



Remuneration Report

SRV

# REMUNERATION REPORT 2020

## Dear shareholder,

This Remuneration Report provides information on the remuneration of the Board of Directors, President and CEO and deputy to the CEO of SRV Group Plc ("SRV") in 2020. The Remuneration Report is based on the Corporate Governance Code 2020 of the Securities Market Association and the legislation in force.

## Principles of remuneration at SRV

The remuneration of SRV's governing bodies is based on the Remuneration Policy that was ratified by the Annual General Meeting of 26 March 2020 on the basis of the proposal of the Board of Directors. The company did not deviate from the Remuneration Policy in 2020 and there were no claw-backs of remuneration.

The principles of remuneration at SRV are based on promoting the financial success and profitability of the company and the implementation of its strategy. The purpose of remuneration is to promote the long-term financial success of the company and to provide direction and incentives for the achievement of strategic, operational and financial objectives. Remuneration seeks to motivate and commit employees to keep improving their performance.

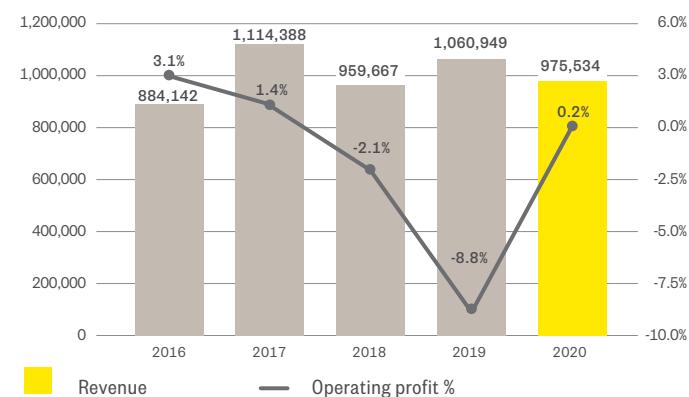
The remuneration of the President and CEO is likewise based on principles that emphasise the financial success of the company. The purpose of the remuneration principles is to tie together the objectives of SRV's shareholders and the President and CEO with the aim of increasing the company's value and operating profit, and to strengthen the President and CEO's commitment to the company.

## Development of financial performance and remuneration

During the past five years, SRV's annual revenue has stabilised at the level of around one billion euros as the company primarily seeks to increase annual operative operating profit rather than revenue. In recent years, the earnings performance of the company has not been satisfactory, and the company seeks to primarily improve profitability with the measures initiated and implemented during the past two years.

A significant share of the total remuneration of the President and CEO consists of variable components, that is, short- and long-term incentives. The earnings potential of the President and CEO increases as shareholder value grows. Correspondingly, the weak earnings trend of the company in recent years has been reflected in the total earnings of the President and CEO.

## Business development



## Five-year development of remuneration (EUR 1,000)

	2016	2017	2018	2019	2020
President & CEO <sup>1</sup>	897	753	517	424	645
Deputy CEO	223	459	241	203	200
Chairman of the Board	71	73	76	80	86
Vice Chairman of the Board	59	59	64	68	77
Other Board members, average	47	49	51	57	67
Average salaries and bonuses paid to SRV employees*	53.4	54.7	55.0	56.4	58.5

<sup>1</sup> The table takes into account the fixed and variable remuneration of the current President and CEO (short- and long-term incentives) at the time in question. The sums for 2019-2020 do not take the notice period salary and severance pay of the previous President and CEO into consideration.

\* The development of the average employee salary is based on personnel costs excluding social security costs divided by the average number of employees during the year.

## Remuneration of the Board of Directors in the 2020 financial year

On the basis of the decision of the Annual General Meeting, the following monthly fees were paid to Board members in 2020: EUR 5,000 for the Chairman of the Board, EUR 4,000 for the Vice Chairman and EUR 3,000 for other Board members. In addition, a remuneration of EUR 700 per meeting of the Board and the committees was paid to the Chairman, the Vice Chairman and the members.

The December 2020 meeting fees for Board members were paid in January 2021. These fees are, by member: Tomi Yli-Kyyny (Chairman) EUR 2,100, Olli-Pekka Kallasvuo (Vice Chairman) EUR 2,100, Minna Alitalo EUR 1,400, Timo Kokkila EUR 1,400, Hannu Leinonen EUR 1,400 and Heikki Leppänen EUR 2,100.

Remuneration paid to members of the Board of Directors in 2020 (EUR)

Name	Annual fees	Meeting remuneration	Total
Tomi Yli-Kyyny <sup>2</sup> , Chairman	54,000	31,600	85,600
Olli-Pekka Kallasvuo, Vice Chairman	48,000	28,800	76,800
Minna Alitalo	36,000	32,300	68,300
Hannu Leinonen <sup>3</sup>	27,000	11,300	38,300
Heikki Leppänen <sup>4</sup>	27,000	12,700	39,700
Timo Kokkila	36,000	31,600	67,600
Ilpo Kokkila <sup>5</sup>	15,000	16,100	31,100
Juhani Hintikka <sup>6</sup>	9,000	15,400	24,400

<sup>2</sup> Chairman of the Board as of 26 March 2020, Board member prior to that date.

<sup>3</sup> Member of the Board as of 26 March 2020.

<sup>4</sup> Member of the Board as of 26 March 2020.

<sup>5</sup> Chairman of the Board until 26 March 2020.

<sup>6</sup> Member of the Board until 26 March 2020.

## Remuneration paid to the President and CEO and deputy to the President and CEO in the 2020 financial year

The remuneration of President and CEO Saku Sipola consists of fixed components such as his basic salary and fringe benefits and variable components such as short- and long-term incentives and other financial benefits. The President and CEO was covered by two incentive schemes in 2020: an annual performance bonus and a share-based long-term scheme based on the value increase of shares, in which the first exercise period begins in 2022.

Executive Vice President Timo Nieminen serves as the deputy to the CEO as his secondary job. With the role being a secondary job, the company does not pay a separate fee for it. Instead, remuneration is based on the Executive Vice President's primary job in the company's organisation. The short-term incentive scheme of the deputy to the CEO is based on a performance bonus scheme for the company's personnel, which is approved by the Board for one year at a time. The long-term incentive scheme for the deputy to the CEO, if such is in place, shall be governed by the same principles as those adopted by the Board for the long-term incentive scheme for other management and key personnel. In 2020, the company did not have a long-term incentive scheme in place for the deputy to the CEO.

Total remuneration of the CEO and deputy to the CEO in 2020 (euros)

	Fixed annual salary (including taxable fringe benefits)	Other financial benefits	Total
President & CEO	444,800 <sup>7</sup>	200,000	644,800
Deputy CEO	200,205	-	200,205

<sup>7</sup> Fixed annual salary paid to President and CEO Saku Sipola in 2020. In addition, EUR 390,463.80 in severance pay was paid to the former President and CEO Juha Pekka Ojala, which has not been taken into account in the table.

The President and CEO and deputy to the CEO were not paid short-term incentive bonuses in 2020. A separate bonus paid to the President and CEO in 2020 by a decision of the Board of Directors for the execution of the recovery programme is disclosed under "Other financial benefits" in the table above. This separate bonus corresponded to about 45 per cent of the fixed annual salary of the President and CEO.

At the beginning of the 2020 financial year, the Board of Directors set short-term incentive criteria for this financial year for the President and CEO based on strategic and operational targets. On the basis of the result achieved, the President and CEO earned a performance bonus of EUR 153,630 for 2020, corresponding to 53 per cent of the total amount of this bonus and 35 per cent of the fixed annual salary of the President and CEO. The performance bonus will be paid in 2021.

The short-term incentive criteria set for the deputy to the CEO for 2020 were based on the performance bonus scheme for the company's personnel and personal operational targets. On the basis of the result achieved, the deputy to the CEO earned a performance bonus of EUR 26,015 for 2020, corresponding to 27 per cent of the total amount of this bonus and 13 per cent of the fixed annual salary of the deputy to the CEO. The performance bonus will be paid in 2021.

