



AFARAK GROUP PLC  
REMUNERATION POLICY  
FOR GOVERNING  
BODIES  
2020 - 2023

## **1. INTRODUCTION**

This Remuneration Policy (the ‘**Remuneration Policy**’) sets out the framework for the remuneration of the Board of Directors and the executive management team (‘**EMT**’) of Afarak Group Plc (‘**Afarak**’). The Remuneration Policy complies with the recommendations of the Finnish Corporate Governance Code for listed companies and the Shareholders’ Rights Directive legislation.

Afarak’s Annual General Meeting approves the Remuneration Policy based on a proposal prepared by the Nomination and Remuneration Committee (if any) and reviewed and accepted by the Board of Directors. The Remuneration Policy will be presented to the Annual General Meeting every four years or when changed substantially.

Afarak operates in a highly competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Remuneration Policy is designed to attract, retain and incentivise high-calibre executives to implement Afarak’s business strategy and operational objectives, and to enhance shareholder value.

Afarak strives for transparency and consistency in rewarding. Remuneration across the company, at employee and executive level, is reviewed regularly to secure its fairness and competitiveness in the context of the market.

## **2. DESCRIPTION OF THE DECISION-MAKING PROCESS**

The Nomination and Remuneration Committee prepares and presents recommendations to Afarak’s Board of Directors regarding the remuneration of the EMT. Furthermore, the Nomination and Remuneration Committee submits proposals to the Annual General Meeting of shareholders regarding the remuneration of Afarak’s Board of Directors.

The Nomination and Remuneration Committee is responsible for the overall direction of the Remuneration Policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Afarak Group’s remuneration packages are both appropriate and competitive, the Nomination and Remuneration Committee evaluates information on market-based remuneration levels for comparable companies.

The remuneration of the CEO is decided upon by Afarak’s Board of Directors on the basis of the recommendations and proposals submitted to the Board of Directors by the Nomination and Remuneration Committee. The remuneration of members of Afarak’s Board of Directors is agreed and decided upon at Afarak’s Annual General Meeting.

### **3. DESCRIPTION OF THE REMUENRATION OF THE BOARD OF DIRECTORS**

The remuneration of the members of Afarak's Board of Directors is decided by the shareholders of Afarak in Annual General Meeting, taking into account the recommendations and proposals submitted to the Annual General Meeting by the Nomination and Remuneration Committee.

The remuneration of the Board of Directors consists of a monthly fixed fee. An increased monthly fee is typically paid to the Chair of the Board of Directors. Additionally, members of the Board of Directors who sit on Afarak's committees, namely the Audit and Risk Management Committee, the Nomination and Remuneration Committee and the Health, Safety and Sustainability Committee may receive additional remuneration for committee work. An increased monthly fee is typically paid the Chair of the Audit and Risk Management Committee. Members of the Board of Directors who are executives of Afarak are, subject to the decision of the general meeting, not entitled to receive any remuneration for committee memberships and their position on Afarak's Board of Directors.

Afarak also provides D&O insurance to the member of the Board of Directors and to senior executives.

### **4. DESCRIPTION OF THE REMUNERATION OF THE CEO**

Afarak's CEO is appointed by the Board of Directors to manage, develop, guide and supervise Afarak Group's activities and to lead the EMT. The remuneration of the CEO is decided upon by Afarak's Board of Directors on the basis of the recommendations and proposals submitted to the Board of Directors by the Nomination and Remuneration Committee.

The CEO is engaged to Afarak by virtue of a service contract. The remuneration of Afarak's CEO consists of an annual fixed remuneration together with Afarak shares as an incentive for each completed year of service as CEO as per the agreement entered into between Afrak and the CEO. These above-mentioned incentive shares must be retained by the CEO by minimum period of one year commencing from receipt. The CEO's service contract defines the CEO's notice period including compensation paid for the notice period and other customary conditions of service.

Afarak makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

### **5. REQUIRMENTS FOR TEMPORARY DEVIATION**

In the event of exceptional circumstances, the Board of Directors may decide to temporarily deviate from any part of the Remuneration Policy when, as a result of such exceptional circumstances, Afarak's valid Remuneration Policy is no longer sensible. Such exceptional

circumstances may include a change in Afarak's CEO or a corporate arrangement such as a merger or takeover bid.

Any such temporary deviation shall be reported in the annual remuneration report and shall be discussed at the next Annual General Meeting. Respectively significant and permanent changes in composition of total remuneration must be included in the agenda of the Annual General Meeting. The Nomination and Remuneration Committee prepares the remuneration matters to be updated and proposed them to the Board of Directors for approval. After the changes have been approved the revised Remuneration Policy is presented to the Annual General Meeting.