



REMUNERATION POLICY FOR GOVERNING BODIES

TO THE BOARD OF DIRECTORS OF DIGIA

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1 INTRODUCTION

This Remuneration Policy for Governing Bodies (hereinafter referred to as the “Remuneration Policy”) describes the principles of **remuneration** of the **Board of Directors and Chief Executive Officer** (hereinafter “Directors”) of Digia Plc (hereinafter the “Company”). The Remuneration Policy is based on Directive (EU) 2017/828 on the encouragement of long-term shareholder engagement and its resulting amendments to the Finnish Limited Liability Companies Act, Securities Markets Act and Corporate Governance Code for listed companies.

This Remuneration Policy describes the key principles and guidelines on the remuneration of the Company’s Board of Directors and Chief Executive Officer. In addition to this policy, the Company shall publish on its website detailed information on the current remunerations of its Directors, including information on the amounts of remuneration to Members of the Board of Directors in accordance with the decision of the General Meeting, and information on the current overall level of remuneration for the Chief Executive Officer. In addition, the Company publishes an annual remuneration report describing how the Company’s remuneration policy has been enforced, and relevant information on remunerations paid and due to the Company’s Directors for the preceding financial year. This Remuneration Policy and the remuneration report are also published on the Company’s website. The purpose of this Remuneration Policy, information published on the website and the report on remunerations are to ensure the transparency of Directors’ remuneration.

I REMUNERATION POLICY

Framework on the remuneration of the Company’s Board of Directors, CEO and Deputy CEO

II INFORMATION TO BE PUBLISHED ON THE COMPANY WEBSITE

- 1) Current remunerations for the Board of Directors, in accordance with the decision of the General Meeting
- 2) Current overall level of remuneration for the Chief Executive Officer

III REMUNERATION REPORT

Remunerations paid and due to the Company’s Directors for the preceding financial year

The purpose of remunerations paid by the Company is to support the Company’s business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. In addition, the aim is that the Company has access to the best possible individuals for its governing bodies and is able to retain their commitment and motivation.

Overall remuneration of the CEO and the elements and remuneration levels involved are determined by the position’s responsibilities. The structure of the CEO’s overall remuneration follows the same principles as overall remuneration for other senior management of the Company. In addition, the Company may employ short-term incentive schemes for its employees. Short-term incentive schemes for the CEO essentially follow the same general terms and conditions generally applicable to the Company’s short-term incentive scheme. Similarly, the CEO is part of the Company’s long-term remuneration scheme and subject to the same terms and conditions as other individuals covered by the long-term remuneration scheme. The CEO’s employee and in-kind benefits correspond to the Company’s universal employee benefits. The CEO has no special pension benefits. Remuneration paid as the result of the termination of the CEO’s service contract is described in paragraph 4.1 “Remuneration components used and their relative proportions”.

This Remuneration Policy will be presented to the Annual General Meeting in 2020 and shall remain valid until the Annual General Meeting in 2024 unless substantive changes are necessary in the policy, in which case the changes will be presented to the General Meeting.

2 DESCRIPTION OF DECISION-MAKING PROCESS

The **Remuneration Policy** is prepared by the Remuneration Committee of the Company's Board of Directors and approved by the Board, after which it is presented to the General Meeting. The General Meeting adopts an advisory decision on the remuneration policy.

In addition, at the Annual General Meeting, the Company publishes a **remuneration report** for the previous financial year, describing how the Company's remuneration policy has been enforced and relevant information on remunerations paid and due to the Company's Directors for the preceding financial year.

The **Board of Directors' Nomination Committee** prepares a draft decision for the Annual General Meeting on the remuneration of **Members of the Board of Directors**. The **Annual General Meeting** decides **yearly** on the remunerations paid to Members of the Board of Directors.

The **Board of Directors' Remuneration Committee** prepares a draft decision on the remuneration of the **Company's Chief Executive Officer** and the key terms of service. The key terms of remuneration for the CEO and the service relationship are decided by the **Board of Directors** on the basis of the draft decision by the Remuneration Committee. The CEO does not take part in deliberations related to his or her own remuneration.

The Annual General Meeting or, by its authorisation, the Board of Directors, shall always decide on the issuing of **shares, options or other special rights entitling to shares** as remuneration. Shares, options or other special rights entitling to shares may be issued to members of governing bodies as part of remuneration, within the framework of the Remuneration Policy.

Remuneration for the company's other management and the Board of Directors is separated: Members of the Board do not participate in the same incentive schemes with the Company's other management or employees.

3 DESCRIPTION OF REMUNERATION FOR THE BOARD OF DIRECTORS

The Annual General Meeting decides on the remunerations paid to Members of the Board of Directors. The Board of Directors' Nomination Committee prepares a draft decision for the General Meeting on the remuneration of Board Members. In the remuneration of Board Members, the Nomination Committee takes into account the Company's need to obtain wide-ranging and relevant expertise for its Board of Directors. The Nomination Committee also takes into consideration the remuneration levels of board members in comparable listed companies.

In deciding remunerations for Members of the Board, the individual's role as a member, chair or vice chair of the Board or its committee may be taken into account. Remunerations paid to Members of the Board may include both fixed remunerations and meeting fees. In addition, direct costs incurred by Members of the Board as the result of Board duties may be reimbursed.

Remunerations to Board Members may be paid in cash or shares or a combination of these.

4 DESCRIPTION OF REMUNERATION FOR THE CHIEF EXECUTIVE OFFICER

4.1 REMUNERATION COMPONENTS USED AND THEIR RELATIVE PROPORTIONS

Total remuneration for the CEO consists of fixed and variable components. Fixed remuneration components consist of all financial benefits the amount of which is known to the parties in advance, including a fixed monthly total salary and in-kind benefits. Variable remuneration components include all bonuses the amount of which is dependent on the individual's performance or an externally determined factor, such as the performance of the Company's financial or non-financial indicators or other specified factor.

The Company's goal is to provide a competitive and incentivising total remuneration scheme for its CEO. In determining remuneration, a comparison with selected comparable companies is taken into account.

The indicators for variable remuneration components are tied to targets that support the Company's business strategy and promote long-term financial success and competitiveness. Variable components of short and long-term remuneration of the CEO are tied to predefined performance criteria with fixed minimum, target and maximum values.

The CEO's overall remuneration consists of the following parts:

Form of remuneration	CEO's remuneration
Basic salary (fixed amount)	The CEO is paid a fixed monthly salary. Any in-kind benefits are deducted from the total salary.
Short-term incentive (STI) (variable component)	The CEO is included in the performance bonus scheme confirmed by the Company and is entitled to a performance bonus based on the achievement of annually specified targets.
Long-term incentive (LTI) (variable component)	The CEO is included in the share-based incentive scheme confirmed by the Company and is entitled to a potential share-based incentive payable under the scheme.
Benefits in kind (fixed component)	The CEO is entitled to in-kind benefits granted by the Company universally to its employees, such as a telephone, broadband and housing benefit. In addition, the CEO is entitled to a full company car benefit. The value of in-kind benefits is deducted from total salary in accordance with standard practice on the taxation of benefits.
Other benefits	The CEO is entitled to universal employee benefits offered by the Company to its personnel. The CEO does not receive a supplementary pension. The CEO may have life insurance and insurance against permanent incapacity to work.

The proportions of various remuneration components are determined as follows:

- The goal is that variable remunerations compose more than fifty per cent of total remuneration if the variable component is met based on maximum earnings.
- At the maximum level, the LTI scheme offers better remuneration than the STI scheme.
- In short-term remuneration (STI + fixed total salary), the share of the fixed total salary is more than fifty per cent. If the target level for the STI is met, the amount of bonus shall be less than fifty per cent of total salary, and more than fifty per cent of total salary at the maximum level.

CEO's target bonus (short-term incentive):

The CEO is included in the Company's annual target reward scheme.

The aim of the target bonus scheme is to achieve a good overall performance and to meet or exceed the Company's strategic goals. The main emphasis of the target bonus scheme is on the Company's performance on the annual level. Despite this, the goal is to set the indicators to also support the Company's long-term success.

The scheme encourages the key employees involved to achieve good performances in line with the Company's strategy. The target bonus scheme rewards the achievement of predefined and measurable targets that support the Company's success on the annual level. The target bonus is based on the achievement of targets specified for the target period, such as the Company's financial and strategic targets, employee and customer satisfaction and/or other separately specified development targets. The target period may be one year or a shorter time period.

The Board of Directors confirms the target indicators for each target period and their respective weightings, target levels and actuals, as well as any target bonus rules on the payment of possible bonuses.

The realisation of each indicator in the target bonus scheme is assessed according to a separate weighting set for the indicator. Possible target bonuses may vary between zero and a predefined maximum bonus based on achieved results.

In addition, the target bonus may be subject to a so-called threshold value. In this case, no target bonus is paid for achieving any individual performance target if the Company's operating profit remains below the threshold.

As a rule, no bonuses are paid if the CEO resigns or his or her service contract is terminated prior to the date of payment of bonuses under the incentive scheme. However, with respect to bonuses earned at the time of termination of the service contract, the Board has the option to decide on possible bonuses in accordance with the pro-rata principle.

Share-based remuneration of the CEO (long-term incentive):

The CEO is included in the Company's currently valid long-term incentive scheme. The bonus model for the long-term incentive scheme is a performance-based share remuneration scheme.

The purpose of the share-based remuneration scheme is to align the goals of the Company's shareholders and management in order to increase the Company's value, and to commit executive management to the Company and its long-term objectives. The goal is to direct the attention of individuals included in the bonus scheme to the achievement of the Company's financial goals and the long-term growth of the Company's shareholder value.

The incentive scheme is based on share ownership and is intended to be a competitive bonus scheme in relation to market average. In the scheme, a target-based bonus in the form of shares is defined and allocated at the start of the remuneration period. As a result, the amount of potential bonus depends on the development of share value.

An earning period is specified for each indicator, over which the realisation of set performance and result targets are assessed. The Board sets the target levels for each indicator at the start of each earning period. Any bonuses paid under the incentive scheme are accrued based on actuals in each indicator over the earning period. Digia Plc's long-term incentive scheme may include both scheme-wide and/or indicator-specific threshold conditions and/or restrictions. The realisation rate of set targets over each earning period determines the amount of shares earned as bonuses. As a rule, the indicators used in the scheme are based on the development of the Company's financial indicators, such as net sales and operating profit.

Any bonuses are paid at a date specified separately in the incentive scheme, and payments are made partly in the Company's shares (share component) and partly in cash (cash component). The cash component of the bonus will primarily be used to cover taxes and other comparable costs arising from the scheme. As a rule, no bonuses are paid if the CEO resigns or his or her service contract is terminated prior to the date of payment of bonuses under the incentive scheme. Under certain conditions, the Board has the option to decide on possible bonuses already received and on bonuses for the current earnings period in accordance with the pro-rata principle.

4.2 OTHER KEY TERMS AND CONDITIONS APPLIED TO SERVICE CONTRACTS

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, the CEO will receive remuneration for the notice period and severance pay equalling six (6) months' regular monthly salary. The CEO may resign with six (6) months' notice.

The CEO's retirement age is stipulated by law, and the CEO is not covered by any separate pension agreements with the company.

The CEO has life insurance or insurance against permanent incapacity to work.

4.3 TERMS AND CONDITIONS ON THE POTENTIAL CLAWBACK OF REMUNERATIONS

The Company's remuneration schemes have been designed to ensure that earned bonuses are always based on measured performance. Therefore, no separate terms and conditions on the clawback of bonuses have been prepared in advance. However, under the terms of the bonus schemes, the Company's Board of Directors always has the option to review the terms of earning bonuses and, if necessary, require that the remuneration be clawed back.

5 TERMS AND CONDITIONS ON TEMPORARY DEROGATION

Remuneration of the Board of Directors and CEO shall be carried out in accordance with the Remuneration Policy presented to the General Meeting, however so that the Company has the right to temporarily derogate from the Remuneration Policy and amend it in order to protect the Company's long-term interests in the event that the Company's key operating conditions have changed substantially in the time since the remuneration policy for governing bodies was reviewed by the General Meeting. Such changes include, among others:

1. Change of Chief Executive Officer
2. Corporate transaction, such as a merger or purchase offer
3. Other material change in the Company's financial standing

The derogation may apply to the overall remuneration of the CEO. Derogations are decided by the Company's Board of Directors if it finds that the existing remuneration policy for governing bodies is no longer appropriate in the changed circumstances and the derogation is made to protect the Company's long-term interests. In assessing the Company's long-term interest, factors including the Company's long-term financial success, competitiveness and development of shareholder value shall be taken into account. Any derogations shall be reported in the annual remuneration report presented at the next General Meeting.