

# Remuneration Statement for the Financial Period 2017

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This is the statement, in accordance with the Corporate Governance Code 2015 for Finnish listed companies published by the Finnish Securities Market Association, on remuneration of the Innofactor Plc's members of the Board of Directors, CEO, and members of the Executive Board. The Code is available on the web site of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## 1 The decision-making order concerning remuneration

### Remuneration Committee

Innofactor's Board of Directors has in its meeting of May 2, 2017, established a Remuneration Committee. The Remuneration Committee makes proposals to the Board of Directors in respect of remunerations of the company's CEO and other executives of the Group as well as on the principles and practices of the employee remunerations. The Remuneration Committee observes and evaluates the competitiveness of the incentive and compensation plans of the Group.

The members of the Remuneration Committee in 2017 were:

- Ari Rahkonen (Chairman)
- Jukka Mäkinen
- Ilari Nurmi

All the members of the Remuneration Committee are independent of the company and its significant shareholders. When electing the members of the Remuneration Committee, the competence requirements applicable to the members have been taken into account.

The Committee convenes regularly, at least two times a year. The Committee's operations and key duties are described in the rules of procedure.

The Committee prepares the following matters for the Board of Directors' decision making:

1. Innofactor Plc's CEO's salary, pension terms and conditions, benefits, and other key terms and conditions of the service contract;
2. other Group executives' salary, pension terms and conditions as well as benefits, including the management's compensation plan;
3. share-based compensation plans; and
4. principles and practices of the employee remunerations.

### Remuneration of the members of the Board of Directors, CEO, and other management

The Remuneration Committee makes proposals to the Board of Directors in respect of remunerations of the company's CEO and other executives of the Group as well as on the principles and practices of the employee remunerations. The Annual General Meeting decides annually the fees and compensation for costs to be paid to the members of the Board of Directors. Compensation to the Board members is paid in the form of money and company's shares, based on the decision of the Annual General Meeting.

The Board of Directors appoints the CEO for the Group and decides on the terms of the CEO's

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employment and remuneration. The proposition concerning remuneration is prepared for the Board of Directors by the Remuneration Committee.

The Board of Directors also appoints the members of the Executive Board. According to the company's policy, all individual decisions on remuneration need to be submitted to the superior of the superior for acceptance. Decisions on remuneration of Executive Board members are presented by the company's CEO to the Board of Directors or the Chairman of the Board for acceptance.

### **The existing authorization for the Board of Directors to decide on remuneration**

The Annual General Meeting has authorized the Board of Directors to decide on a share issue and granting of special rights entitling to shares in such a way that the Annual General Meeting authorizes the Board of Directors to grant a maximum of 15,000,000 shares and transferring a maximum of 1,000,000 treasury shares in one or several parts; however, the total number of shares shall not exceed 45,000,000.

The shares could be issued either against a payment or for free on the basis of conditions set by the Board of Directors and, for the part of an issue against payment, at the price defined by the Board of Directors.

The authorization also gives the Board of Directors the right to grant special rights—as defined in the Chapter 10, Section 1 of the Finnish Companies Act—which entitle, against payment, to new shares or treasury shares. A right may also be given to a creditor in such a manner that the right includes a condition that the creditor's receivable is used to set off the subscription price (convertible loan). The subscription price of the new shares and the amount paid for the treasury shares will be added to the fund for invested unrestricted equity.

The authorization includes a right to deviate from the pre-emptive subscription rights of the existing shareholders, provided that the company has an important financial reason to do so, as regards the issue against payment, and that there is an especially important reason for the company and the good of the shareholders to do so, as regards the free issue. Within the limits set above, the authorization could be used, for example, to develop the capital structure, to widen the ownership base, in making a payment for an acquisition, when the company buys property related to its business operations, and for implementing incentive and reward systems aimed at the company's personnel and management. Handing over new shares or transferring treasury shares could also be used as a contribution in kind or when using the set-off right.

The authorization also includes the right to decide on a free share issue to the company itself in such a manner that, after the issue, the number of treasury shares is at the maximum one tenth of the total number of shares in the company. This number includes the treasury shares in the possession of the company or its subsidiaries as defined in the Chapter 15, Section 11, subsection 1 of the Finnish Companies Act.

The authorization includes the right of the Board of Directors to decide on all other matters related to granting of new shares and special rights entitling to shares.

The authorization was not used in 2017.

## 2 Main principles of remuneration

### Members of the Board

The members of the Board of Directors are paid a monthly compensation, with the Chairman's compensation totaling EUR 48,000 per year and the other members' compensation totaling EUR 24,000 per year. No separate compensation for meetings is paid. Half of the compensation (50%) is paid in cash and the other half (50%) as shares of Innofactor Plc. The shares will be handed over to the members of the Board of Directors and, if necessary, will be acquired from public trading directly on behalf of the members within two weeks of publishing the interim report of Innofactor Plc for the first quarter. In case shares will not be acquired due to a reason arising from the company or the Board member, the entire compensation will be paid in cash. Innofactor Plc requires the members of the Board of Directors to keep the shares, which they have received as part of the compensation, for the duration of their membership in the Board of Directors. The members of the Board of Directors shall not be given options as a compensation for their work in the Innofactor Plc's Board of Directors.

No compensation is paid to members of the Boards of Directors of other companies in the Innofactor group.

The members of the Board of Directors receive no other financial benefits.

### CEO

The CEO is paid a fixed monthly salary of EUR 21,500.

The CEO is entitled to a result-based bonus defined by the Board of Directors annually and, at the maximum, the bonus can equal the annual total of the fixed monthly salary. The bonus is based on the growth of the company's net sales, profitability, customer satisfaction, employee satisfaction, and earning per share (EPS) all of which affect significantly the long-term economic success of the company. The said indicators are part of Innofactor Plc's strategic Key Performance Indicators (KPI) and they are monitored by the Board of Directors on a monthly basis. Only business profit can be used for paying the bonus.

The CEO is entitled to a total of five weeks of vacation per year. The CEO is paid annually a holiday bonus, which is 50% of the amount corresponding to the salary for the vacation period.

The CEO is paid salary for a maximum of three months annually when he/she is prevented from working by an illness or an accident.

The CEO has the right to participate in the reward and incentive systems created by the company for the personnel in general or for the management in particular, such as share-based systems or option systems.

The CEO has the lunch benefit, health care in accordance with the company policy, mobile phone benefit, health insurance, life insurance, and pension insurance. Currently, the CEO has no other fringe benefits.

When the CEO is a member of the company's Board of Directors, he/she is entitled to the fee defined to be paid for the work in the Board, but no right to fees from any other governing bodies of the Group.

The CEO's retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act.

The mutual term of notice of the CEO is 6 months. If the company terminates the CEO's contract, the CEO will be paid the salary for the period of notice and also, as a compensation for the termination, a one-time payment equaling to the CEO's 12 months' salary.

### **Other management**

The Executive Board members are paid a fixed total salary, which includes the monetary salary and a taxable mobile phone benefit.

The members of the Executive Board are entitled to a result-based bonus defined by the Board of Directors annually and, at the maximum, the bonus can equal the annual total of the fixed monthly salary. The bonus is based on the growth of the company's net sales, profitability, customer satisfaction, and employee satisfaction all of which affect significantly the long-term economic success of the company. The said indicators are part of Innofactor Plc's strategic Key Performance Indicators (KPI) and they are followed by the Board of Directors on a monthly basis. Only business profit can be used for paying the bonuses.

The Executive Board has no additional pension system, except for the Country Manager in Sweden, to whom is paid an additional pension on a monthly basis.

The Executive Board members have the lunch benefit, health care in accordance with the company policy, mobile phone benefit, health insurance, life insurance, and no other fringe benefits.

The Executive Board members' retirement age and the basis for calculating the pension comply with the effective Employee Pensions Act.

The mutual term of notice of the Executive Board members is 3-12 months, depending on the contract. If the company terminates the contract with an Executive Board member, no compensation for the termination will be paid.

The Board of Directors defines the principles for the salary and incentive systems for other management. The goals are set based on the company's result, sales goals and customer satisfaction.

## **3 Remuneration report**

### **Board of Directors**

The members of the Board of Directors of Innofactor Plc were paid a total of EUR 165 thousand in fees in 2017, of which EUR 105 thousand was paid in cash and EUR 60 thousand in shares.

Detailed fees for 2017 are as follows:

- Ari Rahkonen EUR 48 thousand
- Sami Ensio EUR 24 thousand (additionally paid salary for the work as the CEO, see below)
- Jukka Mäkinen EUR 24 thousand
- Ilari Nurmi EUR 24 thousand
- Pekka Puolakka EUR 24 thousand
- Anni Vepsäläinen (in the board since April 1, 2017) EUR 21 thousand

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**CEO**

In 2017, the CEO was paid a total of EUR 424 thousand in salary and compensation (including the compensation for the work in the Board). Of the compensation, EUR 412 thousand was paid in cash and EUR 12 thousand in company's shares.

**Other management**

In 2017, the Executive Board of Innofactor Plc was paid a total of EUR 1,238 thousand in compensation.