

Componenta Corporation Remuneration Report 2019



COMPONENTA

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Remuneration Report 2019

This remuneration report describes the remuneration paid to the Board members, President and CEO and other members of the Corporate Executive Team of Componenta Corporation ("Componenta" or "the company") in 2019. The report also describes the decision-making procedures and principles concerning remuneration at Componenta. The remuneration report for 2019 has been prepared in compliance with the Finnish Corporate Governance Code 2015. The remuneration report is performance-based.

Main principles of remuneration

The important principles of Componenta guiding remuneration are remuneration based on performance and overall remuneration of personnel. Componenta seeks to motivate, attract and retain skilled persons with remuneration. The objective of remuneration is to contribute to the favourable development of shareholder value, to develop the company's performance and to help the company in fulfilling its business strategy and in attaining the long-term financial benefits. Remuneration is one of the most important ways to ensure that the company's employees understand the result targets, their own possibilities to influence the results and the causal connection between the result of operations and remuneration. Componenta aims to keep the remuneration principles and practices comprehensible and transparent.

Decision-making procedure concerning remuneration

The General Meeting of Componenta decides on the Board's remuneration. The Shareholders' Nomination Board prepares well-grounded proposals for the General Meeting regarding the election and remuneration of Board members and usually also presents the proposals to the General Meeting. The Shareholders' Nomination Board consists of the company's largest shareholders.

The Board of Directors of Componenta appoints the President and CEO and approves the terms and

conditions of the President and CEO's contract of service, as well as the salaries and remuneration payable to the President and CEO. The Board also decides on the salaries and remuneration of the members of the Corporate Executive Team on the basis of the proposal of the President and CEO, in accordance with the "one over one" approval principle applied in the Group.

Remuneration of the Board of Directors

Remuneration of the Board members is based on the annual fee approved by the General Meeting. In 2019, the Annual General Meeting held on 16 May 2019 decided that the following fixed annual fees will be paid to the Board members for their term of office that ends at the close of the next Annual General Meeting:

- Chairman of the Board of Directors EUR 50,000 (2018: EUR 50,000),
- Members of the Board of Directors EUR 25,000 (2018: EUR 25,000), and
- the members of possible committees reporting to the Board of Directors EUR 5,000 (2018: EUR 5,000).

Furthermore, the General Meeting decided that the travel expenses of the Board members will be paid in accordance with the company's travel regulations. The Board members do not have a contract of employment or service with Componenta or its subsidiaries and are not included in the scope of Componenta's incentive schemes.

Remuneration principles regarding management

The total remuneration of the President and CEO and other members of the Corporate Executive Team consists of a fixed part, i.e. a monthly salary and fringe benefits (including company phone) and of a variable part comprising short-term and long-term incentive schemes. The fixed part of the remuneration of members of the Corporate Executive Team includes compensation for any work they perform in

the Boards of Componenta Group's subsidiaries and affiliate companies.

Short-term incentive scheme

The purpose of the short-term incentive scheme is to support attainment of the targets set and to promote commitment by setting unambiguous and measurable annual targets that have a direct impact on the company's result. Componenta's Board of Directors will approve the terms and targets of short-term incentive scheme annually for the whole Group. The amount of remuneration payable from the short-term incentive scheme depends on attainment of the Group's targets and business unit specific targets. The remuneration based on short-term incentive schemes is paid in cash.

In 2019, the performance bonus payable to the Corporate Executive Team members from the short-term incentive scheme was based on cash flow. The maximum remuneration payable to the President and CEO and other Corporate Executive Team members from the short-term incentive scheme must not exceed half of their fixed annual salary.

Long-term incentive schemes

The purpose of long-term incentive schemes is to provide an incentive to key employees and to bring their benefits in line with the shareholders' benefits and the long-term strategy aimed at sustainability of business operations. Those included in the scope of a long-term incentive scheme can earn the company's shares.

The Board of Directors decides on the long-term incentive schemes, such as share-based remuneration schemes. The share-based remuneration schemes have earning and commitment periods of several years. Basically, it is a prerequisite for receiving the remuneration that the person's contract of employment or service is valid at the time the remuneration is paid, but the Board of Directors may decide otherwise at its discretion. The remuneration is decided on by the Board of Directors which can also amend the predetermined criteria of long-term incentives.

The share of remuneration earned on the basis of the valid long-term incentive schemes of the total

remuneration of the President and CEO and other Corporate Executive Team members depends on the development of the company's shareholder value.

Share-based remuneration schemes

Stock options 2018

On 12 November 2018, the Board of Directors resolved, by virtue of an authorization granted by the General Meeting, to implement share-based incentive plan for the Group key employees. The purpose of the stock options is to encourage the key employees to work on a long-term basis to increase the shareholder value. The purpose is also to retain the key employees of the company. The maximum total number of stock options issued is 7,320,500, and each stock option entitles their owners to subscribe for one (1) Componenta share. Of the stock options, 2,430,000 were marked with the symbol 2018A, 2,445,250 were marked with the symbol 2018B, and 2,445,250 were marked with the symbol 2018C.

On 12 November 2018, the Board of Directors decided to grant 2,430,000 stock options (stock option 2018A) to a maximum of 20 key employees, including the members of the Corporate Executive Team. The options were issued gratuitously.

On 10 February 2020, the Board of Directors resolved to convert stock options 2018A (416,250) that have been returned to the company to stock options 2018B. The number of stock options 2018A is now 2,013,750 in total, stock options 2018B 2,861,500 in total, and stock options 2018C 2,445,250 in total. On 10 February 2020, the Board of Directors further decided on the issue of a total of 2,861,500 stock options (stock option 2018B) to at most 18 key employees including the Corporate Executive Team members.

The subscription periods and subscription prices of the option rights are as follows:

Stock option 2018A

Amount	Share subscription period	Share subscription price
2,013,750	1 December 2021 – 30 November 2023	0.17 euros per share (trade volume weighted average quotation of the share in Nasdaq Helsinki Ltd. during 12 October – 8 November 2018)

Stock option 2018B

Amount	Share subscription period	Share subscription price
2,861,500	1 December 2022 – 30 November 2024	0.128 euros per share (trade volume weighted average quotation of the share in Nasdaq Helsinki Ltd. during 14 October – 8 November 2019)

Stock option 2018C

Amount	Share subscription period	Share subscription price
2,445,250	1 December 2023 – 30 November 2025	trading volume-weighted average price at Nasdaq Helsinki Ltd. during 12 October – 6 November 2020

The subscription price of the share decreases by the amount of dividends and distribution of assets decided before the subscription. The share subscription price is entered in the company's unrestricted equity reserve.

Restricted share plan 2018

On 12 November 2018, the Board of Directors resolved to implement a restricted share plan to key employees. The reward from the Restricted Share Plan 2018 will

be based on the key employee's valid employment or service and the continuation of work during the vesting period. The reward will be paid partly in the company's shares and partly in cash after the expiry of a 36 month vesting period by the end of December 2021, at the latest. The cash proportion is intended to cover taxes and tax-related costs arising from the reward to the key employee.

The Restricted Share Plan is intended for approximately 15 key employees resolved by the Board of Directors, including the members of the Corporate Executive Team. The rewards to be paid on the basis of the Restricted Share Plan 2018 correspond to the value of a maximum total of 1,999,500 Componenta Corporation shares including also the proportion to be paid in cash.

Remuneration of the President and CEO

In 2019, Harri Suutari was the President and CEO of Componenta until 30 August 2019, and Marko Penttinen was the President and CEO from 30 August 2019. The President and CEO's contract of service is valid until further notice. The main terms and conditions of the President and CEO's contract of service are shown in the table below.

Terms and conditions of President and CEO Marko Penttinen (from 30 August 2019)

Salary and fringe benefits	Total monthly salary EUR 20,000, consisting of a cash salary and possible fringe benefits (phone, meal and car benefits). In addition, the President and CEO is entitled to supplementary health insurance.
Short-term incentives	The President and CEO is entitled to an incentive based on achievement of financial targets. The maximum amount of the annual total remuneration is equal to the President and CEO's six months' total salary. The short-term incentive scheme is discretionary, and the company may amend the terms and conditions or basis of payment of the incentive schemes or discontinue an incentive scheme. The incentive scheme is discussed in closer detail in section "Short-term incentive scheme" of this report.
Long-term incentives	The President and CEO is entitled to the share-based incentive schemes for the Group's key employees, introduced by a Board decision in November 2018, the stock option scheme and a restricted share unit plan. In compliance with the terms and conditions of the long-term incentive scheme, Harri Suutari, who was the President and CEO of Componenta until 30 August 2019, gave up all stock options and the shares of the restricted share unit plan allocated to him in 2018 when he became a member of Componenta's Board of Directors on 30 August 2019. In line with the decision of the Board of Directors, Marko Penttinen, who started as Componenta's President and CEO on 30 August 2019, will be allocated stock options at the same terms and conditions and the same amount as Harri Suutari received. The incentive schemes are discretionary, and the company may amend the terms and conditions or basis of payment of the incentive schemes or discontinue an incentive scheme. The incentive schemes are discussed in closer detail in section "Long-term incentive scheme" of this report.
Pension	The President and CEO is covered by the statutory pension scheme.
Termination of employment	Unless terminated before that time, the President and CEO's contract of service will end when he reaches the age of 68. The President and CEO's contract of service can be terminated by the President and CEO by giving three months' notice and by the company by giving six months' notice. If the President and CEO's contract of service is terminated by the company without the President and CEO being guilty of e.g. crimes, dishonest conduct or breach of contract relevant to the company, the President and CEO will be entitled to one-off severance pay equal to six months' total salary.

Terms and conditions of President and CEO Harri Suutari (until 30 August 2019)

Salary and fringe benefits	Total monthly salary EUR 19,000 consisting of cash salary and any fringe benefits (phone, meal and car benefits).
Short-term incentives	The President and CEO is entitled to an incentive based on achievement of financial targets.
Long-term incentives	The President and CEO is entitled to long-term share-based incentive scheme.
Pension	The retirement age of the President and CEO is 63 years, and he has had a supplementary pension agreement. The agreement has included old age pension after reaching the age of retirement, paid-up pension policy rights if the employment of the insured person is terminated before reaching the age entitling to old age pension as stated in the insurance policy, disability insurance and life insurance. In addition, the President and CEO has had a separate pension capitalisation agreement, under which the pension begins at the age of 63 years and ends at the age of 68 years or when the savings in the capitalisation agreement have been used up. The pension capitalisation agreement was made in 2015. The actual pension is calculated annually by dividing the remaining amount of the savings by the remaining number of months for the pension. The Company's Board of Directors reached agreement with the President and CEO in the autumn of 2016 to stop making the pension payments.
Termination of employment	The President and CEO's contract of employment may be terminated by the company by giving twelve months' notice and by the President and CEO by giving twelve months' notice. The President and CEO is not entitled to any separate compensation after giving notice or being given notice other than the salary and benefits agreed in the terms of notice and the supplementary pension in accordance with the principles of the paid-up pension policy.

REMUNERATION REPORT 2019

Remuneration of Board of Directors

In 2019, member of Board of Directors and Board committees were paid total of 150,000 euros as annual fees.

Board 2019		Salaries, fees and fringe benefits, e
Harri Suutari*	Chairman	41,667
Anne Leskelä	Member, Vice Chairman	25,000
Petteri Walldén**	Member	33,333
Harri Pynnä	Member	25,000
Asko Nevala	Member	25,000
Total		150,000

* Chairman of the Board from 2 September 2019. The Extraordinary General Meeting held on 1 July 2019 elected Harri Suutari as a member of the Board as he resigned the position of Componenta's President and CEO and took up Board membership when the acquisition of Komax Oy (currently Componenta Manufacturing Oy) was completed on 30 August 2019. The Extraordinary General Meeting held on 1 July 2019 resolved that the annual remuneration payable to a board member in accordance with the resolution of the Annual General Meeting dated 16 May 2019 will be paid to Suutari *pro rata temporis* for the duration of his term. The Board of Directors elected Suutari as the Chairman on 2 September 2019.

** Chairman of the Board until 2 September 2019.

** Chairman of the Board up to 2 September 2019.

Remuneration of the President and CEO and other members of the Corporate Executive Team

2019	Salaries, fees and fringe benefits, €	Short-term bonuses, €	Total, €
President and CEO Marko Penttinen (as of 30 August 2019)	81,011		81,011
President and CEO Harri Suutari (until 30 August 2019)	235,899	10,656	246,555
Other members of the Corporate Executive Team*	634,022	20,712	959,204
TOTAL	950,932	30,828	1,286,770

* The members of the Corporate Executive Team in 2019 (in addition to the President and CEO) were Mervi Immonen, Marko Karppinen, Pasi Mäkinen and, as of 2 September 2019, Miikka Jämsen, Arto Pitkämö and Sami Sivuranta.



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