

Terveystalo Remuneration Policy for Governing Bodies



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I. Introduction

This Remuneration Policy of Terveystalo Plc is the Policy referred to in reporting requirements of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on November 1, 2019. This policy presents the governance and principles of remuneration for governing bodies at Terveystalo Group. This policy has been approved by the Board of Directors of Terveystalo Plc, and presented to the Annual General Meeting in the spring 2022.

Remuneration at Terveystalo is based on the principles of performance, fairness and competitiveness. These remuneration principles apply to all Terveystalo employees and the purpose is to ensure that Terveystalo as an employer attracts motivated and competent professionals. Remuneration shall support the achievement of Terveystalo's strategic goals, align management's priorities with the interests of Terveystalo's shareholders, encourage behaviour consistent with Terveystalo's values, and reward excellent performance.

The Company's compensation philosophy is based on the underlying principle of shareholder value creation. The incentives are aligned with the Company's business stra-

tegy. The objective is to reward concrete achievements in implementing the company's strategy and in achieving its business targets. The Company's compensation structures are designed to be competitive in the relevant market. According to the pay for performance principle, incentive plans place emphasis on performance to ensure that management achieves its goals.

Remuneration is designed to attract and retain the desired talent and to motivate the employees to deliver the strategy and to maximize shareholder value creation. The targets and rewards in the incentive systems are balanced between long-term value creation and efficient achievement of short-term goals.

This policy describes the principles and governance of the remuneration paid to the Company's Board of Directors and to the CEO of Terveystalo. In the event that a Deputy was appointed to the CEO position, the same principles would apply to the Deputy CEO.

The Board of Directors may make minor amendments to the remuneration arrangements regarding the CEO described in the policy for regulatory, exchange control, tax or administrative purposes or to take account of changes in the legislation.

II. Description of the decision-making process

The Shareholders' Nomination Board reviews and prepares the remuneration principles for the members of the Board of Directors, defined in this policy. The Shareholders' Nomination Board also prepares its proposal for the remuneration of the members of the Board of Directors annually. The proposal shall be based on the principles defined in this policy. The AGM makes the final decision on the Board of Directors' remuneration. According to the decision of the AGM, the Chairman of the Board of Directors is a member of the Shareholders' Nomination Board, as his/her role in providing insight regarding the Board of Directors' work and composition is crucial.

The Board of Directors reviews and approves the remuneration principles for the CEO defined in this policy based on preparatory work carried out by the Board of Directors' Remuneration Committee. The Board of Directors also decides on the salary, incentive schemes and associated targets of the CEO based on preparatory work carried out by the Board of Directors' Remuneration Committee. All share-based incentive schemes are decided by the

Board of Directors based on the preparatory work of the Remuneration Committee.

The CEO normally participates in the Remuneration Committee's meetings, except for matters relating to the service terms and remuneration of the CEO.

The governance principles in decision-making on remuneration in the Company follow principles aimed at ensuring the prevention of and the management of conflicts of interest. The underlying principle is that the corporate organ which elects the respective corporate organ also decides on its remuneration. The Company observes the rules set in its Code of Conduct, the Finnish Companies Act and the Finnish Corporate Governance Code, which stipulate governance procedures and rules for the avoidance of conflicts of interest. The decision-making process described above aims at guaranteeing that the decisions are fair and unbiased.

III. Description of the remuneration of the Board of Directors

The purpose of the Board remuneration is to ensure that Terveystalo has a Board consisting of highly competent professionals representing a diverse and relevant mix of skills, capabilities and experience. The Board of Directors' remuneration shall be transparent, reasonable and comparable to market levels. The Board of Directors' remunera-

tion is designed to align the Board's interests with those of all shareholders.

The Shareholders' Nomination Board prepares and presents its proposal on the remuneration of the members of the Board of Directors to the AGM. The proposal should take into account the relevant market level and the time and effort required from the members of the Board of Directors, as well as additional responsibilities assigned to the members, such as chairmanship of the Board of Directors or its Committees.

Remuneration of the Board of Directors

Remuneration element	Purpose and link to strategy	Description
Annual remuneration	The annual remuneration should be sufficient to attract, retain and motivate high-performing individuals.	The Shareholders' Nomination Board prepares and presents its proposal on the remuneration of the members of the Board of Directors to the AGM based on what the AGM decides on the Board's remuneration annually. The proposal should take into account the relevant market level and the time and effort required from the members of the Board of Directors, as well as additional responsibilities assigned to the members, such as chairmanship of the Board of Directors or its Committees. The annual remuneration is paid as a combination of Terveystalo shares and cash or fully in cash.
Meeting fees	The meeting fees are intended to link part of the remuneration to the time and effort required from the members of the Board of Directors in respect of the meetings.	Meeting fees are paid in cash.
Travel expenses	Intended to reimburse the members of the Board of Directors for reasonable costs and expenses related to their work.	The members of the Board are entitled to reimbursement for reasonable travel expenses related to their work.

Decision-making procedure



IV. Description of the remuneration of the CEO

Terveystalo’s approach to the remuneration of the CEO is that the remuneration should align the interest of the CEO with those of the company’s shareholders. Terveystalo uses various remuneration elements to attract, motivate and retain high performing individuals with the right skills, capabilities and mindset. Performance correlates with reward level, and this promotes sustained high performance and focus to business targets and strategy execution. The remuneration structure and level should be comparable to the relevant national and industry benchmarks. The CEO is encouraged to accumulate and maintain a personal shareholding in Terveystalo.

Remuneration components, grounds for determining variable remuneration components and proportional shares of overall remuneration

The remuneration of the CEO is defined to be competitive with a significant part of the remuneration being performance-based.

CEO fixed remuneration

Remuneration element	Purpose and link to strategy	Description
Base salary	Base salary provides a core compensation for the role and attracts, retains and motivates high-calibre individuals.	<p>Base salary is set by the Board of Directors, taking into account a number of factors, such as:</p> <ul style="list-style-type: none"> • recognition of the value of an individual’s personal performance and contribution to the business • individual’s skills and experience • internal salary levels • external market conditions <p>Base salary is reviewed annually.</p>
Benefits and insurance coverage	Insurance coverages and other benefits that are in line with local market practices attract and retain high-calibre individuals.	<p>Taxable fringe benefits, standard Terveystalo personnel benefits, and other benefits are included in the base salary.</p> <p>Insurances include leisure time accident insurance, travel insurance and management liability insurance.</p> <p>The Board of Directors has a possibility to decide on a supplementary defined contribution pension in line with local market practices. In such a case the maximum annual pension contribution may not exceed 20 percent of the annual base salary.</p>

CEO variable remuneration

Up-to-date descriptions of ongoing incentive plans are published on the Terveystalo website, at www.terveystalo.com.

Remuneration element	Purpose and link to strategy	Description
Short-term incentives (STI)	The STI is aimed at driving short-term (annual) performance against specific Group targets and individual objectives based on key strategic priorities for the year.	<p>Performance is measured over a one-year period and potential rewards are paid in the following year. The terms of the Short-Term Incentive plan are described on the company website.</p> <p>Performance criteria:</p> <ul style="list-style-type: none"> • Performance criteria are set annually by the Board based on the key priorities for the financial year. Criteria may include both financial and non-financial criteria. Reaching the maximum level requires exceptional performance. • Following the end of the performance period, the Board of Directors confirms the achievement of the criteria and determines the amount of the payout. <p>Incentive opportunity:</p> <ul style="list-style-type: none"> • Incentive opportunity at the maximum level of performance may not exceed 120 percent of the annual base salary.
Long-term incentives (LTI)	LTI is aimed at driving long-term performance against specific group targets, as well as committing the CEO to the company and aligning the CEO's interests with the interests of the shareholders.	<p>The terms and conditions for each Long-Term Incentive plan are decided by the Board of Directors. The terms of ongoing Long-Term Incentive plans are described on the company website.</p> <p>Performance criteria:</p> <ul style="list-style-type: none"> • Performance criteria for each plan are set by the Board of Directors based on the key priorities for the performance period. Reaching the maximum level requires exceptional performance. • Following the end of the performance period the Board of Directors confirms the achievement of the criteria and determines the amount of the payout. • The LTI performance period shall, as a rule, be no fewer than three years. Performance criteria for each plan are set by the Board of Directors based on the key priorities for and within the performance period. <p>Discretion and claw-back:</p> <ul style="list-style-type: none"> • The Board of Directors is entitled, subject to a particularly weighty reason, to change or cancel the incentive payout or to postpone its payment, and, in exceptional cases, such as intentional misstatement of financials underlying the measures, to recover rewards paid prior to said misconduct. <p>Incentive opportunity:</p> <ul style="list-style-type: none"> • The Board of Directors decides on LTI allocation on an individual level. • At the maximum level, the amount of incentives paid in the same year may not exceed, at grant, 220 percent of the annual base salary.

Proportion of remuneration elements

The remuneration of the CEO is defined to be competitive with a significant part of the remuneration being performance-based. The incentive opportunity at the maximum level performance of STI is 120 percent of the annual base salary. For the LTI, the amount of incentives paid in the same year may not exceed, at grant, 220 percent of the annual base salary.

Other key terms applicable to the service contract

Share ownership requirement

To encourage building a meaningful shareholding in Terveystalo, the CEO is expected to retain at least 50 percent of the net shares received based on the LTI plans until his/her share ownership in Terveystalo corresponds to at least his/her annual gross base salary.

Termination of the service contract and severance pay

Regarding the termination of the service contract and severance pay of the CEO, the agreement may be terminated by both parties by giving six (6) months' notice. Should the Company terminate the agreement, the Company is required to pay an additional severance pay, equivalent to 12 months' base salary.

Supplementary information

As a benchmarking approach, the Remuneration Committee reviews market benchmark data from Finnish and, where necessary, international healthcare companies of a similar size and complexity to Terveystalo when setting total remuneration packages for the CEO. This is used more as a guide than a direct determinant of pay levels. Other factors considered include each individual's role and experience, as well as Company performance and personal performance.

Terms for deferral and possible clawback of remuneration

Clawback provisions apply to LTI and STI plan awards in exceptional circumstances. The Board of Directors is entitled, subject to a particularly weighty reason, to change or cancel the incentive payout or to postpone its payment, and, in exceptional cases, such as intentional misstatement of financials underlying the measures, to recover rewards paid prior to said misconduct.

Previously agreed or granted awards

The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed prior to the presentation of this Policy to the AGM.

V. Temporary deviation

The Board of Directors may temporarily deviate from any sections of the Policy and from any contents of the Policy based on its full discretion in any of the circumstances and on any of the grounds described below:

- a structural change (change in the Company's corporate, group, business or organizational structure or a material change in its ownership structure),
- a personnel change (such as changes in the Board of Directors or in the top management of the Company or a need to recruit a new CEO or Deputy to the CEO),
- other exceptional or unexpected event or change or materially changed circumstances in the Company or in its business or operating environment or a material change in the Company's strategy or business plan,
- material change in the Company's financial position or outlook,
- regulatory or judicial changes, changes in governmental or administrative orders or in taxation or taxation practice, or
- other change or circumstances not specified above if the Board of Directors, after careful consideration, deems that a deviation is necessary or advisable in order to safeguard the Company's long-term interests or sustainability such as, without limitation, in order to ensure the continuity of the Company's management.

The procedure to be followed in the deviation from this Policy shall be the same as the decision-making procedure for the implementation of this Policy described elsewhere in this policy. If the deviation concerns Board remuneration, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances. The deviation and its grounds shall be reported in the next annual remuneration Report and presented to the next AGM as part thereof.