

## QPR SOFTWARE PLC REMUNERATION REPORT 2020

### INTRODUCTION

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

The aim of the Remuneration Policy is to define a framework for remuneration that supports to pursue the Company's growth strategy, long-term financial success and shareholder value creation. The Remuneration Policy also enables the recruitment and retainment of competent management and Board members in the Company.

In 2020, there were no deviations from the remuneration policy, nor any clawback 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 2020 is the first one to be presented for the advisory vote of the annual general meeting. Any actions arising from the advisory vote will be taken into account and reported in the remuneration report 2021.

### Principles and management of remuneration

The Annual General Meeting decides on the remuneration paid to the Board of Directors based on the proposal by the Shareholders' Nomination Board. The Board of Directors decides on the compensation principles of the top management, as well as the service terms and conditions of the CEO, specified in writing. The Board annually approves the personnel incentive scheme. When shares, options, or other special rights entitling to shares are issued as part of the remuneration, the decisions are by the Board of Directors pursuant to an authorisation from the Annual General Meeting.

In accordance with the guiding principles for remuneration, the remuneration should result in competitive total earning opportunity where variable remuneration is aligned with the Company's strategy and shareholder value. The development and long-term shareholder value creation of the Company must affect the remuneration substantially.

The Remuneration Policy has been prepared to follow the remuneration principles applicable to all QPR Software employees. This can be seen e.g. in the performance criteria of the bonus scheme which are derived from the Company's strategy and are partly common to the CEO and other employees. However, the variable remuneration constitutes a more significant portion of the CEO's total remuneration compared to typical QPR Software employee's total remuneration on average, since the Company aims to have an especially strong link between the CEO's remuneration and the Company's performance.

These principles have been adopted in remuneration decisions in 2020.

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

The table below shows the comparison of the development of the fees of the board of directors and managing director to the development of the average remuneration of employees and to the company's financial development over the preceding five financial years (2016-2020):

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

## REMUNERATION IN 2020

The CEO's remuneration consisted of a fixed base salary with fringe benefits, a performance-based bonus scheme annually approved by the Board and stock option rights.

The top management's remuneration consisted of a fixed base salary with fringe benefits, a performance-based bonus scheme annually approved by the Board and stock option rights.

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## Remuneration of the Board of Directors

The Annual General Meeting on June 8, 2020 decided an annual remuneration of EUR 16,820 for each Board member (2019: 16,820) and a remuneration of EUR 25,230 for the Chairman of the Board (2019: 25,230). The annual remuneration is paid monthly in the last working day of each month and in proportion of the annual payment.

The members of the Board of Directors do not have any retirement age or exceptional pension arrangements. The Annual General Meeting on June 8, 2020 also decided unanimously to compensate travel costs for the Board members in accordance with the maximum tax-free limits reinforced by the tax authority.

No shares or share-based rights were paid as remuneration for the members of the Board of Directors in 2020.

Annual remuneration paid to Board members in 2020

<b>EUR thousand</b>	<b>2020</b>
Leskinen Vesa-Pekka, Chairman	25
Piela Topi	17
Rajala Jarmo	17
Vainio Salla	17
<b>Total</b>	<b>76</b>

## Remuneration of the CEO in 2020

In 2020, the maximum annual bonus of the CEO, was 40% of annual base salary, and the target was group net sales growth. The bonus was set at 20% of annual base salary for reaching group net sales budget for the year, and maximum 40% of annual base salary for exceeding the budget. No bonus will be paid to the CEO for 2020. The bonuses are paid annually.

Annual remuneration paid to the CEO  
Jari Jaakkola:

<b>EUR thousand</b>	<b>2020</b>
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Salary, including fringe benefits	182
Extra pension and other benefits	-
Bonus payments	-
<b>Yhteensä</b>	<b>182</b>

### Remuneration of the Executive Management Team in 2020

The top management's remuneration consisted of a fixed base salary with fringe benefits, a performance-based bonus plan annually approved by the Board and stock option plan.

In 2020, the maximum annual bonus of Executive Management Team was 40% of the annual base salary. The bonus system for the Executive Management Team is based on development of the Group net sales, the net sales and new sales of profit centers as well as the technology net sales of the Group in 2020. A bonus totaling EUR 13 thousand is paid to the executive management team for 2020.

Annual remuneration paid to the Executive Management Team:

<b>EUR thousand</b>	<b>CEO Jari Jaakkola</b>	<b>Other EMT members</b>
Salary	181	549
Fringe benefits	1	7
<b>Fixed remuneration</b>	<b>182</b>	<b>556</b>
Bonus *	0	13
<b>Total remuneration</b>	<b>182</b>	<b>569</b>

\* Due in 2021

## Key employee stock option plan

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

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

The number of shares subscribed by exercising stock options issued corresponds to a maximum total of 6.81% of all shares and votes of the shares in the Company after the potential share subscriptions, if new shares are issued in the share subscription. After the share subscriptions with stock options, the number of the Company's shares may be increased by a maximum total of 910,000 shares, if new shares are issued in the share subscription. The share subscription price for stock options 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 2019B is EUR 2.55 per share, which corresponds to the market price of the Company's share with an addition of 50%. The P&L costs of this stock option plan are estimated to be approximately EUR 190 thousand in total.

<b>Options granted to Executive Management Team</b>	<b>Option 2019A</b>	<b>Option 2019B</b>
Jari Jaakkola, 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
Harri Ruuska, SVP/Executive Management Team*	50,000	50,000
Pekka Keskiivari, SVP/Executive Management Team	22,000	45,000
<b>Total</b>	<b>297,000</b>	<b>328,000</b>

\* Granted in 2020

Stock option schemes and subscription period	Stock options granted / outstanding at end of the year	Returned/exercised/ expired	Un-distributed shares	One option entitles to purchases shares	Share subscription price
2019A 1.1.2022–31.1.2023	437 000	-15 000	30 000	1	1,70
2019B 1.1.2023–31.1.2024	473 000	-15 000	30 000	1	2,55
<b>Total</b>	<b>910 000</b>	<b>-30 000</b>	<b>60 000</b>		

At the end of 2020, key employee stock option plan included 13 key employees.