

# Remuneration Report 2021

# Remuneration Report for Qt Group Plc's Governing Bodies 2021

This remuneration report for governing bodies describes the remuneration and other financial benefits paid to the governing bodies, i.e. Board members and President and CEO, of Qt Group Plc for the fiscal year 2021. The remuneration and other financial benefits are reported on a cash basis.

The remuneration report has been drafted in accordance with the remuneration-related guidelines of the Corporate Governance Code for Finnish listed companies 2020.

As a rule, the company has a remuneration policy extending to the 2024 Annual General Meeting, which was reviewed by the company's Annual General Meeting on 10 March 2020.

In accordance with the remuneration policy, the purpose of the Company's remuneration system is to provide both the Company management and the Company's personnel with a competitive, equal and encouraging revenue model, which

incorporates the Company's strategic goals and their shareholders' interests.

The remuneration of governing bodies for the fiscal year 2021 took place in accordance with the Company's remuneration policy.

A significant part of the CEO's remuneration is based on variable pay components, or short-term and long-term incentives, with targets directly linked to the Company's business performance. In particular, business performance is measured by net sales growth rate.

The company's net sales have developed very strongly in recent years, which was also reflected in the compensation paid to the President and CEO for the fiscal year 2021. The remuneration paid to the President and CEO for the fiscal year 2021 was particularly strongly influenced by the stock options granted to the CEO in the 2016 option scheme and a significant increase in their value during the fiscal year 2021.

The table below presents the development of the remuneration of the Company's governing bodies compared to the development of the average remuneration of the Group's employees and the Group's financial development during the last five fiscal years.

| EUR 1,000                                      | 2021      | 2020      | 2019    | 2018    | 2017    |
|--|-----------|-----------|---------|---------|---------|
| Average remuneration of the Board of Directors | 48        | 48        | 47      | 47      | 47      |
| Remuneration of the President and CEO          | 27,473*   | 6,994**   | 327     | 444     | 432     |
| Employee remuneration***                       | 117       | 105       | 103     | 97      | 92      |
| Net sales                                      | 121,139   | 79,455    | 58,373  | 45,590  | 36,259  |
| Operating result                               | 28,812    | 17,017    | 219     | -2,322  | -3,206  |
| Qt Group Plc market capitalization****         | 3,364,135 | 1,412,600 | 499,600 | 188,000 | 124,000 |

\* Of the remuneration paid to the President and CEO, a total of EUR 26,821,800 is income from the sale of stock options received through the Company's 2016 option scheme.

\*\* Of the remuneration paid to the President and CEO, a total of EUR 6,508,418 is income from the sale of stock options received through the Company's 2016 option scheme.

\*\*\* Employee remuneration is calculated from the personnel expenses on the financial statements less any social security contributions and by dividing the resulting figure by the average number of personnel during the fiscal year.

\*\*\*\* Market capitalization at the end of respective year.

## REMUNERATION OF THE BOARD OF DIRECTORS

During the 2021 fiscal year, the members of Qt Group Plc's Board of Directors were paid monthly remuneration of EUR 2,500, the Vice Chairman EUR 3,500 and the Chairman EUR 5,500 for their work on the Board. In addition, the chairs of the Board committees were paid a meeting fee of EUR 1,000 per committee meeting and each Board member a meeting fee of EUR 500 per Board meeting and Board committee meeting. Moreover, standard and reasonable costs resulting from work on the Board of Directors are reimbursed against invoice.

The Company's Board Members are not included in any incentive schemes intended for the Company's senior management or personnel, and the Company has not granted stock options or share-based remuneration for work on the Board of Directors.

The table below presents the remuneration of the members of the Board of Directors during the fiscal year 2021.

| Name            | Board      | CNC*   | AC**   | Monthly compensation /EUR | Meeting fee /EUR | Total /EUR     |
|-----------------|------------|--------|--------|---------------------------|------------------|----------------|
| Robert Ingman   | CHAIR      | Member | -      | 66,000                    | 7,000            | 73,000         |
| Jaakko Koppinen | Member     | -      | Member | 30,000                    | 6,000            | 36,000         |
| Mikko Marsio    | Member     | -      | Member | 30,000                    | 6,000            | 36,000         |
| Leena Saarinen  | Member     | CHAIR  | -      | 30,000                    | 10,000           | 40,000         |
| Tommi Uhari     | Vice-chair | Member | CHAIR  | 42,000                    | 11,000           | 53,000         |
| <b>Total</b>    |            |        |        | <b>198,000</b>            | <b>40,000</b>    | <b>238,000</b> |

\* Compensation and Nomination Committee

\*\* Audit Committee

## REMUNERATION OF THE PRESIDENT AND CEO

The remuneration of the CEO is considered as a whole and it comprises both fixed and variable components.

Fixed remuneration components include the fixed annual salary payable to the CEO under the CEO's service contract. Fringe benefits, if any, are considered to be part of this fixed monthly salary.

The remuneration model includes two types of variable remuneration components: a cash bonus paid under the Company's short-term incentive scheme and a reward paid in shares and/or options (and, if applicable, in cash) under the Company's long-term incentive scheme. The CEO has no supplementary pension scheme from the Company.

Under the company's short-term incentive scheme, the earning criteria for the CEO's bonus is the growth of the Group's net sales. Bonuses will start accumulating once the net sales exceed the set threshold and reach the target level of 100% when the set net sales target is reached, at which time the President and CEO is paid an annual bonus amounting to 40 percent of his annual fixed salary. Between the minimum level and target level, the bonus is determined linearly between 0 and 100%, depending on actual performance. Upon exceeding the net sales target, the bonus will increase as follows: 20% of each euro that exceeds the net sales target is used for the CEO's and other company personnel's bonus rewards including social costs. The maximum annual bonus for the CEO is 120 percent of his annual fixed salary. The fulfilment of bonus criteria is evaluated and possible rewards are paid semiannually.

For the fiscal year 2021, the President and CEO was paid bonuses under the short-term incentive scheme as follows:

- EUR 129,775 in February based on the achievement of the targets at a rate of 202.3 percent during the second half of 2020; and
- EUR 201,600 in August based on the achievement of the targets at a rate of 300.0 percent during the first half of 2021.

The Company has two valid long-term incentive schemes: Option scheme 2016 and Share bonus scheme 2019.

Under the 2016 option scheme, the President and CEO has been issued 568,941 stock options, each of which entitles its holder to subscribe for one (1) new share in the company or an existing share held by the company. The share subscription period for the stock options is December 19, 2019–December 31, 2022 and the subscription price is EUR 4.84.

During the fiscal year 2021, the President and CEO accumulated a total of EUR 26,821,800 of income under the 2016 option scheme due to selling stock options received under the option scheme. At the end of the fiscal year 2021, the President and CEO still holds 70,206 stock options received under the 2016 option scheme.

Under the share bonus scheme 2019, the President and CEO is entitled to a maximum reward equal to the value of 100,000 company shares. The bonuses under the scheme will be paid after the adoption of the financial statements for 2021, and therefore the President and CEO has not accumulated rewards under the said scheme during the fiscal year 2021.

The table below presents the remuneration of the President and CEO during the fiscal year 2021.

| Name          | Fixed salary and fringe benefits<br>EUR | Short-term incentives<br>EUR | Long-term incentives<br>EUR | Total<br>EUR      |
|---------------|---|------------------------------|-----------------------------|-------------------|
| Juha Varelius | 353,554                                 | 297,758                      | 26,821,800                  | <b>27,473,112</b> |



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