

# Remuneration report

## Introduction

This remuneration report for 2021 is Kempower Corporation's ("Kempower" or the "Company") first remuneration report prepared in accordance with the Finnish Corporate Governance Code 2020 (the "Corporate Governance Code"). In this report, Kempower presents the salaries, fees and other financial benefits paid to the members of the Company's Board of Directors and the CEO during the financial year 2021 and due based on the financial year 2021. In addition, the report describes the decision-making on remuneration and the key principles governing it at Kempower.

## Description of the decision-making process

The Annual General Meeting makes the final decision on the remuneration of the Board of Directors annually. Kempower's Remuneration and Nomination Committee prepares the remuneration policy and any material changes to it, and the Board of Directors approves it for presentation to the Annual General Meeting.

The remuneration policy will be presented for the first time at the 2022 Annual General Meeting. Kempower's remuneration policy is presented at the company's Annual General Meeting at least every four years and whenever significant changes are proposed.

Kempower's Remuneration and Nomination Committee prepares proposals for the remuneration of all members of the Board of Directors, and the Annual General Meeting makes the final decision on the remuneration of the Board of Directors annually.

The Board of Directors decides on the remuneration of the CEO and other members of the Management Team and the grounds for it. The salary of the CEO and the members of the Management Team consists of a monthly salary and a bonus. In addition, all Kempower employees are included in a performance bonus program (short-term incentive) that includes company-level targets combined with personal goals

## Remuneration principles 2021

Kempower's remuneration report for 2021 complies with the remuneration policy of the Company's governing bodies, approved by the Board of Directors on October 25 2021, which will be handled at the spring 2022 Annual General Meeting.

In accordance with its remuneration policy, Kempower strives to reward its management in a way that provides an incentive and engages them in advancing the Company's strategy and creating value for the shareholders. Remuneration and remuneration development are assessed based on the Company's success, general economic development and the industry's remuneration practices. In addition to a fixed salary, the key remuneration principle is performance-based remuneration. In addition, the overall remuneration of the management is central to the remuneration. Kempower's remuneration consists of the following:

- Annual basic salary
- Short-term incentive (STI)
- Long-term incentive scheme (LTI)
- Other financial benefits

During the financial year 2021, the remuneration policy was followed in the remuneration of the Board of Directors and the CEO, and there were no deviations. It was not resolved to defer, deny, or recover all or part of the remuneration of the members of the Board of Directors or the CEO.

## Remuneration and business development 2018–2021

According to the Corporate Governance Code, the remuneration report of the governing bodies must describe in a comparable way how the remuneration paid to the members of the Board of Directors and the CEO has developed over at least the previous five financial years. Kempower's first financial year ended on 31 December 2018. Thus, the corresponding information is given in this report from then on.

The adjacent table describes how the remuneration paid to the members of Kempower's Board of Directors and CEO has developed proportionally during its previous financial years compared to the development of the average remuneration of the Kempower Group's employees and the financial development of the Kempower Group during the same period. The development is described by comparing the development index figures of the key figures.

The Company's financial development is expressed by presenting the development of the Kempower Group's revenue and order intake between the financial years 2018–2021. Kempower was listed on the First North Growth Market Finland in December 2021.

The number of Board members has increased from four (4) to seven (7) during the three-year review period. The Board has two committees, the Audit Committee and the Remuneration and Nomination Committee. The number of members of the committees, 4 in Audit Committee and 5 in Remuneration and Nomination Committee, has remained the same throughout the period under review.

Tomi Ristimäki started as the company's CEO in February 2019.

	2021	2020	2019	2018
Board fees EUR	217,792	12,000	0	0
CEO fees EUR	192,792	135,384	86,105	0
Remuneration of employees (average)* 1,000 EUR	57,235	54,189	60,464	53,751
Revenue 1,000 EUR	27,400	3,252	327	20
Order intake 1,000 EUR	37,388	7,092	483	6

\*Wages and salaries paid according to the financial statements divided by the number of full-time employees.

## Board remuneration during the financial year 2021

Kempower Corporation's Annual General Meeting decided on 1 September 2021 that the Chairman of the Board will be paid EUR 45,000 per year, the Deputy Chairman EUR 35,000 per year and the other members of the Board EUR 35,000 per year. Entitlement to the Board's annual fee accrues over time and is paid in equal monthly instalments (annual fee / 12). In addition, participants will be paid a separate meeting fee of EUR 500 per meeting, excluding short meetings and email meetings. Travel expenses are reimbursed in accordance with Kempower's travel policy.

In addition, the Chairman of the Audit Committee is paid EUR 5,000 per year in addition to the Board fee and the Chairman of the Remuneration and Nomination Committee is paid EUR 2,500 per year.

No options, shares or other share-based remunerations have been granted to the members of the Board of Directors for their work as Board members.

No other financial benefits have been paid to the members of the Board of Directors in addition to the annual fee and meeting fees decided by the Annual General Meeting. There are no pension contributions related to the remuneration of the company's Board of Directors.

## REMUNERATION PAID TO MEMBERS OF THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR 1 JANUARY–31 DECEMBER 2021

Board Member	Annual fees (EUR)	Other financial benefits	Total annual fees (EUR)
Antti Kemppi, Chairman of the Board	38,000	0	38,000
Tero Era, Board Member	31,333	0	31,333
Juha-Pekka Helminen, Board Member	31,333	0	31,333
Kimmo Kemppi, Board Member	29,833	0	29,833
Teresa Kemppi-Vasama, Board Member	31,333	0	31,333
Vesa Laisi, Board Member	25,958	0	25,958
Eriikka Söderström, Board Member	27,000	0	27,000
Ville Vuori, Board Member until the Annual General Meeting on 30 March 2021	1,500	0	1,500
Katri Sahlman, Board Member until the Annual General Meeting on 30 March 2021	1,500	0	1,500
<b>Total</b>	<b>217,792</b>	<b>0</b>	<b>217,792</b>

By unanimous decision of Kempower's shareholders on 22 October 2021, it was decided that the fixed Board fees for the period from 1 December 2021 to 31 March 2022 and the meeting fees scheduled for December 2021 will be paid in full in cash. Based on this, each member of the Board of Directors

undertook to invest at least 50 per cent of the meeting fees planned for 1 December 2021–31 March 2022 and in December 2021 in Kempower Corporation's shares in the company's IPO.

Board Member	Board Fees Advance Payment 1 Jan–31 Dec 2022 (EUR)	Share subscriptions in the IPO (number)	Value of share subscriptions in the IPO (EUR)*
Antti Kemppe, Chairman of the Board	17,500	17,501	100,456
Tero Era, Board Member	14,167	8,710	49,995
Juha-Pekka Helminen, Board Member	14,167	17,501	100,456
Kimmo Kemppe, Board Member	14,167	56,620	324,999
Teresa Kemppe-Vasama, Board Member	14,167	17,501	100,456
Vesa Laisi, Board Member	15,000	31,097	178,497
Eriikka Söderström, Board Member	15,833	29,181	167,499
<b>Total</b>	<b>105,000</b>	<b>178,111</b>	<b>1,022,357</b>

\* The subscription price of the offered shares in the IPO was EUR 5.74 per share.

## Remuneration of the CEO during the financial year 2021

### Fees paid during the financial year 2021

The remuneration of Kempower Corporation's CEO Tomi Ristimäki in the financial year 1 January 2021– 31 December 2021 consisted of a base salary, fringe benefits and a bonus related to the fulfilment of business objectives.

The CEO is part of Kempower's general annual bonus program. In the financial year 2021, the CEO was paid a performance bonus based on the achievement of the targets under the 2020 bonus program, in accordance with the Board's assessment and decision.

The targets of the performance bonus paid to the CEO on the basis of the financial year 2020 were partly based on the Kempower Group's revenue and order backlog and partly on personal targets decided by the Board of Directors relating to the management system and profitability.

According to the terms of the bonus program, the performance bonus determined on the basis of the performance of the financial year 2020 could have been a maximum 3.6 months' salary EUR 33,192. The performance bonus paid to the CEO of EUR 33,192 corresponded to 3.6 months' basic salary.

The fixed annual salary and fringe benefits paid to the CEO in 2021 accounted for 83% of the total remuneration and the short-term and long-term incentive bonuses paid accounted for 17%.

Reimbursements are made to the CEO in accordance with the company's travel policy and other policies.

### REMUNERATION AND BENEFITS PAID TO THE CEO DURING THE FINANCIAL YEAR 1 JANUARY–31 DECEMBER 2021

Fixed basic salary, EUR/year	Fringe benefits, EUR/year		Changing components of remuneration, EUR/year	CEO remuneration, EUR / year
	Car benefit	Phone benefit	Performance bonus based on the year 2020	Total
147,720	11,640	240	33,192	192,792

## **Fees payable in the financial year 2022 based on the financial year 2021**

The CEO was part of Kempower's short-term incentive plan (STI), under which the performance bonus will be paid in April 2022. Based on the 2021 bonus program, a total of approximately EUR 176,000 will be paid to the CEO as a bonus, which corresponds to a fixed base salary of 12 months.

The targets of the performance bonus to be paid to the CEO based on the financial year 2021 were partly based on the Kempower Group's revenue and order backlog (total 70% of total targets) and partly on personal targets decided by the company's Board, which were related to the implementation of operational plans and certain strategic flagship projects.

The performance bonus to be paid to the CEO for the financial year 2021 is based on the Board's assessment and decision on the achievement of targets.

## **Other benefits**

### **Share-based benefits**

In October 2021, the company carried out a directed share issue made in deviation from the shareholders' pre-emptive subscription rights to engage personnel of Kempower by issuing 5,789 new shares in a Personnel Offering. The subscription price in the personnel offering was EUR 100.00 per share before the share issue without consideration registered on 26 November 2021, in which for each existing share, 53 new shares were given. Amount of shares which CEO subscribed, after the share issue without consideration, was 15,768. The members of Kempower's personnel including CEO who participated in the personnel offering have signed a shareholder agreement in which they have, among others, committed to sell their shares to the company if their employment with Kempower ends in certain situations and committed to a lock-up period based on which they cannot sell, transfer, donate or pledge the shares subscribed by them without a permission granted by the Board of Directors of the company until 31 December 2024.

The CEO does not have any other personal compensation plan based on shares or stock options or other special rights entitling to shares.

## **Termination, severance pay and pension**

The CEO has been elected until further notice. The period of mutual notice of the Kempower's CEO contract is three months and the CEO has an obligation to work during the notice period, unless otherwise agreed in writing.

If the CEO is terminated at the initiative of Kempower, the CEO is entitled to a lump sum equal to six months' monthly salary under certain conditions.

The notice period for the management employment contracts of the other members of the Management Team is three to six months if Kempower terminates the contract, and two to three months if the member of the Management Team terminates the contract.

Kempower has the right to release a member of the management team from work obligation during the period of notice. If Kempower terminates the management employment of a member of the management team, certain members of the management team are entitled, under certain conditions, to a lump sum equivalent to their monthly salary between four and six months.

The CEO's retirement age is determined by the Pensions Act. No special supplementary pension benefits have been agreed with the CEO.