2020

Solteq Oyj

Remuneration policy

1. Introduction

Solteq Oyj (hereinafter “Solteq or “Company”) has, in accordance with the existing legislation and corporate governance code, drawn up this remuneration policy, defining the principles and frameworks for remunerating the Board of Directors and CEO. The principles applicable to the CEO shall apply, where appropriate, to any Deputy CEO.

On its website, Solteq will publish information on the principles of remunerating the Board of Directors and CEO, the applicable remuneration systems in place at any given time, and all actual remuneration. A remuneration report will be prepared on implemented remuneration, giving the relevant information about the remuneration paid and to-be-paid to the Company management for the previous financial year. The remuneration report is on the agenda of the Company's Annual General Meeting. The remuneration policy and report are also published on Solteq's website.

The purpose of remuneration is to promote the implementation of Solteq's business strategy, the achievement of long-term financial and non-financial goals, and the increase in shareholder value.

Remuneration of the CEO takes account of the responsibilities associated with the position, the Company’s business situation, and the business targets. The CEO’s overall remuneration is based on the same principles as the rest of the Company’s senior management. Remuneration also takes account of any incentive schemes available to staff.

If the company has a short-term incentive scheme, the CEO's short-term incentive scheme will follow the same general terms and conditions that are applied to the Company's scheme. Similarly, if the company has a long-term incentive scheme, the CEO will be covered by the company's long-term incentive scheme and the CEO will be subject to the same terms and conditions of the scheme as other persons. The CEO's staff and fringe benefits are in line with the Company's general staff benefits.

Remuneration decisions concerning the Board of Directors and the CEO are described separately below. The decisions are made in accordance with the Limited Liability Companies Act concerning the disqualification of the Board of Directors and the CEO.

The remuneration policy shall be presented to the General Meeting whenever material changes are made, but at least every 4 years, unless otherwise required by law or regulation. This remuneration policy will be presented to the 2020 Annual General Meeting. The remuneration policy may be updated on the basis of shareholder comments.

2. The decision-making process of remuneration

2.1. Preparation and approval of remuneration

The remuneration policy and any material changes to it shall be prepared by the Board of Directors or by an Audit Committee or equivalent body (“preparatory committee”) designated by the Board of Directors. The preparatory committee shall listen to the opinion of the major shareholders on the Board of Directors’ remuneration policy.

If necessary but at least every 4 years, the Board of Directors will address and propose the remuneration policy, and any material changes to the policy, to the General Meeting.

The General Meeting will make an advisory decision on whether it supports the proposed remuneration policy. Shareholders may not propose changes to the remuneration policy presented to the General Meeting. If a majority of shareholders at the General Meeting do not support the proposed remuneration policy, a revised remuneration policy shall be submitted to the next Annual General Meeting at the latest. In such a case, the decision on the remuneration of the Board of Directors and the CEO shall be based on the remuneration policy presented to the Annual General Meeting, until the revised remuneration policy has been discussed at a General Meeting.

2.2. Implementation of remuneration

The Annual General Meeting shall decide on the remuneration of the Board members on the basis of a proposal prepared by the major shareholders. The decision on the Board of Directors' remuneration is based on the remuneration policy presented to the General Meeting.

The Board of Directors shall decide on the remuneration of the CEO in accordance with the remuneration policy. The preparatory committee shall, where necessary with the assistance of independent external experts, prepare matters related to remuneration.

The General Meeting – or the Board of Directors, authorized by the former – shall decide on the issue of shares, stock options or other special rights entitling to shares. When shares, options or other special rights entitling to shares are granted to the Board of Directors or the CEO as part of their remuneration, this is done within the framework of the remuneration policy.

2.3. Monitoring of remuneration

The preparatory committee annually monitors the implementation of the remuneration policy and, if necessary, submits proposals to the Board of Directors for measures to ensure that the remuneration policy is implemented. The Board of Directors shall submit an annual remuneration report to the Annual General Meeting, which enables shareholders to evaluate the implementation of the remuneration policy. The General Meeting shall decide on the approval of the remuneration report. The decision by the General Meeting on the remuneration report is advisory.

3. Description of Board of Directors' remuneration

The Annual General Meeting shall decide annually on remuneration paid to the Board members for their work on the Board of Directors and committees. The proposal for the remuneration of the Board of Directors is prepared in accordance with a practice whereby major shareholders prepare proposals regarding the Board of Directors to the General Meeting, including a proposal for the remuneration of Board members.

If the General Meeting decides to establish a shareholders' nomination committee, future proposals concerning the Board of Directors shall be presented for preparation by the nomination board in accordance with the nomination board's rules of procedure approved by the General Meeting.

The Board of Directors' remuneration may consist of one or more components. The Board members may, for example, be paid an annual or monthly fee and attendance fees for Board meetings, or meeting of its committees or other bodies. Fees may be paid in cash and/or in part or in full in shares or other financial instruments. The General Meeting may also decide on other types of remuneration criteria.

Remuneration paid in the form of shares or other financial instruments may be subject to temporal or Board membership restrictions or recommendations related to the ownership of Solteq shares.

If the Board members are in the Company's employment or under contract, they shall be paid a normal salary based on their employment or contractual relationship. The General Meeting shall decide on any remuneration to be paid to them for any work done on the Board of Directors.

4. Description of the CEO's remuneration

4.1. Remuneration components and their relative proportions

When deciding on remuneration, the starting point is always the CEO's total earnings, which are evaluated against and adjusted to the prevailing business situation.

Remuneration may consist of:

(i) *a fixed part,* and

(ii) *any variable parts* that may be divided into short-term and long-term incentive schemes.

Performance-based short and long-term incentives are scaled at the target level so that if the variable part is realized in full, this equals to half of the total remuneration. In share-based incentive schemes, the adjustment is made at the beginning of the earning period. The actual outcome shall depend on the fulfillment of the earnings criteria. The variable remuneration targets are aimed to be set so that the weight of the long-term incentive is higher on an annual basis than the weight of the short-term incentive.

4.2. Fixed part

Fixed remuneration may consist of a cash salary for the CEO and the tax value of any fringe benefits. Fringe benefits, annual leave and holiday pay, sick leave and other similar terms and conditions are generally arranged in accordance with the Company's applicable personnel policy. In addition, the CEO's insurance coverage may be agreed upon. The CEO shall not be entitled to supplementary pension.

4.3. Variable part

Variable remuneration systems aim to achieve or exceed the strategic goals of the company and the sustainable development of the company's business. Incentive schemes also serve to commit and drive the company's key personnel to perform in line with the company's strategy.

In all variable incentive schemes, the Board of Directors shall determine the earning criteria and the targets for each criterion at the beginning of the earning period, and evaluate performance at the end of the earning period. Any variable remuneration indicators are linked to the CEO's financial and non-financial goals that support the implementation of the Company's targets, long-term financial success and competitiveness, and responsible practices. Earnings criteria may include financial, business or shareholder value development, customer or staff satisfaction and quality, and corporate responsibility goals that are essential to the Company's strategy.

Short-term incentives

Performance-based incentive schemes can be used as short-term incentives. The objectives of short-term incentive schemes are set and assessed on an annual basis. The focus of short-term incentive schemes is on the annual performance of the company, but indicators are set in a way that also serve the long-term success of the company. Incentive schemes can be tied not only to indicators but also to threshold values, such as minimum operating profit.

Long-term incentives

Long-term incentives may consist of both performance-based and commitment-based, share-based incentive schemes. The purpose of any long-term incentives is to commit the CEO to the company by offering him or her a competitive share-based incentive scheme, and to align the goals of the owners with those of the CEO in order to increase the value of the company. The earnings period for long-term incentive schemes is generally one year.

Remuneration schemes may include conditions concerning the validity of service relationship at the time of payment or other transfer restrictions, or recommendations or contractual obligations under the Limited Liability Companies Act regarding the holding of a certain number of shares within a specified period.

5. Other terms and conditions

5.1. Conditions of deferral and possible recovery of remuneration

The Board of Directors shall have the right to reduce remuneration under the incentive schemes, or to defer payment until a more suitable date for the Company if changes in circumstances beyond the control of the Company would result in a materially adverse or unfair outcome for the Company when applying an incentive scheme.

The Board of Directors shall have the right to cancel the remuneration in full or in part if the Group’s financial statements must be amended and this affects the amount of remuneration, or if illegal acts have occurred or the Company’s ethical guidelines have been broken, or some other unethical action has occurred.

5.2. Deviation from the remuneration policy

The Company may temporarily deviate from the remuneration policy presented to the General Meeting if this is necessary to safeguard the Company's long-term interests, with the current remuneration policy no longer being appropriate in the changed circumstances.

Such situations include, for example, changes in the Board of Directors or the appointment of a new CEO, major changes in the Company's strategy, changes in Solteq’s decision-making process regarding remuneration, corporate restructuring, such as a merger, an offer to buy the company or an acquisition, other material changes in the Company's financial position, or changes in taxation or regulation. Deviation is possible if the remuneration policy is no longer appropriate in the changed circumstances, and the deviation is accepted in order to secure the Company’s long-term interests. The evaluation takes into account, among other things, Solteq's long-term financial success, competitiveness, responsibility and shareholder value development.

Any deviations concerning the Board of Directors shall be decided upon by the General Meeting, and those concerning the CEO by Solteq’s Board of Directors. Any deviation shall be reported at the following General Meeting and in the remuneration report.

5.3. Changing the remuneration policy

Substantial changes to the remuneration policy shall be prepared and presented to the General Meeting in accordance with the decision-making process described in section 2. The Company may also make non-material changes to the remuneration policy without presenting the amended policy to the General Meeting. Permissible non-substantial changes include, for example, technical changes to the remuneration decision-making process or remuneration terminology. Changes in legislation may also justify non-substantial changes to the remuneration policy of various bodies.

The preparatory committee shall assess the need for changes in the remuneration policy. The Company will consider the extent to which any decision by the General Meeting concerning the previous remuneration policy, or any comment on published remuneration reports after the approval of the remuneration policy, will actually affect the preparation of the new remuneration policy.

5.4. Other key terms applicable to the executive contracts

The duration, notice period and severance pay of the CEO's executive contract, as well as any other terms of termination, shall be specified in the executive contract to reflect the market practices prevailing at the time of the contract.

Solteq will publish the key terms of the CEO’s executive contract on the Company’s website.