



**The Qt  
Company**

# REMUNERATION POLICY FOR GOVERNING BODIES

13 February 2020



## Contents

TABLE OF CONTENTS .....	
1. INTRODUCTION .....	3
2. DESCRIPTION OF THE DECISION-MAKING PROCESS.....	4
3. DESCRIPTION OF THE BOARD OF DIRECTORS' REMUNERATION.....	5
4. DESCRIPTION OF THE REMUNERATION OF THE CEO .....	5
4.1 REMUNERATION COMPONENTS AND EACH COMPONENT'S SHARE OF OVERALL REMUNERATION .....	5
4.2 OTHER KEY TERMS APPLICABLE TO THE PRESIDENT AND CEO'S SERVICE CONTRACT .....	6
4.3 TERMS FOR CLAWBACK OF REMUNERATION .....	7
5. REQUIREMENTS FOR TEMPORARY DEVIATION .....	7

## 1. INTRODUCTION

This Remuneration Policy sets out the main principles for remuneration applicable to Qt Group PLC's ("the Company") Board Members and the Company's President and CEO ("the CEO"). This Remuneration Policy has been prepared in accordance with the Finnish Corporate Governance Code 2020 applicable to Finnish listed companies (hereinafter referred to as "The Corporate Governance Code"). The Corporate Governance Code is available online at [cgfinland.fi/en/](http://cgfinland.fi/en/).

At its meeting of 13 February 2020, the Company's Board of Directors approved this Remuneration Policy to be submitted to the Annual General Meeting of 10 March 2020. Unless a material change is required, this Remuneration Policy will remain in force until the 2024 Annual General Meeting. If the policy needs to be amended, the revised policy will be submitted to the General Meeting for approval.

The Company will make the Remuneration Policy available through a Stock Exchange Release before the Annual General Meeting at which the policy will be submitted for presentation. The policy will also be published on the Company website. Additionally, the Company will present aggregated information on the principles for the remuneration of the Board of Directors, the CEO and the rest of the Management Team on the website.

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.

Remuneration may include both fixed and variable remuneration components. These components include:

- monthly salary and fringe benefits, such as a mobile phone, car, meals and housing (fixed component),
- short-term incentive schemes (variable component), and
- long-term incentive schemes (variable component).

Additionally, the Company may provide its personnel with other employee benefits, such as medical and health care benefits.

Primarily, fixed remuneration components apply to the remuneration of the entire Company personnel, including the CEO. Fixed remuneration components are either paid in cash or provided as applicable benefits.

Additionally, the Company may apply short-term incentive schemes specifically to their personnel. Short-term incentive schemes have an earning period of maximum one year, and the associated reward is paid in cash.

Short-term incentive schemes include no personal or department-specific reward criteria for the CEO or the Management Team; instead, these criteria are directly linked to company-level targets. To promote cooperation within the Company's

senior management and align senior managers' interests with the company's long-term and short-term goals, the reward criteria for all senior managers are identical.

The company endeavors to ensure that short-term incentive schemes cover a substantial share of the company's personnel. Unlike the incentive schemes applicable to Company management, the incentive schemes applicable to other personnel may include reward criteria associated with personal, team-specific or department-specific performance. Especially in sales, incentives are based on an individual's performance in comparison with their personal sales targets.

The purpose of any long-term incentive schemes employed by the Company is to motivate, engage and reward the CEO, the rest of the Management Team and, if applicable, other key Company personnel. Long-term incentive schemes have a minimum earning period of three years, and the associated rewards are paid in shares or options. A portion of such rewards may also be paid in cash, for example, to account for the tax effects associated with the reward.

Company's primary strategic goal is to achieve strong growth in net sales. From 2020 onwards, the Company will also seek to improve the profitability of its business and, within the next few years, achieve good profitability. Both short- and long-term incentive schemes are based solely on reward criteria that directly support the strategic goals specified above.

Each year, the Board of Directors' Nomination and Compensation Committee ("the Nomination and Compensation Committee") will review the remuneration principles applicable to Management to ensure that they are remunerated in accordance with the Remuneration Policy.

The Company's Board Members are not included in any incentive schemes intended for the Company's senior management or personnel.

## 2. DESCRIPTION OF THE DECISION-MAKING PROCESS

The Nomination and Compensation Committee prepares *the Company Remuneration Policy* for the Board of Directors's approval. Once approved by the Board of Directors, the Remuneration Policy is submitted to the Annual General Meeting for approval. This process is repeated every four years and whenever there is a material change in the policy. The Nomination and Compensation Committee monitors the implementation and performance of the Remuneration Policy and assesses whether the policy needs to be amended. Additionally, the Nomination and Compensation Committee is tasked with ensuring that there are no conflicts of interests that would have an impact on preparing the Remuneration Policy or any decision-making involved.

Each year, the Annual General Meeting decides on the *remuneration of the Board of Directors* (including the fees for the Board's committee members) and the principles for the compensation of expenses. The Nomination and Compensation Committee prepares, in accordance with the Remuneration Policy, proposals for the remuneration of the Chairman and the Members of the Board of Directors as well as the remuneration of the chairman and members of the Board's committees.

The Annual General Meeting may issue shares, options or other specific instruments giving access to shares as part of the Board of Directors' compensation package. Additionally, the Annual General Meeting may authorise the Board of Directors to issue shares, options or other specific instruments giving access to shares. Should the Board of Directors, within the framework of the authorisation obtained from the Annual General meeting, decide on the issue of shares, options or other specific instruments as part of the remuneration of the Company's governing bodies or personnel, the Compensation and Nomination committee will be responsible for preparing the matter.

The Board of Directors decides on the *salary, other rewards and benefits payable to the CEO* within the framework of this Compensation Policy. The Compensation and Nomination Committee will prepare a proposal for the remuneration of the CEO before its submission for the Board of Director's approval. During its preparatory work, the Compensation and Nomination Committee must ensure that the remuneration principles applicable to the Company's CEO are aligned with the Company's goals and their shareholders' interests. If necessary, outside experts and market surveys may be used as part of such preparatory work.

### 3. DESCRIPTION OF THE BOARD OF DIRECTORS' REMUNERATION

Each year, the Annual General Meeting decides on the remuneration of the Board of Directors. The Compensation and Nomination Committee prepares a proposal for the remuneration of the Board of Directors and submits the proposal for the Annual General Meeting's approval.

Primarily, the Board of Directors will be compensated in cash: either through fixed monthly fees, attendance fees or a combination of both. However, should the Annual General Meeting so decide, the Board of Directors' compensation package may include shares.

### 4. DESCRIPTION OF THE REMUNERATION OF THE CEO

#### 4.1 REMUNERATION COMPONENTS AND EACH COMPONENT'S SHARE OF OVERALL REMUNERATION

The remuneration of the CEO is considered as a whole and it comprises both fixed and variable components. The remuneration model applicable to the CEO has a strong emphasis on 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.

If the Company meets a set of predetermined financial targets, the CEO will receive the cash bonus under the short-term incentive scheme. As Qt Group PLC is a growth company, the most prominent reward criterion is the growth of the group's net sales. However, the group's other financial performance indicators, such as EBIT, can also be used. Additionally, different KPIs can be used in different ways; for example, the CEO's performance against a reward criterion (such as net sales) may be restricted by a cap connected to another criterion (such as EBIT). If the secondary criterion is not met (target is not reached), no incentive will be paid even if the CEO would be eligible based on the primary criterion.

The Board of Directors sets the reward criteria for the short-term incentive scheme on an annual basis, and the criteria will remain in effect for one calendar year. Each calendar year may comprise one or several earning periods. Each earning period has its own set of criteria and, correspondingly, any applicable bonuses are paid separately for each period.

The criteria for the short-term incentive scheme are based on the Company's annual budget, which is adopted by the Company's Board of Directors. If the budget is successfully implemented, the target level has been reached and the CEO will be eligible for a corresponding bonus. Whenever possible, the Company's operations will be budgeted by specifying performance goals that support Company's long-term goals and are ambitious but attainable through good performance. The bonus payable to the CEO will increase and decrease directly with the company's performance against a specific budgetary target level.

The maximum bonus payable to the CEO under the short-term incentive scheme corresponds roughly to the fixed remuneration components payable for a corresponding earning period.

The Company's long-term incentive schemes have a minimum earning period of three years. The Board of Directors will select the reward criteria based on the business strategy currently valid at the time. These criteria will utilise clearly-defined and easy-to-monitor financial indicators for business performance or, alternatively, the development of the Company's share value. Whenever possible, the Board will set the reward criteria for long-term incentive schemes in a manner that enables the CEO to earn, with good performance, a reward that corresponds to no less than the fixed remuneration components payable for a corresponding earning period. If the reward amount is specified only in shares/options (without any restrictions on their overall value in euros), the performance of the Company's shares during the earning period can have a substantial impact on the overall value of the reward.

#### 4.2 OTHER KEY TERMS APPLICABLE TO THE PRESIDENT AND CEO'S SERVICE CONTRACT

In the event that the Company terminates the CEO's service contract, the CEO shall be eligible for severance pay in line with current market rates. This severance pay will be paid over the CEO's salary for the notice period.

The CEO's retirement age is as stipulated by law, and the Company employs no supplementary pension scheme.

#### 4.3 TERMS FOR CLAWBACK OF REMUNERATION

The Company's incentive schemes may specify additional terms and conditions concerning the associated rewards. These may include terms concerning vesting periods, transfer and assignment restrictions, reward deferrals, withholding of earned rewards or clawback of rewards already paid out.

However, whenever possible, the incentive schemes are designed in a manner that ensures that the rewards are paid based on actual, measurable performance, eliminating the need to restrict or recover any rewards already paid out.

### 5. REQUIREMENTS FOR TEMPORARY DEVIATION

In exceptional circumstances, the Board of Directors may, to ensure the Company's long-term interests, decide to temporarily deviate from this Remuneration Policy.

When assessing the Company's long-term interests, the Board of Directors may consider matters such as the Company's long-term commercial success, competitiveness and shareholder value development.

A temporary deviation is justified if, after the Annual General Meeting's treatment of this Remuneration Policy, the Company's key operating preconditions have changed to an extent where this Remuneration Policy would no longer be appropriate. Examples include a change of CEO or a business reorganisation (such as a merger or takeover bid) or a change in taxation or other rules and regulations.

Any temporary deviation from this Remuneration Policy will be described in the remuneration report, which will be submitted to the Annual General Meeting following the deviation.