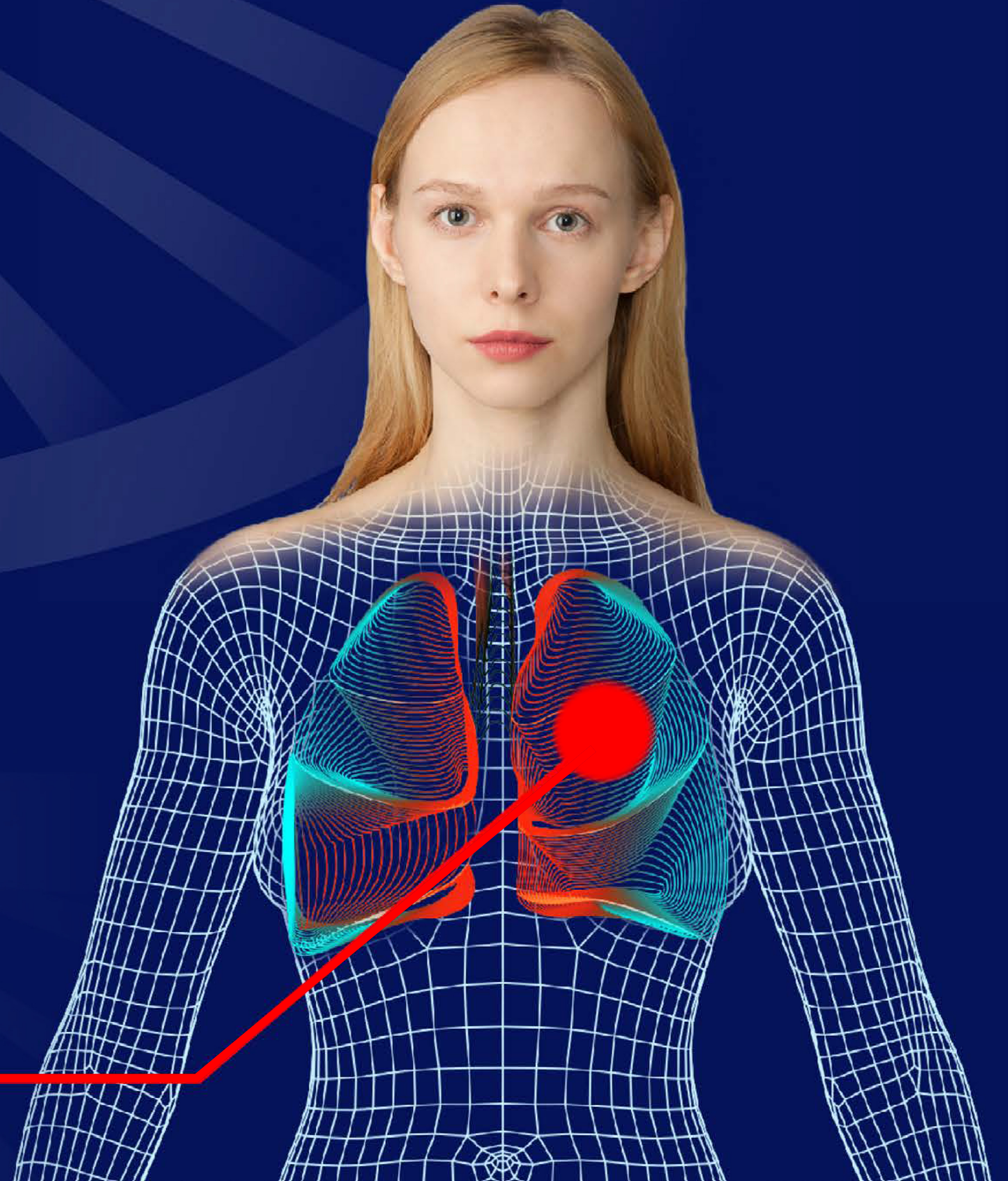


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# Remuneration Report 2021

modulight

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# Modulight Corporation's Remuneration Report 2021

## Introduction

This Modulight Corporation's ("the **Company**") remuneration report has been prepared in accordance with the Finnish Corporate Governance Code that entered into force on 1 January 2020. Prior to this remuneration report, no Remuneration Policy of the governing bodies in accordance with the corporate governance code ("the **Remuneration Policy**") has been presented to the Company's Annual General Meeting. The first Remuneration Policy will be presented to the Company's Annual General Meeting to be held on 2 May 2022. However, the Remuneration Policy has been applied to the Company's governing bodies already in 2021. The Remuneration Policy will be applied until the Annual General Meeting to be held in 2026, unless the Board of Directors decides to submit it to the Annual General Meeting before that.

The Remuneration Policy sets out the Company's general principles and decision-making processes that apply to the remuneration of the Company's Board of Directors and the CEO. The principles applied to the CEO will be applied to the deputy CEO, if necessary.

The purpose of the Remuneration Policy is to support the Company's strategic goals and promote its competitiveness and long-term financial success.

The Board's Remuneration Committee prepares the Remuneration Policy, and the Board of Directors presents it to the General Meeting. The Remuneration Committee and the Board of Directors monitor the compliance with and the effectiveness of the Remuneration Policy, the competitiveness of the remuneration and the extent to which the Remuneration Policy promotes the long-term goals of the Company.

The Company has prepared this Remuneration Report in accordance with the Finnish Corporate Governance Code 2020 of the Finnish Securities Market Association. A report on the remuneration will be presented annually at the Company's Annual General Meeting. The remuneration of the Board of Directors and the CEO in the financial year 2021 has been in accordance with the Company's Remuneration Policy. The Company has not deviated from the Remuneration Policy during the financial year.

## Remuneration criteria

The purpose of the Remuneration Policy is to provide the CEO with a balanced and market-based overall remuneration that motivates the CEO and is based on the Company's long-term strategy, competitiveness, and the realization of the sustainable financial result compliant with the Company's objectives. The annual variable remuneration is based on performance against set annual targets.

The remuneration of the Board of Directors and the CEO is linked to both the Company's short term and long-term profitability, through which the remuneration promotes the Company's business strategy and long-term financial success. In addition, the objective is to contribute to the positive development of the Company's shareholder value and foster the Company's Board of Directors' and CEO's long-term commitment to the Company's goals.

The Company's Board of Directors decides on the provisions of the managing director agreement for the CEO based on the proposal given by the Remuneration Committee and in accordance with the Remuneration Policy. The Remuneration Committee regularly monitors and assesses the efficiency and appropriateness of the Remuneration Policy and the CEO's remuneration in order to ensure that they comply with the Company's business requirements, strategy and shareholders' interests.

## Formulation of remuneration

The remuneration of the Company's bodies can be paid partially or entirely in the form of shares or other share-related instruments pursuant to the applicable legislation and other regulations within the scope of the authorization that the General Meeting has granted to the Board of Directors.

## Board of Directors

The remuneration of the Board of Directors can consist of one or more components. The Board of Directors can, for instance, be paid an annual or a monthly fee as well as a meeting fee for board meetings or committee and governing body meetings. Increased remuneration can be paid to the Chair of the Board and to the committee chairs appointed by the Board of Directors. In addition to the board fees, the Board members may be compensated for travelling expenses and/or other costs directly incurred by the board work as decided by the General Meeting. Board members may also be compensated with a long-term stock option plan in order to align the interests of board members, the Company and shareholders.

Remuneration paid to the Board members can be paid in cash and/or shares partially or in full. In its resolution, the General Meeting may require that the rewards to be paid in cash must be used entirely or partially in order to acquire the Company's shares. The members of the Company's Board are not eligible for short-term incentive plans paid in cash based on their position as a member of the Board.

If a Board member is in a service or employment relationship with the Company, they will be paid a regular salary in accordance with the market practice that is



based on the service or employment relationship, and the board fee will be determined on the same basis as that of other members of the Board. In situations where a Board member who is not in an employment or a service relationship with the Company participates in the development of the Company's operations outside of their board duties in a project-like manner, a separate reasonable compensation can be paid for such work pursuant to the Board of Directors' decision.

Remuneration paid to the Board members in 2021 is outlined below.

**CEO**

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

The CEO's remuneration is primarily comprised of a monthly salary, employee benefits, and variable bonuses as well as possible long-term incentive schemes and commitment programs, the use of which is at the sole discretion of the Board of Directors. In addition, the CEO can be granted a separate, reasonable supplementary pension arrangement or other possible benefits to ensure that a competent CEO is committed to the Company's development. The fixed salary is confirmed in the managing director agreement. A part of the salary can be replaced with a housing benefit or a car benefit. The CEO's professional competence and responsibilities as well as the

general salary level in similar positions are taken into account when determining the CEO's fixed salary.

The variable bonus is bound to the financial success of the Company as well as the achievement of the Company's strategic goals. The Company's Board of Directors determines the accumulation criteria for the variable bonus as well as the goals set for each criterion at the beginning of each accumulation period. The fulfilment of the bonus is assessed at the end of the accumulation period in connection with the CEO's annual performance evaluation. The criteria defined by the Board may consider matters such as the Company's commercial progress, turnover, operating profit, stability of customers, efficiency of operations, employee satisfaction, the progress of product development, and product-group specific growth.

The Board of Directors carefully assess annually what is the appropriate proportion between fixed and variable remuneration of the CEO to best serve the then current phase and objectives of the Company's business. The Board of Directors decides on a case-by-case basis the possible long-term incentives and commitment programs that will be granted to the CEO. Any bonuses paid to the CEO based on the variable bonus scheme, the long-term incentive schemes or commitment programs can be paid in cash and/or shares partially or in full.

Remuneration paid to the CEO in 2021 is outlined on page 5.

In the event of termination of the CEO agreement, both, the Company and the CEO shall comply with a

six-month notice period. If the Company terminates the CEO agreement, the CEO is entitled to severance pay in addition to the salary for the period of notice, which corresponds to his / her basic salary multiplied by eighteen. Variable salary components, commissions, bonuses, fringe benefits, other benefits and share awards are not considered as salary for the purpose of calculating the amount of severance pay. No severance pay will be paid if the CEO terminates the CEO agreement or the CEO agreement is terminated due to the CEO's retirement. No severance pay

will be paid in the event that the Company terminates the CEO agreement.

**Remuneration development**

The tables below show the development of the remuneration of the Board of Directors and the CEO, as well as the Company's employees in average and the Company's financial performance.

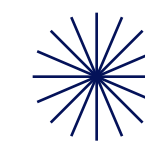
***Paid total remuneration 2021-2017***

	2021	2020	2012	2012	2017
Chairman of the Board of Directors <sup>1</sup>	42	24	24	24	24
Other members of the Board of Directors	87	54	54	45	36
CEO <sup>2</sup>	217	180	180	165	96
Average employee salary <sup>3</sup>	53	51	44	48	50

<sup>1</sup> Remuneration paid for the duties of the Chairman of the Board of Directors (in accordance with the resolution of the Annual General Meeting). Seppo Orsila served as Chairman of the Board during January 1, 2017–September 30, 2021. Jyrki Liljeroos served as Chairman of the Board during October 1, 2021–December 31, 2021.

<sup>2</sup> Petteri Uusimaa served as CEO of the Company during January 1, 2017–September 11, 2019. Seppo Orsila served as CEO of the Company during September 12, 2019–December 31, 2021.

<sup>3</sup> The average employee salary is calculated from paid total wages and compensations divided by the average number of employees during the year excluding the CEO and Board salaries.



## Modulight's Financial Performance 2017-2021

Revenue (EUR thousands)

2021	2020	2019	2018	2017
9,071	10,062	7,192	6,174	4,732

EBITDA (EUR thousands) 2017-2021

2021	2020	2019	2018	2017
461	5,787	4,457	3,229	2,423

### Description of the remuneration of the Board of Directors

In accordance with the Remuneration Policy, the remuneration of the Board of Directors for the financial period 2021 consisted of a monthly remuneration. On June 24, 2021, Modulight's Annual General Meeting resolved that the Chairman's remuneration is EUR 5,000 per month and that the remuneration of the members of the Board of Directors is EUR 2,500

per month. Additionally, all travel expenses would be compensated for the members in accordance with the Company's travel policy against receipts. No meeting-based fees were paid to the Board of Directors and committees during the year.

At the end of the financial year, Modulight Plc's Board of Directors consisted of Jyrki Liljeroos (Chairman), Pia Kantola, Timur Kärki, Seppo Orsila, Kalle Palomäki and Petteri Uusimaa. In the financial year 2021, Pia Kantola and Timur Kärki started as new members of the Board on 1st of October 2021.

## Salaries and remuneration of the members of the Board of Directors, including equity-based payments

EUR 1,000	2021	2020
<b>Jyrki Liljeroos</b>		
Board compensation	31	18
Equity-based payments	9	8
<b>Seppo Orsila</b>		
Board compensation	34	24
Salary	183	156
Equity-based payments	138	118
<b>Petteri Uusimaa</b>		
Board compensation	24	18
Salary	165	156
Equity-based payments	138	118
<b>Kalle Palomäki</b>		
Board compensation	24	18
Salary	75	
Equity-based payments	9	8
<b>Timur Kärki</b>		
Board compensation	8	
<b>Pia Kantola</b>		
Board compensation	8	



Description of the CEO’s remuneration

The CEO’s remuneration is primarily comprised of a monthly salary, employee benefits, and variable bonuses as well as possible long-term incentive schemes and commitment programs, the use of which is at the sole discretion of the Board of Directors. In addition, the CEO can be granted a separate, reasonable supplementary pension arrangement or other possible benefits to ensure that a competent CEO is committed to the Company’s development.

The fixed salary is confirmed in the managing director agreement. A part of the salary can be replaced with a housing benefit or a car benefit. The variable bonus is bound to the financial success of the Company as well as the achievement of the Company’s strategic goals. In 2021, no variable remuneration for the CEO was paid.

CEO	2021	2020
Seppo Orsila		
Salary	194,395	153,516
Taxable employee benefits	23,077	26,880
Variable remunerations		
Voluntary pension	9,000	9,000
Equity-based payments	137,000	118,000
Total	363,472	307,396

**modulight**

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