

CapMan – Remuneration Report 2020

This remuneration report of CapMan Plc (“CapMan” or “Company”) describes the implementation of the Company’s Remuneration Policy and provides information on the remuneration of the Company’s board of directors and CEO in the financial year 2020. The report has been prepared in accordance with Finnish legislation and the Finnish Corporate Governance Code 2020. This report will be considered at the Annual General Meeting (“AGM”) of CapMan on 17 March 2021.

The AGM of the Company held on 11 March 2020 approved the Remuneration Policy for Company’s governing bodies unanimously. The Remuneration Policy is available on the Company’s website (www.capman.com/shareholders/governance/compensation/) and the Corporate Governance Code 2020 at cgfinland.fi/en.

This report is the first remuneration report to be considered by the general meeting under current regulation and, therefore, the general meeting has not previously made a statement on the content of the remuneration report. The Company will in future include in the remuneration report information on how any advisory vote of the previous general meeting concerning the remuneration report has been taken into account.

1. INTRODUCTION

1.1 Implementation of the Remuneration Policy at CapMan in 2020

The AGM held on 11 March 2020 decided on the remuneration of the members of the board of directors (“Board”) in accordance with the proposal by the Shareholders’ Nomination Board. The Shareholders’ Nomination Board consists of representatives of the largest shareholders and, thereby, the Board is not involved in the preparation of its own remuneration.

According to the decision of the AGM, the members of the Company’s Board were paid monthly remuneration and meeting fees in 2020. The remuneration decided by the AGM in 2020 remained unamended compared to the year 2019. According to the decision of the AGM, the monthly fees of the Board members are the following: the Chairman of the Board be paid EUR 5,000 per month, the Vice Chairman be paid EUR 4,000 per month, the Chairman of the Audit Committee of the Board be paid EUR 4,000 per month in case he/she does not simultaneously act as the Chairman or the Vice Chairman of the Board, and other members of the Board be paid EUR 3 250 per month. In addition, the AGM decided that the Chairmen of the Board and Board’s Committees are paid a meeting fee of EUR 800 per meeting and the members of the Board and Board’s Committees are paid a meeting fee of EUR 400 per meeting in addition to the monthly fees. In 2020, all remuneration were paid in cash.

The Remuneration Committee of CapMan’s Board convened twice in 2020 to decide, among others, on matters concerning the remuneration of the Company’s CEO and other management. Based on the preparation by the Remuneration Committee, the Board resolved on a new long-term incentive programme, in which the CEO of the Company is included. In

addition, the Board decided to shorten the term of the previous long-term incentive programme by approximately one year and pay the reward accrued by the end of the term. The Board decided on short-term incentive rewards to the Company’s management which were paid in March 2020, as well as, on short-term incentive programme for the financial year of 2020. In accordance with the Board’s previous decision in principle, the CEO was not included in the short-term incentives in 2020 or 2019. The Board has outlined that the CEO’s variable remuneration is to be based mainly on long-term incentives in the Company’s current situation. The Board has not made adjustments to the fixed remuneration or benefits of the CEO in 2020.

According to the Board’s opinion, the decision-making on remuneration complied with the decision-making order described in the Remuneration Policy, and the remuneration components are consistent with the principles set out in the Policy, and there has been no deviation from the Remuneration Policy. No claw-back was exercised to the remuneration of the Board or CEO.

1.2 Focus on Long-Term Remuneration

The Company aims at maintaining attractive, competitive, fair, and encouraging remuneration which strives to achieving strategic business objectives of the Company in short-term but especially in the long-term. The Company has a long-term share-based incentive programme designed to encourage and retain. The duration of the programme is three years (2020–2023) and participation requires investment in the Company’s shares. The CEO participates in the programme in full with the contribution allocated to him (300,000 shares), as well as, other members of the Management Group. The Board has emphasized the significance of the long-term success by excluding the CEO entirely from the short-term incentive programme.



1.3 Development of Remuneration

The development of remuneration of the Company's Board members and CEO compared to the development of average remuneration of the Company's personnel and the Company's financial development over the past five financial years are presented in the table below.

Key figure / Position	2016	2017	2018	2019	2020	CAGR ¹⁾
Share (Total Shareholder Return, TSR), €	1.25	1.86	1.67	2.68	2.77	22%
Turnover, €	26,677,000	34,843,000	33,482,000	48,972,000	42,989,000	13%
CEO, annual income, € ²⁾	487,630	292,632	376,392	376,300	361,974	-7%
CEO, share rewards, € ³⁾	0	0	0	0	2,241,675	
Board member, € ⁴⁾	49,372	55,930	53,400	49,091	49,038	0%
Personnel, € ⁵⁾	175,495	187,699	164,333	159,551	150,664	-4%
Personnel, share rewards, € ³⁾	0	0	0	0	4,079,849	

¹⁾ Compound annual growth rate 2016–2020.

²⁾ The remuneration related to preceding CEO has been deducted from the figure in 2017. During years 2017–2019, the CEO has in addition received income from executing options granted based on previous positions. Social costs have not been included in the CEO figures.

³⁾ Rewards paid from the performance share plan of years 2018–2020.

⁴⁾ Average remuneration paid to a Board member (monthly fee and meeting fees in total).

⁵⁾ Personnel costs reported in the financial statements of the Company divided by the annual full-time equivalent (FTE) personnel head count, including e.g. variable remuneration and social costs (excluding share rewards).

2. REMUNERATION OF THE BOARD MEMBERS IN 2020

The following table includes the board fees and meeting fees paid to the members of the Board in 2020.

Name	Board fee, €	Meeting fees, €
Fagerholm Catarina	39,000	6,800
Hammarén Johan ¹⁾	31,466	2,000
Heliövaara Eero ²⁾	39,000	4,800
Kaario Mammu	48,000	7,200
Liitola Olli ³⁾	39,000	3,200
Ramsay Peter	39,000	5,200
Tallberg Andreas	60,000	9,600

¹⁾ Elected to the Board in the AMG held on 11 March 2020.

²⁾ In addition to Board fee, Heliövaara was paid 14,880 € in consultancy fees unaffiliated to the Board membership.

³⁾ In addition to Board fee, Liitola was paid 3,472 € in consultancy fees unaffiliated to the Board membership.

The meeting fees were paid in cash in full. In addition to the fees described above, the members of the Board have been reimbursed for travel expenses in accordance with the Company's travel compensation policy.

3. REMUNERATION OF THE CEO IN 2020

The following table includes the remuneration and other financial benefits paid to the CEO in 2020.

Name	Fixed annual salary, €	Annual bonus, €	Shares, €	Supplementary pension, €
Frimodig Joakim	361,974	0	2,241,675 ¹⁾	36,198

¹⁾ VWAP 17 March 2020: 1.6605

The shares (1,350,000 pieces) have been given as a reward on the basis of investment-based long-term incentive plan of year 2018 and the realization of the incentive plan has been based on Total Shareholder Return (TSR). The shares given as a reward are subject to one year lock-up period during which the shares may not be transferred.

The variable remuneration paid to the CEO in 2020 consisted solely of long-term variable remuneration and corresponds to approximately 6.2 x the fixed annual salary when converted to cash. Since the CEO is not currently, in accordance with the Board's decision in principal, entitled to any short-term incentives, the proportional share of the variable remuneration in the total remuneration of the CEO may become very substantial in those years when rewards are realized based on the long-term incentive programme. At the moment, the Board has decided on a three-year programme based on which rewards are subsequently paid in 2023. The shares given as a reward will be subject to one year lock-up period during which the shares may not be transferred. The Company does not currently obtain annually commencing programmes.

The CEO participates in the performance share plan in full. He has allocated to the share plan the maximum amount of shares as defined by the Board, i.e. 300,000 CapMan shares held by him. In case the performance criterion of Total Shareholder Return of CapMan's shares (TSR) is achieved in full, shall the CEO be entitled to receive as a gross reward a maximum of 4.5 x the amount of allocated shares, i.e. maximum of 1,350,000 shares in total. The share plan is described in more detail on the Company's website at <https://www.capman.com/shareholders/governance/compensation/>.

The CEO is entitled to an additional defined contribution-based pension plan for which the Company pays an annual premium of 10% of the participant's annual salary. The CEO's entitlement to a paid-up policy increases gradually after three years and after six years covers 100% of the cumulative additional pension saving. The retirement age of the CEO is 63 years.

