

# REMUNERATION REPORT 2021

## 1. Introduction

Scanfil plc's Annual General Meeting held on April 23, 2020 discussed the remuneration policy regarding the company's administrative bodies. The objective of the discussed remuneration policy is to promote the long-term financial performance of the company and development of the shareholder value through the remuneration of the company's top management by having the management committed to and motivated in implementing the company's strategy in line with the interests of all shareholders of the company. The remuneration policy also aims to provide the CEO with a total remuneration package that motivates and commits the CEO to the implementation of the company's long-term strategy and its financial profitability are concerned.

According to the policy, remuneration of the Board of Directors can consist of one or several elements, such as annual fees and meeting fees. The fees can be paid in cash, or partly in cash and partly in the company's shares. Board members are not covered by the company's incentive reward schemes. In 2021, the Board's monthly fees, committee membership fees and meeting fees were paid in cash.

The remuneration of the CEO consists of a fixed base salary and variable incentives, i.e., performance-based bonuses. The variable incentive schemes include the annual incentive scheme and the stock option incentive scheme. The variable annual incentive scheme cannot exceed 100 per cent of the fixed base salary.

Details about the Remuneration policy can be found [online](#).

## KEY ELEMENTS OF REMUNERATION

Element	Target group	Target	Description
Salary	CEO (and other senior management)	Attract, keep and reward skilled managers	Number of factors are taken into account in determining the basic salary, e.g. market situation, individual qualities, skill and experience. The basic salary is typically reviewed annually.
Fixed remuneration	The Board of Directors	Attract, keep and reward skilled Board members	The remuneration of the Board of Directors is proposed by the Nomination and Remuneration Committee to the General Meeting to decide.
Annual incentive scheme (short-term)	CEO (and other senior management)	Encourage, guide and reward from achieving short-term financial, operational and strategic targets	The short-term annual incentive plan is primarily based on one-year earnings criteria, which are further based on longer-term indicators, typically three years of target settings. Structure discussed more in details in section "Remuneration of the CEO in 2021".
Stock option incentive scheme (long-term)	CEO (and other senior management)	Link management and their rewarding to Company's shareholders.	The General Meeting decides on share-based compensation programs and authorizes the Board of Directors to decide on the details and practical implementation of the compensation programs. More details in section "Remuneration of the CEO in 2021".

## Scanfil's financial and remuneration development over the last five years

Company turnover has increased steadily over the last five years, both organically and through corporate acquisitions. The turnover increased significantly in 2021 and it was the highest in the company history. Profitability was slightly down due to the challenges in the supply chain, especially semiconductors.

### FINANCIAL AND REMUNERATION DEVELOPMENT, 2017-2021

	2017	2018	2019	2020	2021
Turnover, EUR million	529.9	563.0	579.4	595.3	695.7
Operating profit, reported, EUR million	31.3	37.8	35.3	44.4	39.6
Operating profit, reported, %	5.9	6.7	6.1	7.5	5.7
Operating profit, adjusted, EUR million	31.3	37.8	39.4	39.1	40.3
Operating profit, adjusted, %	5.9	6.7	6.8	6.6	5.8
Share price change, VWAP, %	15.0	13.3	-6.8	21.9	50.1

Financial targets of the company in 2021 was to reach EUR 700 million in 2023 and achieve 7% operating profit margin.

Throughout the period under review, the remuneration of the Board has consisted of the monthly fees and committee membership fees decided by the General Meeting.

### FEES OF THE BOARD OF DIRECTORS

EUR THOUSAND	2017	2018	2019	2020	2021
Harri Takanen	37.2	47.4	49.3	51.0	54.1
Jarkko Takanen	24.1	28.8	30.2	31.7	34.9
Bengt Engström	23.1	26.3	27.5	29.5	33.8
Christina Lindstedt	23.6	27.3	28.6	30.1	33.8
Juha Räisänen (as of 23 April 2020)	-	-	-	17.4	33.8
Christer Härkönen (until 22 April 2021)	22.6	24.7	25.9	27.9	11.4
<b>Salaries and fees of the Board of Directors, in total</b>	<b>130.6</b>	<b>154.5</b>	<b>161.5</b>	<b>187.6</b>	<b>198.7</b>

The remuneration of the CEO has consisted of a fixed base salary with fringe benefits and variable incentives. The variable incentives have included the short-term performance bonus and long-term stock option schemes, with their terms and conditions determined by the Board.

### SALARIES AND FEES OF THE CEO

EUR THOUSAND	2017	2018	2019	2020	2021
Salary	243.5	254.7	269.5	289.7	295.3
Fringe benefits	10.2	13.4	13.6	12.3	14.2
Performance bonus	28.0	168.0	258.0	85.0	105.6
In shares and payable stock options	361.3	35.0	71.2	132.2	631.3
<b>In total</b>	<b>643.0</b>	<b>471.1</b>	<b>612.3</b>	<b>519.2</b>	<b>1,046.4</b>

The development of employees' remuneration is based on the salaries and wages paid to the personnel less the employer's social security contributions divided by the average number of employees during the year.

### PAID SALARIES AND WAGES/AVERAGE NUMBER OF EMPLOYEES

EUR THOUSAND	2017	2018	2019	2020	2021
<b>In total</b>	<b>19.1</b>	<b>19.6</b>	<b>20.8</b>	<b>22.6</b>	<b>23.2</b>

## 2. Remuneration of the Board of Directors in 2021

The remuneration of the Board members is decided by the General Meeting of Scanfil plc.

On April 22, 2021 the Annual General Meeting decided that:

- Members of the Board are paid EUR 2,600/month
- The Chairman of the Board is paid EUR 4,200/month.

Members of the committees are paid EUR 600/meeting. In addition, a Board member residing outside Finland is paid EUR 200 for each physical meeting.

The travel expenses of Board members will be compensated in accordance with the company's travel policy. No other benefits are paid to the members of the Board on the basis of this position.

During the financial year of 2021, members of Scanfil plc's Board of Directors did not receive any company's shares or share-based benefits as remuneration.

### MEETING AND COMMITTEE FEES PAID TO THE BOARD OF DIRECTORS IN 2021

EUR THOUSAND	Meeting fee	Committee fee	Fees in total
Harri Takanen	49,460	4,600	54,060
Jarkko Takanen	30,260	4,600	34,860
Bengt Engström	31,460	2,300	33,760
Christina Lindstedt	31,460	2,300	33,760
Juha Räisänen	30,860	-	30,860
Christer Härkönen (until 22 April 2021)	11,360	-	11,360
<b>In total</b>	<b>184,860</b>	<b>13,800</b>	<b>198,660</b>

## 3. Remuneration of the CEO in 2021

The CEO has a service contract that is valid until further notice with a mutual notice period of six months. Should the company terminate the service contract made with the CEO, an amount equivalent to the monetary salary of 12 months will be paid to the CEO as a severance package in accordance with the terms and conditions of his service contract.

The retirement age of the CEO is the statutory retirement age.

### SALARIES AND FEES OF THE CEO

EUR	Fixed	Variable
Salary	295,319	-
Fringe benefits	14,167	-
Performance bonus from the year 2020	-	105,620
Stock option scheme	-	631,290
<b>In total</b>	<b>309,486</b>	<b>736,910</b>
<b>Salaries and fees in total</b>		<b>1,046,396</b>

In addition, the CEO was paid a performance bonus of EUR 101,352 regarding the year 2021 in 2022.

## Performance bonus

The CEO is included in the scope of the management's performance bonus scheme based on the Group's operating profit and turnover. The operating profit determines 80% and turnover 20% of the bonus payable to the CEO. The final performance bonus is determined on the basis of the actual operating profit and turnover in euro compared with the targets set in the previous three years, each representing one-third of determining the bonus. The Board of Directors decides on the management remuneration scheme and its terms and conditions for the next three years.

The annual bonus cannot exceed the amount corresponding to 12 months' salary. The CEO is also included in the scope of the company's share-based incentive scheme.

The CEO does not have other benefits.

## Stock option scheme

On April 24, 2019, the Scanfil plc General Meeting authorized the Board of Directors to decide on granting stock option rights to certain key personnel of the company and its subsidiaries and to decide on the terms and conditions of the option scheme. The total number of stock option rights may not exceed 900,000, and they entitle one to the subscription of a maximum of 900,000 new shares or treasury shares of the company ("Stock Option scheme 2019").

OPTIONS HELD BY THE CEO	2016(C)	2019(A)	2019(B)	2019(C)
Number of options	110,000	110,000	120,000	120,000
Subscription period	1 May 2021 - 30 April 2023	1 May 2022 - 30 April 2024	1 May 2023 - 30 April 2025	1 May 2024 - 30 April 2026
Fair value, in total, EUR	all subscribed	118,800	214,800	199,200

More details on stock option schemes can be found [here](#).