

# SUOMINEN CORPORATION REMUNERATION POLICY

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## Introduction

This Remuneration Policy (the "Policy") includes the general principles and framework for the remuneration of the Board of Directors and the President & CEO of Suominen Corporation ("Suominen" or the "Company"). What is said about the President & CEO, shall also apply to a potential Deputy President & CEO.

This Policy is approved by the Board of Directors which is also responsible for its execution. The Board of Directors has delegated the preparation and supervision of the Policy to the Board of Directors' Personnel and Remuneration Committee. The Personnel and Remuneration Committee has taken into account the Recommendations of the Finnish Corporate Governance Code 2020 as well as the provisions of the Finnish Securities Market Act and Limited Liability Companies Act in the preparation of this Policy. The Personnel and Remuneration Committee monitors and evaluates the Policy continuously in order to ensure alignment with the Company's strategy and pay-for-performance philosophy.

## Foundation

The aim of Suominen's Remuneration Policy is to offer a framework for remuneration that incentivizes to pursue towards the Company's long-term financial performance and shareholder value creation. The Remuneration Policy provides the Company with the principles for offering remuneration that attracts, motivates and retains the best possible management and Board members who drive Suominen's performance and strategy in alignment with essential stakeholder interests. The Policy's goal is to ensure that the philosophy of paying for performance is applied to Suominen's remuneration.

The Suominen Remuneration Policy has the following guiding principles:

- a. Total remuneration opportunity shall be competitive enough in relation to the market
- b. Performance-based incentives form a significant part of the President & CEO's total target remuneration in order to emphasize a strong pay-for-performance alignment
- c. Majority of the performance-based incentives emphasize long-term, rather than short-term performance and have a straight link to shareholder value
- d. Share ownership requirement is set for the President & CEO in order to ensure balanced risk taking

The Policy is aligned with the remuneration principles applied to all Suominen employees. The remuneration shall be fair and reflect the competencies required to fulfill the requirements of each position. Pay-for-performance philosophy is widely followed in Suominen and many of the performance metrics in the President & CEO's incentive plans are concurrently used in employees' incentive plans. However, a more significant portion of the President & CEO's total compensation is tied to performance-based incentives, as the Company aims to ensure a strong link between executive remuneration and the Company performance.

## Decision-making process

### Board of Directors

The General Meeting determines the remuneration paid to the members of the Board of Directors in advance, for one year at a time. Shareholders' Nomination Board prepares independently a proposal on the remuneration of the Board of Directors to be presented for the General Meeting.

### President & CEO

The Personnel and Remuneration Committee of the Board of Directors prepares the remuneration matters concerning the President & CEO. The Personnel and Remuneration Committee continuously evaluates the appropriateness of the President & CEO's remuneration by assessing how the President & CEO's remuneration is positioned to the market and ensuring the remuneration is aligned with the Company's strategy, shareholders' interests and the Policy. The Personnel and Remuneration Committee also evaluates and takes into account possible General Meeting vote results when considering Suominen's Remuneration Policy.

The Personnel and Remuneration Committee does not have independent decision-making power unless the Board of Directors resolves otherwise on individual matters. The Board of Directors determines the President & CEO's remuneration. The General Meeting or the Board of Directors authorized by the General Meeting, decides on the issue of shares, stock options or other special rights entitling to shares to the President & CEO. The President & CEO is not involved in the decision-making process regarding his or her own remuneration.

The Policy should be capable of operating over a period of up to four years. Thus, there is some flexibility built in the Policy in order to allow the practical implementation of the Policy over the prospective lifetime. The Board of Directors may use discretion

in revising performance metrics as well as their weightings and target levels in order to make sure that the incentive plans remain relevant and aligned with the Suominen strategy.

## Principles for remuneration of the Board of Directors

The General Meeting determines the remuneration of the Board of Directors. The proposal for the General Meeting is prepared by the Shareholders' Nomination Board.

The basis for determination of the Board of Directors' remuneration is to ensure that the remuneration is competitive in relation to the market and that the remuneration reflects the competencies and efforts required from the members of the Board of Directors to fulfill their duties.

Should a member of the Board of Directors be employed by Suominen, the terms of employment and the employment-based remuneration shall follow Suominen's normal employment policies. Any remuneration for Board work shall be resolved by the General Meeting as described above.

## Principles for remuneration of the President & CEO

The objective of this Policy is to enable the Company to offer the President & CEO a remuneration structure that incentivizes towards the achievement of Suominen's strategic targets and long-term shareholder value creation, while at the same time retaining the President & CEO in the Company. The consistency and competitiveness of remuneration is ensured through systematic internal and external comparisons that take into consideration the local market conditions.

### Board Guidelines on the President & CEO annual total remuneration mix

The President & CEO's remuneration consists of fixed base salary (including fringe benefits) and variable incentives. Variable incentives can be short-term, such as cash bonuses, or long-term, such as share-based incentive plans. Share-based incentive plans can be used for rewarding for performance and/or for retention purposes.

The exact proportions of fixed and variable remuneration or cash and share-based remuneration depend on the state, strategy and goals of the Company upon deciding on remuneration in order to ensure an optimal remuneration mix. The Board of

Directors carefully considers the Company's strategy and long-term targets as well as market practices when annually defining the remuneration elements, their weights, metrics and targets. The Board of Directors shall set a target and a maximum level for both the short- and long-term remuneration. Target level remuneration shall be paid when the performance has fulfilled the expectations set by the Board of Directors.

The aim of the Board of Directors is that variable remuneration shall form a significant portion of the annual remuneration opportunity at the target level granted to the President & CEO. On average, variable incentives shall at target level be equal to the President & CEO's fixed annual salary. If performance exceeds the Board of Directors' expectations, the variable incentives shall exceed the fixed annual salary. In order to ensure a strong alignment with shareholder interests, the target earning opportunity of the long-term remuneration shall constitute a greater portion of the variable pay opportunity than that of the short-term remuneration.

When evaluating the total remuneration mix and its elements, the value of long-term share-based incentive plans shall be calculated by applying the Suominen share price prior to the commencement of the incentive period. The Board of Directors shall be entitled to cap the rewards from long-term performance-based incentive plans, if the limits set for the share price are reached.

#### **Board Guidelines on the CEO long-term incentive timeline**

In order to promote long-term alignment with Suominen's strategy, shareholder value and remuneration, the total vesting period of performance-based long-term remuneration shall be minimum of 3 years. Within each vesting period there may be one or

several performance metrics. Each performance metric shall have a measurement period of one to three years, depending on the assessment of the Board of Directors. Vesting period of share-based plans used for retention purposes shall be minimum of one year.

Any Suominen shares earned based on long-term incentive plans are paid out after the vesting periods. In order to promote share ownership, the President & CEO of the Company must hold 50 % of the net number of shares given based on the long-term performance-based plan, until his or her shareholding in total corresponds to the value of his/her annual gross salary. Such number of shares must be held as long as his or her service in a group Company continues.

#### **Board Guidelines on the President & CEO performance metrics and target setting**

Short-term and long-term performance-based remuneration is used for rewarding good performance, and the Board of Directors shall annually select the optimal performance metrics for each of the performance-based incentives. The metric selections aim to steer the President & CEO specifically towards the implementation of Suominen's strategy and achievement of sustainable financial results in a competitive market. The approach for measuring each performance metric shall be clearly defined by the Board of Directors when the targets are set.

Performance targets can be based on: (a) total shareholder return, which focuses on long-term shareholder value creation, (b) financial & operative metrics, which focus on profitable growth and operational efficiency and/or (c) strategic metrics, which focus on strategic focus areas, sustainability and business renewal.

## Main components of remuneration

ELEMENT	PURPOSE AND LINK TO STRATEGY	DESCRIPTION
<b>Base Salary + Benefits</b>	To provide fixed remuneration that is competitive with the external market and reflects the scale and complexity of the Company's business.	<p>Base salary includes taxable fringe benefits, such as company car, lunch and telephone.</p> <p>Base salary is determined based on variety of factors, such as market level and the individual's skills and experience.</p> <p>Base salary is typically reviewed annually.</p>
<b>Supplementary Pension Arrangement</b>	To provide a competitive level of retirement income.	The supplementary pension plan is a defined-contribution pension scheme. The pension allowance is determined based on the President & CEO's annual base salary.
<b>Cash Bonus (Short-Term Remuneration)</b>	To steer towards and reward for the achievement of short-term financial and operational performance and to support the delivery of the business strategy.	Performance is measured over one year and the cash bonus is paid after the year end. The cash bonus is paid in cash based on achieved one-year performance.
<b>Share-Based Incentive Plans (Long-Term Remuneration)</b>	<p>To reward for the delivery of long-term shareholder value and to align the President &amp; CEO's interests with those of the shareholders.</p> <p>To increase the value of the Company by offering a share ownership-based reward structure.</p> <p>To cumulate the President &amp; CEO's share ownership in Suominen, as described below under the section Share Ownership Prerequisites.</p>	<p>The President &amp; CEO may have share-based incentive plans, which reward for Company performance or which are used for retention purposes.</p> <p>Currently Suominen's performance-based long-term incentive mechanism is a Performance Share Plan, which offers the President &amp; CEO the opportunity of earning predetermined number of Suominen shares as a reward. Payment of the reward is dependent on the achievement of performance targets set by the Board of Directors and continued employment. The Board of Directors resolves the maximum number of shares that can be earned from the Performance Share Plan.</p> <p>In addition to the Performance Share Plan, the President &amp; CEO is currently participating in a Matching Restricted Share Plan, in which the President &amp; CEO has invested in Suominen shares and in return for the investment, he shall receive free Suominen shares in relation to his own investment after a vesting period. Prerequisite for the reward payment is continuation of service. Matching Restricted Share Plan is used for retention purposes and to promote immediate share ownership.</p> <p>Long-term incentive awards are denominated in number of Suominen shares but paid in shares and cash intending to cover the taxes that incur from the receipt of shares.</p> <p>In addition to the Performance Share Plan and the Matching Restricted Share Plan, the Board of Directors may use other long-term incentive mechanisms, if deemed appropriate to drive performance as long as the mechanisms are in line with the established guidelines.</p>
<b>Share Ownership Prerequisite</b>	To promote share ownership and to ensure strong alignment between the interests of the President & CEO and the Suominen shareholders.	The President & CEO must hold 50% of the net number of shares given based on long-term performance-based plan, until his or her shareholding in total corresponds to the value of his/her annual gross salary. Such number of shares must be held as long as his or her service in the Company continues.

## Clawback

The Board of Directors has the right to reduce rewards under the variable incentive plans or defer the payment to a time more favorable to the Company, if changes in circumstances beyond Suominen's control or other circumstances would result in materially adverse or unacceptable result for the Company or for the President & CEO.

The Board of Directors shall have the right to cancel the remuneration in whole or in part if it deems necessary to amend the financial statements of the Company and that amendment would have affected the amount of the remuneration. Furthermore, the Board of Directors shall have the right to cancel the remuneration if the President & CEO has acted in violation of law or the Company's ethical guidelines.

## Term of notice and severance pay

In the event of a termination of the President & CEO's service contract, any payable compensation is determined in line with local legislation, contractual obligations and the rules of the applicable incentive plans.

The President & CEO's service contract is valid until further notice. According to the service contract, the period of notice is six months should either the Company or the President & CEO terminate the service contract. Should the Company terminate the President & CEO's contract, severance pay corresponding to 12 months' salary shall be paid. The President & CEO has no specific contract related to the termination of his contract due to a public tender offer.

The Board of Directors may exercise its discretion in the event of termination of the President & CEO's service contract, as to whether any cash bonus shall be paid (fully or partly) during the year of departure or whether allocated reward shares in share-based incentive plans shall vest (fully or partly) and the terms on which such shares shall vest.

## Exceptional circumstances

It might serve the Company and its shareholders the best that the Board of Directors is able to temporarily deviate from certain principles defined in this Policy. Thus, Suominen's Board of Directors may deviate from this Policy in certain exceptional situations. The Board of Directors may do so only after careful consideration in pre-determined situations, which are:

- Recruitment of a new President & CEO
- Significant merger, acquisition, demerger or another corporate restructuring event
- Significant change in Suominen's strategy
- Changes in legislation, regulation, taxation or equivalent

Changes may apply to remuneration components, key terms applicable to the service contract and incentive plan structures, instruments and mechanisms, as well as incentive plan timelines, metrics and earning opportunities, as seen compulsory in order to ensure the development of the long-term shareholder value of Suominen.

Any deviation from the Remuneration Policy confirmed by the General Meeting will be carefully considered by the Board of Directors and communicated transparently to the Suominen shareholders.