



**PUUILO**

Puuiilo Plc  
Remuneration Policy

17 May 2022

## 1. Introduction

The remuneration policy of Puuilo Plc (“**Remuneration Policy**”) defines the principles for the remuneration of Puuilo Plc’s (“**Company**”) governing bodies, i.e., the Board of Directors (“**Board**”) and the Chief Executive Officer (“**CEO**”). What is stated about the CEO, also applies to the potential Deputy CEO.

The Remuneration Policy has been prepared in accordance with Finnish law, including the Finnish Securities Market Act (746/2012, as amended), the Finnish Limited Liability Companies Act (624/2006, as amended), the Ministry of Finance Decree 608/2019 and the Finnish Corporate Governance Code 2020 published by the Securities Market Association.

The Remuneration Policy is presented to the shareholders at the Annual General Meeting to be held on 17 May 2022. The shareholders may take an advisory vote on the Remuneration Policy, but they may not amend it. The Remuneration Policy is applied until the Annual General Meeting to be held in 2026, unless the Board decides to bring it for an advisory decision by the General Meeting earlier. Advisory decision is always required in case essential amendments are made to the Remuneration Policy.

### 1.1 Company’s Remuneration Principles

The remuneration principles set out in the Remuneration Policy guide the Company’s incentive structure and performance metrics. The Company’s remuneration principles have been designed to align the interests of the members of the Board and the executives, employees and shareholders while supporting the Company’s pay-for-performance principle. The objectives of the Company’s incentive plans are to support the implementation of the Company’s strategy as well as to create long-term, sustainable performance with increased shareholder value. The Board regularly monitors the operation of the Company’s remuneration plans to ensure that the selected performance metrics contribute to the Company’s business strategy and long-term financial success.

The Remuneration Policy is based on the following guiding principles:

- The Remuneration Policy has been designed to promote the Company’s competitiveness and to support the execution of the Company’s strategy.
- The incentive plans support key employees’ long-term commitment to achieve shared goals and to create shareholder value.
- Each element of the remuneration has been balanced to facilitate the continuous positive development of the Company both in the short term and the long term.
- The Remuneration Policy is in line with the Company’s strategic plan, particularly in terms of the targets chosen to incentivize the executives in the short-term and long-term remuneration and the weighting of those targets.

The Company’s approach to the CEO’s remuneration is based on principles similar to the employees’ remuneration, although the role and responsibilities of the CEO affect the size of the remuneration. Mainly the same principles apply to a potential Deputy CEO’s remuneration, unless the Remuneration Policy expressly stipulates otherwise. The Remuneration Policy follows the principles applied to the remuneration of all employees.

Remuneration must always be transparent, fair and in relation to the complexity of an employee’s role and experience. A significant portion of the CEO’s remuneration consists of performance-based incentives, as the Company aims to have an especially strong link between executive remuneration and the Company’s performance. Exceptional achievements must be adequately rewarded and, accordingly, failure to achieve the targets should lead to an appropriate reduction in remuneration.

## 2. Decision-Making Process

Remuneration is managed through clearly defined processes and governance principles outlined below. The decision-making process comprises the assessment, approval and implementation of the Remuneration Policy. The Company complies with the Finnish Limited Liabilities Companies Act and the Finnish Corporate Governance Code which, among others, set out independence requirements for the members of the Board and its committees, as well as describe

procedures and practices to avoid conflicts of interest and to ensure that persons with a conflict of interest do not participate in the preparation or making of decisions.

### **2.1 Decision-Making on Remuneration Policy**

The Board is responsible for preparing the Remuneration Policy, the presentation of the Remuneration Policy to the General Meeting and answering questions related thereto. The Board is also responsible for preparing the amended Remuneration Policy for the General Meeting if the General Meeting has objected to the Remuneration Policy or if significant amendments are made to the approved Remuneration Policy which are not only technical or are not covered by the possibility of temporary exemptions, as defined in the Remuneration Policy.

The Company is committed to ongoing dialogue with shareholders and asks for their views whenever material amendments are made to Remuneration Policy.

### **2.2 Decision-Making on Board's Remuneration**

The General Meeting decides on the fees to be paid to the members of the Board and may also decide or authorize the Board to decide on issuing shares and stock options for the remuneration of the members of the Board or the CEO.

The shareholders of the Company decide on the remuneration of the Board as a separate item on the agenda of the General Meeting.

### **2.3 Decision-Making on CEO's Remuneration**

The Board decides on the CEO's remuneration, including the fixed base salary, variable elements of remuneration and other benefits. The CEO is not a member of the Board and does not participate in the decision-making process for their own remuneration.

The Board ensures that the CEO is properly compensated for their contribution to the Company's growth and profitability, and that remuneration practices are aligned with the Company's business strategy, long-term financial success and shareholder interests. The Board also evaluates the performance of the CEO as to the above targets and goals and decides on the remuneration of the CEO and on its elements on the basis of its assessment.

The Board may establish a Remuneration Committee to prepare proposals for the remuneration of the CEO for the Board to decide. The Company may use third-party advisors to support its decision-making when evaluating and determining the remuneration to be paid to the CEO.

In order to combine the interests of the CEO and shareholders, and to strengthen the link between performance and remuneration, part of the total remuneration of the CEO may be paid in the Company's shares or share-based instruments. The Board decides on the payment of such rewards. The Board authorized by the General Meeting, or the General Meeting decides on the issue of shares, stock options or other special rights entitling to shares to the CEO in accordance with applicable laws and regulations.

## **3. Principles for Board Remuneration**

The Company's shareholders decide on the remuneration of the Board members each year at the Annual General Meeting. The decision is based on a proposal presented by the Shareholders' Nomination Board to the General Meeting. The premise of decision-making on Board remuneration is to ensure that remuneration reflects the competencies and efforts required from the Board members to fulfil their duties. The Remuneration Policy cannot restrict the decision power of shareholders to decide on the remuneration of Board members at General Meetings.

When preparing the proposal, the Shareholders' Nomination Board may consult the largest shareholders on any changes in the remuneration arrangements and take into account relevant benchmarks of Finnish and international companies of equivalent size and equivalent to the requirement level. The Board members' remuneration structure is designed to ensure that the Board is focused on the Company's long-term success.

The Board members' fees do not include pension contributions and the Board members do not participate in the Company's short-term or long-term incentive plans.

The Board members are recommended to accumulate share ownership in the Company. In order to promote the shareholding of the Board in the Company, the Annual General Meeting may decide to pay part of the Board remuneration in the Company's shares.

#### **4. Principles for CEO Remuneration**

##### **4.1 Structure and Elements of Remuneration**

The CEO remuneration consists of the fixed and variable elements of remuneration. In addition to the basic annual salary, remuneration may include short-term and long-term incentives, pension plans, fringe benefits and other financial benefits. In general, the same principles and elements of remuneration are applied to the remuneration of the potential Deputy CEO. However, the monetary value of the Deputy CEO's remuneration may not exceed the remuneration level of the CEO in any of the elements.

Variable remuneration forms an integral portion of the CEO's annual target level total remuneration. The exact proportion of fixed remuneration relative to variable remuneration and the exact proportion of short-term remuneration relative to long-term remuneration is set depending on the Company's business phase and strategic goals when deciding on remuneration, in order to ensure that the structure of the remuneration remains optimal.

The Board takes into account the Company's strategy and long-term goals, as well as typical market practices when deciding on the remuneration elements, their weightings, performance metrics and targets. Typically, long-term incentives form a larger portion of the total remuneration compared to short-term incentives. Some or all of the remuneration to be earned may depend on the development of the Company's shareholder value over a period of more than a year, to ensure strong alignment with the objectives of the CEO and shareholders.

The Board sets a target and maximum level for both short-term remuneration and long-term remuneration in money or in a number of shares. In share-based incentive plans, the value of remuneration is always calculated using the prevailing price of the Company's share at the commencement of the performance period.

##### **4.2 Guidelines on Remuneration Time Span and Performance Metrics**

The total time span of long-term remuneration is typically at least three years to promote the alignment of remuneration and the Company's strategy and shareholder value in the long term. The incentive plan may include one or several measurement periods depending on what the Board sees as appropriate in the respective strategic phase.

The Board selects the most optimal performance metrics for each short-term and long-term incentive plan. Variable remuneration is used to award for promoting both the Company's financial success and shareholder value creation. The Board defines clearly the targets for the performance metrics of the variable remuneration and their measurement principles for each performance metric when setting targets for the performance metrics.

For example, total shareholder return (TSR) of the Company's share, financial, operative or sustainability metrics may be used as performance metrics, or other performance metrics derived from the Company's strategy.

### 4.3 Main Elements of CEO Remuneration

| REMUNERATION ELEMENT  | PURPOSE AND LINK TO STRATEGY  | DESCRIPTION   |
|---|---|---|
| Fixed base salary and benefits (fixed remuneration element) | <p>With fixed remuneration, the CEO is awarded for performing his day-to-day responsibilities and a balanced remuneration package is ensured.</p> <p>Base salary reflects the amount and scope of the CEO's responsibilities and the level of experience. Furthermore, the purpose is to provide the CEO with competitive benefits at market level.</p> | <p>The fixed base salary consists of a fixed annual salary.</p> <p>The CEO's base salary is generally monitored annually taking into account a number of factors such as market level, individual skills and experience, and other similar factors.</p> <p>Benefits are set at competitive market level taking into account general practice as well as the level of benefits offered for other executives of the Company.</p>  |
| Pension and insurances (other financial benefit)            | <p>Pension benefits at an appropriate level may be offered as part of the total remuneration.</p>   | <p>Pension arrangements follow relevant market practice. In Finland, the pension is determined on the basis of a statutory pension scheme and a separate private pension plan that may potentially be arranged by the Company.</p> <p>Life insurance and additional pension insurance may be provided to the CEO on behalf of the Company in accordance with the Company's defined benefit-based pension agreement.</p>   |
| Short-term incentive (variable remuneration element)        | <p>The short-term incentive is intended to encourage the achievement of the annual goals, including annual financial, business and strategic objectives of the Company's business plan, and award for achieving them.</p>   | <p>The payment of annual bonuses is conditional on the full or partial outcome of certain terms and objectives.</p> <p>The annual bonus may be based on a combination of financial, operative, strategic and individual performance metrics. The exact performance metrics are determined annually and derived from the targets set for the fiscal year. Annual bonuses are usually paid in cash.</p> <p>A maximum annual bonus has been set and it may not exceed 100% of the annual base salary.</p>  |
| Long-term incentive (variable remuneration element)         | <p>The long-term incentive is intended to award the CEO for achieving long-term goals and creating a sustainable, long-term shareholder value by aligning the interests of the CEO and shareholders, and ultimately all stakeholders.</p>   | <p>Remuneration under long-term incentive plans may consist of variable remuneration of any form, including share-based instruments such as share rewards, stock options, synthetic shares, and some other non-share-based bonus arrangements.</p> <p>As a rule, the payment of the reward depends on the achievement of the targets set by the Board for the performance metrics and on the continuation of the service. In specific situations, long-term incentives may also be based on personal investment in the Company's shares or on commitment and continued service.</p> <p>The maximum amount of rewards for long-term incentive plans has been set and it may not exceed 300% of the annual base salary.</p> |

The Company may also consider the appropriateness of other types of rewards for the achievement of the Company's goals, including one-off or exceptional rewards such as signing fees or commitment bonuses.

### 4.4 Share Ownership Recommendation

The CEO is subject to a share ownership recommendation, according to which the CEO must accumulate their share ownership so that the value of their share ownership in the Company corresponds to the value of their fixed annual salary in order to ensure their own interest in the Company. The purpose of the share ownership recommendation is to ensure that executives' interests are aligned with the interests of shareholders and that decisions are taken to promote the Company's long-term interests. The Board may register transfer restrictions on the shares paid to the CEO as rewards based on the Company's incentive plans, if it deems it necessary to ensure the CEO's adequate share ownership in the Company.

#### **4.5 Malus and Clawback**

The Board has the right to reduce rewards of the incentive plans or defer reward payments to a time that is more favorable for the Company, where, for example, changes in circumstances beyond the Company's control or other circumstances would result in materially adverse or unacceptable outcome for the Company or the CEO.

The Board has the right to cancel all or part of the reward or to recover the rewards already paid, as it decides in each case, if:

- the Group's financial statements must be adjusted, and this affects or could have affected the amount of the reward;
- the achievement of the performance metrics of the incentive plan has been manipulated;
- the Company's share price or market has been manipulated;
- any action in violation of the Company's business interests has occurred; or
- any infringement of criminal or employment-related laws or the Company's ethical guidelines, or any involvement in any unethical activity has occurred.

#### **4.6 Term of Notice, Severance Pay and Retirement Age**

In the event of a termination of the CEO's service, any payable remuneration will be determined in line with local legislation, contractual obligations and the terms and conditions of the applicable incentive plans.

The minimum notice period of the CEO is six months, for both the Company and the CEO. The CEO is entitled to the salary for the notice period. In addition, if the Company terminates the CEO's director contract, the CEO may be entitled, under certain conditions, to an amount corresponding to the total salary of six months.

In the event of a termination of the CEO's director contract, the Board may decide, at its sole discretion, as to whether granted short-term and/or long-term incentive rewards is paid, in full or partly, during the year of departure or thereafter. In addition, the Board may set conditions for reward payout.

The CEO's retirement age follows the Finnish Employee's Pension Act.

### **5. Exceptional Circumstances**

It is beneficial for the Company and its shareholders that the Board is able to react to an unforeseen situation by temporarily deviating from certain principles defined in the Remuneration Policy. Deviation from the Remuneration Policy requires an explicit decision by the Board. The purpose of the temporary deviation must be to ensure the long-term interests of the Company, taking into account, among other things, long-term financial success, competitiveness and the development of shareholder value.

The Board may temporarily deviate from any provision of the Remuneration Policy in the following situations:

- Recruitment of a new CEO
- Significant changes in the Company's structure, ownership, or business (e.g., merger, acquisition, demerger, or other corporate arrangement)
- Significant change in the Company's strategy
- Immediate retention needs arising from external factors
- Changes in legislation, regulation or taxation
- Any other event where temporary deviation is deemed necessary to ensure the long-term interests and viability of the Company.

Changes may apply to remuneration elements, key terms applicable to the director contract and incentive plan structures, incentive instruments and incentive mechanisms, as well as incentive plan time spans, performance metrics and earning opportunities, as seen compulsory in order to ensure the development of the Company's long-term shareholder value.

Any temporary deviation from the Remuneration Policy will be communicated transparently to the Company's shareholders at the latest in the Remuneration Report of the year during which the deviation need occurred. If the Board assesses the deviation from the Remuneration Policy to continue other than temporarily, the Company will prepare an amended Remuneration Policy, which will be presented to the next possible Annual General Meeting for which it will be properly prepared.

#### **6. Minor Changes to Remuneration Policy**

Minor changes to the Remuneration Policy may be made, which are not considered as material, without presenting an amended Remuneration Policy to the General Meeting. Such changes may include, inter alia, technical changes concerning the decision-making process applicable to remuneration, terminology used in remuneration, or changes in legislation.