

# Remuneration Report for the Financial Year 2021

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**Bittium**

## Introduction

The governance of Bittium Corporation (hereinafter "Company") is determined by the Company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company's Corporate Governance Code. The Company follows the Finnish Corporate Governance Code 2020 prepared by the Finnish Securities Market Association and entered into force on January 1, 2020. This Remuneration Report is prepared in accordance with the Finnish Corporate Governance Code 2020. The Governance Code is available at the website of the Finnish Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Company's Corporate Governance Code, Corporate Governance Statement for each financial period and the salary and remuneration report are publicly available at the Company's website at [www.bittium.com](http://www.bittium.com). Up-to-date information on the shareholdings of CEO and the management group of the Company in the Company is publicly available at the Company's website at [www.bittium.com](http://www.bittium.com).

This Remuneration Report presents the salaries, fees, and other financial benefits paid to the Board of Directors and CEO in the financial year 2021. Such salaries, fees, and other financial benefits that have not yet been paid in the financial year 2021, but that arise from an earnings period that has ended in the financial year 2021, must be reported as due remuneration, if the amount of the due remuneration is sufficiently certain.

### The Company's Remuneration Policy

On March 11, 2020, the Company published by a stock exchange release the Remuneration Policy for governing bodies that was presented to the Annual General Meeting held on June 15, 2020. At the Annual General Meeting, the Remuneration Policy was supported by 100 percent of the votes cast,

and no votes were cast against the Remuneration Policy.

The remuneration principles set out in the Remuneration Policy shall guide the Company's incentive structure and performance metrics. The remuneration of the Company is designed to align the interests of employees and shareholders while supporting the Company's pay-for-performance principle. The objectives of the Company's incentive plans are to drive its strategy and create long-term, sustainable performance with increased shareholder value.

### The remuneration of the Board of Directors and CEO in the financial year 2021

At the Annual General Meeting held on April 14, 2021, Mr. Erkki Veikkolainen, Ms. Riitta Tiuraniemi, Mr. Veli-Pekka Paloranta and Mr. Pekka Kemppainen were re-elected as members of the Board of Directors. Mr. Petri Toljamo was elected as the new member of the Board of Directors.

In the financial year 2021, the Board of Directors have been paid fees according to the Remuneration Policy adopted by the Annual General Meeting held on April 14, 2021 and to the resolutions of the Annual General Meeting on the remuneration of the members of the Board of Directors. Fifty percent of the total amount of the monthly remuneration of the members of the Board of Directors has been paid as the Company's shares. According to the remuneration principles set out in the Remuneration Policy the payment of a substantial part of the remuneration as shares aligns the interests of the Board of Directors and shareholders and incentivizes the management for the decision-making that supports the growth of shareholder value and long-term financial success. The share ownership further supports the long-term commitment of the Board of Directors to the Company.

The CEO has been paid in the financial year 2021 base salary according to terms of the

written service contract. The CEO has also been paid fees based on the short-term incentive program (STI). The fees have been based on the delivery of the strategic objectives of the Company and the delivery of the performance measures supporting financial development, set as goals for the CEO. The payment of remuneration under incentive programs based on the delivery of financial and operational objectives commits the CEO to the delivery of short-term financial and strategic objectives, which in turn support the delivery of the Company's business strategy. In 2021 the CEO has also been paid fees based on the long-term incentive program (LTI). The remuneration has been based on the delivery of performance measured against long-term targets. The remuneration is designed to reward for delivery of strategic targets and sustainable long-term growth, to align CEO's interests with those of shareholders, and to increase the value of the Company by offering a share ownership-based remuneration.

### Deferral and Clawback of Remuneration

The remuneration terms may include clawback terms according to the Remuneration Policy. Any remuneration may be deferred in accordance with the terms of such remuneration, and the Company has the discretion to scale back deferred short-term and long-term incentives prior to the satisfaction of such incentives. Upon recommendation of the Audit Committee or the Remuneration Committee, if established, the Board of Directors may also temporarily deviate from any provisions of the Remuneration Policy.

In the financial year 2021, the Company has not clawbacked any remuneration, deferred remuneration terms, or scaled back short-term or long-term incentives prior to the satisfaction of such terms. The Board of Directors has also not decided to deviate from any provisions of the Remuneration Policy.

## Remuneration and the Company's financial development

	2017	2018	2019	2020	2021
Chairman of the Board (EUR)	42,146	42,218	42,613	53,648	47,602
Board member on average (EUR) <sup>1</sup>	24,483	25,314	25,265	31,592	20,300
CEO (EUR)	288,087	221,148	334,000	338,334	282,289
Salary development of an average employee of Bittium (EUR) <sup>2</sup>	62,395	63,186	65,046	64,264	67,463
Group personnel on average	614	660	665	673	664
Net sales (MEUR)	51.6	62.8	75.2	78.4	86.9
Operating result (MEUR)	-4.6	2.8	6.3	2.1	3.2

<sup>1</sup> Total fees paid to the other Board members than the Chairman in the financial year divided by the number of such Board members in the financial year.

<sup>2</sup> Total Group personnel expenses (including capitalized personnel expenses of R&D) divided by the average number of personnel in each financial year.

## Remuneration of the Board of Directors in the previous financial year

According to the Remuneration Policy decisions concerning the remuneration of the Board members and committee members are made in general meetings. The remuneration of the Board of Directors can consist of one or more components, such as an annual fee and possible meeting fees. The Chairman and Committee members can be paid an increased fee or a meeting fee. An increased fee can also be paid e.g. if the meeting is held outside of a member's country of residence. The fees to be paid to the Board members can be paid in cash or partially or entirely in shares.

The Annual General Meeting held on April 14, 2021 decided that the Board members will be paid monthly fees as follows: to

Chairman of the Board EUR 3,150 and to other members of the Board EUR 1,800. In addition, the Board members are entitled to compensation for the attended Board meetings as follows: the Chairman of the Board EUR 875 for each meeting and other members EUR 500 for each meeting. In addition, the members of the Board of Directors are entitled to compensation for attending Committee meetings: the Chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting. The travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the Company's travel policy. Fifty percent of the total amount of the monthly remuneration of the members of the Board of Directors shall be paid at once as Company's shares acquired for the price formed in public trading, through share issue or, in special circumstances if share based remuneration cannot be paid for some reason, in money. The shares shall be acquired according to the share purchase program

of the Company. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

All the fees paid to the Board members in the financial year 2021 have been in accordance with the Remuneration Policy of the Company and the resolutions of the Annual General Meeting. There are no employment relationships or service contracts between the members of the Board and the Company. The members of the Board have not been included in the remuneration schemes of the Company. The Board members are not paid variable remuneration components.

## The Board members have been paid the following remuneration in the financial year 2021 (EUR)

Name	Position	Monthly fees to Board members	Meeting fees for Board meetings	Meeting fees for Audit Committee meetings	In total
Erkki Veikkolainen	Chairman of the Board	36,226.83, of which 17,322.49 paid by acquiring 2,635 shares of the Company	10,500		47,601.83
Riitta Tiuraniemi	Member of the Board, Chairman of the Audit Committee	20,698.18, of which 9,893.87 paid by acquiring 1,505 shares of the Company	6,500	3,600	30,798.18
Pekka Kempainen	Member of the Board	20,698.18, of which 9,893.87 paid by acquiring 1,505 shares of the Company	6,500		27,198.18
Veli-Pekka Paloranta	Member of the Board, member of the Audit Committee	20,698.18, of which 9,893.87 paid by acquiring 1,505 shares of the Company	6,000	2,400	29,098.18
Petri Toljamo (from 14.4.2021)	Member of the Board, member of the Audit Committee	17,678.87, of which 9,893.87 paid by acquiring 1,505 shares of the Company	4,500	1,600	23,778.87
Seppo Mäkinen (until 14.4.2021)	Member of the Board	3,064.31	2,000		5,064.31
Juha Putkiranta (until 14.4.2021)	Member of the Board, member of the Audit Committee	3,064.31	2,000	800	5,864.31

Based on the resolution of the Annual General Meeting, fifty percent of the total monthly fees of the Board of Directors was used to acquire the Company's shares. The shares were acquired in accordance with the share purchase program prepared by the Company, and the acquisitions were carried out on May 12, 2021 for the price formed in public trading. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

## Remuneration of the CEO in the previous financial year

According to the Remuneration Policy of the Company, the Company's approach to determining and reviewing the remuneration of the CEO consists of a similar policy framework as the employees' remunera-

tion, although the CEO's role and responsibilities affect the amount of compensation.

The Board decides on the remuneration of CEO and on the key terms and conditions of his/her service. The CEO's remuneration shall consist of fixed and variable pay components. In addition to annual base salary, remuneration components may include e.g. short- and long-term incentives, pension arrangements, fringe benefits and other financial benefits.

In the financial year 2021, the CEO has been paid remuneration EUR 282 289,26 in total, of which 84,7 per cent was paid as fixed component and 15,3 per cent as variable pay component, the amount of which has depended on the CEO's personal performance and the delivery of the targets pre-defined by the Board of Directors.<sup>1</sup>

The following table describes the remuneration paid and due to the CEO in the financial year 2021 by type.

## Pensions and other financial benefits

The pension security of CEO is statutory and he does not have supplementary pension. According to the pension legislation, the lowest limit of the pension age for CEO is 65 years and 3 months at the moment.

In the financial year 2021, the CEO has not been paid any other financial benefits in addition to the telephone benefit of EUR 240, such as fringe benefits, severance pay or other comparable financial benefits.

<sup>1</sup> The relative proportion does not include other financial benefits, such as pension benefits, compensation for termination, or other comparable financial benefits, which are reported in their own section. However, in the financial year 2021 the CEO has not been paid any other financial benefits in addition to the telephone benefit.

## The CEO has been paid the following remuneration in the financial year 2021 (EUR)

Remuneration component	Amount (EUR)	Remuneration description	Compliance or deviation
<b>Base salary</b> (fixed component)	Paid: 239,148	The CEO has been paid monthly base salary (18,980 euros) according to terms of the written service contract. The yearly base salary includes holiday pay of EUR 11,388 in accordance with the terms of the written service contract.	In compliance with the Remuneration Policy
<b>Short-term incentive (STI)</b> (variable pay component)	Paid: 2,514 Due: 40,220 <sup>1</sup> According to the Remuneration Policy the maximum payout for the annual incentive is capped and may be up to three times of the annual base salary.	<p>The STI program consists of annual programs that encourage and reward the delivery of short-term business objectives.</p> <p>Possible remuneration based on the STI program is paid based on performance metrics set by the Board.</p> <p>With regard to the 2020 targets, the Board has set a relative weight of 25 percent for each of the four performance metrics. These include both the operating result as a financial target and operative business objectives (such as the development of strategically important product and service areas determined by the Board and sales development).<sup>2</sup></p> <p>With regard to the 2021 targets, the Board has set a relative weight of 20 to 40 percent for each performance metrics. These include both financial targets (for example in relation to gross margins and fixed costs) and operative business objectives in relation to sales development in strategically important product and service areas determined by the Board.<sup>2</sup></p> <p>Under the STI program, a maximum of 60 percent of base salary can be paid to the CEO.</p> <p>The Board has assessed that the CEO has reached the required minimum level for the STI 2020 program and has decided to pay the fee in accordance with the target agreement. Based on this, the CEO has been paid previously overdue fees EUR 2,514 in the financial year 2021 in accordance with the short-term incentive program STI 2020.</p> <p>For the year 2021 targets, the fees have been reported as fees due.</p>	In compliance with the Remuneration Policy
<b>Long-term incentive (LTI)</b> (variable pay component)	Paid: 40,387.26 Due: 0 <sup>1</sup> According to the Remuneration Policy the maximum award size may be up to three times of the annual base salary.	<p>The share based long-term incentive scheme of Company consists of performance share plans ("PSP"). The first plan under the scheme was the PSP 2020–2022 commenced in the beginning of the financial year 2020 and the second plan is the PSP 2021–2023 commenced in the beginning of the financial year 2021.</p> <p>The plans consist of a one-year performance period followed by the possible payment of the share reward and a two-year restriction period. The CEO is expected to retain at least 50% of the performance shares received by him/her for until his/her ownership level in shares represents in value his/her annual base salary.</p> <p>The performance measures for the possible payment of the share rewards under PSP 2020–2022 and PSP 2021–2023 are Company's revenue growth and cash flow before financial items. In addition to the performance measures, the schemes include a maximum share reward to be paid to participants based on the share price increase, which is determined separately by the Board (Pay-Out Limit). The number of shares that may be awarded within the plans and the payment are always subject to, and conditional on, a separate decision and approval of the Board.</p> <p>In the financial year 2021, the CEO has been paid 40,387.26 euros as rewards in accordance with the PSP 2020–2022 plan. As a derogation to the shareholders' pre-emptive right in a share issue, the CEO was awarded 3,142 new shares of the Company in direct share issue without payment in March 2021. The reward was paid in Company's shares and as a cash portion corresponding to the value of the share. The cash portion paid in addition to the shares is planned to cover taxes and tax-like charges occurring from the reward. In addition to the above, no other cash portions were paid.</p> <p>Because the performance period of PSP 2021–2023 is still ongoing, no reward is fallen due under the program and no payments have been made in the financial year 2021.</p>	In compliance with the Remuneration Policy

<sup>1</sup> Disclosure of certain more specific performance metrics and targets would, in the Company's opinion, mean that the Company's confidential business information would be compromised. The Company has described the performance metrics, targets and their application as widely as possible.

<sup>2</sup> Such remuneration that has not yet been paid, but that arise from an earnings period that has ended during the financial year being reported, and the amount of which is sufficiently certain prior to this remuneration report being issued, must be reported as due remuneration.

# Bittium

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