

Remuneration Report 2020

1. Introduction

Innofactor Plc (hereinafter “Innofactor” or “the Company”) is a Finnish public limited company that, in its decision-making and administration, complies with the Finnish Limited Liability Companies Act, other regulations concerning public companies, and the Company’s Articles of Association. This remuneration report describes the remuneration of the Company’s Board of Directors and the CEO for the financial year 2020.

This remuneration report has been developed in accordance with the Finnish Limited Liability Companies Act, Securities Markets Act, Decree of the Ministry of Finance on the Remuneration Policy and remuneration report on a share issuer, and the Finnish Corporate Governance Code published by the Securities Markets Association.

This remuneration report has been prepared by Innofactor’s Remuneration Committee and approved by the Company’s Board of Directors for presentation to Innofactor’s Annual General Meeting in 2021. The decision of the Annual General Meeting on the matter is advisory.

The Remuneration Policy of Innofactor’s bodies was presented to Innofactor’s Annual General Meeting on March 31, 2020, where it was approved. The Remuneration Policy defines the principles for the remuneration of the Board of Directors and the CEO of Innofactor Plc. The current Remuneration Policy is valid for four years, until the Annual General Meeting in 2024. Innofactor’s Remuneration Policy is available on the Company’s website (<https://www.innofactor.com/invest-in-us/corporate-governance/>).

During the 2020 financial year, the remuneration of the CEO and the Board of Directors was in accordance with the Remuneration Policy approved by the Annual General Meeting. The CEO’s remuneration has been tied to the achievement of the Company’s strategic objectives contributing to the Company’s long-term financial success.

There have been no deviations from the Remuneration Policy during 2020. No refunds have been made to enable the Remuneration Policy to be reimbursed.

This report is issued separately from the Company’s Annual Report.

Remuneration and financial development of the Company for the previous five financial years

	2016 ¹	2017	2018	2019	2020
Net sales (EUR thousand)	59,616	65,666	63,144	64,198	66,164
Operating margin (EBITDA) (EUR thousand)	4,831	1,308	-1,029	5,089	7,164
Remuneration of the Board of Directors	146,999	164,999	129,000	120,000	140,000
Salary and remuneration of the CEO ²	271,598	399,987	272,190	286,610	320,069
Average salary of an employee ³	75,988	75,885	78,105	81,489	79,469

¹ The reporting period for the Board of Directors’ remuneration is from one year’s Annual General Meeting to the next year’s Annual General Meeting. Other figures have been reported for the financial year.

² The CEO’s salary and remuneration do not include the remuneration paid for Board work.

³ The average salary of an employee is calculated by dividing the employee expenses (excluding the CEO’s salary) by the average number of employees (excluding the CEO) during the year.

2. Remuneration of the Board of Directors

According to the Remuneration Policy, the members of the Board of Directors are paid an annual fee and a possible meeting fee. The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Chairman of the Board, a possible Deputy Chairman and members of any committees may be paid an increased fee or meeting fees. Remuneration paid to the members of the Board of Directors may be paid in cash or in part or in full in the form of the Company's shares.

In 2020, the Annual General Meeting decided that the remuneration of the Chairman of the Board of Directors is EUR 48,000 per year and the remuneration of the other members of the Board of Directors is EUR 24,000 per year. Half (50%) of the fee will be paid in cash and half (50%) in Innofactor Plc shares. In the event that the remuneration in shares is not carried out due to a reason related to the Company or a member of the Board of Directors, the full remuneration will be paid in cash. Innofactor Plc requires that the members of the Board of Directors retain the shares received as a reward for the duration of their Board membership.

Remuneration paid to members of the Board of Directors in 2020

Member of the Board of Directors	Annual fee in cash	Annual fee in shares	Total remuneration
Sami Ensio	24,000	0	24,000
Pekka Eloholma	12,000	12,000	24,000
Anna Lindén (Chairman)	24,000	24,000	48,000
Risto Linturi	24,000	0	24,000
Heikki Nikku	12,000	12,000	24,000

In addition to the Board fee, Anna Lindén has been paid a consultancy fee of EUR 19,220 while acting as the Company's advisor. This assignment has been terminated and coincided with the election of Lindén as Chairman of the Board. No other financial benefits have been paid to other members of the Board of Directors. In his position as the Company's CEO, Sami Ensio has been paid the salaries and remuneration reported in Section 3.

3. Remuneration of the CEO

The Company's Board of Directors decides on the remuneration of the CEO within the framework of the Remuneration Policy. The Company's Remuneration Committee prepares proposals for the Board of Directors concerning the decisions on the CEO's remuneration. The CEO's remuneration consists of a fixed share and variable shares. The fixed part is the CEO's annual salary and fringe benefits. Variable components of the CEO's remuneration can be, for example, short-term and long-term incentives. In addition, the CEO's remuneration may consist of other benefits, such as insurance, severance pay and voluntary retirement benefits.

The CEO's total remuneration depends on the Company's performance in relation to the targets set for the Company. Innofactor's goal for the CEO's remuneration is that the variable proportions of the CEO's remuneration are approximately 0–50% of the CEO's possible maximum total remuneration, which does not include any possible Board remuneration or any benefit from the share issue to management and employees.

Components of the CEO's remuneration

CEO	Paid in 2020
Salary	304,080
Performance bonuses for 2019	15,989
Relative share of fixed and variable components %	95/5
Total salary ¹	320,069

¹ Does not include the remuneration paid for Board work

Sami Ensio, President and CEO, has announced to the company's Board of Directors that he will relinquish his own performance bonus for 2020. According to his request, this has been taken into account in raising staff performance bonuses as a thank you for the exceptional result made in 2020, when Innofactor achieved, despite the challenging year of COVID-19, the best net sales and EBITDA in its history in honor of its 20th anniversary. For this reason, the CEO will not be paid performance bonus for 2020. No other remuneration or benefits have been paid to the CEO.

The incentive-based remuneration of the CEO is based on the Company's financial, profit or other performance, the performance criteria of which are decided annually by the Company's Board of Directors. For 2019 and 2020, the Board of Directors set the Company's net sales and EBITDA, measured against strategic goals as the indicators on which the CEO's performance bonus was based. The Board of Directors decided to pay the CEO's performance bonus for 2019 and 2020 in accordance with a predetermined formula.