



# Remuneration Statement

Financial Year 2020

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## Financial year 1 October 2019–30 September 2020

Musti Group plc's ("Musti Group" or "the Company") corporate governance complies with the Finnish Companies Act and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association.

The Company's General Meeting has not prior to this Remuneration Statement yet been presented with a Remuneration Policy in accordance with the Finnish Corporate Governance Code 2020. The first Remuneration Policy will be presented to the Company's Annual General Meeting to be held on 21 January 2021. For this reason, this Remuneration Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. The Company's first Remuneration Report in accordance with the Finnish Corporate Governance Code 2020 will be presented to the Annual General meeting to be held after the end of the financial period 1 October 2020–30 September 2021.

This Remuneration Statement covers Musti Group's financial year 1 October 2019–30 September 2020 (the "Financial Year 2020"). The Company shall publish the Remuneration Statement on its website.

### Decision-making procedure concerning the remuneration

According to the Limited Liability Companies Act, the Annual General Meeting of Shareholders decides on the remuneration payable to the members of the Board of Directors (the "Board"). The Board prepares the presentation for the remuneration of Board members to the General Meeting.

The Board of Directors decides on the remuneration of the CEO and members of the Management Team. With respect to the members of the Management Team, the Remuneration Committee is responsible for, among other things, preparing proposals concerning remuneration as well as incentive and other benefit plans to the Board for approval.

With respect to the CEO, 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 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 and the members of the Management Team are rewarded appropriately for their 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 and evaluates on at least an annual basis the Company's compensation and other benefit plans, including incentive compensation and equity-based plans and programs.

## **Main principles of remuneration**

The objective of Musti Group's remuneration program is 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 the whole staff and create long-term commitment in order to achieve shared goals and to create shareholder value.

### **Remuneration of the Board of Directors**

The remuneration for the Board of Directors is monetary. Board members are not compensated separately for Board meetings. Travel expenses resulting from Board meetings are compensated in accordance with the Company's travelling compensation regulations. Remuneration for the Company's Board members does not include pension payments.

Members of the Board of Directors are not included in Musti Group's short- or long-term incentive programs.

### **Remuneration of the CEO and Management Team**

The remuneration of the CEO and other members of the Management Team consists of fixed monthly salary and annually set bonus potential. The terms of the bonus are decided annually by Musti Group's Board of Directors.

The CEO and the Management Team members are eligible to participate in the bonus scheme in accordance with the Company's bonus policy. The bonuses of the CEO and the Management Team are based on personal targets and certain profitability targets set for the financial year. For the Financial Year 2020, the maximum performance bonus was equivalent to a six months' full salary for the CEO, four months' full salary for the CFO and a three months' full salary for rest of the management team.

### **Terms of service of the CEO and Management Team**

The CEO's period of notice is twelve months. 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 period of notice for other Management Team members varies between 3-6 months. Members of the Management Team are entitled to their monthly salary during their period of notice.

The CEO and the members of the Management Team are entitled to a statutory pension and the retirement age is determined by the statutory earnings-related pension scheme. The retirement age of the CEO is 63 years under current legislation. The CEO is entitled 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. The CEO receives the supplementary pension at the age of 63.

## **Share-based incentive plans**

The Boards of Directors of Musti Group plc decided on 7 May 2020 on two new share-based long-term incentive plans for the management team and key employees. The primary share-based compensation plan is the Performance Share Plan (PSP) and the second is a Restricted Share Plan (RSR) for special situations.

The aim of a share-based compensation plan is to align the objectives of the shareholders and key employees for increasing the value of the Company in the long-term. The plan is also to commit the key employees to the Company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

### **Performance Share Plan 2020–2024**

The Performance Share Plan consists of three performance periods, covering the financial years of 2020–2022, 2021–2023 and 2022–2024. 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 Company's Management Team member is obliged to hold at least 50 per cent of the net number of shares paid to the member on the basis of the plan, until the value of his or her total shareholding in the Company equals to 50 per cent (100 per cent for the CEO) of his or her annual base salary. Such number of shares must be held as long as the membership in the Management Team continues.

In the first performance period, the plan has 11 participants at most, including the Group's Management Team members. The targets for the long-term PSP incentive plan relate to the Group's total shareholder return (TSR) and adjusted EBITA. The maximum number of shares to be paid based on the first performance period is approximately 250,000 Musti Group plc's shares, which corresponds to approximately EUR 3.0 million calculated with the volume weighted average share price on the trading day preceding the Board's decision. The number of shares represents gross earning, from which the withholding tax and possible other applicable contributions are deducted, and the remaining net

amount is paid in shares. However, the Company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the first performance period will be paid out during the autumn of 2022.

### **Restricted Share Plan 2020–2022**

The reward from the Restricted Share Plan 2020–2022 is based on a valid employment or service and the continuity of the employment or service during a vesting period. The reward is paid partly in the Company's shares and partly in cash after the end of a 12–36-month vesting period. The Restricted Share Plan is intended for selected key employees, including the Management Team members. The rewards to be allocated based on the Restricted Share Plan during the years 2020–2022 correspond the value of a maximum total of 30,000 Musti Group plc shares, including also the proportion to be paid in cash.

As of 30 September 2020 there were no participants added to the RSP plan.

## Remuneration Report, 1 October 2019–30 September 2020

### Remuneration of the Board of Directors

The Annual General Meeting of Shareholders held on 23 January 2020 resolved that the annual remuneration of the Chairman of the Board is EUR 60,000 and the annual remuneration of other members of the Board EUR 30,000. However, Board members Juho Frilander and Vesa Koskinen shall not be paid any fees from the Board activities.

During the Financial Year 2020 the members of the Board of Directors were paid the following remuneration:

	Payment due	Paid during FY20	
	December 2020	1 Oct 2018– 30 Sep 2019, EUR	1 Oct 2017– 30 Sep 2018, EUR
<b>Remuneration of the Board of Directors</b>			
<b>Board members 1 Oct 2019–30 Sep 2020</b>			
Jeffrey David	60,000	60,000	50,000
Ingrid Jonasson Blank	30,000	30,000	15,000
Lisa Farrar	30,000	26,250	0
Juho Frilander	0	0	0
<b>Board member 13 Dec 2019–30 Sep 2020</b>			
Vesa Koskinen	0	0	0
<b>Board members 30 Sep 2019–13 Dec 2019</b>			
Jarkko Murtoaro	0	0	0
Alex Lindbom	0	0	0
<b>Board members 30 Sep 2019–10 Dec 2019</b>			
Geir Stormorken	0	0	0
Erik Lindgren	0	30,000	15,000
<b>Total</b>	<b>120,000</b>	<b>146,250</b>	<b>80,000</b>

### Remuneration of the CEO and other Management Team members

During the Financial Year 2020 the CEO and other members of the Management Team were paid the following remuneration and other benefits:

EUR	CEO	Other Management Team members total	Total
Salary, including benefits	419,469	1,487,711	1,907,180
Pension costs (defined contribution plans)	63,753	304,334	368,088
Bonuses	170,532	235,434	405,966
Shares	0	0	0
<b>Total</b>	<b>653,754</b>	<b>2,027,479</b>	<b>2,681,233</b>



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