

Remuneration Report 2023



1. Summary

Remuneration of the Board of Directors

The remuneration of the Members of the Board of Directors was not changed in the Lehto Group Plc's (hereinafter "Lehto Group" or "Company") Annual General Meeting on 30 March 2023. In 2023 the Chairman of the Board of Directors received a yearly remuneration of EUR 69,000 and the Member of the Board of Directors EUR 34,500. A Deputy Chairman of the Board of Directors has not been elected. The Members of the Board of Directors accepted 40 per cent of their yearly remuneration in Company's shares and the remainder in cash. The Chairman of the Board of Directors received as a board meeting remuneration EUR 1,500 and the Members of the Board of Directors EUR 750 per each meeting. The Members of the Board Committees received as a meeting remuneration EUR 600 for the Chairman of the Committee and EUR 400 for the Members. The travel costs of the Members of the Board of Directors were reimbursed in accordance with the Company's travelling policies. No other remuneration or compensation was paid to the Chairman or the Members of the Board of Directors.

Remuneration of the CEO

The fixed salary of the CEO Juuso Hietanen in 2023 was EUR 31,980 per month. The yearly salary with benefits of the Hietanen in 2023 was in total of EUR 398,080. Hietanen has not received additional bonuses or retirement schemes from the Company.

2. Introduction

The governance of Company is determined by the Articles of Association, the laws of Finland (such as the Limited Liability Companies Act and the Securities Market Act) and the Company's corporate governance guidelines. The Company complies with the Finnish Corporate Governance Code (hereinafter the "Governance Code") published by the Finnish Securities Market Association. The Corporate Governance Code is available in its entirety on the website of the Securities Market Association at www.cgfinland.fi.

To implement the shareholders' access to information regarding the remuneration the Company has prepared this Remuneration Report. The Company's corporate governance guidelines, corporate governance statement, approved Remuneration Policy, and Remuneration Report are publicly available on the Company's website www.lehto.fi/en/.

The Remuneration Policy resolved to adopt on 14 April 2020 in the Annual General Meeting has been followed without any deviations when deciding the remuneration of the Board of Directors and the CEO. The Company has promoted the members of the Board of Directors to receive their remuneration partly in Company's shares which supports the mutual interests of Board Members and Shareholders. In year 2022 all the Members of the Board of Directors accepted their remuneration partly in shares and partly in cash. The shares are subject to transfer restrictions as allowed in Remuneration Policy and hence a Board Member shall not dispose such shares during his/her membership or before six (6) months has passed from the expiry of the said membership.

The Company has not deviated from the Remuneration Policy, and it has not carried out any clawback of the paid remunerations.

The development of the remuneration of the Board of Directors and the CEO compared to the development of the average remuneration of the Company's employees and the financial development of the Company for the five (5) previous financial years is described in the following table. The Company does not have a deputy CEO or a Supervisory Board.



	2023	2022	2021	2020	2019 ^{1) 2)}
Chairman of the Board of Directors					
Yearly remuneration, eur	69,000	69,000	69,000	69,000	69,000
Board meeting remuneration, eur/meeting	1,500	1,500	1,500	1,500	1,500
Member of the Board of Directors					
Yearly remuneration, eur	34,500	34,500	34,500	34,500	34,500
Board meeting remuneration, eur/meeting	750	750	750	750	750
Committee meeting remuneration, Chairman, eur/meeting	600	600	600	600	600
Committee meeting remuneration, Member, eur/meeting	400	400	400	400	400
Total remuneration paid for a Member of the Board of Directors, average, euro	38,189	48,971	47,044	48,009	58,600
Yearly remuneration paid for the Board of Directors, in total, euro	170,337	225,975	212,165	159,095	248,402
Board meeting remuneration paid for the Board of Directors, in total, euro	58,800	67,850	70,100	80,950	44,600
Board meetings (whereof email meetings)	30 (4)	26 (4)	18 (0)	22 (5)	14 (5)
CEO					
Salary and benefits, euro	398,080	398,080	262,546	115,280	126,240
Performance bonus, euro	-	-	-	-	-
Share-based remuneration, euro	-	190,100	-	-	-
Employee salaries and earnings, in total, thousand euro	24,019	48,773	56,083	63,705	82,214
Personnel during the year, average	483	860	1,043	1,115	1,454
Employee salaries and earnings, average, eur/year	49,729	56,713	53,771	57,134	56,556
Net sales, thousand euro	171,821	344,791	404,089	544,651	667,701
Operating result, thousand euro	-70,988	-42,192	-28,251	83	-41,836
Result for the financial year, thousand euro	-77,189	-26,652	-32,614	-8,196	-35,750
Average number of shares during the year, basic	87,257,649	87,276,343	87,142,297	71,012,014	70,597,352
Earnings per share, eur, basic	-0.88	-0.31	-0.37	-0.12	-0.51
Share price, 31 Dec	0.02	0.17	0.86	1.35	1.94
Dividend, eur/share	-	-	-	-	-

¹⁾ The remuneration of the Board of Directors was made in one payment in 2019

²⁾ Year 2019 have been issue-adjusted with the 2020 rights issue



Remuneration of the Board of Directors 2023

The Annual General Meeting resolves the remuneration payable for work in the Board of Directors and its Committees and determines the grounds for remuneration within the Remuneration Policy accepted by the Board of Directors.

The Annual General Meeting of 30 March 2023 resolved that the remuneration of the members of the Board of Directors shall be made in Company's shares and in cash, with approximately 40 per cent of the remuneration paid in shares and the remainder in cash. The yearly remuneration paid in such manner was EUR 69,000 (69,000 in 2022) for the Chairman of the Board and EUR 34,500 (34,500) for the Deputy Chairman and the Members of the Board of Directors. The remuneration shares are subjected to a transfer restriction so that the Members of the Board of Directors shall not sell their shares during the membership or before six (6) months has passed from the expiry of the said membership.

If a Member of the Board of Directors notifies the Company's CFO in writing within (3) banking days of the General Meeting that he/she was going to abstain from accepting the Company's shares, the remuneration will be paid entirely in cash. In such case the yearly remuneration is EUR 55,200 (55,200) for the Chairman of the Board of Directors and EUR 27,600 (27,600) for the Deputy Chairman and Members of the Board of Directors. No member of the Board of Directors made such a notification.

Furthermore, an attendance allowance of EUR 750 (750) is to be paid to the Members of the Board of Directors and EUR 1,500 (1,500) to the Chairman of the Board of Directors for each attended Board meeting agreed in the annual meeting agenda or a meeting outside the annual meeting agenda exceeding two hours, and for the Board members who participated the Committee meetings EUR 600 (600) to the Chairman of a Committee per meeting and EUR 400 (400) to other members of the Committee per meeting.

According to the decision of the Annual General Meeting, 40% of the remuneration of the Board Members and the Chairman is paid in company shares and the rest in cash. Share bonuses have been given to the Chairman and members of the Board at the beginning of the term of office. Since the Chairman of the Board changed in the middle of the term of office, the higher remuneration of the Chairman of the Board than the member of the Board has been taken into account in the monetary remuneration of the new and previous Chairman for the remaining term of office.

The travel costs of the members of the Board of Directors were reimbursed in accordance with the Company's travelling policies.

The members of the Board of Directors are not in an employment relationship with the Company and have not had any kind of additional share-based remuneration systems, however taking into account that part of the annual remuneration of the Member of the Board of Directors has been paid in Company shares.

Remunerations paid to the Board of Directors in 2023 and number of shares purchased as part of annual base fee					
Name	Yearly remuneration paid in Company shares, eur (shares)	Yearly remuneration paid in cash, eur	Board and Committee meeting remunerations, eur	Total remunerations, euros	Other financial benefits
Eero Sihvonen	27,600 (112,594)	50,600	24,100	102,300	-
Hannu Lehto	13,800 (56,296)	16,675	12,450	42,925	-
Jani Nokkanen	13,800 (56,296)	22,425	11,300	47,525	-
<i>Until 11 July 2023:</i>					
Anne Korkiakoski	5,829 (16,041)	12,708	7,950	26,487	-
<i>Until the end of Annual General Meeting on 30 March 2023:</i>					
Helena Säteri		6,900	3,000	9,900	-
Board of Directors in total	61,029 (337,778)	109,308	58,800	229,137	0



Remuneration of the CEO in 2023

Fixed annual salary

The Board of Directors determines and approves the key terms of employment of the CEO, including his/her remuneration within the accepted Remuneration Policy. Juuso Hietanen has been acting as the CEO from May 2021. According to the Executive Employment Agreement concluded with the Hietanen, his remuneration comprises a fixed monthly salary of EUR 31,980. In 2023 the yearly salary of Hietanen was EUR 398,080. Furthermore, the CEO has a phone benefit, a car benefit and a lunch benefit.

The terms of his employment are stated in a written Executive Employment Agreement. The Executive Employment Agreement of Hietanen is in force until further notice and can be terminated by either party giving six (6) months' notice, for which period the CEO is entitled to receive his monthly salary and benefits. If the Company terminates CEO's Executive Employment Agreement without a reason attributable to him, he is entitled to a remuneration corresponding to a salary of six (6) months.

The CEO is entitled to a pension in accordance with the Employment Contracts Act and other legislation regulating pensions. The Company has not provided him with additional pension arrangements. The pension scheme is contribution-based. The CEO is not obliged to own or acquire the Company shares.

Any performance bonuses and other incentives are determined on the basis of principles defined and communicated, in advance, annually, by the Board of Directors. According to his Executive Employment Agreement, Hietanen is entitled to a performance bonus, based on the goals which shall be determined by the Board of Directors on an annual basis within the accepted Remuneration Policy.

Variable pay component – long-term incentive scheme (LTI)

The long-term incentive scheme is a part of the CEO's and key personnel's incentive and commitment scheme of the Company. The purpose of the scheme is to combine the goals of the shareholders and key personnel of the Company in increasing the value of the Company in the long term and to secure commitment of the key personnel to the Company and to provide them a competitive remuneration scheme based on the value of the shares of the Company.

The earning period of the scheme is the bonus term and is the length of one year. Earning period is followed by a two-year commitment period. The potential remuneration is paid to the participants after the commitment period.

The remuneration of the earning period of the LTI scheme is based on the earning of the short-term incentive. The criteria of the STI scheme are the financial outcome (IFRS) of the Group / Service area / Unit and the personal or functional goals, with the emphasis decided by the Board of Directors.

After the earning period the gross remuneration of the STI scheme is transferred into Company shares in the LTI scheme. After the earning period, before the end of April, the Board of Directors confirm the gross number of Company shares which equal to the earned STI scheme remuneration.

The Board of Directors did not confirm long-term incentive scheme earning period for 2023.

Variable pay component – short-term incentive scheme (STI)

The short-term incentive scheme is a part of the management system of the Company and is based on the profit-making ability of the Company. Alongside with the CEO the scheme also covers the employees and managers of the Company that are not included in other commission or bonus schemes. The Board of Directors resolves the bonus schemes (office employees and project employees) for one bonus term at a time. With the help of the STI scheme the mutual efforts of the employees and management are directed to complete the Group's bonus term goals and key results. The STI scheme's goal is to increase the motivation of the personnel of the Company and the commitment to the Company.

The criterion of the profit and functionality goals of the STI scheme are based on the financial outcome (IFRS) of the Group / Service area / Unit and the personal or functional goals, with the emphasis decided by the Board of Directors. Everyone who is included in the STI scheme has a personal yearly bonus potential which is calculated in a way that the monthly salary before taxes is multiplied by the personal bonus potential which can be between 1-10 months. The bonus potential of the CEO in 2023 was his monthly salary multiplied by 10 months.

In 2023 the CEO has not received any performance bonuses, financial benefits, additional pension payments, or termination bonuses. The proportions of fixed salary and variable pay component has been 100 per cent fixed and 0 per cent variable.