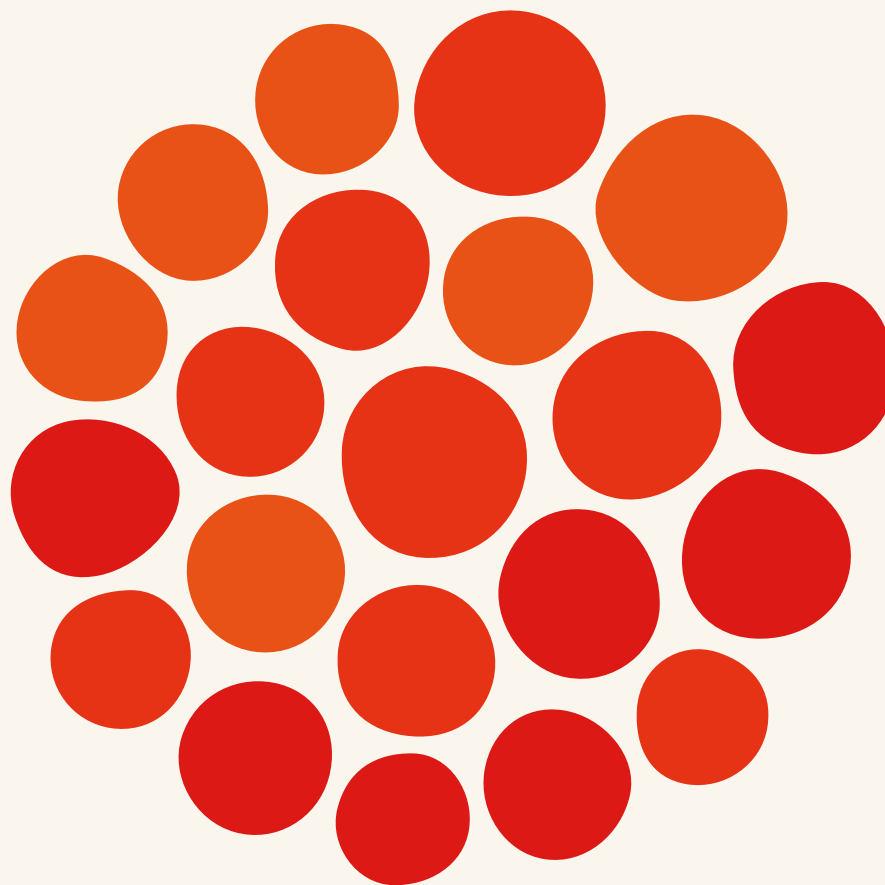


2021



Pihlajalinna

REMUNERATION REPORT 2021

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CONTENTS

I Introduction	2
II Remuneration of the Board of Directors	4
III Remuneration of the CEO	4



Pihlajalinna

I 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 2021. 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 https://investors.pihlajalinna.fi/?sc_lang=en. The Pihlajalinna Board of Directors has approved the Remuneration Report for presentation to the Annual General Meeting 2022.

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 15 April 2020. The Remuneration Policy is available on the Company's investor website at https://investors.pihlajalinna.fi/?sc_lang=en.

The auditing firm KPMG Oy Ab, which served as Pihlajalinna Plc's auditor during the financial year 2021, 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:

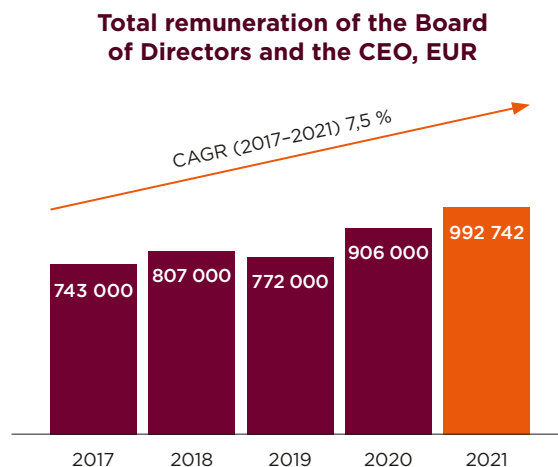
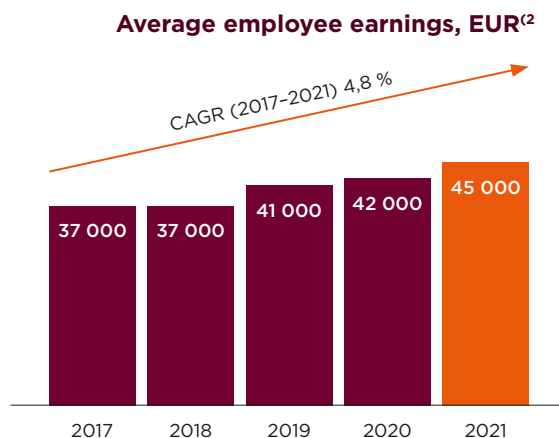
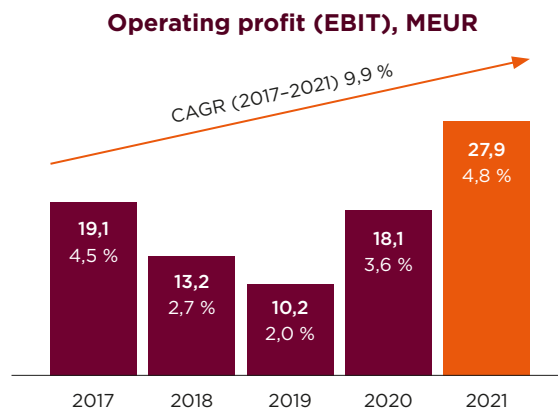
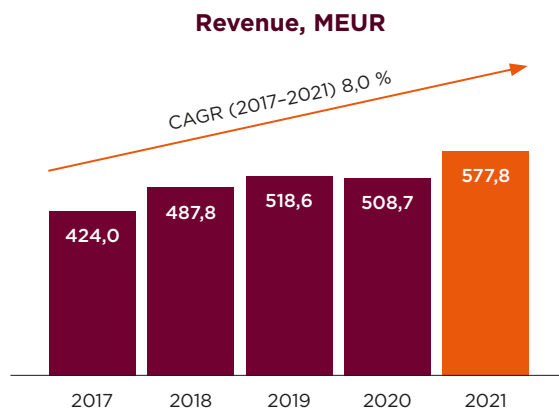
Development of remuneration in relation to the Company's key financial indicators

	2017	2018	2019	2020	2021
Total remuneration of the Board of Directors ⁽¹⁾	404 000	522 000	487 000	473 000	587 742 ^(c)
Total remuneration of the CEO ⁽¹⁾	339 000	285 000	285 000	433 000	405 000
Average employee earnings ⁽²⁾	37 000	37 000	41 000	42 000	45 000
Revenue, EUR million	424,0	487,8	518,6	508,7	577,8
Operating profit (EBIT), MEUR	19,1	13,2	10,2	18,1	27,9
Profit for the period, EUR million	14,1	6,8	4,5	8,9	19,1

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.



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 Board of Directors has remained the same since the 2017 Annual General Meeting, with the exception of the annual fee of the Chairman of the Audit Committee, which was increased by a decision of the 2021 Annual General Meeting. In 2021, the Board of Directors was paid an annual fee for the entire term from 2021 to 2022, in contrast to the previous monthly fee policy. The annual fee was paid in shares and in cash on 14 May 2021.

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. In 2018, an exceptionally large number of M&A transactions took place, resulting in a significant increase in the number of employees. 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. 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.

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

II Remuneration of the Board of Directors

Pihlajalinna's Annual General Meeting 2021 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 36,000 to the Vice-Chairman and the Chairman of the Audit Committee and EUR 24,000 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 General Meeting, 15 April 2021, 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 2021, the fees paid to Pihlajalinna Plc's Board members for Board and Committee work totalled EUR 587,742 (2020: EUR 473,000). The amount paid in 2020 consists of monthly and meeting fees related to Pihlajalinna Plc's Board of Directors and its Committees. The amount paid in 2021 consists of monthly fees paid to the Board of

Remunerations paid to the Board of Directors in 2021, 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	58 300	275 033	12 000	345 333	5 000
Niemistö Leena	Vice-Chairman	14 132	33 868	9 500	57 500	1 212
Jaakola Matti	Member (until 15 April 2021)	0	6 909	2 000	8 909	0
Juvonen Hannu	Member	9 421	22 579	9 000	41 000	808
Manninen Mika	Member	9 421	22 579	8 500	40 500	808
Sulin Kati	Member	9 421	22 579	9 500	41 500	808
Turunen Seija	Member, Audit Committee Chairman**	14 132	29 868	9 000	53 000	1 212
		114 828	413 415	59 500	587 742	9 848

*The annual fee consists 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.

** On 15 April 2021, the General Meeting decided to increase the annual fee of the Chairman of the Audit Committee to EUR 36,000 (previously EUR 24,000).

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 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 2021 from Pihlajalinna Group companies other than the parent company Pihlajalinna Plc.

III Remuneration of the CEO

CEO Joni Aaltonen's salary and other taxable benefits for the financial year that ended on 31 January 2021 amounted to a total of EUR 404,765 (EUR 433,253 in 2020). The remuneration of the CEO consisted of a fixed annual salary, a free car benefit and mobile phone benefit totalling EUR 297,083 (EUR 288,353 in 2020), a variable remuneration component in the form of long-term incentives totalling EUR 100,032 (136,050 in 2020) and meeting fees paid by Pihlajalinna Group companies owned jointly with municipalities based on Board membership totalling EUR 7,650 (EUR 8,850 in 2020). The relative shares of fixed remuneration and variable remuneration were 67 (73)% and 33 (27)%, respectively.

In 2021, the CEO was paid a performance-based remuneration for the earnings period of 2020 under the long-term incentive scheme in the gross amount of EUR 100,032, of which EUR 46,514 was paid in the Company's shares (4,291 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 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.

Performance- and quality-based long-term incentive programme (LTIP 2019)

In its meeting on 14 February 2019, the Board of Directors of the Company approved the terms of a share-based long-term incentive programme for Pihlajalinna Group's senior management (LTIP 2019). The incentive programme has been effective from 1 January 2019 onwards and it is aimed at the CEO, the Management Team and other key employees selected for inclusion in the programme. LTIP 2019 constitutes a five-year plan period. None of the share rewards received by the key employees thereunder

may be sold or transferred prior to 2022, and the share rewards are subject to a two-year transfer restriction for each performance period. The CEO has acquired shares in Pihlajalinna to participate in the scheme.

The fixed matching share programme (commitment shares) consisted of a commitment period from the beginning of 2019 to the payment of the fixed share reward at the end of 2020. In this scheme, the Company matched the CEO's share investments with additional shares provided to the CEO at a fixed rate. In 2020, the CEO was paid a retention bonus 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 (6,975 shares) on the payment date, 28 December 2020, and the remaining EUR 72,786.75 was paid in cash to cover the taxes incurred.

The performance- and quality-based matching share plan included three one-year performance periods (calendar years 2019, 2020 and 2021), during which the CEO could earn performance-based additional shares, provided that the Company reached the performance objectives set by the Board of Directors. Based on each individual performance period, the CEO can earn a maximum of two additional shares for three shares invested without consideration (gross before the deduction of the applicable payroll tax).

No performance- and quality-based share rewards materialised for the first performance period 2019 pursuant to the matching share plan, as the minimum objectives set for the programme were not achieved.

For the second performance period 2020, the CEO's gross reward was 9,228 shares. The net number of shares was 4,291, which were transferred to the CEO on 25 February 2021. These shares are subject to a transfer restriction, but they are not subject to the obligation to return the shares in the event of termination.

The targets set by the Board for the performance period 2021 were related to the following indicators:

- consolidated adjusted operating profit - weighting 50%, result exceeded threshold
- customer satisfaction index (NPS) - weighting 15%, result below threshold
- personnel net promoter score (eNPS) - weighting 15%, result exceeded threshold
- growth of the share of internal production in specialised care - weighting 7.5%, result below threshold
- implementation of the efficiency improvement programme for municipal companies - weighting 7.5%, result below threshold
- items that may, according to the management's estimate, influence the profitability of complete outsourcing agreements with a delay - weighting 5%, result exceeded threshold

In spring 2022, the CEO will be paid a gross remuneration of 2,750 shares for the performance period of 2021.

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 2021.