

Salary and Remuneration Report **2014**



Elektrobit

Salary and remuneration report

1. Introduction

The governance of Elektrobit 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 with some exceptions the Finnish Corporate Governance Code 2010 prepared by the Finnish Securities Market Association ("Finnish Governance Code"). The Finnish Governance Code is available at the website of the Finnish Securities Market Association at www.cgfinland.fi.

The statutory governing bodies of the Company are the Shareholders' meeting, Board of Directors, Chief Executive Officer and the Auditor. Other corporate management and business segments' management support the statutory governing bodies of the Company. The Company has no Supervisory Board. The Company's domicile is Oulu.

The operative business of the Group takes place in business segments (sub-groups) formed branch-by-branch. The external reporting of the Group is also based on these business segments which are Automotive and Wireless. The Presidents of the sub-groups' parent companies report on the business operations of the segment to the Board of Directors of each subgroup's parent company ("Segment Board"). Operative business decisions are made in each business segment.

A coherent and up-to-date depiction on remuneration promotes the providing of information to the shareholders. To achieve this, the Company has prepared a salary and remuneration report. The salary and remuneration report is prepared in accordance with recommendations included in section 7 (Remuneration) and recommendation 47 of the Finnish Governance Code. 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.elektrobit.com.

Up-to-date information regarding the shareholdings and the option rights of the CEO and the other management is publicly available in the electronic insider register at Netsire's website, under Elektrobit Oyj.

2. Remuneration

Decision-Making Process

The general meeting decides on the remuneration paid for board and committee work and on the basis for its definition. Generally the body that appointed a person also decides on the remuneration of that person. The Board of Directors appoints the CEO and thus decides also upon the CEO's remuneration. In addition, the Board of Directors decides upon the compensation payable based on termination of the CEO. The Board of Directors decides on the principles and structure of the remuneration scheme of the Company and the Group based on the presentation of the CEO. In accordance with the annual clock of the Board of Directors the review is scheduled to occur in October. Prior to the Board review the structure of the remuneration scheme of each segment is reviewed in the business segments. The Segment Boards review the structure of remuneration scheme for the business segments in October in accordance with their annual clock.

Based on this, the remuneration of the other management is decided on a one-over-one basis¹. The CEO may, however, decide upon the salary increases of his direct subordinates within the budget approved by the Board of Directors. The Boards of Directors of the business segments decide upon the budgets for salary increases for each year in February in accordance with the annual clock.

3. Remuneration of the Board of Directors

Remuneration and Other Benefits of the Directors

The Annual General Meeting decides the remuneration of the Board. As a rule, there has not been a separate remuneration for executive members of the Board of Directors.² The General Meeting held on April 10, 2014 decided that the elected Board members' remuneration for the term ending at the end of the following Annual General Meeting shall be as follows:

- Chairman of the Board
EUR 3,500 per month and
- other members of the Board of Directors
EUR 2,000 per month.

In addition, the Board members are entitled to compensation for the attended Board Committee meetings as follows:

- the Chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting.³

The members of the Board of Directors are also entitled to compensation for the attending other Elektrobit group company's Board meetings as follows:

- EUR 1,200 for each meeting.⁴

The travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the Company's travel policy. The remuneration of the Board is not at all paid in the form of shares, instead all remunerations are paid in money.

¹ One-over-one principle means that a decision on remuneration shall be approved by the supervisor of the decision-maker.

² In 2014 none of the members of the Board had an employment relationship or service contract with the Company.

³ Prior to year 2010 no separate remuneration has been paid for committee work.

⁴ Prior to year 2011 no separate remuneration was paid for attending other Elektrobit group company's Board meetings.

REMUNERATION PAID TO BOARD MEMBERS IN 2014, EUR

Name	Position	Remuneration / Elektrobit Corporation Board member	Remuneration / Audit and Finance Committee	Remuneration / other Elektrobit Group company Board
Seppo Laine	Chairman of the Board, member of the Audit and Finance Committee	42 000	2 400	16 000
Jorma Halonen	Board member	24 000		16 000
Juha Hulkko	Board member	24 000		15 000
Staffan Simberg	Board member, Chairman of the Audit and Finance Committee	24 000	3 600	16 200
Erkki Veikkolainen	Board member, member of the Audit and Finance Committee	24 000	2 400	1 200
In total		138 000	8 400	64 400

REMUNERATION PAID TO BOARD MEMBERS IN 2013, EUR

Name	Position	Remuneration / Elektrobit Corporation Board member	Remuneration / Audit and Finance Committee	Remuneration / other Elektrobit Group company Board
Seppo Laine	Chairman of the Board, member of the Audit and Finance Committee	42 000	2 400	12 000
Jorma Halonen	Board member	24 000		9 000
Juha Hulkko	Board member	24 000		10 000
Staffan Simberg	Board member, Chairman of the Audit and Finance Committee	24 000	3 600	12 000
Erkki Veikkolainen	Board member, member of the Audit and Finance Committee	24 000	1 600	
In total		138 000	7 600	53 000

REMUNERATION PAID TO BOARD MEMBERS IN 2012, EUR

Name	Position	Remuneration / Elektrobit Corporation Board member	Remuneration / Audit and Finance Committee	Remuneration / other Elektrobit Group company Board
Seppo Laine	Chairman of the Board, member of the Audit and Finance Committee	42 000	2 400	12 000
Jorma Halonen	Board member	24 000		11 000
Juha Hulkko	Board member	24 000		9 000
Staffan Simberg	Board member, Chairman of the Audit and Finance Committee	24 000	3 600	12 000
Erkki Veikkolainen	Board member	24 000		9 000
In total		138 000	6 000	53 000

The members of the Board have not received other benefits or participated in the Company's remuneration schemes.

Financial Benefits of the Chairman of The Board and the Members of the Board Pertaining to Their Possible Employment Relationship or Service Contract

There are no employment relationships or service contracts between the Company's members of the Board and the Company. The members of the Board have not been included in the remuneration schemes of the Company.

Participation of the Members of the Board in a Share-Related Remuneration Scheme

The members of the Board have not participated in a share-related remuneration scheme. No remuneration for the members of the Board has been paid in the form of Company shares. Information on the shareholdings of the members of the Board in the Company is available in the Company's insider register http://www.elektrobit.fi/investors/corporate_governance/insider_guidelines.

4. Remuneration of the Chief Executive Officer and Other Executives

Information on the Service Contract of the CEO

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in the form of a written agreement. CEO Jukka Harju's service contract is effective until further notice and can be terminated by both the company and the CEO with six (6) months' notice. The CEO is entitled to salary with fringe benefits for the period of notice.

The CEO is entitled to a pension under the Contracts of Employment Act and other legislation pertaining to pensions and does not have additional pension benefits. The Finnish employee pension system (TyEL) allows for an old-age pension based on years of service and the income accumulated during those years, including the base salary, bonuses (excluding any option rights and shares subscribed on their basis) and taxable fringe benefits. The old age pension can be taken out at one's own discretion between the ages of 63-68 (flexible retirement age).

The Company's current CEO Jukka Harju has not participated in a share-related remuneration scheme and he has not been awarded with any Company shares or stock options. The maximum amount of variable pay for the CEO is 50% of the aggregate salary of the variable pay earning period.

Remuneration paid to the CEO, EUR

	Salary	Other benefits	Extraordinary payments	Variable payment
2014	289 788			57 500
2013	289 788			
2012	289 788			

The essential principles regarding remuneration of other Executives ⁵

Remuneration of the other group executives consists of fixed monthly salary with fringe benefits (i.e. the aggregate salary) and variable pay. In addition, the Company has option programs as a long term incentive program. There are no additional pension benefits for the group executives. The maximum amount of variable pay for other executives is 40-60% of the aggregate salary of the variable pay earning period.

Remuneration paid to other Executives⁵, EUR

	Salary	Other benefits	Extraordinary payments	Variable payment
2014	954 281	50 265		298 047
2013	914 835	42 609		24 214
2012	853 678	42 609		63 284

⁵ Covers remunerations of the other executives of the Company (excluding the Company's CEO) and the Presidents of the business segments.

Option rights of the other Executives ⁶

	Amount of option rights 31.12.2014	Amount of shares	Original subscription price of the shares to be subscribed, EUR	Current subscription price of the shares to be subscribed, EUR	Costs for option rights, EUR
Option rights 2008B	165 000	165 000	1,05 ⁸	0,71	
Option rights 2008C	340 000	340 000	0,73 ⁹	0,59	83 947

Variable Pay System

Variable pay will be based on achievement of targets. The earning period for the variable pay in 2014 was the calendar year. The variable pay earning period was changed to calendar year in 2011 for corporate functions and Wireless business segment management and in 2012 for Automotive business segment management. In 2010 the earning period was six (6) months.

The targets are set separately for each earning period. The setting of targets and the review of their achievement is decided on a one-over-one basis. The Board of Directors approves the targets of the CEO and the other Company's executives. The Segment Boards approve the targets of the business segment Presidents. The criteria for the short term variable pay are the financial and strategic targets of the Company. In addition, part of the targets may be other objectives of the Company or business segments or personal targets. Personal targets vary between duties. In 2014 the financial targets were operating profit and cash flow of the business segments.

Long Term Reward System

Option Rights 2008

The Annual General Meeting of the year 2008 decided upon issuance of option rights for the key persons of Elektrobit Group. The total aggregate amount of the option rights is 4,200,000 at most. 1,400,000 of the said option rights are marked as 2008A, another 1,400,000 option rights as 2008B and the rest, 1,400,000 option rights, as 2008C. The subscription price of the shares to be subscribed on the basis of above-mentioned option rights is based on the current market price of the share of Elektrobit Corporation in NASDAQ OMX Helsinki in January 2009⁷, January 2010⁸ and January 2011⁹. Subscription periods of the shares to be subscribed on the basis of above-mentioned option rights are as follows: 2008A between April 1, 2012 and March 31, 2014, 2008B between April 1, 2013 and March 31, 2015 and 2008C between April 1, 2014 and March 31, 2016.

The Company's Board of Directors decided on June 5, 2013 on the transfer of stock options 2008A and 2008B to the Finnish book-entry system and to apply for listing on the official list of NASDAQ OMX Helsinki. The stock options 2008A and 2008B were listed in such a way that the trading with the stock options started on June 17, 2013.

The Company's Board of Directors decided on December 20, 2013 on the transfer of series 2008C stock options to the Finnish book-entry system and to apply for listing of 1,400,000 stock options 2008C on the official list of NASDAQ OMX Helsinki. Application was made for the listing to commence on April 1, 2014.

⁶ Covers option rights of the other executives of the Company (excluding the Company's CEO) and the Presidents of the business segments.

⁷ The trade volume weighted average quotation of the share on the OMX Nordic Exchange Helsinki during January 1–January 31 2009.

⁸ The trade volume weighted average quotation of the share on the OMX Nordic Exchange Helsinki during January 1–January 31 2010.

⁹ The trade volume weighted average quotation of the share on the OMX Nordic Exchange Helsinki during January 1–January 31 2011.



Elektrobit

Elektrobit (EB) / Tutkijantie 8, FI-90590 Oulu, Finland / T. +358 40 344 2000 / F. +358 8 343 032 / www.elektrobit.com

Copyright 2015 Elektrobit (EB). All rights reserved. The information contained herein is subject to change without notice. EB retains ownership of and all other rights to the material expressed in this document. Any reproduction of the content of this document without prior written permission from EB is prohibited.