KEMPOWER
REMUNERATION POLICY

KEMPOWER

INTRODUCTION

This remuneration policy describes the principles and practices for the remuneration of the Board of Directors and the CEO of Kempower Oyj (hereinafter referred to as “Kempower” or the “Company”).

The Board of Directors approves the remuneration policy and is responsible for implementing the policy. The Board of Directors continually evaluates the remuneration policy to ensure that the policy is aligned with the Company’s growth strategy and rewards the relevant personnel for the achieved results. The Board of Directors and the Remuneration and Nomination Committee also monitor the implementation of the remuneration policy and ensure that renumeration comply with the remuneration policy. The remuneration policy was drawn up in accordance with Finnish law, especially the Securities Markets Act (746/2012, as amended), the Limited Liability Companies Act (624/2006, as amended), the Decree of the Ministry of Finance on the Remuneration Policies and Remuneration Reports by Issuers of Shares (608/2019), and the Corporate Governance Code published by the Securities Market Association.

Kempower’s remuneration policy is presented at the Company’s Annual General Meeting at least once every four years and whenever substantial changes are proposed to it. The remuneration report will be presented at every Annual General Meeting as of 2022.

DECISION-MAKING PROCEDURE RELATED TO REMUNERATION

Kempower's Remuneration and Nomination Committee prepares the remuneration policy and any material changes to the policy, and the Board of Directors approves it for presentation to the Annual General Meeting. The Remuneration and Appointment Committee assesses the appropriateness of the remuneration policy at least once per year. The Board of Directors monitors the Company's remuneration practices to verify compliance with the remuneration policy. The Board of Directors decides upon the Company's remuneration and incentive scheme.

The shareholders decide whether to adopt the presented remuneration policy at the General Meeting. The shareholders cannot propose changes to the remuneration policy. The Board of Directors evaluates the need to change the remuneration policy based on the decisions of the General Meeting and any opinions presented at the General Meeting. If the General Meeting does not approve the remuneration policy presented by the Board of Directors, a revised remuneration policy will be presented no later than at the next Annual General Meeting.

According to the Limited Liability Companies Act, the General Meeting or the Board of Directors, with the General Meeting's authorization, may decide to issue shares, options, or other special rights entitling their holders to shares. If shares, options, or other special rights entitling the holder to shares are issued as part of the CEO's remuneration, this will be made in accordance with the renumeration policy. The Board of Directors' Remuneration Committee drafts the terms of share and/or option programs.

Kempower's Remuneration and Nomination Committee prepares proposals for the r Board of Directors renumeration, and the Annual General Meeting makes the final decision on the remuneration of the Board of Directors every year.

The Board of Directors appoints the CEO and decides upon the CEO's employment contract. The Board of Directors' Remuneration and Appointment Committee prepares a proposal for the contract. The Board of Directors also decides upon the CEO's total remuneration annually, within the constraints of this remuneration policy. The Remuneration and Nomination Committee prepares a proposal for the CEO's remuneration. The CEO is not entitled to attend meetings of the Board of Directors or the Remuneration and Nomination Committee when considered the renumeration of the CEO.

A remuneration report detailing the remuneration that has been paid is presented at every Annual General Meeting.

The Company may make non-material changes to the remuneration policy without presenting them to the Annual General Meeting. If the remuneration policy changes, the Board of Directors must explain the significant changes, and the General Meeting will decide upon the Board of Directors' proposal to change the remuneration policy.

KEY PRINCIPLES OF REMUNERATION

Kempower targets to reward its executives in a way that encourages and commits them to promotion of the Company’s strategy and the creation of shareholder value. Renumeration levels and renumeration trends are reviewed on the basis of the Company’s success, overall economic development, and remuneration practices in the industry. The key principle of remuneration is to have a performance-based element on top of the fixed salary. In addition the management’s total renumeration is a key element in remuneration. Kempower’s remuneration methods are as follows:

- Annual base salary
- Short-term incentive (STI)
- Long-term incentive (LTI) scheme
- Other financial benefits

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The renumeration to be paid to the members of Kempower’s Board of Directors are prepared by Kempower’s Remuneration and Nomination Committee and approved by the Annual General Meeting. The Annual General Meeting decides upon the fees for the Chair of the Board of Directors and the other Board members.

If a Board member has an employment or service contract with the Company, they are paid the normal salary for their employment or service contract.

CEO

The target in the CEO's remuneration package is to direct the realization of the targets set in the Company's growth strategy, to reward the CEO for achieving the targets, promote the Company's long-term financial success, and promote the positive development of shareholder value.

The key principles of the CEO's remuneration are as follows:

- Annual base salary, including a car and phone benefit
- Short-term incentive (STI) based on achieving annual targets
- Long-term incentive (LTI) scheme, such as share and/or option programs
- Other financial benefits, such as pension plans, supplementary insurance, or other benefits offered to the personnel

CEO's renumeration and the terms of the CEO's employment are prepared by the Remuneration and Nomination Committee and approved by Kempower's Board of Directors. The CEO's notice period and pay during the notice period are determined according to the CEO's contract.

In the CEO's contract can be agreed a notice period of up to six months and severance pay equivalent to up to six months' salary in addition to the pay during the notice period. In addition, the CEO's contract must include a non-compete clause. The severance pay does not need to be paid if the CEO's contract ends due to a material breach of contract by the CEO, negligence of the CEO's duty of care, or violation of the key rules or regulations applying to the CEO. When the CEO's contract ends, the CEO will be subject to a non-compete clause.

The CEO is included in the short-term incentive (STI) scheme, which is based on achieving annual targets. Kempower's Board of Directors sets and approves the CEO's financial targets every year. The targets are based on the Company's strategy and may be tied to factors such as growth, profitability, and/or other indicators – primarily numerical in nature – of the implementation of the Company's strategy. The target level for the annual performance-related bonus may be 15–40% of the fixed annual salary, and the maximum amount not more than 30–80% of the annual salary.

Any long-term incentive schemes are intended to direct the CEO to implement the Company's strategy and increase shareholder value over the long term. A further target is to commit the CEO to the Company. The Board of Directors decides upon the establishment of long-term incentive schemes separately so that the remuneration supports the Company's strategy and the creation of long-term shareholder value in an optimal way.

Long-term incentive schemes may include share-based option or share bonus programs, and the earning criteria may be based on factors such as the share price or total shareholder return, the Company's key financial indicators, or the Company's strategic goals. The vesting period of the schemes must always be at least three years, as this is in the long-term interests of shareholders. Remuneration based on long-term incentive plans can form a significant part of the CEO's total remuneration if the growth in the Company's shareholder value is excellent.

Share-based incentive schemes may include transfer restrictions in accordance with the Limited Liability Companies Act, recommendations, or contractual obligations to hold a certain number of shares for a certain time.

The CEO's renumeration can be reduced in certain circumstances. The Board of Directors is entitled to increase or decrease the amount of the renumeration under extraordinary circumstances over the period in which the predefined earning criteria were reached or would have been reached. Under extraordinary circumstances, the Board of Directors is entitled to change the amount of performance-based incentives included in the short- or long-term schemes and the timing of the payment of the bonus. In addition, the Board of Directors may claw back the CEO's variable renumeration if any misconduct, basis of incorrect financial data, or other data.

As part of the CEO's remuneration, it is possible to offer agreements that differ from the statutory pension benefits for employees.

DEVIATIONS FROM THE REMUNERATION POLICY

The Company may deviate from the remuneration policy presented to the General Meeting if otherwise the achievement of the company's long-term targets and the implementation of the strategy are endangered. Deviations may apply to every component of remuneration.

The General Meeting decides upon deviations in the remuneration for the Board of Directors. The Board of Directors decides upon deviations in the CEO's remuneration.

The possibility to deviate from the remuneration policy of the Company's governing bodies is only intended to be used in extraordinary circumstances. Deviations can be considered in the following circumstances, for example:

- Appointing a new CEO
- Significant mergers and acquisitions
- Changes in legislation, taxation, or regulation
- Significant changes in the Company's strategy

The changes may affect the components of remuneration, other key terms applying to the employment or the CEO's contract, and the structures and mechanisms of the incentive schemes, as well as the timelines, earning criteria, and earning opportunities of the incentive schemes, depending on what is considered essential in order to ensure the long-term value development for Kempower.

The Board of Directors carefully considers deviations from the remuneration policy, and deviations are communicated transparently to shareholders no later than in the remuneration report covered at the following Annual General Meeting.