marimekko

REMUNERATION POLICY

1 Introduction

1.1 Scope and approval

This Remuneration Policy provides the framework for the remuneration of the members of the Board of Directors and the President and CEO (“CEO”) of Marimekko Corporation (“Marimekko” or “Company”).

This Policy is put forward for an advisory decision by the Company’s Annual General Meeting to be held on 16 April 2024. This Policy shall be applied until the Annual General Meeting to be held in 2028, unless the Board of Directors determines that it should be brought for an advisory decision by the General Meeting at an earlier date.

This Policy has been prepared in accordance with the requirements of the amended EU Shareholders’ Rights Directive (EU) 2017/828, which has been implemented in Finland mainly into the Finnish Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012, as amended), the Government Decree 608/2019, and the Finnish Corporate Governance Code.

1.2 Policy objectives

The aim of this Policy is to promote the Company’s long-term financial performance and the success of the Company, contribute to the favorable development of the shareholder value and increase the commitment to the Company.

This Policy is based on the following principles. The Policy shall:

- support the objectives and targets of the Company’s strategy as well as the Company’s sustainability strategy and the Company’s values;
- create strong alignment with shareholders, by ensuring that a substantial portion of the annual variable remuneration opportunity for the CEO is based on long-term equity-based plans;
- emphasize pay-for-performance by structuring the total target remuneration of the CEO so that a large part of the remuneration opportunity is based on performance-based incentives derived from the Company´s strategy;
- provide a competitive total remuneration opportunity; and
- encourage an optimal level of risk-taking by share ownership and clawback provisions.

The Policy shall be consistent with the remuneration practices of the Company, however taking into consideration the CEO’s specific role as well as demands and responsibilities related to it. The Company’s Audit and Remuneration Committee considers the perspective and input from internal and external stakeholders and regularly consults with the Company’s HR function about the conditions of employment, total compensation and engagement of Marimekko personnel. The Audit and Remuneration Committee also engages regularly with shareholders on pay and broader matters to hear their views on the Company’s compensation principles, plans and associated disclosures and reflects on their feedback.

Marimekko encourages internal entrepreneurship within the Company’s personnel and has previously organized two share issues directed to the personnel of the Company, whereby a large part of the Company’s personnel became shareholders of the Company. Similarly, as with other leadership positions in the Company where performance targets are set in line with the Company’s strategic targets, this Policy ensures that the strategic targets are part of the remuneration of the CEO.

2 Decision-making process of the Remuneration Policy

The Company’s Audit and Remuneration Committee has prepared this Policy for the assessment of the Board of Directors. The Board of Directors has approved the Policy to be submitted for an advisory decision by the Company’s Annual General Meeting. The Audit and Remuneration Committee shall review the appropriateness of the Policy at least annually.

The remuneration of the members of the Board of Directors and the Audit and Remuneration Committee is decided by the Annual General Meeting of the Company based on a proposal by the major shareholders of the Company.

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Company’s Audit and Remuneration Committee within the confines of this Policy.

In order to avoid any conflict of interest, the majority of the members of the Audit and Remuneration Committee shall be independent of the Company and at least one member shall be independent of the Company’s significant shareholders. The Committee has the power in its sole discretion to retain compensation consultants to assist in evaluation of the compensation and to ensure that the remuneration level and structure are in line with the peer group.

The CEO shall not participate in the preparation nor the decision-making regarding their own remuneration.

As part of the remuneration awarded within the confines of this Policy, share-based remuneration may be awarded. The decision-making procedures set forth in this Policy are complied with when share-based remuneration is awarded, and such decisions, when made outside the General Meeting, will be made pursuant to valid authorizations granted by the General Meeting of the Company in accordance with the terms of the relevant authorization, the applicable laws and regulations.

3 Remuneration of the members of the Board of Directors

The remuneration of the members of the Company’s Board of Directors is designed to attract and retain Board members with relevant skills, industry knowledge and experience to oversee the Company’s strategy with emphasis on long-term shareholder value creation.

The Annual General Meeting determines the remuneration of the Board of Directors for the year and the remuneration is disclosed in the Company’s Remuneration Report. The Company’s Audit and Remuneration Committee reviews the remuneration for the Chair and members of the Board of Directors against companies of similar size and complexity. Based on this review, the Committee prepares its proposal to the major shareholders of the Company, who propose the remuneration to the Annual General Meeting and may propose a change in remuneration levels if deemed appropriate.

As a general rule, members of the Board of Directors are not in an employment relationship or have a service agreement with the Company. In case a Board member has a service agreement with the Company (as has been in case of the current Chair of the Board who has been acting as a full- or part-time Chair of the Board of Directors since 2015 and prior to that as the CEO of the Company), the Audit and Remuneration Committee handles and prepares all matters related to the terms of any such service agreement and the payment according to the service agreement. Participation in any long-term or short-term incentive plan of the Company under such service agreement is not possible. As a general rule, the pension is determined by the statutory employee pension plan.

Any remuneration for Board work is always decided on by the Annual General Meeting.

Travelling costs and other out-of-pocket expenses incurred by the Board members in the performance of their duties are compensated in accordance with the Company’s Approval Policy. Such expenses of the Chair of the Board shall always be approved by the Audit and Remuneration Committee.

4 Remuneration and terms of the service contract of the CEO

4.1 Remuneration elements

The remuneration of the CEO may consist of fixed salary and fringe benefits, other benefits, pension as well as short- and long-term incentives, including share-based rewards to align the interests of the CEO with those of the Company. The remuneration elements are described in the table below:

Element	Purpose and link to the Company's strategy	Specifics of the remuneration elements
Fixed salary and fringe benefits	To attract and retain a high performing individual to lead the Company	There is no prescribed maximum amount of fixed salary or annual increases. Normally the level of salary is reviewed annually. When deciding on any salary changes, various factors are taken into consideration including performance of the Company and the individual, role scope, average employee salary increases and external benchmark data. Additionally, fringe benefits can be provided in accordance with the Company's policies and practices.
Short-term incentives	To drive the short-term and thus the Company's long-term strategy, and to monitor the achievement of annually set targets and tying remuneration to the Company's financial and strategic targets.	The short-term incentive is a certain percentage of the annual salary that is paid if the set targets are met. The maximum amount of the short-term incentive is evaluated annually to keep it competitive and in line with the Company's strategy. The maximum annual amount of the remuneration decided by the Board of Directors may be 50% of the CEO's annual salary. The measurable criteria for the short-term incentives are based partly on financial and partly on non-financial operational metrics that are set annually. The financial metrics are related to, for example, revenue growth, operating profit or other financial targets set by the Board of Directors. The operational metrics are based on targets determined by the Board of Directors depending on strategic priorities and targets. The operational metrics also include sustainability-related targets. The weighting of each criterion can be determined by the Board of Directors depending on the focus areas and the importance. Up to 20% of the short-term incentives may be based on operational metrics. Following the end of the year, the Board of Directors evaluates the performance and determines the extent to which each of the targets has been achieved to determine the final payout level. The potential incentive reward is paid only after the external auditor has audited and confirmed the financial result. There is no incentive payout if the threshold target in question is not met.

Long-term incentives	To provide long-term alignment of management's interests with shareholders by linking rewards to the Company's share price performance and/or to reward for delivery of long-term strategic and financial performance	To align remuneration with the Company's strategy and shareholder value in the long term, the total vesting period of the performance-based long-term remuneration shall be a minimum of three (3) years. In case the earnings period is shorter the lockup period shall be extended accordingly. The long-term incentive plan earning opportunity is capped by a maximum limit set by the Board. The criteria for the long-term incentive plan shall be at least partly based on strategic metrics focusing on share price performance, i.e. total shareholder return. The Board of Directors can link any of such rewards besides the Company's share price performance to other financial or strategic targets. The reward of such plans can be payable in cash and/or shares.
Pension	To provide competitive retirement benefits	The CEO participates in the statutory retirement benefit plan in Finland. If other retirement arrangements are agreed, they shall reflect relevant market practice and be regarded as a part of the total compensation.
Other benefits and plans	To provide flexibility in adjusting to changes in business or in position	Additional benefits and allowances may be offered in certain circumstances such as relocation or international assignment in line with the Company's practices.
The variable part of compensation at target level shall be at least 50% of fixed salary including fringe benefits. In the variable share of the compensation, the weight of the long-term incentives shall be larger than the short-term incentives.		

4.2 Share ownership requirement, transfer restrictions, deferral period

The shares received as a part of the reward of a long-term incentive plan shall be held for a period to be decided by the Board of Directors, which thus far has been two years. The Board of Directors may for weighty reasons permit the transfer of shares before the end of the restriction period.

The Board of Directors has the right to reduce rewards under the incentive plans or defer the payment to a time that is more favorable to the Company, if changes in circumstances beyond the Company's control would result in materially adverse or unacceptable result for the Company.

4.3 Service contracts and termination provisions

If the CEO resigns, the term of notice is six months. If the Company terminates the contract, the term of notice is six months, and the CEO is entitled in addition to the salary of the notice period to a severance payment corresponding to the regular salary for six months. The remuneration related to the termination is tied to a fixed term non-compete obligation.

In case the contract is terminated or the CEO retires, the payable remuneration based on short- and long-term incentive plans is determined in accordance with the terms and conditions of the applicable plans.

4.4 Discretion and conditions for recovery

The Board of Directors may, at its discretion, in exceptional circumstances, postpone or cancel any or all of the rewards related to the short- and/or long-term plans, for example if the Company's performance has deteriorated significantly. The Board of Directors may also, in exceptional circumstances, recover a reward already paid or an amount of cash equivalent to the value of the earned shares, for example if the payment of the reward has been based on incorrect or misleading information or if the recipient has acted in violation of laws, regulations or the Company's policies.

5 Deviation from the Policy

Upon recommendation of the Audit and Remuneration Committee, the Board of Directors may, based on its full discretion, resolve to temporarily deviate from any sections of the Policy to safeguard the Company’s long-term interests in the circumstances described below:

- Change of the CEO or appointment of a deputy to the CEO or other exceptional personnel changes
- Material change in the Company’s group structure, organization, ownership and/or business (for example merger, takeover, demerger, acquisition, etc.)
- Material changes in applicable legislation (including tax laws)
- Material changes or changed circumstances in the Company’s operating environment or material change in the Company’s financial position or outlook

Changes may be applied to remuneration components, incentive plan structures, instruments and mechanisms, as well as incentive plan timelines, metrics and earning opportunities and contract clauses as seen necessary in order to ensure the development of the long-term shareholder value of the Company. Any deviation from the Policy must be carefully considered by the Board of Directors and communicated transparently to shareholders. If the deviation is not considered temporary, the Company will present the next General Meeting with a revised Policy. The Audit and Remuneration Committee prepares the revised Policy for the Board of Directors for approval. After the changes have been approved, the revised Policy is presented to the General Meeting.