

INCAP CORPORATION'S REMUNERATION REPORT 2020

INTRODUCTION

Incap Corporation's Annual General Meeting held on April 20, 2020 discussed the remuneration policy regarding the company's administrative bodies. The policy defines the principles for the remuneration of Incap's governing bodies, i.e. the Board of Directors and President & CEO. There were no any deviations from the remuneration policy.

The objective of the remuneration of Incap is to promote the long-term financial success and competitiveness of the company and the favourable development of the shareholder value. Remuneration is based on predetermined and measurable performance and result criteria.

The Annual General Meeting decides on the remuneration payable to the Board as well as on the basis for its determination. The remuneration for the Board of Directors can be paid, either fully or in part, in the form of company shares. Remuneration of a non-executive director is arranged separately from the share-based remuneration scheme applicable to the company's President and CEO, other members of the Management Team or personnel.

Incap's remuneration reporting consists of the Remuneration Policy presented to the Annual General Meeting at least once every four years and, as of 2020, the Remuneration Report, presented each year and prepared in accordance with the Corporate Governance Code of 1 January 2020. The Remuneration Report provides information on the fees paid to the Company's governing bodies during the financial period.

The Company's objective is transparency in remuneration as well as fair and encouraging remuneration at all organisational levels. Remuneration also plays a key role in ensuring competitive recruitment and commitment for the Company.

The Board of Directors decides on the remuneration principles relating to the President and CEO and the other members of the Management Team.

Incap's financial and remuneration development over the last five years

Incap's revenue has increased strongly over the last five years, both organically and through acquisition. The revenue continued to increase in 2020 despite the challenges posed by the COVID-19 pandemic.

Financial and remuneration development 2016-2020

	2016	2017	2018	2019	2020
Revenue, 1000 euros	38,6	48,5	59,0	71,0	106,5
Change % from previous year	26,4 %	25,7 %	21,5 %	20,5 %	49,9 %
Operating profit, 1000 euros	3,8	4,5	8,6	10,1	12,6
Change % from previous year	2,1 %	20,2 %	90,7 %	16,8 %	24,9 %
Adjusted operating profit, 1000 euros	3,8	4,5	8,6	10,8	14,6
Change % from previous year	2,1 %	20,2 %	90,7 %	25,1 %	35,2 %

Development of remuneration during past five years

Average compensation

	2016	2017	2018	2019	2020
Chairman of the Board, 1000 euros	15	10	23	32	40
Other members of the Board on average, 1000 euros	10	5	6	21	18
President and CEO					
salaries in total, 1000 euros	235	239	299*	181	199
other benefits, 1000 euros	10	7	5	15	16
stock options and share-based incentives, 1000 euros		-	-	-	32
Average number of employees	511	535	684	830	1424
Average Incap employee, 1000 euros**	6	7	6	5	9

*Incap's CEO changed in 2018 and this increased total salaries.

**The salary development of Incap's average employee is calculated from personnel expenses by deducting other personnel social expenses from the total and dividing it by the average number of employees during the year.

Remuneration of the Members of the Board

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Annual General Meeting held on 20 April 2020 decided that the annual fee to be paid for Chairman of the Board is EUR 40,000 and for the Board members EUR 20,000 and that it will be paid as monthly installments. There is no separate fee for each meeting. Travel expenses are compensated according to the travel rules of the company.

In 2020, the fees paid to the Board members amounted to EUR 93,333 (2019: EUR 73,333). The Board members have no other financial benefits.

<i>Member of the Board</i>	<i>Membership 2020</i>	<i>Remuneration, EUR</i>
<i>Carl-Gustaf von Troil</i>	<i>1 Jan -31 Dec</i>	<i>20 000</i>
<i>Päivi Jokinen</i>	<i>1 Jan -31 Dec</i>	<i>20 000</i>
<i>Ville Vuori</i>	<i>1 Jan - 31 Dec</i>	<i>40 000</i>
<i>Kaisa Kokkonen</i>	<i>20 Apr – 31 Dec</i>	<i>13 333</i>

Remuneration of the President and CEO and other members of the Management Team

The Board of Directors decides on the President and CEO's salary and other benefits.

In 2020, Otto Pukk served as the President and CEO of the company.

The notice period of the President and CEO is six months and the retirement age is determined in accordance with the Finnish Employees' Pensions Act. If the CEO agreement is terminated by the Company, the notice period is six months and the President and CEO is paid a salary during the notice period.

The maximum possible bonus under Otto Pukk's CEO agreement is 30 percent of the fixed annual salary. Payment criteria are revenue, net profit, and net working capital/revenue.

In 2020, the salary paid to Otto Pukk, President and CEO, amounted to EUR 199,264 in total,

including a performance bonus of EUR 22,264. In 2019, the salary paid to Otto Pukk, President and CEO, amounted to EUR 181,011.

The terms of employment and pay of other members of the Management Team are approved by the Board of Directors, which also decides on the Group's performance bonus system. The retirement age of the other members of the Management Team is determined in accordance with the Finnish Employees' Pensions Act.

Members of the Management Team, other than the President and CEO, are paid a fixed salary, which is determined in the management contracts. In addition to the fixed salary, there may be an annual remuneration, which is paid on the basis of agreed metrics depending on achievement of related targets.

In 2020, salaries and other employee benefits paid to the President and CEO and other members of the Management Team amounted to EUR 614,193 (2019: 459,071). 94 percent (2019: 93 %) of the salary and remuneration paid to the President and CEO and the Management Team during the financial year 2020, were fixed salaries.

<i>President and CEO and other members of the Management Team</i>	<i>Fixed salary in 2020, EUR</i>	<i>Performance bonus based on 2019 performance, paid in 2020, EUR</i>
<i>Otto Pukk, President and CEO</i>	<i>177,000</i>	<i>22,264</i>
<i>Other Management Team, in total</i>	<i>400,063</i>	<i>14,866</i>

In May 2020, Incap's Board of Directors resolved to implement a long-term share-based incentive scheme for the company's President and CEO, Otto Pukk. The purpose of the incentive scheme is to support Incap's strategy and incentivise the President and CEO in effective implementation of the post-acquisition integration of AWS Electronics Group. The company has not previously had a share-based incentive scheme for the President and CEO Otto Pukk. Any reward payable on the basis of this incentive scheme is paid out as Incap's new shares.

The earnings period for the President and CEO's incentive scheme included the then ongoing and next financial period of the company that ends on 31 December 2021. During the earnings period, the President and CEO may earn a performance-based reward amounting up to a maximum of 5,730 new shares of the company based on the development of the company's EBIT provided that the President and CEO is still in employment with the company at the date of the payment of the reward. A reward based on the incentive scheme shall be paid after the company's 2022 Annual General Meeting has approved the company's annual accounts for the financial year 1 January 2021–31 December 2021. The shares paid as reward shall not be transferred before the end of a 12-month lock-up period, which begins from the reward payment.

As part of the execution of the incentive scheme, based on the authorization granted by the Annual General Meeting on 20 April 2020 to the company's Board of Directors on issuance of shares, the company's Board of Directors resolved on the directed share issue to the President and CEO. The shares are issued in accordance with the terms and conditions of the incentive scheme.

If the company decides after the beginning of the performance period and before payment of the reward on issue of company's shares or on issue option rights or other special rights entitled to company's shares so that the shareholders have a pre-emptive subscription right, the amount of the reward shall be increased by multiplying the number of earned shares by the share issue multiplier, or in a way resolved by the Board of Directors.



March 2021

At the end of 2020, the members of Incap Corporation's Board of Directors and the President and CEO and their interest parties owned a total of 55,638 shares or 0.96 percent of the company's shares outstanding (40,604 or 0.93 %).

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