

# Remuneration Report for the Financial Year 2023

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**Bittium**

## Introduction

The governance of Bittium Corporation (hereinafter "Company") is determined by the Company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company's Corporate Governance Code. The Company follows the Finnish Corporate Governance Code 2020 prepared by the Finnish Securities Market Association, and entered into force on January 1, 2020. This Remuneration Report is prepared in accordance with the Finnish Corporate Governance Code 2020. The Governance Code is available at the website of the Finnish Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Company's Corporate Governance Code, Corporate Governance Statement for each financial period, and the salary and remuneration report are publicly available at the Company's website at [www.bittium.com](http://www.bittium.com). Up-to-date information on the shareholdings of CEO and the management group of the Company in the Company is publicly available at the Company's website at [www.bittium.com](http://www.bittium.com).

This Remuneration Report presents the salaries, fees, and other financial benefits paid to the Board of Directors and CEO in the financial year 2023. Such salaries, fees, and other financial benefits that have not yet been paid in the financial year 2023, but that arise from an earnings period that has ended in the financial year 2023, must be reported as due remuneration, if the amount of the due remuneration is sufficiently certain.

## The Company's Remuneration Policy

On March 11, 2020, the Company published by a stock exchange release the Remuneration Policy for governing bodies that was presented to the Annual General Meeting held on June 15, 2020. At the Annual General Meeting, the Remuneration Policy was supported by 100 percent of the votes cast, and no votes were cast against the Remuneration Policy.

The remuneration principles set out in the Remuneration Policy shall guide the Company's incentive structure and performance metrics. The remuneration of the Company is designed to align the interests of employees and shareholders while supporting the Company's pay-for-performance principle. The objectives of the Company's incentive plans are to drive its strategy and create long-term, sustainable performance with increased shareholder value. During 2023, the Company has made two temporary deviations from the Remuneration Policy as described below in the section "Remuneration of the CEO in the previous financial year".

The handling of the company's new Remuneration Policy is on the agenda of the Annual General Meeting to be held on April 10, 2024.

## The Remuneration of the Board of Directors and CEO in the Financial Year 2023

At the Annual General Meeting held on April 12, 2023, Mr. Erkki Veikkolainen, Ms. Riitta Tiuraniemi, Mr. Veli-Pekka Paloranta, Mr. Petri Toljamo and Mr. Pekka Kempainen were re-elected as members of the Board of Directors.

In the financial year 2023, the Board of Directors have been paid fees according to the Remuneration Policy adopted by the Annual General Meeting held on April

12, 2023 and to the resolutions of the Annual General Meeting on the remuneration of the members of the Board of Directors. Fifty percent of the total amount of the monthly remuneration of the members of the Board of Directors has been paid as the Company's shares. According to the remuneration principles set out in the Remuneration Policy the payment of a substantial part of the remuneration as shares aligns the interests of the Board of Directors and shareholders and incentivizes the management for the decision-making that supports the growth of shareholder value and long-term financial success. The share ownership further supports the long-term commitment of the Board of Directors to the Company.

During the financial year 2023, Mr. Hannu Huttunen served as the Company's CEO until March 31, 2023, and Mr. Johan Westermarck from April 1, 2023. The CEOs have been paid in the financial year 2023 and in the periods described above base salary according to terms of the written service contracts. Mr. Huttunen has also been paid fees based on the short-term incentive program (STI). The fees have been based on the delivery of the strategic objectives of the Company and the delivery of the performance measures supporting financial development, set as goals for the CEO. The payment of remuneration under incentive programs based on the delivery of financial and operational objectives commits the CEO to the delivery of short-term financial and strategic objectives, which in turn support the delivery of the Company's business strategy. In 2023, a one-off fixed Matching Share Plan was established for CEO Johan Westermarck. In 2023 the CEOs have not been paid fees based on the long-term incentive program (LTI). The LTI programs are designed to reward for delivery of strategic targets and sustainable long-term growth, to align CEO's interests with those of shareholders, and to increase the value of the Company by offering a share ownership-based remuneration.

## Deferral and Clawback of Remuneration

The remuneration terms may include clawback terms according to the Remuneration Policy. Any remuneration may be deferred in accordance with the terms of such remuneration, and the Company has the discretion to scale back deferred short-term and long-term incentives prior to the sat-

isfaction of such incentives. Upon recommendation of the Audit Committee or the Remuneration Committee, if established, the Board of Directors may also temporarily deviate from any provisions of the Remuneration Policy.

In the financial year 2023, the Company has not clawbacked any remuneration, deferred remuneration terms, or scaled back short-

term or long-term incentives prior to the satisfaction of such terms. During 2023, the Company has made two temporary deviations from the Remuneration Policy as described below in the section "Remuneration of the CEO in the previous financial year".

## Remuneration and the Company's financial development

	2019	2020	2021	2022	2023
Chairman of the Board (EUR)	42,613	53,648	47,602	52,200	50,247
Board member on average (EUR) <sup>1</sup>	25,265	31,592	20,300	31,696	30,211
CEO (EUR)	334,000	338,334	282,289	344,552	595,731 <sup>2</sup>
Salary development of an average employee of Bittium (EUR) <sup>3</sup>	65,046	64,264	67,463	69,987	75,094
Group personnel on average	665	673	664	641	601
Net sales (MEUR)	75.2	78.4	86.9	82.5	75.2
Operating result (MEUR)	6.3	2.1	3.2	0.3	-4.3

<sup>1</sup> Total fees paid to the other Board members than the Chairman in the financial year divided by the number of such Board members in the financial year.

<sup>2</sup> Includes fees of both Mr. Hannu Huttunen and Mr. Johan Westermarck.

<sup>3</sup> Total Group personnel expenses (including capitalized personnel expenses of R&D) divided by the average number of personnel in each financial year.

## Remuneration of the Board of Directors in the Previous Financial Year

According to the Remuneration Policy, decisions concerning the remuneration of the Board members and committee members are made in general meetings. The remuneration of the Board of Directors can consist of one or more components, such as an annual fee and possible meeting fees. The Chairman and Committee members can be paid an increased fee or a meeting fee. An increased fee can also be paid e.g. if the meeting is held outside of a member's country of residence. The fees to be paid to the Board members can be paid in cash or partially or entirely in shares.

The Annual General Meeting held on April 12, 2023 decided that the Board members will be paid monthly fees as follows: to Chairman of the Board EUR 3,150 and to other members of the Board EUR 1,800. In addition, the Board members are entitled

to compensation for the attended Board meetings as follows: the Chairman of the Board EUR 875 for each meeting and other members EUR 500 for each meeting. In addition, the members of the Board of Directors are entitled to compensation for attending Committee meetings: the Chairman of the Committee EUR 600 for each meeting and other Committee members EUR 400 for each meeting. The travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the Company's travel policy. Fifty percent of the total amount of the monthly remuneration of the members of the Board of Directors shall be paid at once as Company's shares acquired for the price formed in public trading, through share issue or, in special circumstances if share-based remuneration cannot be paid for some reason, in money. The shares shall be acquired according to the share purchase program of the Company. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

All the fees paid to the Board members in the financial year 2023 have been in accordance with the Remuneration Policy of the Company and the resolutions of the Annual General Meeting. There are no employment relationships or service contracts between the members of the Board and the Company. The members of the Board have not been included in the remuneration schemes of the Company. The Board members are not paid variable remuneration components.

Based on the resolution of the Annual General Meeting, fifty percent of the total monthly fees of the Board of Directors was used to acquire the Company's shares. The shares were acquired in accordance with the share purchase program prepared by the Company, and the acquisitions were carried out on May 3, 2023 for the price formed in public trading. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

### The Board members have been paid the following remuneration in the financial year 2023 (EUR)

Name	Position	Monthly fees to Board members	Meeting fees for Board meetings	Meeting fees for Audit Committee meetings	In total
Erkki Veikkolainen	Chairman of the Board	37,997.28, of which 18,899.75 paid by acquiring 4,447 shares of the Company	12,250		50,247.28
Riitta Tiuraniemi	Member of the Board, Chairman of the Audit Committee	21,710.67, of which 10,799.25 paid by acquiring 2,541 shares of the Company	7,000	3,000	31,710.67
Pekka Kemppainen	Member of the Board	21,710.67, of which 10,799.25 paid by acquiring 2,541 shares of the Company	7,000		28,710.67
Veli-Pekka Paloranta	Member of the Board, member of the Audit Committee	21,710.67, of which 10,799.25 paid by acquiring 2,541 shares of the Company	6,500	2,000	30,210.67
Petri Toljamo	Member of the Board, member of the Audit Committee	21,710.67, of which 10,799.25 paid by acquiring 2,541 shares of the Company	6,500	2,000	30,210.67

## Remuneration of the CEO in the Previous Financial Year

According to the Remuneration Policy of the Company, the Company's approach to determining and reviewing the remuneration of the CEO consists of a similar policy framework as the employees' remuneration, although the CEO's role and responsibilities affect the amount of compensation.

The Board decides on the remuneration of CEO and on the key terms and conditions of his/her service. The CEO's remuneration shall consist of fixed, and variable pay components. In addition to annual base salary, remuneration components may include e.g. short- and long-term incentives, pension arrangements, fringe benefits and other financial benefits.

In the financial year 2023, the CEOs have been paid remuneration as follows<sup>1</sup>:

- to Mr. Huttunen EUR 120,011.04 in total, of which 59.8 percent was paid as fixed component and 40.2 percent as variable pay component, the amount of which has depended on the CEO's personal performance and the delivery of the targets pre-defined by the Board of Directors in the previous year, in 2022.
- to Mr. Westermarck EUR 475,479.89 in total, of which 55.8 percent was paid as fixed component and 44.2 percent as variable pay component based on the one-off fixed Matching Share Plan mentioned in the chart below.

The tables on the following pages describe the remuneration paid and due to the CEOs in the financial year 2023 by type.

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<sup>1</sup> The relative proportion does not include other financial benefits, such as pension benefits, compensation for termination, or other comparable financial benefits, which are reported in their own section. However, in the financial year 2023 the CEO has not been paid any other financial benefits in addition to the telephone benefit.

## The CEO Hannu Huttunen 1.1.2023 - 31.3.2023

Remuneration component	Amount (EUR)	Remuneration description	Compliance or deviation
<b>Base salary</b> (fixed component)	Paid: 71,748	The CEO has been paid monthly base salary EUR 19,930 according to terms of the written service contract until March 31, 2023. In addition, holiday pay of EUR 11,958 has been paid to the CEO in accordance with the terms of the written service contract.	In compliance with the Remuneration Policy
	Due: 16,741.20 <sup>1</sup>	Fees due include holiday pay and holiday compensation in accordance with the terms of the written service contract.	
<b>Short-term incentive (STI)</b> (variable pay component)	Paid: 48,263.04	The STI program consists of annual programs that encourage and reward the delivery of short-term business objectives. Possible remuneration based on the STI program is paid based on performance metrics set by the Board. With regard to the 2022 targets, the Board has divided the targets equally between the three product and service areas. Within these sub-targets, the performance metrics have relative weights of 10 to 50 percent. The performance metrics include both financial goals (including operating profit and EBITDA) and operational goals related to the development of sales and business in the product and service areas. Under the STI program, a maximum of 60 percent of base salary can be paid to the CEO. <sup>2</sup> The Board has assessed that the CEO has reached the required minimum level for the STI 2022 program and has decided to pay the fee in accordance with the target agreement. Based on this, the CEO has been paid previously overdue fees EUR 48,263.04 in the financial year 2023 in accordance with the short-term incentive program STI 2022.	In compliance with the Remuneration Policy
<b>Long-term incentive (LTI)</b> (variable pay component)	Paid: 0	The previous share based long-term incentive scheme of Company consists of performance share plans ("PSP"). The last, the third plan under the scheme was the PSP 2022-2024 commenced in the beginning of the financial year 2022. The plans consist of a one-year performance period followed by the possible payment of the share reward and a two-year restriction period. The CEO is expected to retain at least 50 percent of the performance shares received by him/her for until his/her ownership level in shares represents in value his/her annual base salary. The performance measures for the possible payment of the share reward under PSP 2022-2024 are Company's revenue growth and cash flow before financial items. In addition to the performance measures, the schemes include a maximum share reward to be paid to participants based on the share price increase, which is determined separately by the Board (Pay-Out Limit). The number of shares that may be awarded within the plans and the payment are always subject to, and conditional on, a separate decision and approval of the Board. Because the performance measures of PSP 2022-2024 were not fulfilled, no payments have been made based on the plan.	In compliance with the Remuneration Policy
<b>Other benefits and programs</b> (other financial benefits/ other fixed remuneration components)	60	Telephone benefit	In compliance with the Remuneration Policy

<sup>1</sup> Such remuneration that has not yet been paid, but that arise from an earnings period that has ended during the financial year being reported, and the amount of which is sufficiently certain prior to this remuneration report being issued, must be reported as due remuneration.

<sup>2</sup> Disclosure of certain more specific performance metrics and targets would, in the Company's opinion, mean that the Company's confidential business information would be compromised. The Company has described the performance metrics, targets, and their application as widely as possible.

## The CEO Johan Westermarck on April 1, 2023 - December 31, 2023

Remuneration component	Amount (EUR)	Remuneration description	Compliance or deviation
<b>Base salary</b> (fixed component)	Paid: 265,250.40	The CEO has been paid monthly base salary EUR 27,980.00 according to terms of the written service contract from April 1, 2023. In addition, holiday pay of EUR 13,430.40 has been paid to the CEO in accordance with the terms of the written service contract.	In compliance with the Remuneration Policy
<b>Short-term incentive (STI)</b> (variable pay component)	Due <sup>1</sup> : 0  Paid: 210,229.49	<p>The STI program consists of annual programs that encourage and reward the delivery of short-term business objectives. Possible remuneration based on the STI program is paid based on performance metrics set by the Board.</p> <p>With regard to the 2023 targets, the Board has set operating profits as performance metrics<sup>2</sup>. Based on the STI 2023 program, no fees are due.</p> <p>A one-off fixed Matching Share Plan was established for the CEO. The aim of the Plan is through share ownership to align the interests of the CEO with those of the Company's shareholders and to promote shareholder value creation in the long term as well as the retention of the CEO with the Company. The fixed Matching Share Plan was a one-off plan, in which the CEO was expected to purchase shares of Bittium Corporation with at least the value of 200,000 euros at a price formed in public trading on Nasdaq Helsinki. The Company committed to match the share investment by way of the CEO receiving matching shares without consideration with a net value of 100,000 euros. In addition to the matching shares, the Company committed to the payroll tax and other taxes and tax-like charges payable in connection with the plan. The Company transferred a total of 23,854 own shares without consideration to the CEO as a share reward based on the Fixed Matching Share Plan (99,256.49 euros). The sum includes the share reward of 99,256.49 euros and the payment of 110,973.00 euros which aims to cover payroll tax and other taxes and tax-like charges. The matching shares received by the CEO based on the plan will be subject to a transfer restriction (lock-up) of three years.</p>	<p>In compliance with the Remuneration Policy</p> <p>Temporarily deviated from the Remuneration Policy, as the plan is not tied to the achievement of short term business objectives in accordance with the Remuneration Policy. The temporary deviation is to ensure the Company's long-term interests taking into account long-term financial success, competitiveness and shareholder value development, among other things, in a situation where the CEO has changed.</p>
<b>Long-term incentive (LTI)</b> (variable pay component)	Paid: 0 Due <sup>1</sup> : 0	The new share based long-term incentive scheme of Company consists of performance share plans ("PSP"). The PSP consists of three annually commencing three-year performance share plans, PSP 2023–2025, PSP 2024–2026 and PSP 2025–2027, each with a one-year performance period, which is followed by the payment of the share reward and a two-year transfer restriction period. The commencement of the following two plans, PSP 2024–2026 and PSP 2025–2027, is, however, subject to a separate Board decision. The CEO is expected to retain in his ownership at least half of the shares received under Bittium's share-based incentive plans until the value of CEO's share ownership in Bittium corresponds to at least his annual gross base salary. The performance measure based on which the potential share reward under the first plan, PSP 2023–2025, will be paid is the revenue growth of Bittium. The number of shares that may be awarded within the plans and the payment are always subject to, and conditional on, a separate decision and approval of the Board. No reward is fallen due under the program and no payments have been made in the financial year 2023.	<p>Temporarily deviated from the Remuneration Policy, as the plan does not state that the maximum award size of CEO may be up to three times of his annual base salary.</p> <p>The temporary deviation is to ensure the Company's long-term interests taking into account long-term financial success, competitiveness and shareholder value development, among other things, in a situation where a remarkable part of the management has changed.</p>
<b>Other benefits and programs</b> (other financial benefits/ other fixed remuneration components)	180	Telephone benefit	In compliance with the Remuneration Policy

<sup>1</sup> Such remuneration that has not yet been paid, but that arise from an earnings period that has ended during the financial year being reported, and the amount of which is sufficiently certain prior to this remuneration report being issued, must be reported as due remuneration.

<sup>2</sup> Disclosure of certain more specific performance metrics and targets would, in the Company's opinion, mean that the Company's confidential business information would be compromised. The Company has described the performance metrics, targets, and their application as widely as possible.

## Pensions and Other Financial Benefits

The pension security of CEO is statutory, and he does not have supplementary pension. According to the pension legislation, the lowest limit of the pension age for CEO is 65 years and 1 month at the moment.

In the financial year 2023, the CEOs have not been paid any other financial benefits in addition to the telephone benefits, such as fringe benefits, severance pay or other comparable financial benefits.



# Bittium

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