Remuneration policy

1. Introduction

This remuneration policy (the "**Remuneration Policy**" or the "**Policy**") of Musti Group Plc ("**Musti Group**" or the "**Company**") defines the principles for the remuneration of the Company's governing bodies, i.e. the Board of Directors as well as the CEO.

The Remuneration Committee of the Board of Directors is responsible for preparing the Remuneration Policy, presenting the Remuneration Policy at the General Meeting of shareholders and answering any question related thereto. The Remuneration Committee is also responsible for preparing an amended Remuneration Policy for the Board of Directors whenever the General Meeting has opposed a Remuneration Policy or whenever substantial changes are made to an approved Remuneration Policy, which are not merely of a technical nature and which are not covered by the possibility of a temporary deviation defined in the Remuneration Policy.

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

The Remuneration Policy will be presented to the shareholders at the Annual General Meeting to be held on 21 January 2021. The shareholders may take an advisory vote on the Policy, but may not amend it. Remuneration of the Company shall be based on the Policy regardless of the vote.

The remuneration of the Board of Directors , the CEO and a possible deputy CEO shall be in line with the Company's latest Remuneration Policy. The Remuneration Policy will be presented to the shareholders at the Annual General Meeting at least once every four years and whenever substantial changes are made to the Policy.

1.1 The Company's Remuneration Principles

The remuneration principles set out in the Policy shall guide the Company's incentive structure and performance metrics. The Company's principles of renumeration are designed to align the interests of directors, officers, employees and shareholders while supporting the Company's pay-for-performance principle. The objectives of the Company's incentive plans are to drive its strategy and create long-term, sustainable performance with increased shareholder value. The Remuneration Committee[1] regularly observes the performance of the Company's remuneration schemes in order to ensure that the measures selected foster the Company's business strategy and long-term financial success.

The Company's Remuneration Policy has been designed to promote the Company's competitiveness and to support the execution of the Company's strategy. Furthermore, the remuneration programs aim to retain key persons and create long-term commitment in order to achieve shared goals and to create shareholder value.

Each element of the remuneration has been balanced in order to facilitate the continuous positive development of the Company both in the short term and the long term. The Policy is in line with the Company's strategic plan, particularly in terms of the targets chosen to incentivize management in the short-term and long-term remuneration and the weighting of those targets. When determining the size and composition of incentive arrangements and the split between variable and fixed renumeration, the Board of Directors shall carefully consider the principles of the Policy, including the aim of supporting the achievement of the Company's strategic goals.

[1] The Board committees' structure may evolve from time to time. Should such change occur, the provisions regarding the Remuneration Committee are applied mutantis mutandis to the new body.

Exceptional achievements are to be rewarded adequately, while falling short of targets is to result in an appropriate reduction in remuneration. Base salaries are normally determined taking into account market median practice, while individuals have the potential to earn total compensation at a market upper quartile level where sustained business and personal outperformance can be demonstrated. Equally, where performance does not meet business and personal targets the variable pay outcomes will be reduced, ultimately to zero.

1.2 Shareholder Interests and Consistency with the Company's Employee Remuneration Framework

The Company's approach to determining and reviewing the remuneration of the CEO consists of a similar policy framework as the employees' remuneration, although the CEO's role and responsibilities affect the amount of compensation. The same principles are generally applied to the remuneration of a possible deputy CEO, if any, unless expressly stated otherwise within this Policy.

The CEO's performance reviews are set within the context of employee pay reviews and changes to compensation follow the Company's domestic and international peer group companies of similar size and complexity. As in the case of employees' remuneration, the CEO's performance metrics reflect his/her improvements in performance, competence and skills. Changes in the Company's size, structure and business are also taken into account. Similarly, the base salaries of all employees are set with reference to a range of factors including market practice, experience and performance in their role. Although the Company does not consult employees on executive remuneration, the Company is mindful of the salary increases applying across the rest of the business in relevant markets when considering salaries for executives.

The Company is committed to an ongoing dialogue with the shareholders and seeks their views whenever substantial changes are made to the Policy.

2. Decision-making process

Remuneration is managed through the clearly-defined processes and governance principles outlined below. The decision-making process comprises the assessment, approval and implementation of the Policy. The Company complies with the Finnish Companies Act and the Finnish Corporate Governance Code which, among others, set out independence requirements for the members of the Board of Directors and its committees, as well as procedures to prevent conflicts of interest and to ensure that persons with a conflict of interest do not participate in the preparation or making of a decision.

The Annual General Meeting

The shareholders discuss the Remuneration Policy and may take an advisory vote on the Policy at the Company's Annual General Meeting at least once every four years and whenever substantial changes are made to the Policy. The general meeting of shareholders decides each year on the remuneration payable to the Board of Directors and may also resolve to or authorize the Board to resolve to issue shares and stock options in connection with Board and CEO remuneration.

The Board of Directors

The Board of Directors approves the remuneration of the CEO, including the fixed base salary, variable remuneration components and other benefits based on proposals made by the Remuneration Committee. Further, the Board of Directors prepares the proposal for the remuneration of Board members to the General Meeting based on recommendations by the Remuneration Committee and, based on the shareholders' authorization, may resolve to issue shares and stock options.

The Remuneration Committee

The Remuneration Committee consists of a Chairman and at least two members, which the Board of Directors selects amongst its members at the meeting of the Board of Directors following the Annual General Meeting. The Board of Directors nominates the Chairman of the Remuneration Committee. The term of office of the members is one year.

The majority of the Committee members shall be independent of the Company. Neither the Company's CEO nor the members of the Group Management Team may be members of the Committee.

The Remuneration Committee of the Board of Directors is responsible for reviewing and preparing proposals to the Board of Directors on overall compensation policies. The Remuneration Committee is also responsible for ensuring that the CEO is rewarded appropriately for his/her contributions to the Company's growth and profitability and that compensation policies are aligned with the Company's business strategy, long-term financial success and shareholder interests. The Remuneration Committee also reviews an evaluates on at least an annual basis the Company's compensation and other benefit plans, including incentive compensation and equity-based plans and programs.

The Remuneration Committee reviews and prepares proposals to the Board on corporate goals and objectives relevant to the compensation of the CEO. The Remuneration Committee also evaluates the performance of the CEO in light of these goals and objectives and prepares a proposal to the Board on the compensation of the CEO (including each of the components thereof) based on its evaluation.

The Company may use external consultants when reviewing and determining the compensation payable to the Board of Directors and the CEO.

3. Remuneration of the Board of Directors

The Company's shareholders decide annually at the Annual General Meeting on the remuneration of the Board of Directors. The decision is based on a proposal made by the Board of Directors to the Annual General Meeting upon the recommendation of the Remuneration Committee. The Company's Remuneration Policy must not limit the power of shareholders to determine Board members' remuneration at general meetings.

When making its recommendation, the Remuneration Committee may consult major shareholders regarding potential changes to remuneration arrangements and take into account relevant benchmarks for other Finnish and international companies of a similar size and complexity. Remuneration of the Board members is set at an appropriate level to recruit and retain Board members of a sufficient caliber and experience. The renumeration structure is designed to ensure the Board's focus on the long-term success of the Company.

Remuneration for the Company's Board members does not include pension payments and members of the Board of Directors are not included in Musti Group's short- or long-term incentive programs.

4. Remuneration of the CEO

4.1 Remuneration Components

The CEO's remuneration shall consist of the fixed and variable pay components. In addition to an annual base salary, remuneration components can include short- and long-term incentives, pension arrangements, fringe benefits and other financial benefits. Same principles and components at a general level are applied to the remuneration of the deputy CEO, if any. The monetary value of the deputy CEO's remuneration shall however, not exceed the remuneration of the CEO in any of the following remuneration components.

Remuneration components	Purpose and link to strategy	Description
Base salary (Fixed remuneration component)	The base salary rewards the CEO for the day-to-day performance of his/her duties and ensures a balanced overall remuneration package. The base salary supports the recruitment and retention of the CEO of the caliber required to develop and deliver the Company's strategy, and reflects the size and scope of the CEO's responsibilities and his/her experience.	The fixed base salary consists of a fixed annual cash salary. The base salary is normally reviewed annually by the Remuneration Committee taking into consideration a variety of factors, including the following: • skills, experience and performance of the CEO • performance of the Company • relevant market conditions • remuneration at peer group companies • changes in individual responsibilities • employee salary increases • changes to the Company's business, structure and size
Pension (Other financial benefit)	Appropriate level of retirement benefits are provided as part of a holistic benefit package.	Retirement arrangements reflect relevant market practice. In Finland, the pension is determined on the basis of the statutory Finnish pension system and a potential separate private pension plan arranged by the Company. The CEO may be granted entitlement to a life insurance and supplementary pension payments on behalf of Musti Group in accordance with a contribution-based pension agreement concluded with the Company.
Short-term incentive (STI) (Variable remuneration component)	The purpose of the STI is to incentivize and reward performance against delivery of the Company's annual business plan, including annual financial, operational and strategic goals.	Annual bonus arrangements encourage and reward the delivery of short-term business objectives. Annual bonus payments are conditional upon meeting in full or in part the specific conditions and targets. The annual bonus may be based on a mix of financial, operational, strategic, and individual performance measures. The exact metrics are determined each year depending on the key goals for the forthcoming year and the annual bonus is normally paid in cash. For further details on performance metrics and weightings, see the Company's annual remuneration report. The maximum payout for the annual incentive is capped and may be up to 100 % of the annual base salary.

Remuneration components	Purpose and link to strategy	Description
Long-term incentive (LTI) (Variable remuneration component)	The purpose of the LTI is to reward the CEO for delivering sustainable long-term performance and creating sustainable shareholder value aligning the economic interests of the CEO and shareholders, and ultimately all stakeholders.	Annual LTI awards are paid for performance measured against longer-term targets and may comprise any form of variable remuneration, including share-based instruments, such as performance shares, stock options, restricted share units, warrants, matching shares and phantom shares, as well as non-share-based bonus agreements. The Board of Directors will decide separately for each performance period the plan participants, performance criteria, and the related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment at the beginning of a performance period. The potential reward based on the plan will be paid partly in the Company's shares and partly in cash after the end of each performance period. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. No reward is paid, if the participant's employment or service terminates for reasons related to the participant before the reward payment. The maximum award size may be up to 300 % of the annual base salary. Targets are set to promote long-term value creation for shareholders while remaining motivational and challenging for the CEO. The Company's LTIs are based on the attainment of not less than annual financial and share price performance targets for the Company as well as individual performance metrics. Performance metrics and weightings are disclosed in the annual remuneration report. LTIs are subject to the clawback and deferral terms (see below).
Other benefits and programs (Other financial benefits/ fixed remuneration components)	The purpose is to provide a market-competitive level of benefits for the CEO and to assist him/her in the performance of his/her role and to support recruitment and retention.	The benefits are set at an appropriate market-competitive level taking into account standard practice and the level of benefits provided for other directors in the Company. Benefits may include (but are not limited to) monetary and non-monetary benefits such as a mobile telephone, laptop, company car (or cash equivalent), risk benefits (e.g. life and disability insurance), tuition fees, annual health check, newspaper subscriptions, employer contributions to insurance plans (e.g. medical insurance), relocation support, expatriate allowances, temporary accommodation and moving expenses, transportation expenses or reimbursement of expenses for legal advice and tax advice. The CEO is also eligible to take part in employees' incentive programs, such as co-investment plans.

The Company may also consider whether it is appropriate to use other types of remuneration to meet the overall aims and objectives of the Company, including remuneration of a one-off or extraordinary nature, such as signing fees or stay bonuses.

4.2 Key Terms Applicable to Service Contracts

In order to ensure vested interest in the Company, the CEO shall own a predetermined number of the Company shares. The share ownership requirement is designed to align executives' interests with the interests of the shareholders and to ensure decisions are made which promote the long-term interests of the Company. The CEO is obliged to hold at least 50 per cent of the net number of shares paid to the member on the basis of incentive plans, until the value of his or her total shareholding in the Company equals to 100 per cent of his or her annual base salary. Such number of shares must be held as long as the CEO's service continues in the Company. The CEO's minimum period of notice of termination is twelve months for both the Company and the CEO.

The CEO has a right to the notice period salary and for the performance bonuses until the date of the notice. In addition, when terminated by the Company, the CEO is entitled, under certain conditions, to an amount equivalent to a twelve months' full salary.

The CEO is entitled to a statutory pension and the retirement age is determined by the statutory earnings-related pension scheme. The CEO may be granted entitlement to a life insurance and supplementary pension payments on behalf of Musti Group in accordance with a contribution-based pension agreement concluded with the Company.

When determining leaving arrangements for the CEO, local legislation, country-specific policies, contractual obligations (including provisions concerning incentive arrangements or benefits), standard market practice and the performance and conduct of the individual may be taken into account. Any termination payment in lieu of notice will not generally exceed the value of twelve months' fixed base salary, financial benefits (including pension contributions) and other statutory rights. The circumstances of departure and terms of incentive instruments may affect the treatment of variable remuneration components. As a rule, all unvested variable incentive components are forfeited upon the termination of the service contract unless the Board of Directors decides otherwise.

4.3 Terms for Deferral and Clawback of Remuneration

The Company's long-term incentive plan includes a Restricted Share Plan (RSP), which consists of plans in which the vesting period is 12-36 months based on decisions made by the Board of Directors.

In accordance with the remuneration terms applicable to share-based long-term incentives, the Board has the right to reduce a reward and/or postpone a reward payment to a later date that better suits the Company, if e.g. changes that are beyond the Company's control, or other circumstances, could lead to a harmful or unreasonable outcome for the Company or the CEO or another participant, while applying an incentive plan.

The Board has the right to cancel a reward fully or partly or to recover already paid rewards, as decided by the Board in each case, if:

- the Group's financial statements must be amended and that affects or could have affected the amount of the reward,
- if the achievement of requirements under an incentive plan have been manipulated,
- in case of any market manipulation,
- in case of any action against business interest of the Company; or
- in case of any action against criminal or employment-related law or against the ethical guidance of the Company or any unethical action.

4.4 New Hire Policy

In the case of a new hire, the Company will generally seek to align the remuneration package with the existing Remuneration Policy (while not limiting the generality of Section 5). The Company's policy on recruitment is to offer a compensation package which is sufficient to attract, retain and motivate the individual with the appropriate skills for the relevant role. When determining the remuneration for a new CEO, upon the recommendation of the Remuneration Committee, the Board of Directors will take into account all relevant factors, including the experience and caliber of the candidate, the candidate's current remuneration package and the jurisdiction the candidate is recruited from.

5. Requirements for Temporary Deviation

Upon the recommendation of the Remuneration Committee, the Board of Directors may temporarily deviate from any provisions of this Remuneration Policy or the Policy as a whole (including for the avoidance of doubt the provisions under section 4.4. above) in its absolute discretion in the circumstances described below. A deviation from this Remuneration Policy needs to be expressly resolved by the Board of Directors. The purpose of a temporary deviation must be to ensure the Company's long-term interests taking into account long-term financial success, competitiveness and shareholder value development, among other things. Upon the recommendation of the Remuneration Committee, the Board of Directors may temporarily deviate from any provisions of this Policy in the following circumstances:

- a change of the CEO; or
- material changes in the Company's structure, organization, ownership and business (for example in connection with a merger, takeover, demerger, acquisition, etc.), which may require adjustments to fixed or variable remuneration components or other financial benefits;
- regulations or taxation changes and the remuneration is no longer in accordance with the law, financially appropriate or reasonable; or
- any other scenario where a temporary deviation is considered necessary in order to ensure the long-term interests and viability of the Company.

6. Minor changes

Minor changes to the Remuneration Policy that are not considered material can be made without a requirement to present an amended Remuneration Policy to the general meeting of shareholders. Such changes can include, but are necessarily not limited to, technical changes to the decision-making process for remuneration, the terminology concerning the remuneration or a change in legislation.