

Remuneration report 2020

1. Introduction

The Board of Directors of Honkarakenne has approved Remuneration Policy at its General Meeting in 2020. The Remuneration Policy describes the practices and principles associated with remunerating Honkarakenne's Board members and the CEO. Honkarakenne's corporate governance is based on recommendations of the Finnish Corporate Governance Code 2020 and the provisions of the Securities Markets Act and Limited Liability Companies Act.

This Remuneration Report discloses the remuneration of the members of the Company's Board of Directors, of the CEO for the preceding financial year and compares the development of the average remuneration of Honkarakenne's employees and of the Company's financial performance to the development of the fees paid to the Company's governing bodies. This Remuneration Report describes how the Remuneration Policy has been implemented over the preceding financial year.

The remuneration of Honkarakenne is based on the following main principles presented in the Remuneration Policy:

- The opportunity for overall remuneration must be sufficiently competitive in relation to the market level.
- Performance-based incentives form part of the CEO's remuneration potential.
- Some of the performance-based incentives emphasize long-termism, being linked to shareholder value development and the company's strategy.

Deviations from the Remuneration Policy and exercise of Clawback

The Company has not exercised the right to deviate from the Remuneration Policy nor exercised the option of clawback of remuneration.

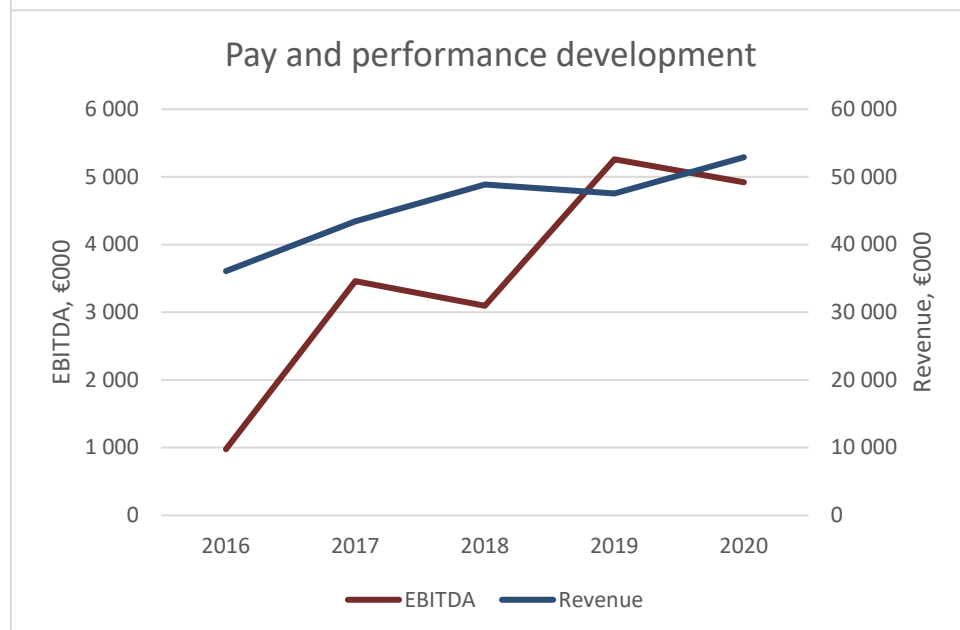
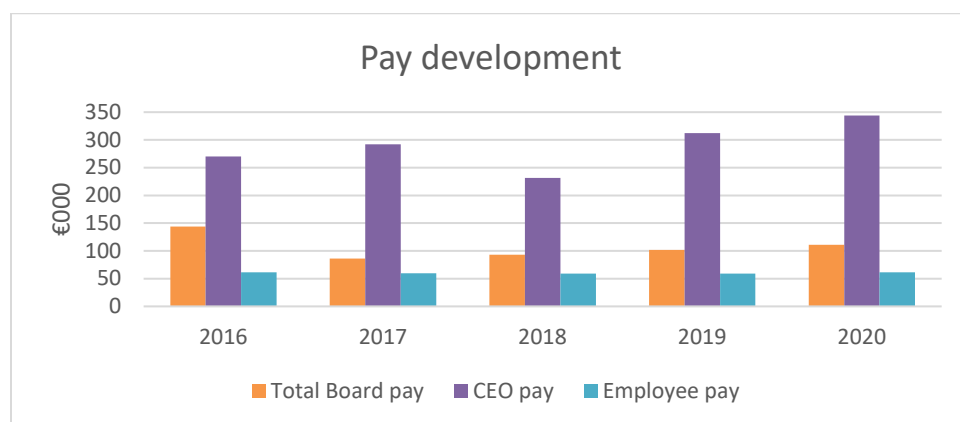
Development of remuneration and fees

Below is a comparable description of the fees paid to the Board members and CEO and remuneration of employees and the financial performance of the Company.

The fees paid to the Board members and the CEO have remained stable over the past five years. The decrease in total Board pay in 2017 is explained by changes in the Board composition.

The employee pay is presented as average annual expenses per employee. The total employee expenses have increased as the number of employees also increased similarly.

€000	2016	2017	2018	2019	2020
Total Board pay ¹	144	86	93	102	111
CEO pay ²	270	292	232	312	344
Employee pay (average) ³	62	60	59	59	62
Revenue	36 080	43 413	48 864	47 549	52 896
EBITDA	977	3 460	3 094	5 259	4 920



¹ Total annual fees of Board members.

² The total annual remuneration of the CEO.

³ Personnel costs according to the company's financial statements divided by the number of employees (FTE).

2. Remuneration of the Board of Directors

The General Meeting of Honkarakenne decides on the basis for remuneration for work in the Board. The remuneration of Board members consists of monthly remuneration and possible Board Committee meeting remuneration. In the General Meeting 29 May 2020 the following fees were decided to be remunerated to Board members:

	FEE, EUR
Monthly fee of Chair of the Board	3 000
Monthly fee of member of the Board	1 700
Meeting fee of possible Board Committee	500/meeting

The Board members do not have an employment relationship with the Company and are not part of any share-based remuneration scheme of the Company. The travel costs of permanent Board members will be reimbursed according to the Company's travel policy.

In 2020 the Board of Directors had 5 members and met 15 times. The Board did not have committees in 2020 nor paid any Committee meeting fees. The fees to the Board were paid fully in cash once a month. There are no additional financial benefits paid to the Board members in 2020. The payments made in 2020 are described in the table below.

All fees paid to the Company's Board of Directors are made within the framework of the effective Remuneration Policy for governing bodies presented to the Annual General Meeting.

	PAID in 2020
	Annual fee, EUR
Ristola Arimo Chairman of the Board	33 500
Kohtamäki Timo Member	19 400
Ruonen Helena Member	19 400
Saarelainen Kari Member	19 400
Saarimäki Kyösti Member	19 400
TOTAL	111 100

3. Remuneration of the Group CEO

The terms of the CEO's remuneration and contract shall be decided by the Board. CEO remuneration has complied with the valid remuneration policy.

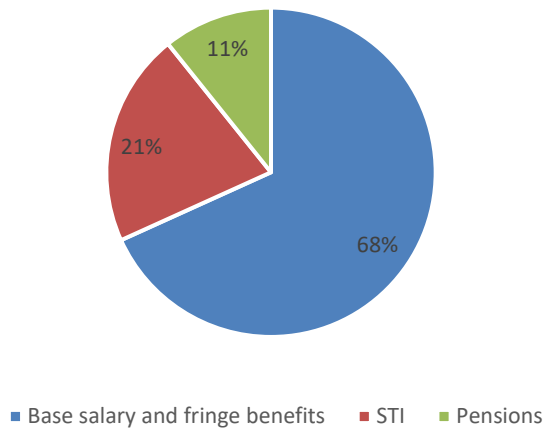
The CEO's remuneration consists of a fixed monthly salary including fringe benefits, variable long- and short-term incentive schemes based on performance, and any other elements that may be included in the remuneration policy. Long- and short-term incentive schemes form the performance-based part of the CEO's remuneration. In 2020 the CEO had no long-term incentive scheme in place.

In 2020 the CEO was paid a total fee of EUR 343 910. The CEO's remuneration consisted of the following in 2020:

- salary
- fringe benefits (incl. medical expenses insurance)
- voluntary pension insurance, which amounted to two monthly salaries in 2020 including additional pension plan payment and payment related to the short-term incentive.
- remuneration for short-term performance-based incentive scheme decided by the Board, that is, the 2020 bonus. The remuneration under the short-term performance-based incentive scheme consisted of both cash and share-based elements.

Element	Paid fees in 2020	Fees due in 2021
Fixed base salary	232 860	-
Fringe benefits	1 800	-
Short-term incentive		
<i>Performance period 2019</i>	37 000	-
<i>Performance period 2020</i>	-	-
Share-based incentive		
<i>Performance period 2019</i>	35 250	-
<i>Performance period 2020</i>	-	16 000
Supplementary pensions based on pension plan	18 500	-
Supplementary pensions based on short-term incentive		
<i>Performance period 2019</i>	18 500	-
<i>Performance period 2020</i>	-	18 500

Paymix of CEO in 2020

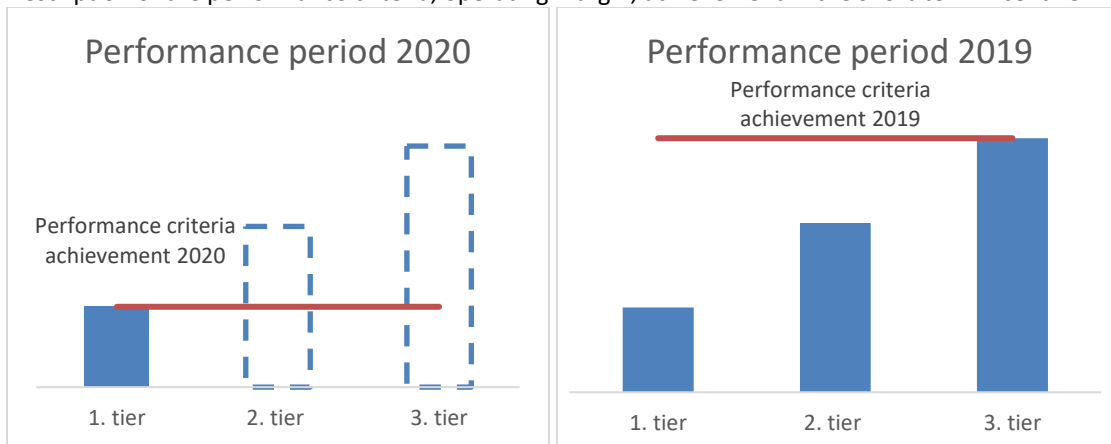


Short-term incentive

Short-term, performance-based incentive schemes are part of the CEO’s annual remuneration system. Short-term, performance-based incentive schemes may include elements paid in cash and/or share-based elements, and supplementary pension cover.

In 2020, the CEO’s incentive scheme based on short-term performance was in three tiers, and tied to the budgeted operating margin. The scheme’s first-tier bonus corresponded to a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj’s Series B shares. The second-tier bonus consisted of the first-tier bonus, a cash bonus worth one monthly salary and 5,000 of Honkarakenne Oyj’s Series B shares. The scheme’s third-tier bonus corresponded to the second- and third-tier bonuses, a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj’s Series B shares.

Description of the performance criteria, operating margin, achievement in the short-term incentive:



Pension scheme

The CEO’s pension cover has been organized with statutory pension cover that is based on length of service and

earnings. The CEO's retirement age is determined by the Employees Pensions Act.

As part of the CEO's overall remuneration, supplementary pension cover of one month's salary was offered in addition to statutory cover. In addition, based on the short-term incentive an additional one month's salary amount of pension cover was paid on the achievement of the first tier in STI. Supplementary pension cover was implemented as defined contribution plan.

Conditions for termination

If the CEO's contract is terminated, the CEO's compensation will be determined on the basis of contractual obligations and the incentive scheme's terms and conditions.

The CEO's contract specifies the CEO's period of notice and any severance pay. The CEO's notice period is six months on both sides. If the CEO's contract is terminated by the company, the CEO will also receive additional severance pay equivalent to six months' salary.