

Remuneration report

2021



Remuneration report for governing bodies 2021

This remuneration report for governing bodies of Etteplan Oyj (Etteplan) has been prepared and published in accordance with the Finnish Corporate Governance code 2020. The remuneration report is published annually always in connection with Etteplan's corporate governance statement, and it will be presented to the shareholders in the annual general meeting following its publication.

REMUNERATION PRINCIPLES

Remuneration of Etteplan Oyj governing bodies is based on the Remuneration Policy that was presented to the Annual General Meeting held on April 2, 2020. The Remuneration Policy is applied until the Annual General Meeting in 2024, unless the Board of Directors decides to present it to the General Meeting earlier.

The principles guiding Etteplan's remuneration are result-driven and performance-based remuneration, transparent and consistent remuneration practices and systems as well as competitive overall remuneration.

The remuneration of Etteplan's personnel is strongly guided by the performance-based remuneration which is applied throughout the organization. This has led to a personnel remuneration practice that is aligned with the interests of the Company and its shareholders and helps to engage and motivate key persons to operate in accordance with the shared goals.

The same principles are observed in the remuneration practices of the CEO. However, variable remuneration components, i.e. an annual performance bonus and a long-term incentive plan reward, constitute a significant share of the CEO's overall remuneration. This ensures maintaining a strong connection between the Company's financial performance and CEO remuneration. The Board of Directors decides on the structure and details of variable remuneration components annually. The annual performance bonus and long-term incentive plan reward typically constitute approximately half of the CEO's overall remuneration.

The General Meeting shall decide on the remuneration payable for Board and Committee work as well as the basis for its determination. The Nomination and Remuneration Committee has been assigned the duty of preparing the remuneration of the Board. The Board of Directors shall decide on the remuneration of the CEO as well as other compensation payable to him or her. The compensation principles for the Management Group are determined by the CEO in cooperation with the Board of Directors.

REMUNERATION AND THE FINANCIAL DEVELOPMENT OF THE COMPANY

The development of Etteplan's business operations has been consistent and in line with the Company's strategy during the past five years. The Company's revenue and operating profit (EBITA) have improved steadily. In 2020, the COVID-19 pandemic levelled out the Company's revenue growth, but the profitability, however, developed favourably. In the financial year of 2021 the Company returned to the path of profitable growth despite the continuation of the pandemic.

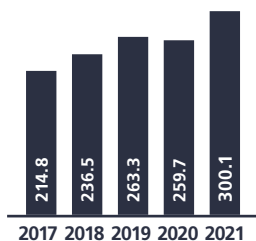
According to the Company's Remuneration Policy, the CEO's remuneration is based on result and performance, and a significant part of the remuneration is constituted by variable remuneration components. As the result targets of long-term incentive plans are linked to the result of the Company's business operations, the positive development of the Company is reflected in the CEO's remuneration. Based on the development of the Company's business operations both short-term and long-term incentive plans can be regarded effective.

AVERAGE COMPENSATION (EUR)	2017	2018	2019	2020	2021
Chairman of the Board	61,400	62,600	74,600	92,400	84,600
Members of the Board on average	22,057	31,600	31,540	40,080	45,600
President and CEO*	1,727,610	495,584	491,738	805,287	519,484
Average Etteplan employee**	42,392	41,944	42,087	43,548	46,210

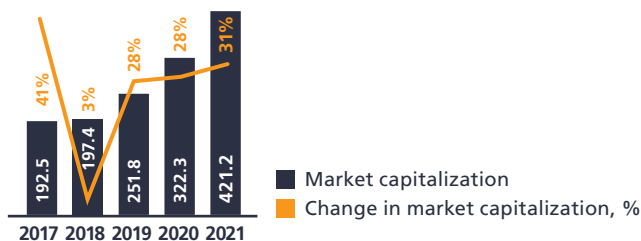
* President and CEO compensation in 2017 and 2020 include share rewards accrued in the previous three years.

** Average Etteplan employee equals personnel expenses excluding indirect employee cost divided by the average number of personnel during the year.

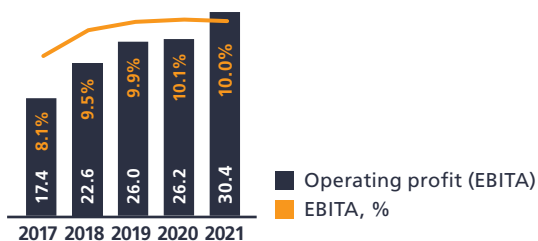
Revenue, EUR million



Market capitalization, EUR million



Operating profit (EBITA), EUR million



Remuneration of the Board of Directors in the financial year of 2021

Decisions on the remuneration of the Board of Directors are made annually by the Annual General Meeting. According to the resolution made by the Annual General Meeting held on April 8, 2021 the annual remuneration of the Chairman of the Board is EUR 72,000 and of a member of the Board EUR 36,000. The annual remuneration is paid in cash.

According to the resolution made by the Annual General Meeting held on April 8, 2021, the remuneration for the Chairmen of the Board of Directors as well the Audit Committee and Nomination and Remuneration Committee is EUR 1,200 per meeting. The remuneration for each member of the Board of Directors as well as the Audit Committee and Nomination and Remuneration Committee is EUR 600 per meeting. This attendance remuneration is paid for each meeting the Chairmen or members attend. Daily allowances and travel expenses are paid to the Board members according to the Company's travel policy.

The annual remuneration of the Board of Directors is not paid partially in shares, share-based rights or in cash with an obligation to acquire Company shares. The members of the Board are not part of the Company's long-term incentive plan and they have not received other financial benefits during the financial year of 2021. The members of the Board do not have an employment or service contract with the Company nor do they act as advisors for the Company.

REMUNERATION OF THE BOARD OF DIRECTORS IN 2021 (EUR)	ANNUAL REMUNERATION	COMMITTEE ATTENDANCE REMUNERATION	BOARD ATTENDANCE REMUNERATION	TOTAL
Robert Ingman, chairman, member of the NRC	72,000	1,800	10,800	84,600
Matti Huttunen, chairman of the NRC	36,000	3,600	5,400	45,000
Päivi Lindqvist, member of the AC	36,000	3,000	4,800	43,800
Leena Saarinen, chairman of the AC, member of the NRC	36,000	7,800	5,400	49,200
Mikko Tepponen, member of the AC	36,000	3,000	5,400	44,400
Total	216,000	19,200	31,800	267,000

NRC = Nomination and Remuneration Committee
AC = Audit Committee

Remuneration of the CEO in the financial year of 2021

The CEO's remuneration comprises a fixed annual salary (including car, phone and medical benefits) and variable remuneration components, i.e. an annual performance bonus and a long-term incentive plan reward. The proportion of the variable remuneration components was 27 per cent of the CEO's overall remuneration in the financial year of 2021.

The term of notice for the CEO is six months. In the event of dismissal, the CEO is at the most entitled to receive compensation equivalent to 18 months' salary which includes the salary for a six-month term of notice. In the financial year of 2021, no additional accrual basis pension insurance policy was paid for the CEO.

OVERALL REMUNERATION OF THE PRESIDENT AND CEO IN 2021 (EUR)	Fixed annual salary (including taxable benefits)	VARIABLE REMUNERATION COMPONENTS			Total
		Annual performance bonus (accrued in 2020)	Share-based incentive plan		
President and CEO	379,384	140,100	0	519,484	

Annual performance bonus

The annual performance bonus of the CEO consists of key targets based on the Group's financial result and other financial and operative targets that are decided on annually by the Board of Directors. The maximum amount of annual performance bonus is 100 per cent of the annual salary. The annual performance bonus is always paid in the financial year following the earning period.

In the financial year of 2021 the CEO received an annual performance bonus of EUR 140,100. The performance bonus was accrued in the financial year of 2020. The performance bonus was 37 per cent out of the maximum amount. The performance bonus comprises in full the variable remuneration components in the financial year of 2021.

In the financial year of 2021 the structure of the annual performance bonus remained unchanged and the essential targets were updated. The possible bonus will be paid in the financial year of 2022.

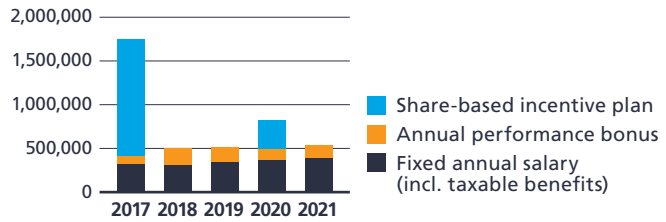
Share-based incentive plan

The long-term remuneration of the CEO is based on a share-based incentive plan. The Board of Directors decides on the incentive plan in three-year intervals, and it is based on the strategic development of the business operations of the Group, financial indicators and total shareholder return. In addition to remuneration, the objective of the program is to engage the CEO to the Company and align the interests of the CEO and shareholders. The potential reward of the plan will be paid in the financial year following the earning period.

The CEO belongs to a share-based incentive plan for the Group key personnel that was established by the Board of Directors on May 5, 2020. The plan includes one earning period comprising calendar years 2020–2022. The aim of the plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on holding the Company shares. The earnings criteria of the plan are Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR). Approximately 25 people belong to the plan, including the CEO and other Management Group members. The potential reward will be paid after the end of the earning period in 2023 partly in the Company's shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward to the key personnel.

The CEO belonged to share-based incentive plan established by the Board of Directors which was intended for key personnel and comprised calendar years 2017–2019. The earnings criteria of the plan were Etteplan Group's revenue increase and the development of Total Shareholder Return (TSR), and the plan included approximately 20 people. According to the decision of the Board of Directors the rewards paid on the basis of the plan corresponded to the value of an approximate maximum total of 260,000 Etteplan Oyj shares (including also the proportion to be paid in cash). The reward was paid in April 2020, and the CEO received according to the plan a total reward of EUR 321,512, constituting 20,901 Company shares and a cash reward intended to cover taxes and tax-related costs arising from the reward. The proportion of the share-based incentive plan reward was 71 per cent of the variable remuneration components in the financial year of 2020.

Remuneration of the President and CEO 2017–2021 (EUR)



Annual remuneration of Board of Directors 2017–2021 (EUR)

