

ORIOLA

Remuneration report 2022



REMUNERATION REPORT 2022

Introduction

The Remuneration Report 2022 describes the remuneration for Oriola's governing bodies as required by the Finnish Securities Market Act, the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 issued by the Securities Markets Association. The report presents information on the remuneration of the Board of Directors and the President & CEO during the financial year 2022. The Remuneration Report 2022 will be presented to Oriola's Annual General Meeting 2023 for an advisory vote.

In 2022, Oriola complied with the company's Remuneration Policy, as approved by the Annual General Meeting 2020, with the exception of an additional pension payment that was made to the current President & CEO Katarina Gabrielson. Additionally, as an exception to the company's Remuneration Policy and following the Board of Directors' decision in 2022 to terminate the company's Share savings plan, the CEO was no longer required to take part in the Share savings plan as a condition to participate in the long-term incentive plan. The Board may deviate from the Policy in extraordinary circumstances.

The Remuneration Report 2021 presented to the Annual General Meeting 2022 was adopted through an advisory resolution.

For further information on company, Board of Directors and executive remuneration, please see Oriola's website www.oriola.com for the Remuneration Policy and other remuneration related information.

Remuneration principles

According to Oriola's Remuneration Policy, the goal of Oriola's execu-

tive remuneration is to commit executives to develop the company and its financial success in the long term. Oriola's remuneration supports achieving strategic targets, profitability and increase of shareholder value.

When setting the remuneration for executives, Oriola follows the same main principles as for other employees in the company. Remuneration across the company is reviewed regularly to secure its competitiveness in the market.

Remuneration development

The following section describes the development of the company's performance, the remuneration of the Board of Directors and the CEO, and the average salary of Oriola's employees in 2018–2022.

In 2022, Oriola's financial performance improved from the previous years. This was driven by efficiency and cost savings actions related to the turnaround initiatives as well as good market demand. During 2020–2021, the COVID-19 pandemic significantly impacted Oriola's operating environment, and the Swedish pharmacy market was challenged by the fast-growing e-commerce. During 2019–2020, Oriola's financial performance was unsatisfactory, which was also reflected in actual remuneration.

The remuneration of the Board of Directors, decided by the Annual General Meeting, has remained unchanged since 2019. The members of the Board of Directors are not participants in the company's incentive schemes. Over the five-year review period, the CEO's remuneration has varied according to the level of performance, as has the remuneration of Oriola's personnel.

Remuneration development and company performance

		2018	2019	2020	2021	2022
Chair of the Board	EUR thousand	56.4	72.0	87.0	86.0	93.0
Average remuneration of other Board members ¹	EUR thousand	32.0	40.2	47.1	45.2	50.1
CEO remuneration ²	EUR thousand	541.6	690.8	777.0	1 567.8	598.0
Employee remuneration on average ³	EUR thousand	47.0	45.5	46.5	47.0	44.8
1-year TSR ⁴	%	-21	-5	-6	6	-9
Adjusted EBIT, % ⁵	%	2.2	1.2	1.2	1.0	1.2
Adjusted EBIT ⁵	EUR million	34.4	20.5	21.0	14.9	17.8

¹ Year 2021 includes 5,000 EUR payment for the Board meetings from 2020. In 2022, the Board of Directors had 26 meetings, the payment in 2022 includes 23 meetings.

² The remuneration of the CEO reflects the compensation of Katarina Gabrielson from 15 March 2022, Elisa Markula from 9 Aug. 2021 to 15 March 2022, Juko Hakala in 1 Feb. – 8 Aug. 2021 and Robert Andersson from 2018 to 1 Feb. 2021. In 2021, the remuneration includes a termination compensation for Robert Andersson.

³ Employee remuneration on average is total average pay for employees working in Finland in years 2018–2021 and including employees in Finland and Sweden in 2022, the total average pay including all earned salaries, benefits and bonuses.

⁴ Based on the 2-month closing average prior to the end of the financial year. Dividends treated as reinvested on payment.

⁵ 2021–2022 figures are for the continuing operations.

Remuneration of the Board of Directors in 2022

The Annual General Meeting decides annually on the remuneration payable to members of Oriola's Board of Directors. The Shareholders' Nomination Board prepares a proposal concerning the composition and the remuneration of the Board of Directors for the company's Annual General Meeting.

As stated in Oriola's Remuneration Policy, the Board of Directors' remuneration consists of annual fees for Board membership and separate Board and Committee attendance fees. The Board of Directors' compensation can be paid out in shares or cash or combination of those. The Board of Directors are not employees of Oriola and do not participate in any Oriola incentive schemes or pension arrangements.

The Annual General Meeting 2022 confirmed the following fees to be paid to members of the Board of Directors for their term ending after the Annual General Meeting 2023:

Annual fees (EUR)	2022
Chair	60,000
Vice Chair	36,000
Chair of the Audit Committee	36,000
Member	30,000
Attendance fees per meeting (EUR)	2022
Board meeting	
Chair	1,000
Member	500
Committee meeting	
Chair of a Committee	1,000
Member	500

The Annual General Meeting 2022 also resolved that of the annual fee, 60% shall be paid in cash and 40% shall be used to acquire Oriola's class B shares for the Board members on the Nasdaq Helsinki Stock Exchange within two weeks from the release of Oriola's January–March 2022 interim report. Travel expenses are reimbursed in accordance with the travel policy of the company.

The fees decided by the Annual General Meeting 2022 were the same fees as in 2021.

The fees paid to the members of the Board of Directors are summarized in the table [below]. No other fees or remuneration were paid to any member of the Board, nor did any Board member receive remuneration from any other company within the Oriola Group, apart from a EUR 7,000 fee paid by the company to Juko Hakala for being a member of the board of directors at Doktor.se. All payments to members of the Board of Directors during the financial year 2022 were in compliance with the Remuneration Policy.

Remuneration of the Board of Directors in 2022

Board Member	Annual fee, EUR ¹	Annual remuneration paid in shares, pcs ²	Attendance fees, EUR			Total fees paid, EUR
			Board Committee	Audit	Compensation and Human Resources Committee	
Routila Panu, Chair	60,000	11,665	23,000	3,500	6,500	93,000
Nilsson Bågenholm Eva, Vice Chair, Chair of the Compensation and Human Resources Committee	36,000	6,999	11,500	-	13,000	60,500
Pärssinen Harri, Chair of the Audit Committee	36,000	6,999	11,500	6,000	-	53,500
Hakala Juko ³	30,000	5,832	11,500	-	5,500	54,000
Ridström Lena	30,000	5,832	11,500	3,500	-	45,000
Mähönen, Nina (from 15 March 2022)	30,000	5,832	6,000	2,000	-	38,000
Korhonen Anja (until 15 March 2022)	-	-	5,000	2,000	-	7,000
Total	222,000	43,159	68,500	17,000	25,000	351,000

¹ Annual fee decided by the Annual General Meeting, consisting of the remuneration paid in cash and in shares.

² Of the annual fee, 40% was paid in Oriola's class B shares.

³ Includes the remuneration of EUR 7 000 for Doktor.se.

Remuneration of the CEOs in 2022

The Board of Directors reviews and decides annually on the remuneration and benefits of the President & CEO based on the proposal of the Compensation and Human Resources Committee.

According to Oriola's Remuneration Policy, the main components of the President & CEO's total remuneration are base salary and short- and long-term incentives. If targets are met, over half of the President & CEO's total remuneration is based on variable remuneration, with more emphasis on the long-term incentive.

In 2022, Katarina Gabrielson started as Interim CEO of Oriola on 15 March and as President & CEO on 10 May. Elisa Markula served as President & CEO until 15 March.

Fixed Compensation

In 2022, the fixed compensation for President & CEO Katarina Gabrielson (including the salary for the interim CEO role) was EUR 447,941.66 and the base salary for President & CEO Elisa Markula was EUR 103,545.22 (EUR 203,375 in 2021).

Short-term Incentive Plan

According to the Remuneration Policy, the Short-term Incentive (STI) Plan is based on the achievement of the company's financial targets and personal targets. The Board of Directors decides annually on the earnings criteria and the determination of the STI based on the proposal of the Compensation and Human Resources Committee.

The maximum performance bonus in 2022 for the President & CEO was 60% of the annual base salary (excluding holiday bonus pay).

Short-term Incentive Plan 2022

Criteria	Outcome	Payment, EUR (due in 2023)
Adjusted EBIT	58.2%	241,700

Long-term Incentive Plan

In June 2022, the Board of Directors decided on the establishment of a new share-based Long-term Incentive (LTI) Plan for the company's key employees, including the President & CEO. At the same time, the Board decided to terminate the previous Long-term Incentive Plan 2019–2023.

The new incentive plan comprises a Performance Share Plan and a share-based bridge plan to cover the transition phase to the new LTI structure (the Bridge Plan). In addition, the long-term incentive scheme comprises a Restricted Share Plan as a complementary long-term share-based retention plan for individually selected key employees in specific situations.

The objectives of the Long-Term Incentive Plan are to promote shareholder value creation in the long term, to commit management and key employees to achieving Oriola's strategic targets and the retention of Oriola's key resources.

President & CEO's participation in the Long-term Incentive Plan:

Performance Share Plan 2022–2025

Criteria	Weight	Pay-out year	Achievement
Time based	50%		
Earnings per share	40%	2026	In progress
Environmental target (CO ₂)	10%		

Bridge Plan 2022–2023

Criteria	Weight	Pay-out year	Achievement
Share price development of Oriola's class B shares *)	45 %		
Earnings per share	45 %	2024	In progress
Environmental target (CO ₂)	10 %		

*) Excluding dividends and other distribution to shareholders.

If the President & CEO's employment with Oriola terminates before the payment of the reward, the President & CEO is, as a main rule, not entitled to any reward. The value of the reward payable to the President & CEO based on the plans is limited to three times of Oriola's share price increase. Oriola also applies a share ownership requirement to the President & CEO. The President & CEO is expected to retain ownership of at least half of the net shares received under the incentive plans until the value of her/his ownership in the company corresponds to at least her/his annual gross base salary.

Summary of the remuneration of the President & CEOs in 2022

For the year 2022, the base salary for President CEO Gabrielson equalled 95% of the total remuneration, while the variable, performance-based remuneration equalled 5% of the total.

In 2022, President & CEO Markula was not paid an earnings reward based on the 2021 short-term incentive plan.

Due payments in 2023

The outcome of President & CEO Gabrielson's short-term incentive in 2022 was 58.2% and thus, a bonus reward of EUR 241,700 will be paid in the spring of 2023. In addition, President & CEO Gabrielson will receive a matching payment of 4,577 Oriola B shares (including tax) based on the Share savings plan. No reward will be paid to CEO Gabrielson in 2023 from the Long-term Incentive Plan based on the 2022 performance.

Remuneration paid to the President & CEO in 2022

EUR	Fixed compensation*	Short-term incentives (STI)	Long-term incentives (LTI)**	Additional pension payment	Other (medical insurance)	Total compensation
President & CEO Katarina Gabrielson (from 15 March 2022)	447,941.66	-	22,862.27	36,617.90	403.75	507,825.58
President & CEO Elisa Markula (until 15 March 2022)	103,545.22	-			9 576,11	113,121.33

* Includes car, mobile benefit, holiday bonus pay.

** In June 2022, the Board of Directors decided to terminate the Long-term Incentive Plan for 2019–2023. Based on the achievements within the plan by the termination, President & CEO Gabrielson was paid a reward from the 2021–2023 plan in cash. The Board of Directors also decided to terminate the Long-term Incentive Plan for 2020–2022. Based on that, no rewards were paid.

In addition, President & CEO Gabrielson received an equivalent of 4,919.99 Oriola B shares, paid in both shares and cash as part of the Share savings plan. The Share savings plan was terminated by the Board of Directors in June 2022 and the last matching payment will be made in the spring of 2023.