

MARTELA CORPORATION'S REMUNERATION REPORT 2020

1 Introduction

This remuneration report provides an overview of how Martela's Remuneration Policy has been implemented in 2020 as well as details of the remuneration of company Board of Directors and CEO.

Remuneration principles

The goal of Martela's Remuneration is to align Martela shareholders and executives' objectives on short-term and long-term basis as well as to commit executives to execute Company's strategy on becoming the workplace thought leader. Martela's Remuneration has been designed to attract, retain and motivate the most suitable talent to lead Martela and contribute to the success of Martela.

The Board of Directors may temporarily deviate from the Remuneration Policy in exceptional circumstances such as essential changes to the operating conditions of the Company.

In 2020, no deviations from policy were conducted.

Decision-making process

The remuneration payable for the Board of Directors is decided by Martela's Annual General Meeting. The Annual General Meeting also decides on the Board of Directors' authorizations to decide on repurchase of own shares and the issuance of shares or special rights entitling to shares that can be used e.g. as part of Martela's incentive schemes.

The remuneration and other terms of employment of the Company CEO are decided by The Board of Directors. The Board of Directors authorizes the Human Resource and Rewarding Committee to decide on the remuneration issues and annual performance bonus scheme of the CEO.

Annual development of remuneration and Company financial performance

Yearly development	2020
Remuneration of the Board, annual fees	+0%
Remuneration of the CEO ¹	-5,4%
Remuneration of the employees (average) ²	-13,4%
The company's financial development	
Revenue	-16,8%
EBIT	-96,8%

¹ The development of the remuneration of the CEO is calculated as a percentage change in the total annual remuneration of Matti Rantaniemi.

² Personnel costs according to the company's financial statements divided by the number of employees.

2 Remuneration of the Board of Directors

Members of the Board shall be paid a monthly fee for being a Board member, annual fee for being in a Board Committee(s) and realised travel expenses. All fees are paid in cash and no separate meeting fee shall be paid.

In the Annual General Meeting in 2020 it was decided that fees for the members of the Board shall be 3.400 Euro per month for the Chairman and 1.700 Euro per month for the Board members. In addition, Board members shall receive a Euro 1.600 per annum for being a member in a Board Committee(s).

The fees paid to the Chairman and to the members of the Board in 2020 totaled EUR 60 000 and EUR 218 400.

Member / position	Monthly fee	Committee fee	Total
Heikki Martela	3 400€	1 600€	60 000€
Minna Andersson	1 700€		20 400€
Eero Martela	1 700€	1 600€	39 600€
Jan Mattsson	1 700€	1 600€	39 600€
Katarina Mellström	1 700€	1 600€	39 600€
Johan Mild ³	1 700€	1 600€	29 700€
Eero Leskinen ⁴	1 700€	1 600€	9 900€
Anni Vepsäläinen	1 700€	1 600€	39 600€

³ Johan Mild started as Board member as from April 1, 2020.

⁴ Eero Leskinen acted as Board member until March 30, 2020.

3 Remuneration of the Company CEO

In 2020 Martela had two CEOs. Matti Rantaniemi served as a CEO from January 1st to October 18th. Rantaniemi's remuneration consisted of annual base salary, fringe benefits, short-term incentive plan and share-based incentive plan 2019-2020.

Artti Aurasmaa was appointed CEO on October 19th. His remuneration consisted of only fixed salary and fringe benefits. Aurasmaa was not eligible to incentive plans in 2020 due to his appointment at the end of the financial year.

Annual salary and fringe benefits

CEO's salary is based on full compensation basis, including the fixed salary and the fringe benefits. Fixed salary of Matti Rantaniemi in 2020 was 257 306 euros and fringe benefits of 14 040 euros. Fixed salary of Artti Aurasmaa in 2020 was 49 042 euros and fringe benefits of 50 euros.

Pensions

Pension accumulation and retirement age of the Company CEO is determined by the terms of the applicable laws. Pension payment for the Company CEO is based on the Finnish Pension Act (TyEL). The Company CEO has no supplementary pension scheme.

Short-term incentive plan

CEO is also compensated with short-term incentive plan, which is based on financial targets set by Company's HRRC Committee. Time period for the short-term Incentive plan is one year and it is paid annually. Maximum outcome from this incentive plan is 45% of the annual salary without the fringe benefits.

Short-term incentive plan	
Metrics	Weight
Company Revenue	50%
Company EBIT	50%

Criteria for the plan was not achieved and thus no reward based on the earning period outcome was paid to Matti Rantaniemi.

Share based incentive plan 2019-2020

Criteria for the plan is tied to performance of Company's Revenue and EBIT. Performance was measured at end of the earning period. Maximum outcome for the plan was 30 000 Martela's A shares and cash component covering the tax implication from received shares. Shares cannot be sold or transferred for a one (1) year from receiving the shares.

Criteria for the plan was not achieved and no shares were allocated to Matti Rantaniemi.

Other terms of Company CEO's employment

Termination of the CEO's contract for Company's and for CEO is 6 months. If contract is terminated by the Company, CEO is entitled for additional 6-month severance pay without obligation to work for the Company.

The Company CEO must hold 50% of the net shares given on the basis of the long-term incentive plans, until his shareholding in the Company in total equals the value of his gross annual base salary. Such number of shares must be held as long as the key person holds the position of the Company CEO.

The share ownership requirement of Matti Rantaniemi had reached the required level at the termination of his employment. At the end of 2020 the share ownership of the Artti Aurasmaa had not yet reached the required share ownership level.

Malus and claw back

Based on the terms and conditions of the long-term and short-term incentive plans, Martela Board of Directors retains the ability to reduce or claw back awards where the Company CEO has acted fraudulently or dishonestly or is in material breach of their obligations to the Company, or where the Company becomes aware of material misstatement or omission in the financial statements of the Company, or circumstances occur that the Board determines to have resulted in an unfair benefit to the recipient.

The claw back clause was not applied in 2020.

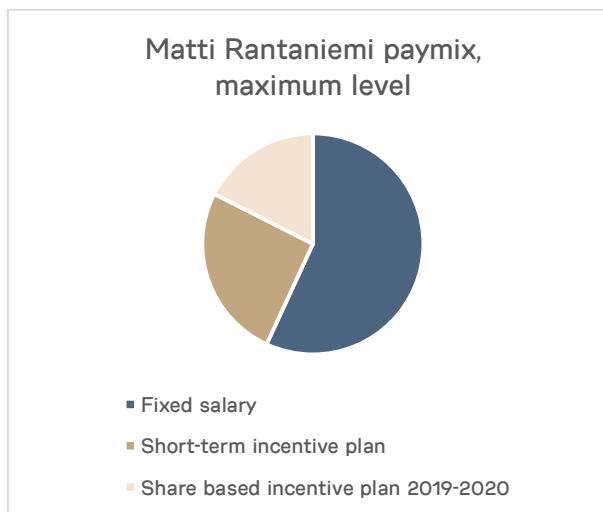
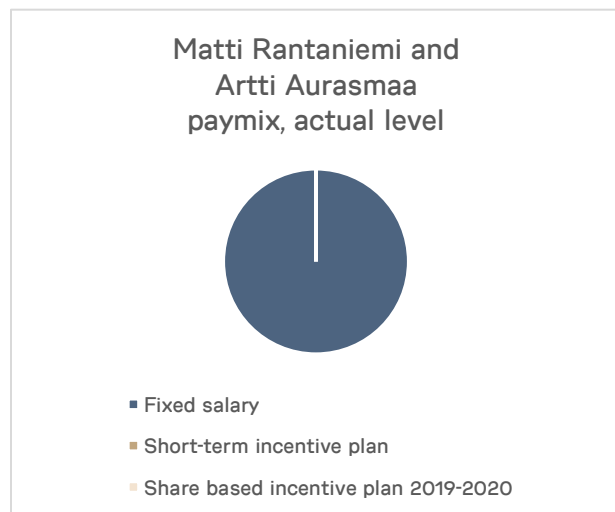
Paid in 2020

	Matti Rantaniemi, 1.1.-19.10.	Artti Aurasmaa, 19.10.-31.12.
Fixed salary	257 306 €	49 042 €
Fringe benefits	14 040 €	50 €
Total:	271 346 €	49 092 €

Granted in 2020, will be paid in 2021

	Matti Rantaniemi
Severance pay	132 600€
Wages due	117 653€

Relative shares of CEO's remuneration elements ⁵



⁵ The maximum level of Share based incentive plan is calculated as maximum number of shares allocated to CEO with share price 2,64€.