

Remuneration Report 2020

COMPONENTA

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Introduction

The remuneration report of Componenta Corporation ("Componenta" or "the Company") has been prepared in accordance with the Corporate Governance Code 2020 published by the Securities Markets Association. The report explains the remuneration paid and due to the Board of Directors and the President and CEO for the financial year 2020.

The remuneration report is published at the same time as the financial statements, the report by the Board of Directors and the corporate governance statement, and will be presented to shareholders at the Annual General Meeting following its publication.

The remuneration of the members of Componenta's Board of Directors and President and CEO is based on the company's current remuneration policy, which has been approved by Componenta's Annual General Meeting on 16 April 2020. The remuneration policy will be valid until the Annual General Meeting of 2024, unless it is replaced by a new or revised version before this.

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.

In accordance with Componenta's values and management principles, all decisions regarding remuneration are based solely on the competence and achievements of each employee.

Financial development of the company and remuneration

Componenta's group structure and operations have undergone significant changes in recent years. Group companies operating in Finland and Sweden filed for a restructuring programme, and Componenta's Dutch company filed for bankruptcy in 2016. The company's operations also diminished significantly as it divested its sales offices around the world and, further in 2017, its Turkish company. Componenta Wirsbo AB and Componenta Arvika AB filed for bankruptcy in 2017 and Componenta Främmestad AB filed for bankruptcy in 2019. With the restructuring programmes, Finnish companies have also traded off properties and shares in real estate companies that are not key to core business operations. The company focuses now on component and series sizes that are in line with its core business activities and development the versatility of the Finnish service offering. In 2019, Componenta made a strategic acquisition by acquiring Komax Oy (now Componenta Manufacturing Oy), which allowed for larger supply packages and a competitive domestic supply chain. In addition to significant changes in the group structure and operations, the company has made determined efforts to develop its business, improve profitability and implement measures in accordance with the restructuring programmes. Restructuring programmes have progressed as planned and, in late 2020, the company successfully organised a pre-emptive subscription right share issue. As regards the use of the proceeds of the share issue, the company indicated its intention to enter into negotiations with the company's creditors on the premature payment of the restructuring debts and the strengthening of the company's financial position.

During 2020, the Covid-19 pandemic had a somewhat negative impact on Componenta's net sales and profitability. However, efforts have been made to reduce the impact of the pandemic by adapting the company's activities to the changing situation. There have been no deviations from the company's remuneration policy due to the Covid-19 pandemic. At the end of 2020, the company had iron foundries in Pori and Karkkila, where the company manufactures iron casting components. The company processes blanks sourced from its own foundries and from external subcontractors in machining shops located in Härmä, Kurikka, Sastamala and Jyväskylä. The company also has a production plant in Lepävesi, where it manufactures sheet metal components. In addition, the company has a unit that manufactures pipe assemblies and a forging plant in Jyväskylä.

The company's challenging financial situation in recent years and changes in the group structure have also been reflected in the company's remuneration. The annual remuneration of the Chairman and members of the Board of Directors was reduced in 2017, after which it has remained unchanged.

The Board of Directors and the President and CEO of the company agreed in autumn 2016 to terminate the supplementary pension contributions paid to the President and CEO. In 2017, the President and CEO's total remuneration, consisting of a cash salary and possible benefits, was halved following the President and CEO's own initiative, which was based on the company's financial situation and changes in the group structure. Since then, there has only been a moderate increase in the total remuneration paid to the President and CEO in 2019.

Remuneration and performance development of the company over the last five years

EUR	2016	2017	2018	2019	2020
Chairman of the Board – annual remuneration	60,000	50,000	50,000	50,000 ¹⁾	50,000
Member of the Board of Directors – annual remuneration	33,000 ²⁾	25,000	25,000	25,000	25,000
President and CEO ³⁾ – salary, remuneration and other benefits	534,365	310,529	260,330	316,910	274,418
Componenta's personnel, excluding the President and CEO, salaries and remuneration on average excluding social security costs ⁴⁾	48,000	43,000	32,000	38,000	43,000
Financial key figures, EUR million					
Group net sales ⁴⁾	138.9	122.4	39.3	50.7	70.0
Group EBITDA ⁴⁾	-11.7	29.8	3.2	1.6	3.7

¹⁾ 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 (now Componenta Manufacturing Oy) was executed 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 Ordinary General Meeting dated 16 May 2019, will be paid to Harri Suutari, who was appointed Chairman of the Board of Directors on 2 September 2019, pro rata temporis for the duration of his term. Petteri Walldén, Chairman of the Board until 2 September 2019, became a member of the Board and his remuneration was proportionally adjusted.

²⁾ In 2016, the Vice Chairman of the Board, the Chairman of the Audit Committee and members of the Audit Committee were paid an additional remuneration of EUR 5,000.

³⁾ In 2016, the President and CEO's salary and remuneration amounted to EUR 499,300, including a supplementary pension and a pension capitalisation agreement totalling EUR 35,700, and the Deputy President and CEO's salary and remuneration amounted to EUR 35,065. In 2018, the President and CEO's salary and remuneration included a short-term incentive fee of EUR 17,000. In 2019, the President and CEO's salary and remuneration were distributed as follows: Harri Suutari, until 30 August 2019, a total of EUR 235,899, and Marko Penttinen, from 30 August 2019, a total of EUR 81,011. In 2020, the President and CEO's salary and remuneration were distributed as follows: Marko Penttinen, until 11 March 2020, a total of EUR 49,140, and Sami Sivuranta, from 11 March 2020, a total of EUR 225,278. The severance pay of EUR 120,346 paid to Marko Penttinen is not included in the President and CEO's remuneration for 2020.

⁴⁾ Continued operations, additional information available in the financial statements for the year.

Remuneration of the Board of Directors in 2020

The General Meeting decides on the remuneration of the Board of Directors. The Nomination Board, composed of the company's largest shareholders, prepares proposals for the General Meeting regarding the selection and remuneration of the Board members. As proposed by the Componenta shareholders' Nomination Board, the Annual General Meeting of 2020 decided not to make any changes to the Board's remuneration for the term of office lasting until the 2021 Annual General Meeting.

In 2020, in accordance with the decision of the General Meeting, the Board members were paid a total of EUR 125,000 as annual remuneration. The remuneration of the Board of Directors was paid in full in cash. In accordance with the decision of the General Meeting, the travel expenses of the members of the Board of Directors were reimbursed in accordance with the company's travel policy. The Board of Directors did not establish any committees from among its members in the financial year 2020. No variable compensation or performance-based bonuses were paid to the members of the Board of Directors. The remuneration of the Board of Directors was consistent with the remuneration policy during 2020.

Remuneration of the Board of Directors in 2020

Board of Directors 2020	Role	Total annual remuneration, EUR
Harri Suutari	Chairman	50,000
Anne Leskelä	Vice Chairman	25,000
Petteri Walldén	Board member	25,000
Harri Pynnä	Board member	25,000
Total		125,000

Remuneration of the President and CEO in 2020

Sami Sivuranta was appointed President and CEO of Componenta on 11 March 2020. Prior to this, Marko Penttinen was the President and CEO of the company in 2020. Remuneration of the President and CEO was consistent with the remuneration policy during 2020.

Short-term incentive schemes

The purpose of a short-term incentive scheme is to support the attainment of the set targets 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 annually sets the terms and objectives of any short-term incentive schemes for the whole group. In accordance with the remuneration policy the maximum remuneration payable to the President and CEO from any short-term incentive scheme must not exceed half of his/her fixed annual salary. At its discretion, the Board of Directors may change the criteria for short-term incentives.

The current President and CEO is entitled to an incentive fee related to achieving the financial objectives. In 2020, the incentive fee paid in cash from the short-term incentive scheme was based on the company's cash flow, and the maximum remuneration sum was equal to the President and CEO's total salary for six months. No remuneration was paid to the President and CEO as part of the short-term incentive scheme in 2020, as the company's cash flow from continuing operations after investments did not reach the minimum target.

Long-term incentive schemes

The purpose of any 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 the stability of business operations. Long-term incentives may consist of both performance-based and share-based incentive plans.

Based on the remuneration policy, the Board of Directors decides on any long-term incentive schemes, such as share-based remuneration schemes, and determines the earning criteria for performance-based schemes at the beginning of each scheme. The current value of the potential bonus paid under a long-term incentive scheme can be no more than 30% of the President and CEO's fixed yearly salary. The current value is always calculated by using a method relevant for the incentive scheme at the beginning of the earning period. The Board of Directors decides on the fees paid under the scheme, and it may also change the criteria for any long-term incentives.

The current President and CEO is entitled to the share-based incentive schemes for the group's key employees, introduced by a Board decision on 12 November 2018, including an option scheme and a restricted share plan. As a result of the rights issue and the reverse share split in 2020, the number, subscription ratio and subscription prices of the stock options 2018 and the maximum amount of rewards to be paid from the restricted share plan have been adjusted in order to secure that the shareholders and members of remuneration schemes are treated equally.

Stock Options

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 at the company. It is a prerequisite for receiving remuneration based on an option programme that the receiving 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.

Componenta's option programme has a total of 146,410 rights of option on 31 December 2020, 40,275 of which are marked as option 2018A, 57,230 are marked as option 2018B, and 48,905 are marked as option 2018C. Each stock option entitles its holder to subscribe for two new shares in the company or existing shares held by the company. The maximum total number of shares subscribed by exercising stock options issued is 292,820 shares. The subscription price is EUR 5.25 per share with stock option 2018A; EUR 3.85 per share with stock option 2018B and EUR 3.025 per share with stock option 2018C. The subscription period is 1 December 2021 – 30 November 2023 for option 2018A, 1 December 2022 – 30 November 2024 for option 2018B, and 1 December 2023 – 30 November 2025 for option 2018C.

The President and CEO's participation in the option programme

Rights of option	Number of stock options granted to the President and CEO, pcs	Number of shares that can be subscribed for with the option	Share subscription price, EUR	Share subscription period
2018A	6,800	2	5.25	1 December 2021 – 30 November 2023
2018B	5,566	2	3.85	1 December 2022 – 30 November 2024

Restricted Share Plan

The reward from the restricted share plan is based on the key employee's valid employment or service and the continuation of work during the vesting period. In 2020, the restricted share plan was also adjusted as a result of the company's share issue and reverse share split. The amount of the remuneration payable under the plan will be equal to the total value of up to 55,000 shares on 31 December 2020. The reward will be paid partly in the company's shares and partly in cash after the expiry of a 36 month

vesting period that commenced on 12 November 2018 and 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.

By 31 December 2020, a total of 8,119 shares have been allocated to the President and CEO based on the restricted share plan.

Overall remuneration of the President and CEO in 2020

In 2020, in accordance with the remuneration policy, the President and CEO was paid a fixed monthly salary of EUR 20,000, comprising both cash and benefits. The President and CEO accrued a total of EUR 33,903

in deferred share-based payments based on the share-based incentive plan. In 2020, there were no requests for refunds regarding the remuneration paid to the President and CEO.

Sami Sivuranta, born 1975, M.Sc. (Eng.), President and CEO of Componenta since 11 March 2020

President and CEO's total remuneration in 2020, EUR	Fixed pay (salary, including benefits)*	Variable pay (share-based payments)	Total
President and CEO Sami Sivuranta (11 March – 31 December 2020)	191,348	33,930	225,278
Proportional share	85%	15%	100%

* Fixed pay includes a mobile phone benefit as well as health insurance.

Marko Penttinen, b. 1967, B.Sc. (Eng.), M.Sc. (Econ.), MBA, acted as the President and CEO of Componenta until 11 March 2020.

President and CEO's total remuneration in 2020, EUR	Fixed pay (salary including benefits and severance pay)*	Variable remuneration (share-based payments)	Total
President and CEO Marko Penttinen (1 January – 11 March 2020)	169,486	–	169,486
Proportional share	100%	0%	100%

* Fixed pay includes mobile phone benefit, car benefit, health insurance and severance pay EUR 120,346.



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