

Remuneration report 2020

1. INTRODUCTION

As from 1 January 2020, Talenom Plc complies with the full 2020 Finnish Corporate Governance Code issued by the Securities Market Association. The Corporate Governance Code is available on the site of the Securities Market Association at www.cgfinland.fi. In addition to the Corporate Governance Code, Talenom Plc complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, other legal provisions concerning listed companies, Talenom Plc's Articles of Association, and the rules and guidelines issued by Nasdaq Helsinki Ltd.

This remuneration report is also available on the company's website at www.talenom.fi/en/investors. In accordance with the Companies Act and the Articles of Association, the highest responsibility for the governance and operations of Talenom is held by its governing bodies, which are the General Meeting of Shareholders, Board of Directors and CEO.

The principles and decision-making processes for the remuneration of the Board of Directors and CEO and for the key terms of the service contract are set forth in Talenom Plc's remuneration policy. The company's remuneration principles apply to the entire personnel. The transparency and market orientation of remuneration and remuneration based on good performance are key principles in remuneration. The company's remuneration policy applies to the company's Board of Directors and CEO. The objective of the company's remuneration policy is to encourage and reward management for work that is in line with the company's current strategy and for compliance with the set rules, as well as to motivate them to strive for the success of the Talenom Group. Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the company. This, in turn, contributes to the financial success of the company and the implementation of good corporate governance. In addition to supporting the company's long-term profitability and results, remuneration supports the implementation of the objectives set by the company and the company's strategy.

Remuneration in accordance with the remuneration policy consists of the following components:

- Basic salary and employee benefits are in compliance with the local market practices, laws and regulations
- A short-term incentive scheme intended to guide the performance of an individual and the organisation as well as to support rapid implementation of strategic projects
- A long-term remuneration scheme designed to commit key persons to the company. Long-term incentives aim to commit management to the company and harmonise their interests with those of shareholders.

Development of remuneration in relation to the financial development of the company

The following table and diagrams present the trend in the remuneration of the Board of Directors and CEO compared to the trend in the average remuneration of Group employees and the financial development of the Group during the past five financial years. In accordance with Talenom's remuneration policy, part of the remuneration of the CEO consists of short-term and long-term incentives that are linked to the result of operations. Thereby, the favourable financial development of the company is reflected in the remuneration paid to the CEO. Board fee level has raised the number of board members in 2020 by one and an increase in fees.

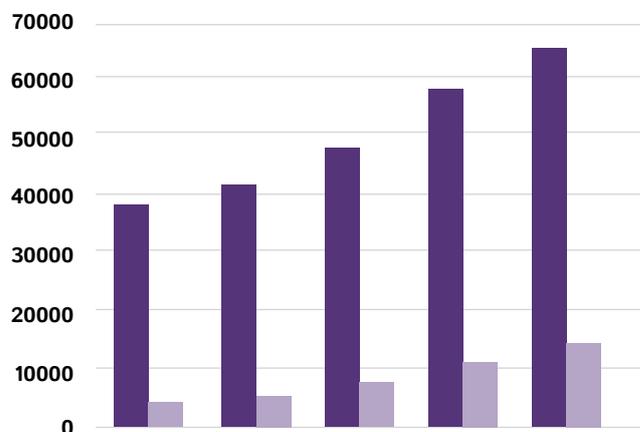
DEVELOPMENT OF REMUNERATION

	1,000 €	2016	2017	2018	2019	2020
Annual remuneration of the Board of Directors		57.8	122.7	133.7	131.9	182.0
Annual remuneration of the CEO		128.9	146.0	212.4	409.1	712.3
Average salary development EUR 1,000/person *)		35.8	36.8	37.2	37.8	37.9

*) The average salary development at Talenom is calculated by dividing salaries and rewards by the average number of employees during the financial year



FINANCIAL DEVELOPMENT OF THE COMPANY



EUR 1,000	2016	2017	2018	2019	2020
■ Company turnover	36,957	41,421	48,871	57,955	65,161
■ Company operating profit	4,177	4,840	8,545	10,409	12,881

2. REMUNERATION OF THE BOARD OF DIRECTORS

Decisions concerning the remuneration of the Board of Directors are made in general meetings for a single term of office at a time based on a proposal of the Board of Directors. The decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the general meeting.

The 2020 Annual General Meeting held on 25 February 2020 decided that the Chairman of the Board shall be paid 6,000 euros per month and Board members 2,000 euros per month. In addition, it was decided that the Board members shall be reimbursed for their travel expenses according to the company's travel rules.

REMUNERATION PAID TO BOARD MEMBERS 1 JANUARY-31 DECEMBER 2020

	Annual fees	Other financial benefits	Total
Harri Tahkola (Chairman of the Board)	70,000		70,000 €
Olli Hyypä (Board member)	23,000		23,000 €
Mikko Siuruainen (Board member)	23,000		23,000 €
Anne Riekkö (Board member)	23,000		23,000 €
Johannes Karjula (Board member)	23,000		23,000 €
Sampsa Laine (Board member)*	20,000		20,000 €
Total	182,000		182,000 €

*) Board member as from 25 February 2020

Board members do not participate in the company's share-based incentive schemes and Board fees are not paid in the form of shares in the company.

3. REMUNERATION OF THE CEO

Decisions concerning the remuneration of the company's CEO and the terms applicable to the service contract of the CEO are made by the company's Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

The company's CEO is Otto-Pekka Huhtala. As set out in the contract of the CEO, the CEO serves in the position until further notice and the period of notice is two months. Normal occupational pension contributions are paid on the salary of the CEO in accordance with occupational pension legislation. No supplementary pension contributions are paid to the CEO.

Fixed salary component

The fixed salary component of the CEO consists of a monthly salary and fringe benefits. In 2020, the annual salary including fringe benefits was 193,830 euros, of which fringe benefits accounted for 4,869 euros.

Short-term incentive scheme

The CEO, like the other members of the Executive Board, is entitled to a performance bonus when predetermined criteria are met. The criteria for the Executive Board's performance bonus take into account the company's net sales, EBITDA, customer retention, operational efficiency, personnel satisfaction, progress in product development and product group-specific growth. In addition, the Board of Directors separately assesses the performance of the CEO in his or her task and decides on the separate performance bonus to be paid to the CEO. In 2020, the performance bonus paid to the CEO was 0 euros.

Long-term incentive schemes

CEO Otto-Pekka Huhtala participates in the 2016 and 2019 stock option schemes. He has been granted 36,000 stock options 2016A, 54,000 stock options 2016B and 90,000 stock options 2016C and 120,000 stock options 2019. The 2016C stock options were exercised in full in 2020, whereby the option-based rewards of the CEO amounted to 518,490 euros.

Remuneration of the CEO during the financial period

	Fixed annual salary (including fringe benefits)	Variable short-term incentive bonus paid for 2019	Option-based bonus, variable long-term incentive bonus
Remuneration, (EUR 1,000)	194	0	518
Percentage of total remuneration	27 %	0 %	73 %

