



# Pihlajalinna

**Remuneration Report  
2023**

## 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 2023. 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](https://investors.pihlajalinna.fi) and it has been approved by the Annual General Meeting on 15 April 2020. The Pihlajalinna Board of Directors has approved the Remuneration Report for presentation to the Annual General Meeting in 2024.

The auditing firm KPMG Oy Ab, which served as Pihlajalinna Plc's auditor during the financial year 2023, 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:

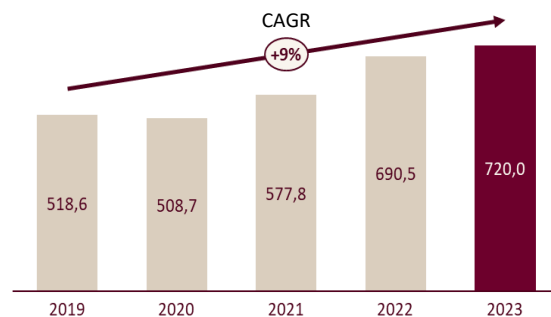
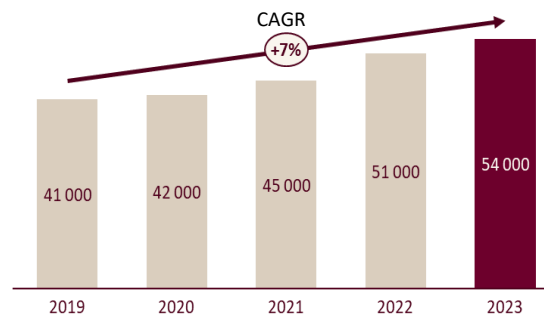
|                                                                    | 2019    | 2020    | 2021       | 2022    | 2023    |
|--------------------------------------------------------------------|---------|---------|------------|---------|---------|
| <b>Total remuneration of the Board of Directors <sup>(1)</sup></b> | 487,000 | 473,000 | 588,000(*) | 491,000 | 397,000 |
| <b>Total remuneration of the CEO <sup>(1)</sup></b>                | 285,000 | 433,000 | 405,000    | 333,000 | 647,000 |
| Joni Aaltonen, CEO until 8 Mar 2023                                | 285,000 | 433,000 | 405,000    | 339,000 | 353,000 |
| Mikko Wirén, interim CEO 9 Mar - 31 Aug 2023                       |         |         |            |         | 174,000 |
| Tuomas Hyyryläinen, CEO from 1 Sep 2023                            |         |         |            |         | 120,000 |
| <b>Average employee earnings <sup>(2)</sup></b>                    | 41,000  | 42,000  | 45,000     | 51,000  | 54,000  |
| <b>Revenue, EUR million</b>                                        | 518.6   | 508.7   | 577.8      | 690.5   | 720.0   |
| <b>Operating profit (EBIT), EUR million</b>                        | 10.2    | 18.1    | 27.9       | 8.9     | 20.6    |
| <b>Profit for the period, EUR million</b>                          | 4.5     | 8.9     | 19.1       | 7.7     | 4.6     |

1) Rounded to the nearest thousand

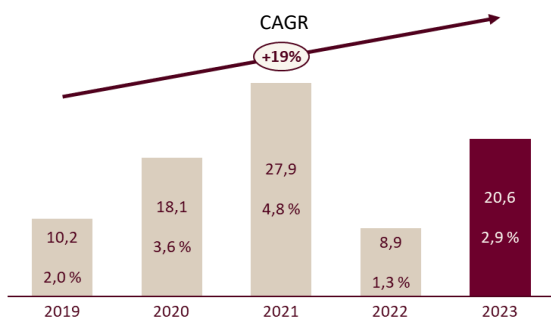
2) Average employee earnings have been calculated by dividing the total wages paid during the financial year by the number of employees as full-time equivalents (FTE), rounded to the nearest thousand

\*) 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.

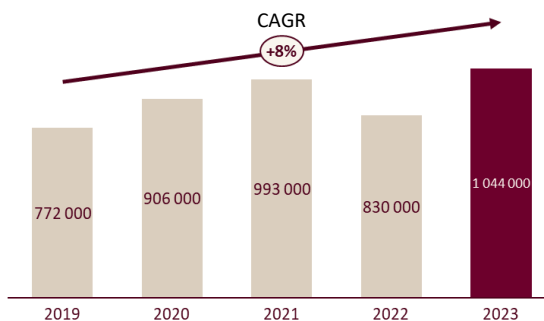
Revenue, EUR million

Average employee earnings, EUR<sup>(2)</sup>

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 and Sustainability 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 Annual General Meeting 2023 resolved that the Chair of the Board be paid EUR 60,000 for the term of office ending at the Annual General Meeting 2024. In 2022, the full-time Chair of the Board was paid a fixed annual fee of EUR 250,000. The 2023 Annual General Meeting resolved to increase the annual remuneration of the Board's committees, the Vice-Chair of the Board and the members of the Board of Directors. In 2023, the Board of Directors was paid a one-time annual fee for its 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. Joni Aaltonen served as Pihlajalinna's CEO until 8 March 2023. Mikko Wirén served as the interim CEO from 9 March to 31 August 2023. Tuomas Hyyryläinen started as the CEO of Pihlajalinna on 1 September 2023. In 2022, CEO Joni Aaltonen was paid a retention bonus and performance-based remuneration for 2021 in addition to the fixed monthly salary in accordance with the long-term incentive plan. In 2023, no bonuses were paid under incentive schemes for the year 2022.

The development of the average earnings of employees has shown a growing trend. In 2022, several M&A transactions were carried out and the number of employees increased further. Approximately 81% (2022: 81%) 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.

## II REMUNERATION OF THE BOARD OF DIRECTORS

Pihlajalinna's Annual General Meeting held on 4 April 2023 resolved that the Board of Directors would be paid the following annual remuneration for the term ending at the conclusion of the 2024 Annual General Meeting: the Chair of the Board EUR 60,000, the Vice-Chair of the Board and the Chairs of the Committees EUR 40,000, and the other members EUR 30,000.

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, 4 April 2023, 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 600 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 2023, the fees paid to Pihlajalinna Plc's Board members for Board and Committee work totalled EUR 396,900 (2022: EUR 491,074). The amount paid in 2022 consisted of meeting fees and 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 amount paid in 2023 consists of meeting fees and the annual fee paid to the Board of Directors for the term 2023–2024, which was paid to the Board members in the form of a lump sum in shares and in cash in May 2023.

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 2023 from Pihlajalinna Group companies other than the parent company Pihlajalinna Plc.

### Remunerations paid to the Board of Directors in 2023, EUR

| BOARD MEMBER   |                                                   | ANNUAL FEE (EUR), OF WHICH |                | MEETING FEES (EUR) | TOTAL REMUNERATION (EUR) | THE NUMBER OF SHARES TRANSFERRED AS PART OF THE ANNUAL FEE |
|----------------|---------------------------------------------------|----------------------------|----------------|--------------------|--------------------------|------------------------------------------------------------|
|                |                                                   | SHARES (EUR)               | CASH (EUR)     |                    |                          |                                                            |
| Leinonen Jukka | Chair, since 4 Apr 2023                           | 23,998                     | 36,002         | 7,800              | 67,800                   | 2,636                                                      |
| Niemistö Leena | Vice-Chair                                        | 15,996                     | 24,004         | 13,800             | 53,800                   | 1,757                                                      |
| Wirén Mikko    | Member                                            | 0                          | 30,000         | 13,800             | 43,800                   | 0                                                          |
| Iisakka Heli   | Member                                            | 11,999                     | 18,001         | 13,300             | 43,300                   | 1,318                                                      |
| Juvonen Hannu  | Member, People and Sustainability Committee Chair | 15,996                     | 24,004         | 14,400             | 54,400                   | 17,757                                                     |
| Turunen Seija  | Member, Audit Committee Chair                     | 15,996                     | 24,004         | 13,300             | 53,300                   | 17,757                                                     |
| Ignatius Kim   | Member, since 4 Apr 2023                          | 11,999                     | 18,001         | 7,800              | 37,800                   | 1,318                                                      |
| Kurki Tiina    | Member, since 4 Apr 2023                          | 11,999                     | 18,001         | 7,200              | 37,200                   | 1,318                                                      |
| Manninen Mika  | Member (until 3 Apr 2022)                         | 0                          | 0              | 5,500              | 5,500                    | 0                                                          |
|                |                                                   | <b>107,983</b>             | <b>192,017</b> | <b>96,900</b>      | <b>396,900</b>           | <b>11,861</b>                                              |

### III REMUNERATION OF THE CEO

Joni Aaltonen served as Pihlajalinna's CEO until 8 March 2023. Mikko Wirén served as the interim CEO from 9 March to 31 August 2023. Tuomas Hyryläinen started as the CEO of Pihlajalinna on 1 September 2023.

CEO Joni Aaltonen's salary and other taxable benefits for the financial year that ended on 31 December 2023 amounted to a total of EUR 352,722 (EUR 338,930 in 2022). The remuneration of the CEO consisted of a fixed annual salary, a free car benefit and mobile phone benefit totalling EUR 147,532 (EUR 296,293 in 2022) and meeting fees paid by Pihlajalinna Group companies owned jointly with municipalities based on Board membership totalling EUR 2,050 (EUR 10,850 in 2022). In 2023, in accordance with the CEO's termination agreement, Joni Aaltonen was paid share rewards linked to performance- and quality-based earnings criteria amounting to EUR 73,030 and cash compensation for termination amounting to EUR 130,111, corresponding to six months' total salary in accordance with the CEO's contract.

The salary and other taxable benefits of interim CEO Mikko Wirén for the financial year that ended on 31 December 2023 amounted to a total of EUR 160,165. The remuneration of the CEO consisted of a fixed annual salary, a car benefit and a mobile phone benefit.

The salary and other taxable benefits of CEO Tuomas Hyryläinen, who took up his post on 1 September 2023, amounted to EUR 120,000 for the financial year that ended on 31 December 2023. The remuneration of the CEO consisted of a fixed annual salary and a mobile phone benefit.

In 2023, the CEOs were not paid performance-based remuneration under the long-term incentive scheme. In 2022, CEO Joni Aaltonen was paid EUR 31,787 in performance-based remuneration for the year 2021 under the long-term incentive scheme.

According to CEO Tuomas Hyryläinen's contract, the notice period for dismissal is 6 months. The Company is liable to pay the CEO one-time compensation for termination amounting to eight months' total salary.

The Company did not have a Deputy CEO indicated in the Trade Register during the financial year 2023.

#### 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 forms a six-year programme and the share rewards based on the programme cannot be disposed of prior to the year 2026.

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. The Board of Directors annually decides on the participants, performance indicators, targets and earning opportunities. Two earnings periods have been launched under the programme: 2022 and 2023.

The maximum number of shares (gross amount prior to deduction of applicable withholding tax) for each one-year performance period is defined in the allocation per participant. The applicable withholding tax will be deducted from the transferred shares, and the remaining net amount will be paid to the participants in shares. Shares paid out as share rewards are subject to a two-year transfer restriction. The earnings criteria for the performance and quality-based share programme are Pihlajalinna Group's adjusted EBITA, as well as key operational, quality-related and sustainability-related indicators.

For the earnings period 2023, a total of 48 key persons are entitled to participate to 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 in the future, the maxi-

mum aggregate amount of share rewards that may be paid out based on the programme is approximately 618,000 shares (gross amount before the deduction of the applicable withholding tax) and the total value of the share rewards payable is approximately EUR 5.7 million. In case the program materialises in full, the above number of shares equals approximately 2.7 per cent of the total amount of the shares of the Company.

No performance- and quality-based share rewards materialised for the 2022 performance periods under the matching share plan, as the minimum targets set for the programme were not achieved. No performance- and quality-based share rewards materialised for the performance period 2023 under the share plan due to impairments recognised during the financial year.

CEO Tuomas Hyryläinen is entitled to participate in the share-based incentive programme starting from the earnings period that begins on 1 January 2024. At the beginning of the share-based incentive scheme, the CEO has the right to purchase a maximum of 30,000 shares, so that for the first 10,000 shares, the Company will give one share for each share purchased by the CEO, and for the next 20,000 shares, one share for each two shares purchased. If the CEO purchases the full quota of 30,000 shares, the Company will give the CEO a total of 20,000 matching shares. Shares purchased by and given to the CEO are subject to the transfer restrictions of the LTIP programme.

#### Short-term incentive scheme (STI)

The short-term incentive scheme (STI) is designed for the CEO. Starting from 2024, the CEO is entitled to a potential annual performance-based bonus (STI) that corresponds to 60% of the CEO's annual salary at a maximum. The target level is 30% of the annual salary. The Company's Board of Directors confirms the amount, targets and criteria for the short-term incentive scheme annually.