

kojamo



# Remuneration policy of the governing bodies of Kojamo plc





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## 1. Introduction

This remuneration policy has been prepared in accordance with Finnish law, including the Securities Market Act (746/2012, as amended), the Companies Act (624/2006, as amended), and Decree 608/2019 of the Ministry of Finance as well as the Finnish Corporate Governance Code that entered into force on 1 January 2020.

The remuneration policy provides information on the remuneration principles applicable to the company's governing bodies, i.e. the Board of Directors as well as the CEO and deputy CEO and key terms of the service contracts of the CEO and deputy CEO. In addition, the remuneration policy describes the decisionmaking process for the remuneration of the Board of Directors, CEO and deputy CEO.

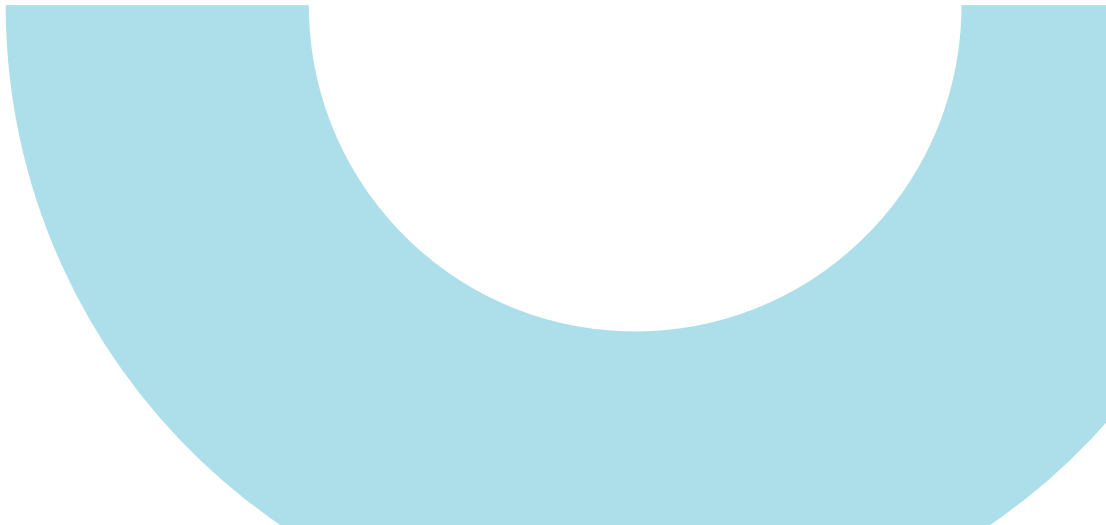
The purpose of Kojamo's remuneration policy is to describe the principles for the remuneration of company's top management in order to best promote the company's financial success and sustainable growth of shareholder value. Wellfunctioning and competitive remuneration is an essential tool for engaging and committing competent Board members, key personnel and employees to Kojamo, which in turn promotes the implementation of company's business strategy and longterm financial success. Remuneration shall be decided on with a view to a correct balance between the development and long-term value enhancement of the company.

The principles of remuneration are meant to ensure the achievement of Kojamo's strategy and business goals. The principles of remuneration shall also be aligned with Kojamo's ethical and sustainability principles and legislative requirements. In addition, all remuneration mechanisms are planned in line with risk management. The remuneration mechanisms strengthen Kojamo's ability to generate added value to its stakeholders.

Primarily the same principles of remuneration are applied to the remuneration of the CEO and deputy CEO as to the other employees. Distinctive features in CEO and deputy CEO's remuneration are greater weight of variable remuneration compared to other employees, importance of pay-for-performance principle and longterm orientation. Above distinctive features in remuneration are due to the role and complexity of the task of the CEO and deputy CEO.

## 2. Decision-making process

The Board of Directors shall present the remuneration policy to the general meeting at least once every four years and whenever substantial changes are made to it. Technical changes or other than substantial changes arising from legislation can be made to the remuneration policy without presenting the changed policy to the general meeting.





The Board of Directors shall be responsible for drafting of the remuneration policy and annually assess its implementation in accordance with the remuneration policy.

The remuneration committee shall prepare the remuneration policy and the remuneration report in accordance with its charter. The remuneration committee shall assist the Board of Directors by annually monitoring the implementation of the remuneration.

The majority of the members of the remuneration committee must be independent of the company. The CEO or any member of the management team shall not be a member of the remuneration committee. The remuneration committee may use external advisors to assist in performing its duties. The committee shall ensure that the adviser does not act as an advisor to the operative management in a manner that may result in a conflict of interest.

The general meeting decides on the remuneration of the Board of Directors. The shareholders' nomination board prepares a proposal to the general meeting regarding the remuneration of the Board of Directors. The Board of Directors shall decide on the remuneration as well as other compensation payable to the CEO and deputy CEO within the framework of the remuneration policy. The remuneration committee shall prepare for the Board of Directors the matters regarding the remuneration of the CEO and deputy CEO as well as the matters regarding the remuneration principles observed by the company.

Shares, stock options and other special rights entitling to shares may be issued based on resolutions by the general meeting or by the Board of Directors pursuant to an authorization by the general meeting or by the Board of Directors alone if acquired directly to the concerned person.

### 3. Remuneration of the Board of Directors

Kojamo's general meeting shall decide on the remuneration payable to the members of the Board of Directors for Board and committee work as well as on the basis for its determination. The compensation or a part thereof can be paid in the form of Kojamo's shares.

Kojamo's shareholders' nomination board prepares the proposal to the general meeting regarding the remuneration of the members of the Board of Directors and Board committees in accordance with its charter. The proposals of the shareholders' nomination board will be disclosed as stock exchange release and included in the notice to the general meeting.



## 4. Remuneration of the CEO

### 4.1. Remuneration components and basis of determination

The remuneration components and the basis on which CEO's remuneration is determined are listed in the following table.

Remuneration components	Link to strategy	Function
<b>FIXED REMUNERATION</b>	Fixed remuneration rewards for the day-to-day performance and ensures a balanced and competitive overall remuneration package.	Fixed remuneration consists primarily of regular fixed total compensation that includes cash salary and customary fringe benefits (such as company phone or car).  <b>The total compensation is reviewed annually, taking into consideration a variety of factors, including, the following:</b> <ul style="list-style-type: none"> <li>• skills, experience and performance of the CEO</li> <li>• performance of the company</li> <li>• changes in individual responsibilities</li> <li>• changes to the Company's business, structure and size</li> <li>• remuneration at peer group companies</li> </ul>
<b>VARIABLE REMUNERATION</b>  Short-term incentive (STI)	The purpose of the STI is to incentivize and reward performance against delivery of the company's short-term financial or operational goals.	STIs for the CEO are realized in the framework of annual bonus arrangements. The rewards are paid either in cash, shares or a combination thereof.  The grounds for the STI relate to the company's financial and profit performance or non-financial performance measures.  The company's Board of Directors determines the criteria and the level of possible rewards available under STIs for the forthcoming year at the end of each year. The Board of Directors, with the assistance of the remuneration committee, assesses the fulfillment of the STI's performance measures in relation to the targets based on the company's reporting.



## VARIABLE REMUNERATION

### Long-term incentive (LTI)

The purpose of the LTI is to align Kojamo's shareholders' and CEO's interests for long-term value creation and commit the CEO to implement the company's strategy and to offer him/her a competitive incentive plan based on earning and accumulation of the company's shares.

The company's Board of Directors decides the performance criteria for each earning period and the targets set for each criterion as well as the level of possible rewards available in cash and/or amount of Kojamo's shares before the start of each earning period.

The earning period is at least three years. If the earning period is less than three years, a deferral or restriction period is attached to the period so that the aggregate duration of the period is at least three years.

The performance criteria and the targets set for them are determined so that they compensate for the fulfillment of key targets of the company's business strategy. The grounds for LTI relate to the company's financial and profit performance or nonfinancial performance measures. Thus, the performance criteria for the LTI may comprise for example net rental income, operational performance, return on equity, the group's turnover, the group's ROE %, the group's FFO per share and/or other key target for the company's strategy.

The Board, with the assistance of the remuneration committee, assesses the fulfillment of the LTI's performance measures based on the company's financial statements in relation to the target matrixes set at the beginning of the earning period.

The Board has also the discretion to decide on other share-based incentive plans.

## OTHER FINANCIAL BENEFITS

The purpose is to provide a competitive level of benefits as part of total remuneration.

Other financial benefits may include pension benefits, insurance benefits, termination benefits, other comparable benefits as well as fringe benefits to the extent which they are not fixed remuneration components.

The target level for variable remuneration is annually at least 30% and not more than 50% of total remuneration at the time of setting the targets. As for variable remuneration, the weight of long-term incentive component shall be at least double the weight of short-term incentives. Variable remuneration at maximum level is three times the fixed remuneration at the time of setting the targets.

The Board of Directors can also, at its discretion, resolve on a one-off remuneration.



#### **4.2. Other Key Terms Applicable to Service Contracts**

A CEO agreement with a non-fixed term is entered into with the CEO. The CEO agreement may contain terms regarding notice period and termination benefits. The above-mentioned compensation may not exceed the value of the CEO's twenty-four (24) months' fixed total compensation. In addition, the CEO agreement may contain terms regarding the right to compensation based on the short and long-term incentive programs described above.

The notice period to be observed is a maximum of twelve (12) months by the company and a maximum of three (3) months by the CEO.

The CEO agreement may also contain terms regarding retirement age and pension arrangements.

#### **4.3. Terms for Deferral and possible Clawback of Awards**

The Board may decide not to grant awards under the short and/or longterm incentive program or claw back paid awards in the event of misconduct.

The Board has the right to reduce awards under the longterm incentive plan or postpone the payment of awards to a later date that better suits the company, if e.g. changes that are beyond the company's control or other circumstances would lead to a detrimental or unreasonable outcome for the company or an individual participant while applying the plan.

The Board has the right to cancel long-term incentives fully or partially if the group's financial statements are restated and it affects the amount of the awards, if the targets of the plan have been manipulated or in case of any action contrary to the interests of company's business, against applicable criminal law or service contract related laws or the company's ethical code or otherwise unethical behavior, as resolved by the Board in each case.

If shares are granted under the long-term incentive plan, the CEO must hold a minimum of 50% of the net shares paid to him/her based on the entire plan until his/her share ownership in the company is equivalent to his/her total annual compensation. Such number of shares must be held as long as the CEO's service continues in the company.





## 5. Remuneration of the Deputy CEO

The deputy CEO is subject to the same remuneration principles as the CEO, with the following exceptions:

If shares are granted under the long-term incentive plan, the deputy CEO must hold a minimum of 50% of the net shares paid to him/her based on the entire plan until his/her share ownership in the company is equivalent to 50% of his/her total annual compensation. Such number of shares must be held as long as the deputy CEO's service continues in the company.

The notice period and awards payable in connection with the termination of the deputy CEO agreement may deviate from corresponding terms and conditions of the CEO.

## 6. Prerequisites for Temporary Deviation

Kojamo may temporarily deviate from the remuneration policy presented at the general meeting if the deviation is necessary in order to ensure the longterm interests of the company. Kojamo's longterm financial success, competitiveness and shareholder value development, among other things, must be taken into account when assessing the company's longterm interests.

Kojamo may temporarily deviate from the remuneration policy for example in connection with the changing of the CEO or the deputy CEO, material changes in the company's structure, organization, ownership and business (such as a merger, takeover, demerger and acquisition) which may require adjustments to the remuneration

or other financial benefits or if the company's longterm interests otherwise so require. In addition, the company may deviate from the remuneration policy due to changes in regulations, such as taxation. In the above mentioned situations Kojamo may temporarily deviate from all parts and elements of the policy.

The general meeting decides on the remuneration payable to the Board of Directors when deviations are made to the policy. In the event of a deviation, the Board of Directors decides on the remuneration payable to the CEO and the deputy CEO upon the recommendation of the remuneration committee, taking into account, if possible, the content of the remuneration policy and the company's existing remuneration principles.

Temporary deviation from the remuneration policy shall be published on the company's website and reported in the annual remuneration report which will be discussed at the next annual general meeting.

