

QPR SOFTWARE PLC REMUNERATION REPORT 2021

INTRODUCTION

The reporting and transparency requirements for listed companies increased with the new EU Shareholder Rights Directive (SHRD) and the revised Finnish Corporate Governance Code 2020. QPR's Remuneration Policy was renewed to comply with these regulations, and it was approved in the Annual General Meeting in June 2020.

The goal of the Remuneration Policy is to define a framework for remuneration that supports achieving the Company's growth strategy, long-term financial success, and shareholder value creation. The Remuneration Policy also helps to recruit and retain competent executives and Board members to the Company.

In 2021, there were no deviations from the remuneration policy, nor any clawbacks of remuneration. Pursuant to the new Finnish Corporate Governance Code 2020 for Listed Companies published by the Finnish Securities Market Association, the remuneration report from the financial year 2021 is the second to be presented in the Annual General Meeting for advisory vote. Any actions arising from the advisory vote will be considered and reported in the remuneration report of 2022.

Principles and management of remuneration

Remuneration of board members is decided at the Annual General Meeting based on the proposal by the largest Shareholders. The Board decides on the compensation principles of top management and decides and approves the terms and conditions of the CEO's employment in writing. The Board annually approves the personnel incentive scheme. Whether shares, options, or other benefits entitling to shares can be offered as part of remuneration, the Board decides pursuant to the authority agreed upon in the Annual General Meeting.

According to the key principles of remuneration, remuneration must lead to competitive total remuneration, where variable pay components are aligned with the Company's strategy and shareholder value. The development of the Company and its long-term shareholder value must significantly impact remuneration.

The Remuneration Policy has been prepared to follow the remuneration principles applicable to all employees of QPR Software. This is reflected, for example, in the performance criteria of the bonus program, which are derived from the Company's strategy, and are in part common between the CEO and other employees. However, the variable components constitute a more significant portion of the CEO's total remuneration compared to the average remuneration of QPR Software's employees, since the Company aims for a particularly strong link between the CEO's remuneration and the Company's performance.

These principles have been adopted in remuneration decisions in 2021.

For incentive purposes, the Company has a bonus program that covers all employees. The short-term remuneration of top management consists of salary, fringe benefits, and a possible annual bonus based mainly on the sales performance of the Group and business unit. Furthermore, the Company launched a key employee stock option plan in 2019.

The table below shows how the remuneration paid to the members of the Board of Directors and the CEO has developed over the past five financial years, compared to the development of the average remuneration of employees and the company's financial development during the same period (2017–2020). In 2021, the company had two different CEOs.

EUR thousand	2021	2020	2019	2018	2017	2016
Remuneration of BoD	89	76	76	80	89	76
% of net sales	1.0 %	0.8 %	0.8 %	0.8 %	1.0 %	0.9 %
Remuneration of CEO	251	182	201	203	204	200
% of net sales	2.8 %	2.0 %	2.1 %	2.0 %	2.4 %	2.3 %
Remuneration of employees, average	69	62	65	61	59	62
% of net sales	0.8 %	0.7 %	0.7 %	0.6 %	0.7 %	0.7 %
Staff remuneration total	5,546	5,301	5,328	4,942	4,493	4,434
% of net sales	60.7 %	59.1 %	56.0 %	49.2 %	53.0 %	51.4 %
Net sales	9,140	8,971	9,513	10,047	8,484	8,634
Growth of Net Sales, %	1.9 %	-5.7 %	-5.3 %	18.4 %	-1.7 %	-8.5 %
Number of employees, average	81	86	82	81	76	71
Change in number employees, %	-5.8 %	4.9 %	1.2 %	6.6 %	7.0 %	-17.4 %

Remuneration in 2021

The CEO's remuneration consisted of a fixed base salary, fringe benefits, a performance-based bonus according to the principles approved annually by the company's Board of Directors, as well as stock option rights.

Top management's remuneration consisted of a fixed base salary, fringe benefits, a performance-based bonus according to the principles approved annually by the company's Board of Directors, as well as stock option rights.

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Remuneration of the Board of Directors in 2021

It was decided at the Annual General Meeting on March 25, 2021, that board members are paid a monthly remuneration of EUR 1,545 (2020: 1,402) and the Chairman of the Board EUR 3,090 (2020: 2,102). The remuneration is paid monthly on the last working day of each month.

Members of the Board of Directors do not have a set retirement age nor exceptional pension arrangements. It was also unanimously decided at the Annual General Meeting on March 25, 2021, to reimburse travel costs incurred by board members according to the maximum tax-exempt allowances defined by the local tax authority.

No shares or share-based rights were given as remuneration to members of the Board of Directors in 2021.

Total remuneration paid to Board members in 2021.

EUR thousand	2021	
Leskinen Vesa-Pekka, Chairman	6	until March 25, 2021
Piela Topi	4	until March 25, 2021
Rajala Jarmo	4	until March 25, 2021
Vainio Salla	4	until March 25, 2021
Pertti Ervi, Chairman	28	as of March 25, 2021
Matti Heikkonen	14	as of March 25, 2021
Antti Koskela	14	as of March 25, 2021
Jukka Tapaninen	14	as of March 25, 2021
Total	89	

Remuneration of the CEO in 2021

In 2021, the CEO's maximum bonus was set to 40% of the annual base salary. The goal of the CEO's remuneration scheme was to increase the Group's net sales. The bonus was set to 20% of annual base salary for reaching the Group's net sales budget, with a maximum of 40% of annual base salary for exceeding the budget. No bonus will be paid to the CEO for 2021. Bonuses are paid annually. The remuneration of Jussi Vasama, CEO, who started in October 2021, for the rest of the year was defined as the target remuneration, which corresponded pro rata to the 4-month basic salary.

Annual remuneration paid to the CEO Jussi Vasama and Jari Jaakkola

EUR thousand	Vasama 2021	Jaakkola 2021	Jaakkola 2020
Salary, including fringe benefits	53	199	182
Extra pension and other benefits	-	-	-
Bonus payments	-	-	-
Total	53	199	182

Remuneration of the Executive Management Team in 2021

Top management's remuneration consisted of a fixed base salary, fringe benefits, a performance-based bonus according to the principles approved annually by the company's Board of Directors, as well as stock option rights.

In 2021, the maximum annual bonus of the Executive Management Team, including the CEO, was 40% of the annual base salary. The Executive Management Team's bonus scheme is based on the development of the Group's net sales, the net sales and new sales of business units, as well as the technology net sales of the Group in 2021. A bonus totaling EUR 52 thousand is paid to the Executive Management Team, including the CEO, for 2021.

Remuneration of the Executive Management Team in 2021

EUR thousand	CEO Jari Jaakkola	CEO Jussi Vasama	Other EMT members
Salary	198	49	584
Fringe benefits	1	4	3
Fixed remuneration	199	53	588
Bonus	0	0	13
Total remuneration	199	53	600

Key employee stock option plan

The Board of Directors of QPR Software Plc decided in a meeting held on January 29, 2019, to launch a new key employee stock option plan, based on the authorization granted at the Annual General Meeting. The purpose of the stock options is to encourage key employees to work for increasing the shareholder value in the long-term and to retain the key employees at the Company.

The maximum number of stock options issued is 910,000, and they entitle their owners to subscribe for a maximum of 910,000 new or existing shares held by the Company. The stock options are issued gratuitously. 437,000 stock options are marked with the symbol 2019A, and 473,000 are marked with the symbol 2019B. The subscription period for stock options marked 2019A will be January 1, 2022, to January 31, 2023; and for stock options marked 2019B, January 1, 2023, to January 31, 2024.

The number of shares subscribed by exercising stock options corresponds to a maximum of 6.81% of the Company's shares and votes after possible share subscriptions, if new shares are issued in the share subscription. As a result of the share subscriptions with stock options, the number of the Company's shares may increase by a maximum of 910,000 shares, if new shares are issued in the share subscription. The share subscription price for stock options marked 2019A is EUR 1.70 per share, which corresponded to the market price of the Company's share at the time of launching the option plan. The share subscription price for stock options marked 2019B is EUR 2.55 per share, which is 50% higher than the market price of the Company's share. The P&L costs of this stock option plan are estimated to be approximately EUR 190 thousand in total.

Options granted to Executive Management Team	Option 2019A	Option 2019B
Jussi Vasama, CEO/Executive Management Team*	130,000	135,000
Tero Aspinen, VP/Executive Management Team	30,000	33,000
Matti Erkheikki, SVP/Executive Management Team	65 000	65,000
Päivi Vahvelainen, CFO, Executive Management Team	50,000	50,000
Harri Ruuska, SVP/Executive Management Team	50,000	50,000

Pekka Keskiivari, SVP/Executive Management Team	22,000	45,000
Total	347 000	378 000

* Issued in 2021

Stock option schemes and subscription period	Stock options granted/ outstanding at end of period	Returned/ Exercised/ expired	Un-distributed	One option entitles to purchase shares	Share subscription price
2019A 1.1.2022–31.1.2023	437,000	2,000	0	1	1.70
2019B 1.1.2023–31.1.2024	473,000	30,000	0	1	2.55
Yhteensä	910,000	32,000	0		

At the end of 2021, the key employee stock option plan included 13 key employees.