

PIHLAJALINNA PLC

REMUNERATION REPORT FOR
GOVERNING BODIES

2020



Pihlajalinna

PIHLAJALINNA PLC 2617455-1

Remuneration report

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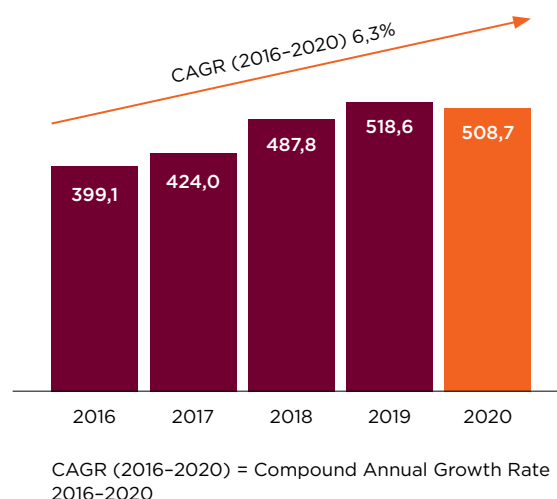
I Introduction

This Remuneration Report of Pihlajalinna Plc ("the Company") is a Remuneration Report for Governing Bodies as referred to in the Limited Liability Companies Act, the Securities Markets Act and the Corporate Governance Code 2020. It describes the remuneration of the members of the Board of Directors, the CEO and the Deputy CEO registered in the Trade Register, if any, during the previous financial year. The aim of the Remuneration Report for Governing Bodies is to provide a clear picture of the implementation of the Company's Remuneration Policy. In accordance with the applicable regulations, the Remuneration Report is presented to the Annual General Meeting 2021. The auditing firm KPMG Oy Ab, which served as Pihlajalinna Plc's auditor during the financial year 2020, 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.

The aim of the remuneration system of the Board of Directors and the CEO is to contribute to the favourable development of shareholder value, promote the Company's competitiveness and long-term financial success as well as the achievement of the Company's targets and the implementation of its strategy.

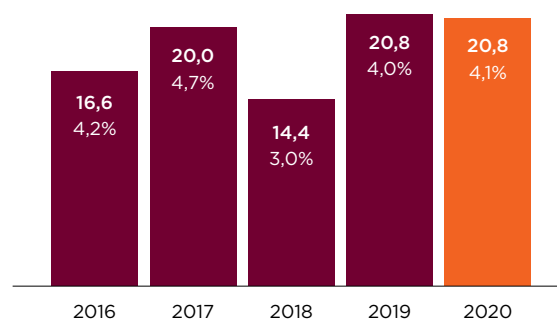
The main principle of the Company's Remuneration Policy is that the remuneration of the Board of Directors and the CEO should promote the achievement of the aforementioned objectives and offer a fair, engaging and competitive system which adheres to the market practices in its extent and structure. The principles and decision-making process concerning the remuneration of governing bodies is described in more detail in the Remuneration Policy. There were no deviations from the Remuneration Policy or the decision-making process pertaining to the implementation of the Remuneration Policy during the financial year 2020 and there was no clawback of remuneration during the year.

Revenue, EUR million



Adjusted operating profit (EBIT), EUR million

Target: over 7 %



Adjusted EBIT = EBIT + adjustment items in accordance with the Group's definition

Pihlajalinna's revenue has developed steadily over the past five years except in 2020, which was characterised by exceptional circumstances. The average earnings of employees have developed favourably. Pihlajalinna's long-term EBIT target is 7%.

The following table presents 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:

Total remuneration (rounded to the nearest thousand)

	2016	2017	2018	2019	2020
Total remuneration of the Board of Directors	321,000	404,000	522,000	487,000	473,000
Total remuneration of the CEO	321,000	339,000	285,000	285,000	433,000
Average employee earnings*	38,000	37,000	37,000	41,000	42,000
Revenue, EUR million	399.092	423.984	487.764	518.696	508.682
Adjusted EBIT, %	16.6	20.0	14.4	20.8	20.8
Profit for the period, EUR million	10.8	14.1	6.8	4.5	8.9

* 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).

In 2017, the Annual General Meeting decided that the full-time Chairman of the Board of Directors will be paid an annual fee of EUR 250,000. In connection with this decision, the remuneration of the members of the Board of Directors was changed from monthly fees to annual fees. These practices have been applied in the remuneration of the Board of Directors and its full-time Chairman since 2017. The remuneration of the Board of Directors has remained largely unchanged since 2017, taking into account the variation in the number of Board members.

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

The development of the average earnings of employees has shown a growing trend with the exception of 2017 and 2018, when the number of personnel increased due to acquisitions. Approximately 82% of the Company's employees are within the scope of collective labour agreements. The development of wages for employees in these groups are guided by the general increases defined in the collective agreements.

II Remuneration of the Board of Directors for the previous financial year

Pihlajalinna's Annual 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 Remuneration Committee prepares the principles applied to the remuneration of the CEO and the Company's other executives.

The Annual General Meeting 2020 decided that remuneration shall be paid to the members of the Board of Directors as follows: to the Chairman EUR 250,000, to the Vice-Chairman EUR 36,000 and to the other members EUR 24,000 per year.

In addition, the AGM 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 2020, the fees paid to Pihlajalinna Plc's Board members for Board and Committee work totalled EUR 473,000 (2019: EUR 486,500). This amount consists of monthly and meeting fees related to Pihlajalinna Plc's Board of Directors and its Committees.

The Company does not use any share-based incentive schemes for members of the Board of Directors. The members of the Company's Board of Directors did not receive remuneration during the financial year 2020 from Pihlajalinna Group companies other than the parent company Pihlajalinna Plc.

Remunerations paid to the Board of Directors in 2020, EUR

Name	Position	Board members' monthly/annual fees	Board members' meeting fees	Audit Committee fees	Remuneration Committee fees	Total
Wirén Mikko	Chairman	250,000	8,000	500	1,000	259,500
Niemistö Leena	Vice-Chairman	36,000	8,000		1,000	45,000
Jaakola Matti	Member	24,000	8,000	2,000		34,000
Juvonen Hannu	Member	24,000	8,000	2,500		34,500
Manninen Mika	Member	24,000	8,000	2,500		34,500
Sulin Kati	Member	24,000	6,000		1,000	31,000
Turunen Seija	Member	24,000	8,000	2,500		34,500
		406,000	54,000	10,000	3,000	473,000

III Remuneration of the CEO for the previous financial year

The Company's Board of Directors appoints the CEO and potential Deputy CEO and decides on the terms and conditions of their service.

CEO Joni Aaltonen's salary and other taxable benefits for the financial year that ended on 31 January 2020 amounted to EUR 433,253. The remuneration of the CEO consisted of a fixed annual salary, a free car benefit and mobile phone benefit totalling EUR 288,353, a variable remuneration component in the form of long-term incentives totalling EUR 136,050 and meeting fees paid by Pihlajalinna Group companies owned jointly with municipalities based on Board membership totalling EUR 8,850.

In 2020, the CEO was paid a retention bonus under the incentive scheme in the gross amount of EUR 136,050, of which EUR 63,263.25 was paid in the Company's shares according to the weighted average share price of EUR 9.07 per share on the payment date, 28 December 2020, and the remaining EUR 72,786.75 was paid in cash to cover the taxes incurred. The shares are subject to a transfer restriction in accordance with the terms of the incentive scheme, but not a restriction period.

In spring 2021, the CEO was paid performance-based remuneration for 2020 in accordance with the incentive scheme in the gross amount of EUR 100,032, of which EUR 46,514 was paid in the Company's shares according to the weighted average share price of EUR 10.84 per share on the payment date, 25 February 2021, and the remaining EUR 53,517.08 in cash

to cover the taxes incurred. The shares are subject to a transfer restriction in accordance with the terms of the incentive scheme, but not a restriction period.

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 2020.