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SOLTEQ

Remuneration Policy

2024

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. To achieve this, Solteq has defined remuneration practices in its remuneration policy that support Solteq’s business strategy and promote Solteq’s currently valid business objectives. When strategic focus areas or the company’s financial situation change, the basis and criteria for remuneration can be evaluated and updated.

Remuneration of the CEO takes account of the responsibilities associated with the position, the Company’s business situation, and the financial and non-financial targets of the business. The CEO’s overall remuneration is based on the same principles as the remuneration of 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 remuneration policy was presented to the General Meeting for the first time in 2020, and the updated remuneration policy will be presented to the General Meeting in 2024. Thereafter, 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 legislation or other regulation. A change has been made to the remuneration policy regarding the CEO’s short- and long-term incentive schemes so that the remuneration paid under short-term incentive schemes cannot exceed 75% of the fixed annual salary and, at the target level, the weight of long-term incentive schemes constitutes a significant part of the CEO’s overall remuneration. The aim of the change is to ensure that any variable remuneration focuses on the achievement of the company’s long-term objectives.

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 Shareholders' Nomination Committee 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 Shareholders' Nomination Committee. 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 the remuneration of the CEO.

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.

2.4. Conflicts of interest

When deciding on remuneration, possible conflicts of interest are considered and the provisions concerning the disqualification of the members of the Board of Directors and the CEO are applied.

3. Description of Board of Directors' remuneration

The general meeting annually decides on the remuneration for the board and committee work for the Board members. Matters concerning the remuneration of the Board of Directors are prepared by the Shareholders' Nomination Committee, which submits its proposal to Solteq's 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.

Remuneration paid under short-term incentive schemes cannot exceed 75% of the fixed annual salary, and at the target level, the weight of the long-term incentive schemes constitutes a significant part of the overall remuneration of the CEO. 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 a 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 should always cover at least three financial years in order to ensure their long-term consistency with the interests of shareholders.

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, cancellation, and possible recovery of remuneration

The Board of Directors shall have the right to defer payment of the remuneration under the incentive schemes until a more suitable date for the Company if, for example, changes in circumstances beyond the control of the Company or other conditions 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 or recover already paid remuneration 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. A temporary deviation may apply to the entire remuneration policy or to some of its elements.

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.

The decision on a temporary deviation concerning the Board of Directors shall be made by the General Meeting, and those concerning the CEO by Solteq's Board of Directors. Any temporary 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 Board of Directors 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.

The term of notice of the current CEO is six months for both parties, and the CEO is not entitled to a separate redundancy pay apart from the normal salary for the notice period.

At the end of the CEO's term of office, the Board of Directors exercises its discretion when it comes to payment of possible short- and/or long-term incentives based on the rules of the incentive schemes.