



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 2025. The People and Sustainability Committee of Pihlajalinna's Board of Directors has prepared this 2024 Remuneration Report, which will be presented to Pihlajalinna's Annual General Meeting in 2025. The Remuneration Report contains information on the remuneration of the members of the Board of Directors and the CEO in the financial year 2024. The Pihlajalinna Board of Directors has approved the Remuneration Report for presentation to the Annual General Meeting in 2025.

The Remuneration Report for Governing Bodies 2023 was approved at Pihlajalinna's Annual General Meeting on 10 April 2024. The decision of the Annual General Meeting on the Remuneration Report is advisory. No questions regarding the Remuneration Report were presented at the Annual General Meeting. Feedback was collected from shareholders when preparing the 2024 Remuneration Report. Based on the feedback received, more detailed information on the Company's short-term and long-term incentive schemes has been added to the Remuneration Report.

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 and it has been approved by the Annual General Meeting on 10 April 2024. The Company has received feedback on the Remuneration Policy from shareholders, particularly regarding long-term remuneration. The Company will present an updated Remuneration Policy to the Annual General Meeting in 2025, which will take into account the feedback received.

There have been no deviations from the Remuneration Policy during the financial year 2024, and there have not been any situations during the financial year where there would have been a need to recover remuneration.

The auditing firm KPMG Oy Ab, which served as Pihlajalinna Plc's auditor during the financial year 2024, 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

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. The Annual General Meeting 2024 resolved to keep the annual remuneration of the Board members unchanged. In 2024, the Board of Directors was paid a one-time annual fee for its entire term, as in the previous year.

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. 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.

Tuomas Hyryläinen acted as Pihlajalinna's CEO throughout the financial year 2024. In addition to the fixed monthly salary, the CEO received share-based rewards in 2024, which were related to the right agreed upon in the CEO's contract at the beginning of the share-based incentive scheme, when Pihlajalinna conveyed shares in exchange for purchases.

The development of the average earnings of employees has shown a increasing trend. Approximately 79% (2023: 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.

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:

	2020	2021	2022	2023	2024
Total remuneration of the Board of Directors ⁽¹⁾	473,000	588,000(*)	491,000	397,000	358,000
Total remuneration of the CEO ⁽¹⁾	433,000	405,000	333,000	647,000	521,000
Joni Aaltonen, CEO until 8 Mar 2023	433,000	405,000	339,000	353,000	0
Mikko Wirén, interim CEO 9 Mar - 31 Aug 2023				174,000	0
Tuomas Hyryläinen, CEO from 1 Sep 2023				120,000	521,000
Average employee earnings ⁽²⁾	42,000	45,000	51,000	54,000	60,000
Revenue, EUR million	508.7	577.8	690.5	720.0	704.4
Operating profit (EBIT), EUR million	18.1	27.9	8.9	20.6	48.5
Profit for the period, EUR million	8.9	19.1	7.7	4.6	30.2

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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II REMUNERATION OF THE BOARD OF DIRECTORS

Pihlajalinna's Annual General Meeting held on 10 April 2024 resolved that the Board of Directors would be paid the following annual remuneration for the term ending at the conclusion of the 2025 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, 10 April 2024, 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 2024, the fees paid to Pihlajalinna Plc's Board members for Board and Committee work totalled EUR 358,200 (2023: EUR 396,900). The amount paid in 2023 consisted 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 amount paid in 2024 consists of meeting

fees and the annual fee paid to the Board of Directors for the term 2024–2025, which was paid to the Board members in the form of a lump sum in shares and in cash in May 2024.

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 2024 from Pihlajalinna Group companies other than the parent company Pihlajalinna Plc.

Remunerations paid to the Board of Directors in 2024, 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)			
Leinonen Jukka	Chair	23,998	36,002	12,000	72,000	2,662
Niemistö Leena	Vice-Chair	15,993	24,007	12,000	52,000	1,774
Ignatius Kim	Member, Audit Committee Chair since 10 April 2024	15,993	24,007	12,600	52,600	1,774
Iisakka Heli	Member	11,999	18,001	12,600	42,600	1,331
Juvonen Hannu	Member, People and Sustainability Committee Chair	15,993	24,007	12,000	52,000	1,774
Kurki Tiina	Member	11,999	18,001	12,600	42,600	1,331
Turunen Seija	Member, Audit Committee Chair until 10 April 2024	0	0	2,400	2,400	0
Wirén Mikko*	Member	11 999	18 001	12,000	42,000	1,331
		107,973	162,027	88,200	358,200	11,977

*In 2024, Mikko Wirén has additionally been paid consulting fees for tasks not related to his duties as board member, totaling EUR 6,000 (EUR 29,000 in 2023).

III REMUNERATION OF THE CEO

Tuomas Hyryläinen acted as Pihlajalinna's CEO for the entire financial year 2024, starting from 1 September 2023.

The CEO's salary and other taxable benefits for the financial year that ended on 31 December 2024 were EUR 521,000. The remuneration of the CEO consisted of a fixed annual salary of EUR 378,000 (including fringe benefits and a holiday pay). In addition, share-based rewards of EUR 143,000 were paid to the CEO. The variable remuneration accounted for approximately 40 per cent of the CEO's fixed annual salary.

The paid share-based rewards were related to the right agreed upon in the CEO's contract to acquire shares 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 shares.

The CEO was paid the gross amount of EUR 143,000, of which EUR 71,330 was paid in the Company's shares according to the weighted average share price of EUR 7.13 per share (10,000 shares) on the payment date, 2 January 2024, and the remaining EUR 71,330 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.

The CEO will be paid a performance bonus of EUR 162,000 for 2024. In addition, the CEO receives share-based rewards of 12,850 shares gross according to the share-based incentive plan (LTIP 2022). The performance bonus and share-based rewards will be paid during spring 2025.

According to CEO Tuomas Hyryläinen's contract, the notice period for dismissal is six 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 2024.

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

On 23 March 2022, Pihlajalinna's Board of Directors approved the establishment of share-based incentive programme (LTIP 2022) for selected key employees. CEO Tuomas Hyryläinen is entitled to participate in the share-based incentive programme starting from the earnings period that begins on 1 January 2024.

The performance- and quality-based share programme originally comprised four separate performance periods of one year each (the calendar years 2022-2025). The potential share rewards were paid out after the performance periods in the years 2023, 2024 and 2025. The Board of Directors annually decided the participants, performance indicators, targets and earning opportunities. The Board of Directors decided on 13 December 2024 that the last performance period, corresponding to the calendar year 2025, will not be launched.

The earnings criteria applicable to the performance- and quality-based share plan for the 2024 performance period are described below.

LTIP 2022 earnings criteria and realisation

	2024	
	Weight	Realisation
Adjusted EBITA	60 %	100 %
Sickness absence per cent development	20 %	71 %
Customer satisfaction development (NPS)	10 %	100 %
Employee Net Promoter Score (eNPS)	10 %	75 %

The CEO had to invest in Pihlajalinna shares to participate in the programme. The CEO had to own 5,000 Pihlajalinna shares in order to ensure the mutual interest of the Company's management and shareholders. With regard to the CEO, the prerequisite for holding shares is met.

The share-based rewards received under the scheme are subject to a two-year transfer restriction, during which the shares may not be

pledged or transferred. If the person's employment or service relationship ends before the end of the transfer restriction period, they must, as a rule, return the shares subject to the transfer restriction to Pihlajalinna free of charge. In individual cases, the Board of Directors may decide that the person may hold the shares subject to the return obligation or part of them.

No performance and quality-based share-based rewards materialised for the performance periods 2022 and 2023 pursuant to the share-based incentive scheme, as the minimum targets set for the scheme were not achieved.

The next table shows the actual share-based rewards for 2024.

CEO's share scheme (LTIP 2022)

	LTIP 2022
Performance period	2024
Performance period ends	31 December 2024
The year in which the shares are transferred	2025
Share price on the date of the transfer of shares, EUR	*
CEO, maximum number of shares, number**	14,000
CEO, value of the maximum number of shares at the time of issue, EUR	105,000
CEO, realised shares, number**	12,850
CEO, total share-based reward value, EUR	*

* The share price and total value of the share-based reward will be known on the share transfer date in spring 2025

** The stated number of shares is the gross number of shares. The gross number means that the applicable withholding tax and transfer tax will be deducted from it, and the remaining net amount will be paid to the participants in shares.

Performance Share Plan (PSP)

On 13 December 2024, Pihlajalinna's Board of Directors decided to establish a new long-term share-based incentive plan for key employees of the Group. The plan replaces Pihlajalinna's current share-based incentive plan.



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The purpose of the plan is to combine the objectives of the Company's owners and key personnel in order to increase the Company's value in the long term. The aim is also to commit key personnel to implementing the Company's strategy and objectives by offering them a competitive incentive scheme based on the earning and accumulation of the Company's shares.

In 2024, an external remuneration consultant and benchmarking data were used in evaluating the remuneration of the Management Team (including the CEO) and in preparing the new scheme. Remuneration was assessed in relation to some Finnish listed companies with corresponding revenue, number of personnel, balance sheet value and market value. The assessment focused on the target and earnings levels of remuneration and the relationship between fixed and variable remuneration.

The Performance Share Plan 2025–2029 consists of three performance periods, covering the financial years 2025–2027, 2026–2028 and 2027–2029. The Board of Directors will decide annually on the commencement and details of every performance period.

The target group in the performance period 2025–2027 consists of approximately 30 key employees, including the members of the Group Management Team and the CEO. The performance criteria of the performance period 2025–2027 are tied to relative Total Shareholder Value (rTSR), annual revenue growth, return on capital employed and the rate of sickness-related absences.

The value of the rewards to be paid based on the plan corresponds to a maximum total of 553,000 Pihlajalinna shares. Any plan rewards are paid within five months of the end of each performance period.

The CEO must own 50 per cent of the shares received until the value of their total shareholding in Pihlajalinna corresponds to their annual base salary for the calendar year preceding the payment of their remuneration. This number of shares must be held for as long as the position as CEO or member of the Management Team continues.

Short-term incentive scheme (STI)

Pihlajalinna uses a short-term incentive scheme (STI), for which the bonus is paid in cash. The Company's Board of Directors confirms the amount, targets and criteria for the CEO's short-term incentive scheme annually. The maximum amount of the CEO's short-term incentive scheme was 60% of the annual base salary in 2024. The realisation of the incentive bonus for 2024 is 44.9 per cent of the annual

base salary, with an amount of EUR 162,000 to be paid in spring 2025. The CEO's performance earnings criteria and realisation are described in the following table.

	2024	
	Weight	Realisation
Adjusted EBITA	60 %	100 %
Organic revenue growth percentage	30 %	14 %
Employee Net Promoter Score development (eNPS)	10 %	75 %