

Remuneration Report 2022



Lehto Group Plc

Summary

Remuneration of the Board of Directors

The remuneration of the Members of the Board of Directors was not changed in the Lehto Group Plc's (hereinafter "Lehto Group" or "Company") Annual General Meeting on 2 May 2022. In 2022 the Chairman of the Board of Directors received a yearly remuneration of EUR 69,000 and the Member of the Board of Directors EUR 34,500. A Deputy Chairman of the Board of Directors has not been elected. The Members of the Board of Directors accepted 40 per cent of their yearly remuneration in Company's shares and the remainder in cash. The Chairman of the Board of Directors received as a board meeting remuneration EUR 1,500 and the Members of the Board of Directors EUR 750 per each meeting. The Members of the Board Committees received as a meeting remuneration EUR 600 for the Chairman of the Committee and EUR 400 for the Members. The travel costs of the Members of the Board of Directors were reimbursed in accordance with the Company's travelling policies. No other remuneration or compensation was paid to the Chairman or the Members of the Board of Directors.

Remuneration of the CEO

The fixed salary of the CEO Juuso Hietanen in 2022 was EUR 31,980 per month. The yearly salary with benefits of the Hietanen in 2022 was in total of EUR 398,080. In addition, in accordance with the Executive Employment Agreement, Hietanen received in 2022 Company shares as a one-off bases for amount of EUR 90,000 and EUR 100,100 was paid to Hietanen for the tax consequences of received shares. Hietanen has not

received other remuneration, additional bonuses, or retirement schemes from the Company.

1. Introduction

The governance of Company is determined by the Articles of Association, the laws of Finland (such as the Limited Liability Companies Act and the Securities Market Act) and the Company's corporate governance guidelines. The Company complies with the Finnish Corporate Governance Code (hereinafter the "Governance Code") published by the Finnish Securities Market Association. The Corporate Governance Code is available in its entirety on the website of the Securities Market Association at www.cgfinland.fi.

To implement the shareholders' access to information regarding the remuneration the Company has prepared this Remuneration Report. The Company's corporate governance guidelines, corporate governance statement, approved Remuneration Policy, and Remuneration Report are publicly available on the Company's website www.lehto.fi/en.

The Remuneration Policy resolved to adopt on 14 April 2020 in the Annual General Meeting has been followed without any deviations when deciding the remuneration of the Board of Directors and the CEO. The Company has promoted the members of the Board of Directors to receive their remuneration partly in Company's shares which supports the mutual interests of Board Members and Shareholders. In year 2022 all the Members of the Board of Directors accepted their remuneration partly in shares and partly in cash. The shares are subject to transfer restrictions as allowed in Remuneration

Policy and hence a Board Member shall not dispose such shares during his/her membership or before six (6) months has passed from the expiry of the said membership.

The Company has not deviated from the Remuneration Policy and it has not carried out any clawback of the paid remunerations.

The development of the remuneration of the Board of Directors and the CEO compared to the development of the average remuneration of the Company's employees and the financial development of the Company for the five (5) previous financial years is described in the following table. The Company does not have a deputy CEO or a Supervisory Board.

| | 2022 | 2021 ³⁾ | 2020 | 2019 | 2018 |
|---|------------|--------------------|------------|------------|------------|
| Chairman of the Board of Directors | | | | | |
| Yearly remuneration, eur | 69,000 | 69,000 | 69,000 | 69,000 | 55,200 |
| Board meeting remuneration, eur/meeting | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| Member of the Board of Directors | | | | | |
| Yearly remuneration, eur | 34,500 | 34,500 | 34,500 | 34,500 | 27,600 |
| Board meeting remuneration, eur/meeting | 750 | 750 | 750 | 750 | 750 |
| Committee meeting remuneration, Chairman, eur/meeting | 600 | 600 | 600 | 600 | 600 |
| Committee meeting remuneration, Member, eur/meeting | 400 | 400 | 400 | 400 | 400 |
| Total remuneration paid for a Member of the Board of Directors, average, euro ¹⁾ | 48,971 | 47,044 | 48,009 | 58,600 | 40,023 |
| Yearly remuneration paid for the Board of Directors, in total, euro ¹⁾ | 225,975 | 212,165 | 159,095 | 248,402 | 156,267 |
| Board meeting remuneration paid for the Board of Directors, in total, euro | 67,850 | 70,100 | 80,950 | 44,600 | 43,850 |
| Board meetings (whereof email meetings) | 26 (4) | 18 (0) | 22 (5) | 14 (5) | 11 (2) |
| CEO | | | | | |
| Salary and benefits, euro | 398,080 | 262,546 | 115,280 | 126,240 | 126,240 |
| Performance bonus, euro | - | - | - | - | - |
| Share-based remuneration, euro | 190,100 | - | - | - | - |
| Employee salaries and earnings, in total, thousand euro | 48,773 | 56,083 | 63,705 | 82,214 | 82,856 |
| Personnel during the year, average | 860 | 1,043 | 1,115 | 1,454 | 1,457 |
| Employee salaries and earnings, average, eur/year | 56,713 | 53,771 | 57,134 | 56,556 | 56,861 |
| Net sales, thousand euro | 344,791 | 404,089 | 544,651 | 667,701 | 721,479 |
| Operating result, thousand euro | -42,192 | -28,251 | 83 | -41,836 | 37,169 |
| Result for the financial year, thousand euro | -26,652 | -32,614 | -8,196 | -35,750 | 28,697 |
| Average number of shares during the year, basic ²⁾ | 87,276,343 | 87,142,297 | 71,012,014 | 70,597,352 | 70,541,661 |
| Earnings per share, eur, basic ²⁾ | -0.31 | -0.37 | -0.12 | -0.51 | 0.41 |
| Share price, 31 Dec ²⁾ | 0.17 | 0.86 | 1.35 | 1.94 | 3.51 |
| Dividend, eur/share ²⁾ | - | - | - | - | 0.20 |

¹⁾ The remuneration of the Board of Directors was made in one payment in 2019

²⁾ The years 2018-2019 have been issue-adjusted with the 2020 rights issue

³⁾ Year 2021 has been adjusted with Pipeline renovation operations sold in 2022

2. Remuneration of the Board of Directors 2022

The Annual General Meeting resolves the remuneration payable for work in the Board of Directors and its Committees and determines the grounds for remuneration within the Remuneration Policy accepted by the Board of Directors.

The Annual General Meeting of 2 May 2022 resolved that the remuneration of the members of the Board of Directors shall be made in Company's shares and in cash, with approximately 40 per cent of the remuneration paid in shares and the remainder in cash. The yearly remuneration paid in such manner was EUR 69,000 (69,000 in 2021) for the Chairman of the Board and EUR 34,500 (34,500) for the Deputy Chairman and the Members of the Board of Directors. The remuneration

shares are subjected to a transfer restriction so that the Members of the Board of Directors shall not sell their shares during the membership or before six (6) months has passed from the expiry of the said membership.

If a Member of the Board of Directors notifies the Company's CFO in writing within (3) banking days of the General Meeting that he/she was going to abstain from accepting the Company's shares, the remuneration will be paid entirely in cash. In such case the yearly remuneration is EUR 55,200 (55,200) for the Chairman of the Board of Directors and EUR 27,600 (27,600) for the Deputy Chairman and Members of the Board of Directors. No member of the Board of Directors made such a notification.

Furthermore, an attendance allowance of EUR 750 (750) is to be paid to the Members of the Board of Directors and EUR 1,500 (1,500) to the Chairman of the

Board of Directors for each attended Board meeting agreed in the annual meeting agenda or a meeting outside the annual meeting agenda exceeding two hours, and for the Board members who participated the Committee meetings EUR 600 (600) to the Chairman of a Committee per meeting and EUR 400 (400) to other members of the Committee per meeting.

According to the decision of the Annual General Meeting, 40% of the remuneration of the Board Members and the Chairman is paid in company shares and the rest in cash. Share bonuses have been given to the Chairman and members of the Board at the beginning of the term of office. Since the Chairman of the Board changed in the middle of the term of office, the higher remuneration of the Chairman of the Board than the member of the Board has been taken into account in the monetary remuneration of the new and previous Chairman for the remaining term of office.

Remunerations paid to the Board of Directors in 2022 and number of shares given as part of annual base fee

| Name | Yearly Remuneration paid in Company shares, eur (shares) | Yearly Remuneration paid in cash, eur | Board and Committee meeting remunerations, eur | Total remunerations, euros | Other financial benefits |
|---|--|---------------------------------------|--|----------------------------|--------------------------|
| Eero Sihvonen ¹⁾ | 13,800 (32,073) | 15,525 | 7,950 | 37,275 | - |
| Hannu Lehto ²⁾ | 27,600 (64,145) | 43,125 | 20,350 | 91,075 | - |
| Anne Korkiakoski | 13,800 (32,073) | 22,425 | 11,750 | 47,975 | - |
| Helena Säteri | 13,800 (32,073) | 22,425 | 9,750 | 45,975 | - |
| Jani Nokkanen | 13,800 (32,073) | 22,425 | 9,750 | 45,975 | - |
| Until the end of the Annual General Meeting on 2 May 2022: | | | | | |
| Seppo Laine | | 8,625 | 4,550 | 13,175 | - |
| Raimo Lehtiö | | 8,625 | 3,750 | 12,375 | - |
| Board of Directors in total | 82,800 (192,437) | 143,175 | 67,850 | 293,825 | - |

¹⁾ Member of the Board of Directors since the Annual General Meeting of 2022, 2 May 2022 and as a Chairman of the Board since 5 December 2022.

²⁾ Chairman of the Board of Directors until 5 December 2022, after then as a Member of the Board of Directors



The travel costs of the members of the Board of Directors were reimbursed in accordance with the Company's travelling policies.

The members of the Board of Directors are not in an employment relationship with the Company and have not had any kind of additional share-based remuneration systems, however taking into account that part of the annual remuneration of the Member of the Board of Directors has been paid in Company shares.

4. Remuneration of the CEO in 2022

Fixed annual salary

The Board of Directors determines and approves the key terms of employment of the CEO, including his/her remuneration within the accepted Remuneration Policy. Juuso Hietanen has been acting as the CEO from May 2021. According to the Executive Employment Agreement concluded with the Hietanen, his remuneration comprises a fixed monthly salary of EUR 31,980. In 2022 the yearly salary of Hietanen was EUR 398,080. Furthermore, the CEO has an EUR 20 phone benefit and a lunch benefit.

The terms of his employment are stated in a written Executive Employment Agreement. The Executive Employment Agreement of Hietanen is in force until further notice and can be terminated by either party giving six (6) months' notice, for which period the CEO is entitled to receive his monthly salary and benefits. If the Company terminates CEO's Executive Employment Agreement without a reason attributable to him, he is

entitled to a remuneration corresponding to a salary of six (6) months.

The CEO is entitled to a pension in accordance with the Employment Contracts Act and other legislation regulating pensions. The Company has not provided him with additional pension arrangements. The pension scheme is contribution-based. The CEO is not obliged to own or acquire the Company shares.

Any performance bonuses and other incentives are determined on the basis of principles defined and communicated, in advance, annually, by the Board of Directors. According to his Executive Employment Agreement, Hietanen is entitled to a performance bonus, based on the goals which shall be determined by the Board of Directors on an annual basis within the accepted Remuneration Policy.

In accordance with the Executive Employment Agreement, Hietanen received in 2022 Company shares as a one-off bases for amount of EUR 90,000 and EUR 100,100 was paid to Hietanen for the tax consequences of received shares. He has not been paid any other performance bonuses.

Variable pay component – long-term incentive scheme (LTI)

The long-term incentive scheme is a part of the CEO's and key personnel's incentive and commitment scheme of the Company. The purpose of the scheme is to combine the goals of the shareholders and key personnel of the Company in increasing the value of the Company in the long term and to secure commitment of the key personnel to the Company and to provide them a competitive remuneration scheme based on the value of the shares of the Company.

The earning period of the scheme is the bonus term and is the length of one year. Earning period is followed by a two-year commitment period. The potential remuneration is paid to the participants after the commitment period.

The remuneration of the earning period of the LTI scheme is based on the earning of the short-term incentive. The criteria of the STI scheme are the financial outcome (IFRS) of the Group / Service area / Unit and the personal or functional goals, with the emphasis decided by the Board of Directors.

After the earning period the gross remuneration of the STI scheme is transferred into Company shares in the LTI scheme. After the earning period, before the end of April, the Board of Directors confirm the gross number of Company shares which equal to the earned STI scheme remuneration.

The Board of Directors did not confirm long-term incentive scheme earning period for 2022.

Variable pay component – short-term incentive scheme (STI)

The short-term incentive scheme is a part of the management system of the Company and is based on the profit-making ability of the Company. Alongside with the CEO the scheme also covers the employees and managers of the Company that are not included in other commission or bonus schemes. The Board of Directors resolves the bonus schemes (office employees and project employees) for one bonus term at a time. With the help of the STI scheme the mutual efforts of the employees and management are directed to complete

the Group's bonus term goals and key results.

The STI scheme's goal is to increase the motivation of the personnel of the Company and the commitment to the Company.

The criteria of the profit and functionality goals of the STI scheme are based on the financial outcome (IFRS) of the Group / Service area / Unit and the personal or functional goals, with the emphasis decided by the Board of Directors. Everyone who is included in the STI scheme has a personal yearly bonus potential which is calculated in a way that the monthly salary before taxes is multiplied by the personal bonus potential which can be between 1-10 months. The bonus potential of the CEO in 2022 was his monthly salary multiplied by 10 months.

In 2022 the CEO has not received financial benefits additional pension payments, or termination bonuses. In accordance with the Executive Employment Agreement, CEO received in 2022 Company shares as a one-off bases for amount of EUR 90,000 and EUR 100,100 were paid to CEO for the tax consequences of received shares. He has not been paid any other performance bonuses. The proportions of fixed salary and variable pay component has been 100 per cent fixed and 0 per cent variable.