

## **KREATE GROUP PLC – REMUNERATION POLICY OF THE GOVERNING BODIES**

The remuneration policy will be presented to the shareholders at the Annual General Meeting of Kreate Group Plc on 5 May 2021. The remuneration policy is in force for four years until the Annual General Meeting in 2025, provided that the company's Annual General Meeting does not resolve on changes to the remuneration policy.

This remuneration policy sets out the key principles for the remuneration of Kreate's governing bodies, such as members of the Board of Directors and the President and CEO.

### **1 INTRODUCTION TO THE REMUNERATION OF KREATE**

The objective of the remuneration policy is to promote the company's long-term financial performance and assist in the implementation of Kreate's strategy, in which the company pursues the position as one of Finland's leading implementers of demanding infrastructure construction projects. The primary objective of the remuneration policy is to ensure that Kreate complies to a performance based remuneration, which rewards the implementation of Kreate's strategy in a simple, transparent and comprehensible manner.

The remuneration policy is based on the following key principles:

- providing a competitive earning opportunity for overall remuneration;
- emphasis on performance based remuneration by forming the overall remuneration of the President and CEO so that part of the earning opportunity is based on performance based incentives; and
- emphasising a strong connection to the interests of our shareholders, such that part of the President and CEO's annual variable remuneration earning opportunity may be based on long-term share based incentive schemes.

The remuneration policy has been prepared in accordance with the remuneration practices applicable to all of Kreate's personnel. This is reflected, for example, in the variable remuneration earning criteria, which are derived from the company's strategy to support the company's profitable growth and which are partly shared by the President and CEO and other personnel.

### **2 DECISION-MAKING PROCESS**

Kreate's remuneration is governed through clearly defined processes which involve the Annual General Meeting, the Board of Directors and the Board of Directors' Nomination and Remuneration Committee.

The Board of Directors' Nomination and Remuneration Committee prepares the remuneration policy for the Board of Directors and for further presentation to the Annual General Meeting every four years, or when significant changes are made to the policy.

The Annual General Meeting decides on the remuneration of the members of the Board of Directors annually based on a proposal made by the Board of Directors Nomination and Remuneration Committee, which takes into account the remuneration principles of Kreate's Board of Directors. The remuneration principles of the Board of Directors cannot

restrict the shareholders' possibilities to decide on the remuneration of the Board of Directors.

The Board of Directors annually approves the remuneration of the President and CEO based on the proposal of the Nomination and Remuneration Committee of the Board of Directors within the framework of this remuneration policy. The Board of Directors annually monitors and evaluates the implementation of remuneration and ensures that it complies with the remuneration policy.

Remuneration of the President and CEO can be based on the company's shares, options or other rights entitling to shares, which promotes the consistency of the interests of the President and CEO and shareholders. The issue of shares, options and other special rights entitling to shares that may be used for remuneration is decided by the Annual General Meeting or the Board of Directors by authorisation from the Annual General Meeting.

Potential conflicts of interest have been taken into account in the company's remuneration decision-making process. In order to avoid conflicts of interest, the President and CEO is not a member of the company's Board of Directors and does not participate in decision-making regarding his or her own remuneration.

### **3 REMUNERATION OF THE BOARD OF DIRECTORS**

The Annual General Meeting resolves on the annual remuneration of the Board of Directors and the members of the committees of the Board of Directors in accordance with the remuneration policy and applicable legislation. The annual remuneration of the Board of Directors may be paid in cash, shares or a combination thereof.

The Remuneration and Nomination Committee of the Board of Directors makes a proposal of the remuneration for the Board of Directors, which prepares a proposal for the remuneration of the Board of Directors for the Annual General Meeting. When proposing remuneration, the Nomination and Remuneration Committee takes into account the responsibilities and obligations of the members of the Board of Directors towards the company. In addition, the committee compares the remuneration of the Board of Directors with other companies of comparable size operating within a comparable business environment. Due to the nature of the duties and responsibilities of the Board of Directors, the remuneration of the Board of Directors is not tied to the company's performance.

If, exceptionally, a member of the Board of Directors is employed by the company, the Annual General Meeting resolves on the remuneration payable to him or her for his or her work on the Board of Directors. The terms and conditions of an employment of a member of the Board of Directors are determined in accordance with the company's normal practice according to his or her function and role.

### **4 REMUNERATION OF THE PRESIDENT AND CEO**

The remuneration of the President and CEO may consist of a fixed base salary (including ordinary fringe benefits and any other benefits), a variable salary component, and a pension benefit.

The variable salary component includes both short-term and long-term incentive schemes. The purpose of the variable remuneration is to direct the President and CEO in achieving the company's short- and long-term financial and operational targets, to support the implementation of the company's strategy and increase shareholder value, and to commit the President and CEO to the company.

To emphasise the relation between remuneration and the development of Kreate's shareholder value, share-based incentive or option schemes may be used as a long-term incentive scheme in accordance with the discretion of the Board of Directors, the remuneration policy, valid authorisations and applicable legislation.

The Board of Directors measures the variable remuneration annually through the fair value of the target level. At the target level, variable remuneration of the President and CEO's total remuneration forms a significant part of the total remuneration. For the purpose of calculating the target level fair value, it is assumed that the remuneration is, on average, 50 per cent of the maximum amount in performance based schemes. The table below sets forth the remuneration components of the company's President and CEO. The current remuneration of the President and CEO and a detailed description of the total remuneration can be found on Kreate's website.

| <b>Remuneration component</b>            | <b>Description / purpose</b>  |
|--|---|
| <b>Fixed base salary</b>                 | <p>The base salary is aimed to be scaled at a competitive level. Competitiveness attracts and engages individuals with the necessary skills and experience to manage Kreate's business.</p> <ul style="list-style-type: none"> <li>• The Board of Directors may consider various factors when determining changes in the fixed salary, including the level of salary increases for Kreate's employees, market benchmarks, business performance, scope of work, and personal performance.</li> <li>• The actual fixed salary and annual increases are presented in the annual remuneration report.</li> <li>• The annual fixed salary also includes any holiday compensation in accordance with applicable legislation and market practice.</li> </ul> |
| <b>Fringe benefits</b>                   | <p>The President and CEO is offered the same tax-free and taxable fringe benefits that are also offered to the personnel.</p>   |
| <b>Short-term incentive scheme (STI)</b> | <p>The objective of the short-term incentive scheme is to reward and encourage the attainment of Kreate's financial, strategic and operational targets in accordance with the company's strategy.</p> <ul style="list-style-type: none"> <li>• The Board of Directors annually confirms performance targets and the priorities between them to ensure that</li> </ul>   |

| Remuneration component                         | Description / purpose   |
|--|---|
|  | <p>they support Kreate's short-term strategy. These typically include financial and non-financial metrics.</p> <ul style="list-style-type: none"> <li>• The performance period (earning period) under the short-term incentive scheme is one year.</li> <li>• At the end of the period, the Board of Directors reviews the extent to which each objective has been achieved to determine the final remuneration.</li> <li>• Remuneration under the short-term incentive scheme does not form a majority of the President and CEO's remuneration.</li> </ul>   |
| <p><b>Long-term incentive scheme (LTI)</b></p> | <p>The objective of the long-term incentive scheme is to direct the implementation of the company's strategy and increase shareholder value in the long-term, and to commit the President and CEO to the company.</p> <ul style="list-style-type: none"> <li>• The Board of Directors annually decides on the form and other details of the long-term incentive scheme as it finds suitable so that the long-term incentive provides the best possible support for Kreate's long-term success and increase of shareholder value.</li> <li>• The form of a long-term incentive scheme may be, for example, a performance-based or mandatory share-based incentive scheme, an option scheme or any other incentive mechanism that the Board of Directors deems suitable.</li> <li>• The total term of the long-term incentive is always at least 3 years. The Board of Directors may set measurement periods between 1 to 4 years for different earnings criteria within the overall time span.</li> <li>• Remuneration under the long-term incentive scheme does not form a majority of the President and CEO's remuneration.</li> </ul> |
| <p><b>Pension</b></p>                          | <p>The company's goal is to offer the President and CEO a competitive pension in accordance with prevailing market practice.</p> <ul style="list-style-type: none"> <li>• Pension plans are in line with local market practice and may be subject to yearly changes.</li> <li>• Possible supplementary pension benefits are defined contribution.</li> </ul>  |

## **5 DISCRETION AND CLAWBACK**

Remuneration for the variable remuneration component (remuneration for short- and long-term incentive schemes) for the President and CEO is subject to discretion (pre-payment adjustment) and clawback (clawback of remuneration already paid) if Kreate's financial statements need to be corrected due to a significant misconduct or, if the performance criteria and the performance levels of the incentive schemes have been manipulated, or if there has been a violation of business or employment legislation or Kreate's Code of Conduct, or if there has been otherwise unethical conduct.

The exercise of any possible discretion and clawback is reported in the annual remuneration report.

## **6 TEMPORARILY DEVIATION FROM THE REMUNERATION POLICY**

The Board of Directors may, on the recommendation of the Nomination and Remuneration Committee, temporarily deviate from all sections of this remuneration policy in the exercise of its full discretion in the following situations:

- in the event of a change in the President or CEO and Deputy President and CEO (if any);
- in the event of structural changes in the company, organisation, ownership or business (e.g. mergers, takeovers, demergers, acquisitions, etc.) that may require changes to short- and long-term incentive schemes or other remuneration elements to ensure corporate governance continuity; or
- in all other circumstances where it may be necessary to deviate from the remuneration policy in order to ensure the long-term interests of the company or to ensure the viability of the company.

Deviations from the remuneration policy will be carefully considered by the Board of Directors and will be openly notified to shareholders no later than in the next remuneration report, which will be addressed at the next Annual General Meeting. If the temporary deviation continues in a manner that it can no longer be considered temporary, the Board of Directors shall present a new remuneration policy to the next Annual General Meeting.