO's contract, the notice period for dismissal is 3 months. The Company is liable to pay the CEO one-time compensation for termination amounting to six months' total salary.

The Company did not have a Deputy CEO indicated in the Trade Register during the financial year 2022.

Performance- and quality-based long-term incentive programme (LTIP 2022)

On 23 March 2022, Pihlajalinna's Board of Directors approved the establishment of a new share-based incentive programme (LTIP 2022) for selected key employees. The key employees selected for the programme are required to make an investment in Pihlajalinna shares as a precondition for participation in the programme. In its entirety, the incentive scheme will form a six-year programme and the share rewards based on the programme cannot be disposed of prior to the year 2025.

The performance- and quality-based share programme comprises four separate performance periods of one year each (the calendar years 2022–2025). The potential share rewards will be paid out after

the performance periods in the years 2023, 2024, 2025 and 2026 provided that the performance and quality-based targets set by the Board of Directors are reached. The maximum number of shares (gross amount prior to the deduction of applicable withholding tax) for each one-year performance period is defined in the allocation per participant. The share rewards will be subject to a two-year transfer restriction. The criteria for the performance- and quality-based additional share programme are Pihlajalinna Group's adjusted EBITA and key operative and quality indicators.

A total of 42 key employees are eligible to participate in the share-based incentive programme. If all of the eligible key employees participate in the programme by fulfilling the investment precondition in full and if the performance targets set for the performance periods are fully achieved, the maximum aggregate amount of share rewards that may be paid out based on the programme is approximately 1,100,000 shares (gross amount before the deduction of the applicable payroll tax) and the total value of the share rewards payable is approximately EUR 12.8 million. If the programme is realised in full, the aforementioned number of shares corresponds to approximately 4.8 per cent of the Company's shares.

No performance- and quality-based share rewards materialised for the first performance period 2022 pursuant to the matching share plan, as the minimum targets set for the programme were not achieved.

The targets set by the Board of Directors for the performance period 2022 were related to the following indicators:

- consolidated adjusted EBITA - weight 60%, result below threshold
- customer satisfaction index (NPS) – weight 10%, result below threshold
- employee Net Promoter Score (eNPS) – weight 10%, result below threshold
- growth of the share of internal production in specialised care – weight 10%, result below threshold
- Growth of supply in private clinic and hospital operations – weight 5%, result above threshold
- The invoicing rate of occupational health nurses – weight 5%, result below threshold