



## **SSH COMMUNICATIONS SECURITY**

### **Remuneration Report 2022 for Governing Bodies**

#### **INTRODUCTION**

SSH Communication Security's ("SSH" or "Company") Remuneration Policy was presented in AGM 2020 and this Remuneration Report is compiled according to the Finnish Corporate Governance Code 2020.

The remuneration report is published annually in connection with SSH's corporate governance statement, and it will be presented to the shareholders in the annual general meeting following its publication.

Remuneration Policy sets out the principles for remuneration of the Board of Directors and the Chief Executive Officer ("CEO"). The remuneration of the Board and CEO in 2022 followed the Remuneration Policy framework and principles, and no deviations to the Policy have been made, nor have any claw backs of remunerations taken place.

This Remuneration Report presents information on the remuneration of the Board of Directors and CEO during the fiscal year 2022. It also presents the development of average employee remuneration and company performance over the past five financial years in comparison to CEO and Board remuneration.

#### **REMUNERATION PRINCIPLES**

Remuneration of SSH's governing bodies is based on the Remuneration Policy that was accepted in the Annual General Meeting held on March 26, 2020. The Remuneration Policy is applied until the Annual General Meeting in 2024, unless the Board of Directors decides to present it to the General Meeting earlier. The Remuneration Policy is available at the company website.

All remuneration intends to promote SSH's business strategy, long-term financial success and positive development of shareholder value while being fair, competitive, enhancing commitment and supporting SSH's general objectives.

Remuneration of personnel is based on a total remuneration, which include both variable and fixed components as well as normal personnel benefits. The remuneration of personnel is strongly guided by the performance-based remuneration which is applied throughout the organization.

Entire personnel are subject to a performance-based (individual and company-wide) remuneration scheme. In addition, personnel are mainly part of a long-term remuneration scheme, such as a share- or stock option-based remuneration scheme.



This all aims to a personnel remuneration practice that is aligned with the interests of the Company and its shareholders and helps to engage and motivate key persons to operate in accordance with the shared goals.

The General Meeting decides on the remuneration payable for Board as well as the basis for its determination. Although the Board of Directors is not covered by the same overall remuneration as the personnel, the purpose of the remuneration of the board is also to steer activities towards the same long-term objectives of the Company.

The Board of Directors decides on the remuneration of the CEO in accordance with the Remuneration Policy. Remuneration of the CEO consists of fixed and variable remuneration, the proportions of which are assessed according to the company's business situation at hand and CEO's remuneration is partly based on the same variable components than other employees. The aim of variable remuneration is thus to steer the CEO and the personnel towards the same objectives and create a strong link between the Company's financial performance and CEO remuneration.

The following presents a comparison between the overall remuneration of the CEO and the Board, the average employee remuneration and company performance for the financial years 2018 to 2022. In below, also a graph of share price during the same period is presented.

	2018	2019	2020	2021	2022
Board remuneration in total (k€)	144,3	182,5	109,3	101,2	<b>90,0</b>
<i>Change from previous year %</i>		26,5 %	-40,1 %	-7,4 %	-11,1 %
CEO remuneration in total (k€)	215,6	221,8	396,4	262,7	<b>325,8</b>
<i>Change from previous year %</i>		2,9 %	78,7 %	-33,7 %	24,0 %
Average employee pay, Finland (k€)	84,4	77,2	83,5	84,1	<b>86,4</b>
Average employee pay, Global (k€)	100,7	95,4	95,3	96,7	<b>101,0</b>
Annual turnover (M€)	18,3	14,4	11,3	15,9	<b>19,3</b>

Note: number of board members may change from year to year. More detailed breakdown of board remuneration can be found in CG statements.

Note: Annual total CEO remuneration described above may include remuneration of more than one CEO's and include additional termination compensations. In 2020, SSH had two different CEOs and a termination compensation of 111 450,67 EUR was paid.

Note: Average employee pay has been calculated by dividing the personnel costs from the financial statements by the number of employees.



Share price of Company’s share SSH1V during 2018-2023

**REMUNERATION OF THE BOARD OF DIRECTORS IN 2022**

As stated in the Remuneration Policy of the Governing Bodies approved by the Annual General Meeting in 2020, Board remuneration consist of annual fees for Board members and Chairman.

Decisions on the remuneration of the Board of Directors are made annually by the Annual General Meeting. According to the resolution made by the Annual General Meeting of 2022 the annual remunerations are:

Chairman of the Board	28 800 €
Member of the Board	24 000 €

No separate attendance remuneration is paid. Company has no Committees of the Board.

Annual remuneration of the Board of Directors was not paid partially in shares, share-based rights or in cash with an obligation to acquire Company shares. The members of the Board are not part of the Company’s long-term incentive plan and they have not received other financial benefits. The members of the Board do not have an employment or service contract with the SSH.



Remunerations paid to the Board of Directors during 2022:

<b>Fees to Members of the Board of Directors</b>	
	<b>EUR</b>
Candolin Catharina (as of 25 March 2022)	18 000
Fredrikson Christian	24 000
Kellomäki Sampo	24 000
Tavakka Kai	24 000
Österlund Henri (Chairman of the Board)	0
<b>Total</b>	<b>90 000</b>

Remuneration paid to the members of the Board of Directors during the financial year 2022 was based on the decision of General Meeting and is in compliance with the Remuneration Policy. Österlund was not paid compensation during the year 2022 as per his own request.

## REMUNERATION OF THE CEO IN 2022

The CEO's remuneration includes the fixed monthly salary, fringe benefits and annually agreed variable remuneration components, which may include short-term incentives and long-term incentives such as share- or stock option-based remuneration schemes.

Board of Directors and CEO annually agrees on the incentives/bonuses and related targets. CEO has no extraordinary fringe benefits. During 2022, the CEO was paid a performance bonus of 64 260 EUR based on the performance of year 2021.

The CEO does not have any differing benefits. Additionally, the company does not have any differing pension arrangements for the CEO or other senior management.

The period of notice for the CEO is three months, with 3 months' severance payment.

The CEO's annual salary and other benefits in 2022 were:

- Teemu Tunkelo salary 325 816 EUR + 70 000 option rights

Remuneration paid to the CEO during the financial year 2022 is in compliance with the Remuneration Policy.



## SHORT-TERM INCENTIVES

The annual performance bonus of the CEO may be based on the Company's financial result and other financial and operative targets decided annually by the Board of Directors. In 2022, the maximum amount of annual performance bonus was 100 per cent of the annual salary. The annual performance bonus is always paid in the financial period following the earning period.

During 2022, CEO's short term incentives were based on the following factors: Turnover (60%), Operating Profit / EBITDA (20%) and Subscription on 12/2022 (20%).

In 2022, the earning criteria was fulfilled by 91 %. The performance bonus will be paid in 2023. The prerequisite for the payment is that the employment of the CEO is valid at the time of payment.

## LONG TERM INCENTIVES

CEO's long-term incentives may consist of share- or stock option-based remuneration schemes or other long-term schemes. Board of Directors will decide on all long-term schemes based on the authorization from the General Meeting. In share- and option-based remuneration schemes, the continuation of the service contract may be the sole earning criterion. In addition to the actual remuneration, the objective of the long-term remuneration schemes is to adhere the CEO to the Company and align the interests of the CEO and the Company shareholders.

In 2022, the Board of Directors decided on a new stock option plan 2022A. During 2022, the CEO Teemu Tunkelo was granted 50 000 stock options from 2022A plan, 10 000 stock options from 2019A plan, and 10 00 stock options from 2020A plan.

Stock options granted to the CEO as per 31.12.2022:

Option Plan	Amount	Subscription Period
2018	50 000	Subscribed on 16.11.2021
2019 A	60 000	Subscribed on 11.9.2022
2020 A	385 000	Subscribed on 7.12.2022
2022 A	50 000	23.2.2024-31.3.2026

Earning criteria is the continuation of the service contract. Long-term incentives were granted in compliance with the Remuneration Policy.