



2023

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 2023. 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 General Meeting earlier.

The remuneration of the Board of Directors and the CEO in the financial year 2023 has been in line with the company's remuneration policy. During the financial year, the company has not deviated from the remuneration policy or recovered any fees. At the Annual General Meeting 2023, 99.99% of the votes cast supported the adoption of the remuneration report.

Salaries and fees paid 2019-2023

| EUR 1,000 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------------------|------|------|------|------|
| Board of Directors | | | | | |
| Jyrki Liljeroos (Chairman) | 60 | 60 | 42 | 24 | 24 |
| Other members of the Board | 130 | 150 | 87 | 54 | 54 |
| CEO | | | | | |
| Seppo Orsila | 273 ¹⁾ | 272 | 217 | 180 | 180 |
| Average salary of the rest of the personnel ²⁾ | 51 | 50 | 53 | 51 | 44 |

¹⁾ Change in salary from the previous year is due to IPR patent payments paid in 2023 in accordance with the patent program.

²⁾ 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 2019-2023

| EUR 1,000 | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------|--------|--------|-------|--------|-------|
| Revenue | 4,025 | 4,599 | 9,071 | 10,062 | 7,192 |
| EBITDA | -8,539 | -5,936 | 461 | 5,787 | 4,457 |

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 so that 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 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 General Meeting. In the financial year 2023, in accordance with the authorization by the Annual General Meeting, the company's Board of Directors decided on a new stock option program for key persons of the company. The stock option program is marked with the symbol 2023 ("2023 Options"). Up to 500,000 2023 Options may be issued, and they entitle the holders to subscribe for a total of up to 500,000 new shares in the company or shares held by the company between December 31, 2025 and December 31, 2028.

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 may be paid an increased fee. In addition to the Board fee, 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 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 are consistent with those of the company and its shareholders. In the financial year 2023, the members of the Board of Directors have not been covered by a 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. In the financial year 2023, no shares have been issued or offered to the members of the Board. In its resolution, the 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.

If a member of the Board of Directors has an official or employment relationship with the company, they will be paid a regular salary based on an official or employment relationship in accordance with market practice, and the Board fee 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 with no official or employment relationship with the company participates in the development of the company's operations on a project-based basis outside of their 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 the financial year 2023 is presented 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 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 a qualified CEO is committed to the development of the company. The fixed salary is defined in the CEO's contract. Part of the salary can be replaced by a 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 considered.

The variable bonus is tied to the company's financial performance 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 include, 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 the appropriate ratio is 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 a 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. The CEO has not been paid a variable bonus in the financial year 2023.

The remuneration paid to the CEO in the financial year 2023 is presented 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 their 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 the severance pay. Severance pay is not paid if the CEO terminates the contract or if 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 2019-2023

| EUR 1,000 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|------|------|------|------|------|
| Board of Directors | | | | | |
| Jyrki Liljeroos (Chairman) | 60 | 60 | 42 | 24 | 24 |
| Other members of the Board | 160 | 150 | 87 | 54 | 54 |
| CEO | | | | | |
| Seppo Orsila | 273 | 272 | 217 | 180 | 180 |
| Average salary of the rest of the personnel ¹⁾ | 51 | 50 | 53 | 51 | 44 |

¹⁾ 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 2019-2023

| EUR 1,000 | 2023 | 2022 | 2021 | 2020 | 2019 |
|-----------|--------|--------|-------|--------|-------|
| Revenue | 4,025 | 4,599 | 9,071 | 10,062 | 7,192 |
| EBITDA | -8,539 | -5,936 | 461 | 5,787 | 4,457 |

Remuneration of the Board of Directors

The Annual General Meeting of Modulight Corporation resolved on May 2, 2023 that the remuneration of the Chairman of the Board shall be EUR 5,000 per month and for the members of the Board EUR 2,500 per month. In addition, it was resolved that the remuneration for the members of the Board of Directors may be in the company's shares and in cash, and that the members of the Board of Directors will be compensated for travel expenses against receipt in accordance with the company's travel policy. No separate remuneration is paid for the work of the Remuneration Committee.

At the end of the financial year 2023, the members of the Board of Directors of Modulight Corporation were Jyrki Liljeroos (Chairman), Pia Kantola, Anne Koutonen, Timur Kärki and Seppo Orsila.

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

| EUR 1,000 | 2023 | 2022 |
|---|------|------|
| Jyrki Liljeroos (Chairman) | | |
| Board fee | 60 | 60 |
| Share-based payments | | |
| Total | 60 | 60 |
| Pia Kantola | | |
| Board fee | 30 | 30 |
| Total | 30 | 30 |
| Anne Koutonen | | |
| Board fee | 20 | |
| Total | 20 | |
| Timur Kärki | | |
| Board fee | 30 | 30 |
| Total | 30 | 30 |
| Seppo Orsila | | |
| Board fee | 30 | 30 |
| Salary | 243 | 242 |
| Share-based payments | | |
| Total | 273 | 272 |
| Kalle Palomäki (January 1-May 2, 2023) | | |
| Board fee | 10 | 30 |
| Salary | 51 | 121 |
| Share-based payments | | |
| Total | 61 | 151 |
| Petteri Uusimaa (January 1-May 2, 2023) | | |

| | | |
|--------------------------|-----|-----|
| Board fee | 10 | 30 |
| Salary | 66 | 167 |
| Share-based payments | | |
| Total | 76 | 197 |
| Board of Directors total | 550 | 740 |

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 a qualified CEO is committed to the development of the company. In the financial year 2023, 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 defined 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 performance and the achievement of the company's strategic goals. In the financial year 2023, the CEO was not paid variable remuneration. In the financial year 2023, the CEO has been paid a contribution-based supplementary pension of EUR 9,000 and patent payments of EUR 1,000. The CEO has the right to retire at the age of 60.

| EUR 1,000 | 2023 | 2022 |
|---------------------------------|------|------|
| Seppo Orsila | | |
| Salary | 270 | 270 |
| Taxable employee benefits | 2 | 3 |
| Voluntary pension contributions | 9 | 9 |
| Patent payments | 1 | |
| Total | 282 | 282 |

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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

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