



# 2022

REMUNERATION REPORT

modulight

modulight

## Introduction

This remuneration report of Modulight Corporation has been prepared in accordance with the Finnish Corporate Governance Code 2020 of the Finnish Securities Market Association. This remuneration report provides information on the implementation of the company's remuneration policy and the remuneration of the governing bodies in the financial year 2022. The remuneration policy for Modulight's governing bodies has been approved at the Company's Annual General Meeting on May 2, 2022.

Modulight's remuneration policy defines the company's general principles and decision-making processes regarding the remuneration of Modulight's Board of Directors and CEO. Where appropriate, the principles applicable to the CEO shall also be applied to the Deputy CEO.

The purpose of the remuneration policy is to support the company's strategic objectives and to promote its competitiveness and long-term financial success. The Remuneration Committee of the Board of Directors prepares the remuneration policy, and the Board of Directors presents it to the General Meeting. The Remuneration Committee and the Board of Directors supervise compliance with and effectiveness of the remuneration policy, the competitiveness of remuneration and the extent to which the remuneration policy contributes to the company's long-term objectives.

The remuneration policy will be applied until the Annual General Meeting to be held in 2026, unless the Board of Directors decides to propose it for consideration at the Annual General Meeting earlier.

The remuneration of the Board of Directors and the CEO in the financial year 2022 has been in line with the company's remuneration policy. The company has not deviated from the remuneration or clawed back remunerations during the financial year. During the financial year, the company has not deviated from the remuneration policy or recovered the fees. At the Annual General Meeting 2022, 95% of the votes cast supported the adoption of the remuneration report.

## Salaries and fees paid 2018-2022

EUR 1,000	2022	2021	2020	2019	2018
Board of Directors					
Jyrki Liljeroos (Chairman)	60	42	24	24	24
Other members of the Board	150	87	54	54	45
CEO					
Seppo Orsila	272	217	180	180	165
Average salary of the rest of the personnel <sup>1)</sup>	50	53	51	44	48

<sup>1)</sup> Total wages and salaries paid divided by the average number of personnel for the year, excluding the CEO's and Board of Directors' salaries.

## Financial development 2018-2022

EUR 1,000	2022	2021	2020	2019	2018
Revenue	4,599	9,071	10,062	7,192	6,174
EBITDA	-5,936	461	5,787	4,457	3,229

## Remuneration criteria

The purpose of Modulight's remuneration policy is to provide the CEO with balanced and market-based total remuneration that motivates the CEO and is based on the company's long-term strategy, competitiveness and the achievement of sustainable financial results in line with the company's objectives. The annual variable remuneration is based on performance against the set annual targets.

The remuneration of the Board of Directors and the CEO is tied to the company's short- and long-term profitability, in which case the remuneration promotes the company's business strategy and long-term financial success. In addition, the aim is to promote the positive development of the company's shareholder value and to promote the long-term commitment of the company's Board of Directors and CEO to the company's objectives.

The Company's Board of Directors decides on the terms of the CEO's contract based on the proposal of the Remuneration Committee and in accordance with the remuneration policy.

The Remuneration Committee regularly monitors and assesses the effectiveness and appropriateness of the remuneration policy and the remuneration of the CEO to ensure that they are in line with the company's business requirements, strategy and the interests of shareholders.

## Form of remuneration

The remuneration of the members of the company's governing bodies may be paid in part or in full in shares or other share-linked instruments within the framework of applicable legislation and other authorizations granted to the Board of Directors by the Annual General Meeting. No new shares or share-based rights were granted or offered in the financial year 2022.

## Board of Directors

The remuneration of a member of the Board of Directors may consist of one or more parts. A member of the Board of Directors may be paid, for example, an annual or monthly fee as well as a meeting fee for Board meetings or meetings of committees and bodies. The Chairman of the Board of Directors and the chairmen of the committees appointed by the Board of Directors may be paid an increased fee. In addition to the remuneration of the Board of Directors, the members of the Board of Directors may be reimbursed for travel expenses and/or other expenses directly incurred as a result of the Board's work in accordance with the decision of the Annual General Meeting. A long-term stock option plan can also be implemented to reward the members of the Board of Directors so that the interests of the members of the Board of Directors are consistent with those of the company and its shareholders. In the financial year 2022, the members of the Board of Directors have not been covered by the long-term stock option plan, and no voluntary pension contributions have been paid to the Board of Directors.

The remuneration paid to the members of the Board of Directors may be paid in cash and/or shares in part or in full. No shares have been issued or offered in the financial year 2022. In its resolution, the Annual General Meeting may require that the remuneration paid in cash be used in whole or in part to repurchase the company's own shares. The members of the Company's Board of Directors are not entitled to a short-term cash incentive plan based on their duties as members of the Board of Directors.

If a member of the Board of Directors has an official or employment relationship with the company, he or she will be paid a regular salary based on an employment or employment relationship in accordance

with market practice, and the remuneration of the Board of Directors is determined on the same basis as for other members of the Board of Directors. In situations where a member of the Board of Directors who is not employed or employed by the company participates in the development of the company's operations on a project-based basis outside of his or her Board duties, a separate reasonable compensation may be paid for this work in accordance with the Board's decision.

The remuneration paid to the members of the Board of Directors in 2022 is described on page 6.

## CEO

The Board of Directors decides on the remuneration and other financial benefits of the President and CEO based on the preparatory work of the Remuneration Committee. Any changes to the CEO's salary and remuneration will only be made with the approval of the Board of Directors.

The remuneration of the President and CEO primarily consists of a monthly salary, employee benefits and variable bonuses, as well as possible long-term incentive and commitment programs, the use of which is at the sole discretion of the Board of Directors. In addition, the CEO may be granted a separate reasonable supplementary pension plan or other possible benefits to ensure that the qualified CEO is committed to the development of the company. The fixed salary is fixed in the CEO's contract. Part of the salary can be replaced by housing allowance or car benefit. When determining the CEO's fixed salary, their professional qualifications and responsibilities, as well as the general salary level in similar positions, are taken into account.

The variable bonus is tied to the company's financial success and the achievement of the company's strategic goals. The Company's Board of Directors decides on the criteria for the accrual of the variable bonus and the targets set for each criterion at the beginning of each accrual period. The realization of the remuneration is assessed at the end of the accrual period in connection with the CEO's annual performance evaluation. The criteria defined by the Board of Directors may cover, among other things, the company's commercial development, net sales, operating profit, customer retention, operational efficiency, employee satisfaction, product development progress and growth by product group.

The Board of Directors carefully assesses annually what is the appropriate ratio between the CEO's fixed and variable remuneration to best serve the company's current business phase and goals. The Board of Directors decides on a case-by-case basis on the possible long-term incentive and

commitment plans granted to the CEO. Based on the variable performance-based bonus plan, long-term incentive plans or commitment plans, the remuneration paid to the CEO may be paid in cash and/or shares in part or in full. A variable bonus has not been paid in the financial year 2022.

The remuneration paid to the CEO in 2022 is described on page 7.

When terminating the CEO's contract, both the company and the CEO must observe a six-month notice period. If the company terminates the contract, the CEO is entitled to severance pay in addition to the salary for the notice period, which corresponds to his basic salary multiplied by eighteen. Variable components of remuneration, such as commissions, bonuses, fringe benefits, other benefits and share-based rewards, are not taken into account as remuneration in the calculation of severance pay. Severance pay is not paid if the CEO terminates the contract, or the contract is terminated due to the CEO's retirement. No severance pay will be paid if the company terminates the CEO's contract.

## Development of remuneration

The table below shows the development of the average remuneration of the Board of Directors, the CEO and the company's personnel.

### Total fees paid 2018–2022

EUR 1,000	2022	2021	2020	2019	2018
Board of Directors					
Jyrki Liljeroos (Chairman)	60	42	24	24	24
Other members of the Board	150	87	54	54	45
CEO					
Seppo Orsila	272	217	180	180	165
Average salary of the rest of the personnel <sup>1)</sup>	50	53	51	44	48

<sup>1)</sup> Total wages and salaries paid divided by the average number of personnel for the year, excluding the CEO's and Board of Directors' salaries.

### Financial development 2018–2022

EUR 1,000	2022	2021	2020	2019	2018
Revenue	4,599	9,071	10,062	7,192	6,174
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## Remuneration of the Board of Directors

The Annual General Meeting of Modulight Corporation resolved on May 2, 2022, that the remuneration of the Chairman shall be EUR 5,000 per month and that the remuneration payable to the members of the Board of Directors shall be EUR 2,500 per month. In addition, it was resolved that the remuneration of the members of the Board of Directors may be paid both in the company's shares and in cash, and that the members of the Board of Directors will be reimbursed for travel expenses in accordance with the company's travel instructions against supporting documents. No separate remuneration is paid for the work of the Remuneration Committee.

At the end of the financial year 2022, the Board of Directors of Modulight Corporation consisted of Jyrki Liljeroos (Chairman), Pia Kantola, Timur Kärki, Seppo Orsila, Kalle Palomäki and Petteri Uusimaa.

### Salaries and fees of the members of the Board, including share-based payments

EUR 1,000	2022	2021
Jyrki Liljeroos (Chairman)		
Board fee	60	31
Share-based payments		9
Total	60	42
Pia Kantola		
Board fee	30	8
Total	30	8
Timur Kärki		
Board fee	30	8
Total	30	8
Seppo Orsila		
Board fee	30	34
Salary	242	194
Share-based payments		138
Total	272	355
Kalle Palomäki		
Board fee	30	24
Salary	121	75
Share-based payments		9
Total	151	108
Petteri Uusimaa		
Board fee	30	24
Salary	167	165
Share-based payments		138
Total	197	327
Board of Directors total	740	848

## Remuneration of the CEO

The remuneration of the CEO primarily consists of a monthly salary, employee benefits and variable bonuses, as well as possible long-term incentive and commitment programs, the use of which is at the sole discretion of the Board of Directors. In addition, the CEO may be granted a separate, reasonable supplementary pension plan or other potential benefits to ensure that the qualified CEO is committed to the development of the company. In 2022, the CEO has not been covered by a long-term incentive and commitment plan and has not been granted stock options.

The fixed salary is fixed in the CEO's contract. Part of the salary can be replaced by a housing benefit or a car benefit. The variable bonus is tied to the company's financial success and the achievement of the company's strategic goals. In 2022, The CEO was not paid variable remuneration. In the financial year 2022, the CEO has been paid a contribution-based supplementary pension of EUR 9,000. The CEO has the right to retire at the age of 60.

EUR 1,000	2022	2021
Seppo Orsila		
Salary	270	194
Taxable employee benefits	3	23
Voluntary pension contributions	9	9
Share-based payments		138
Total	282	363



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## Modulight in brief

Modulight Corporation is a biomedical laser company that designs and manufactures products for oncology, ophthalmology and genetics. The company also provides solutions for selected high value-add applications including quantum computing and digital press. The company's products include medical devices, subsystems, software, cloud services and specialized semiconductors. Modulight's products are used worldwide by many Fortune 500 companies, pharmaceutical companies, and well-known cancer centers and universities. Modulight was founded in 2000 and is headquartered in Tampere, Finland. [www.modulight.com](http://www.modulight.com)

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