

# Remuneration Report

Due to the partial demerger of Metso Corporation registered on June 30, 2020, the reporting period from January 1 to June 30 is based on the remuneration of Metso Corporation and from July 1 to December 31 based on the Neles Corporation.

# Neles Remuneration Report 2020

## 1. Introduction

Due to the partial demerger of Metso Corporation registered on June 30, 2020, the reporting period from January 1 to June 30 is based on the remuneration of Metso Corporation (“Metso”) i.e. including the Metso’s Minerals Business. The reporting period from July 1 to December 31 is based on the remuneration in Neles Corporation (“Neles”). Accordingly, the historical data on business performance and remuneration is based on Metso’s business until June 30, 2020.

### 1.1. Remuneration principles and implementation

**Adherence to Remuneration Policy.** Neles has adhered to its Remuneration Policy during the financial year 2020 with one temporary deviation only. The main remuneration principles of Neles are to offer compensation which considers relevant market and industry practices and support performance differentiation. Variable pay programs are developed with these principles in mind and in the best interest of the company and its shareholders. The aim is to create a clear link between variable pay and company’s performance. This is achieved through utilizing appropriate key performance indicators and ensuring that the targets are set on levels which support the successful execution of the company strategy and reaching the financial targets.

The aim of board remuneration is to attract and retain Board members who possess relevant skills, competence and experience to exercise their duties and responsibilities in the best interest of the company and its stakeholders.

**Temporary deviation.** According to Neles’ Remuneration Policy, deviations from the policy may be made in connection with corporate transactions. Neles has temporarily deviated from its Remuneration Policy by granting a customary one-off retention bonus to the President and CEO in connection with the public tender offer made to the shareholders of the company. Further details are set out below in section 3.1.

**Contribution to cost savings.** As part of the Covid-19 pandemic cash saving actions Neles’ President and CEO and Metso’s President and CEO have contributed to the cost savings efforts by giving up their holiday pay (equals to 50% of one month’s salary) and part of their monthly salary.

### 1.2. Remuneration and company performance

The following historical evaluation data on the remuneration and the company performance is based on the consolidated numbers of Metso from 2016 until June 30, 2020, and therefore also includes Metso’s Minerals Business. The reported numbers do not include other indirect employment costs. The performance metrics used in measuring the company performance were also used in the company’s short-term incentive plans.

Average compensation	2020	2019	2018	2017	2016
Chairman of the Board, EUR	116,000 <sup>1)</sup>	140,000	139,000	126,000	126,000
Board of Directors (total), EUR	558,000 <sup>1)</sup>	631,000	668,000	582,000	652,000
CEO, EUR	1,158,533 <sup>1)</sup>	752,574	819,238	706,173	610,136
Employee, EUR	47,283 <sup>2)</sup>	44,798	46,172	47,766	45,609
Orders, MEUR	590 <sup>2)</sup>	3,690	3,499	2,982	2,724
Sales, MEUR	576 <sup>2)</sup>	3,635	3,173	2,706	2,586
EBITA, MEUR	85 <sup>2)</sup>	474	369	236	244
Free Cash Flow, MEUR	63 <sup>2)</sup>	39	146	158	339

<sup>1)</sup> Includes Metso data from January 1<sup>st</sup> to June 30<sup>th</sup> and Neles data from July 1<sup>st</sup> to December 31<sup>st</sup>.

<sup>2)</sup> Company performance metrics of the continuing operations only.

## 2. Remuneration of the Board of Directors

The remuneration of the Board of Directors of Neles and Metso was decided in Metso's Annual General Meeting on June 16, 2020 based on the proposal made by the Shareholders' Nomination Board.

The board remuneration includes a fixed fee based on the role(s) in the Board and its Committees (e.g. chair, committee member) and an additional meeting fee for each meeting attended. The members of the Board are obliged to use 40% of the fixed remuneration to purchase company shares. In anticipation of the completion of the partial demerger of Metso, the Annual General Meeting decided that the fixed annual remuneration was to be calculated pro rata to the length of the term of office. Board of Directors' remuneration does not include the company's bonus plans, share-based incentive schemes or pension plans.

### 2.1. Neles Board of Directors

#### Fixed annual remuneration

Pursuant to the decision of the Annual General Meeting to calculate the fixed annual remuneration pro rata to the length of the term office, the Board of Directors elected by the Annual General Meeting were paid 75% of annual fixed remuneration. Mr Jukka Tiitinen, who was elected to the Board by Extraordinary General Meeting on October 29, 2020, was paid 40% of the fixed annual remuneration.

#### Sounding Board

Prior to the commencement of their term of office, the members-elect of the Neles Board ("Sounding Board") supported Neles' management in preparations for the "new Neles", e.g. in strategy development, setting financial targets and reviewing the governance model. The members-elect received a small fee based on a consultancy agreement to compensate for their work as set out below.

### Neles Board remuneration from July 1 to December 31, 2020

EUR	Share reward	Cash reward	Meeting fees <sup>1)</sup>	Sounding Board fees	Total
Jukka Moisio, chair	37,406	54,469	15,200	2,850	109,925
Mark Vernon	20,995	30,567	64,000	2,850	118,412
Britta Giesen	17,560	25,565	22,400	2,850	68,375
Anu Hämäläinen	19,846	28,904	15,200	2,850	66,800
Niko Pakalén	17,560	25,565	8,800	2,850	54,775
Teija Sarajärvi	16,410	23,902	11,200	2,850	54,362
Petter Söderström	17,560	25,565	8,800	2,850	54,775
Jukka Tiitinen	9,872	14,388	6,400	-	30,660
<b>Total</b>	<b>157,209</b>	<b>228,925</b>	<b>152,000</b>	<b>19,950</b>	<b>558,084</b>

<sup>1)</sup> During the reporting period the Board had 12 meetings but received meeting fees from 11 meetings only, one meeting being a short decision meeting only.

### 2.2. Metso Board of Directors

Metso's Annual General Meeting 2020 decided that Metso Board of Directors are paid the same fixed annual remuneration as in the previous term. However, the Metso Board of Directors decided to waive their fixed annual remuneration and hence were paid meeting fees only.

### Metso Board remuneration from January 1 to June 30, 2020

EUR	Annual fee	Amount for share acquisitions	Cash reward portion	Meeting fees	Total
Mikael Lilius	0	0	0	5,600	5,600
Christer Gardell	0	0	0	5,600	5,600
Peter Carlsson	0	0	0	5,600	5,600
Lars Josefsson	0	0	0	5,600	5,600
Antti Mäkinen	0	0	0	5,600	5,600
Kari Stadigh	0	0	0	4,800	4,800
Arja Talma	0	0	0	5,600	5,600
Raimo Brand <sup>1)</sup>	-	-	-	-	-
<b>Total</b>					<b>38,400</b>

<sup>1)</sup> Mr. Brand has attended meetings as a personnel representative, without voting right.

### 3. Remuneration of the President and CEO

The compensation for President and CEO is decided by the Board of Directors in accordance with the Remuneration policy. The compensation includes base salary, benefits, supplementary pension, short- and long-term incentives paid during evaluation period.

#### 3.1. Neles President and CEO from July 1 to December 31, 2020

**Base salary and fringe benefits.** The President and CEO, Mr Olli Isotalo was paid a base salary including fringe benefits (mobile phone and medical insurance) without any variable short-term or long-term incentives.

**Supplementary contribution-based pension plans.** The President and CEO's supplementary pension contribution amounts to 20% of his annual base salary. The President and CEO's retirement age is 64 years and 4 months.

**Annual Bonus 2020.** The short-term incentive measures were Orders Received, EBITA, Free Cash Flow and individual performance targets. The President and CEO achieved 10.6% of his targets which transforms to an annual bonus of 8.48% of his annual salary and will be paid EUR 40,724 in April 2021.

**One-off retention bonus.** A customary one-off retention bonus was granted by the Board of Directors to the President and CEO in connection with the public tender offer for Neles and any potential competing bids arising therefrom, including any subsequent corporate transactions. The retention bonus thresholds were linked to the announcement

of the tender offer, the commencement of the tender offer period and the completion of, or ongoing assistance with, the tender offer or any competing bids including subsequent corporate transactions arising therefrom until June 30, 2021.

The maximum amount that can be earned from the retention bonus is six months' salary. On December 31, 2020 the President and CEO had earned an amount equivalent to four months' salary. The retention bonus will be paid in July 2021 provided that the President and CEO has not terminated his employment contract with the company on or before June 30, 2021. Whilst the retention bonus was a temporary deviation to the company's Remuneration Policy, the policy contemplates deviations in connection with corporate transactions.

**Neles Performance Share Plans ("PSP") 2020–2022 and 2021–2023** were decided on in 2020. The key performance measures are relative TSR (weight 50%) and EPS (weight 50%). Performance periods of the plans will run until the end of 2022 and 2023 respectively. No earnings were vested based on the plans in 2020. The possible earnings will be paid out at the earliest in Q1 2023 (PSP 2020–2022) and in Q1 2024 (PSP 2021–2023). The maximum allocation for the President and CEO in both plans is 75,750 Neles shares (value of 150% of his annual base salary).

**Cost saving contribution.** As part of the Covid-19 pandemic cash saving actions the President and CEO has given up his holiday pay for 2020 and taken a reduction of 10% of his base salary during the months of August and September.

#### Neles President and CEO remuneration from July 1 to December 31, 2020

2020, EUR	Annual salary and benefits	Short-term incentive	Long-term incentive in cash	Long-term incentive in shares	Supplementary contribution based pension plan	Total	Share of fixed remuneration
Olli Isotalo, CEO	233,445	–	–	–	50,425	283,945	100%

#### 3.2. Remuneration of the President and CEO of Metso, January 1 – June 30, 2020

In 2020, Metso's President and CEO, Mr Pekka Vauramo, was paid an annual base salary with fringe benefits (mobile, car and housing), the 2019 annual bonus (a short-term incentive) and a supplementary pension plan contribution. No long-term incentives were paid. Short-term incentive plan targets for 2019 were Operative Value Added (OVA), Orders

Received and Free Cash Flow. The targets achieved transformed to a bonus of 54% of his annual salary.

Metso's President and CEO accepted a 50% reduction of one month's salary to contribute in cash saving actions.

#### Metso President and CEO remuneration from January 1 to June 30, 2020

2020, EUR	Annual salary and benefits	Short-term incentive	Long-term incentive in cash	Long-term incentive in shares	Pension plan	Total	Share of fixed remuneration	Share of variable remuneration
Pekka Vauramo, CEO	366,838	404,625	–	–	103,125	874,588	54%	46%

# NELES

## **Neles head office**

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