

## **Answers to shareholders' questions related to Orthex's Annual General Meeting 2022**

Questions from Ilmarinen Mutual Pension Insurance Company:

"In your remuneration policy it is said that "A significant portion of the CEO's total remuneration is based on variable components of remuneration, and any remuneration based on them is contingent upon the achievement of pre-defined performance criteria."

*Are the maximum levels of variable remuneration or their relative proportions publicly available?*

According to the Finnish Corporate Governance Code "The company must consider the level of detail at which the different remuneration components are defined in the remuneration policy. It could be justified to set a monetary upper limit on remuneration or, for example, a ratio to determine the proportion of different remuneration components. If the company uses both fixed and variable remuneration components, the proportions of these components must be published. As the final amount of variable remuneration components is not known in advance, the remuneration policy can state, for example, the maximum amounts, target amounts or range of amounts of variable components or use verbal qualifiers to express the share of variable components in overall remuneration."

We consider it as a good practice to record the maximum levels of variable remuneration in the remuneration policy.

The second question relates to the non-audit fees paid to the auditors. *Are you able to give further information on the nature of these non-audit services?* We assume that they relate to the listing, but in line with our process we ask for further information, since they exceed 50% of the total fees. It is good to record this information in the annual report for example as an additional information to other fees.

## **Orthex management's answers to the questions from Ilmarinen Mutual Pension Insurance Company**

### CEO remuneration

Orthex's remuneration report for the year 2021 was published as a part the company's annual report on 16 March 2022. On pages 47–48 of the annual report we report on the CEO's remuneration among others the following:

" The CEO's remuneration consists of a fixed base salary with fringe benefits and a variable short-term incentive. In 2021, Orthex did not have any long-term share-based or other incentive schemes."

The company's management holds a substantial number of the shares in the company (17.8%) and that is why there are no long-term incentive scheme in place at the moment. As Orthex has implemented only a short-term incentive scheme, and the terms and conditions of the plans under it are decided by the Board of Directors annually, the Board wanted to retain the opportunity to decide on the maximum earning opportunity annually as well. The CEO's maximum earning opportunity and the actual pay are reported in the remuneration report annually.

The maximum level of CEO's variable remuneration in 2021 is disclosed on page 48 of the annual report:

"Incentives under annually commencing short-term incentive plans are discretionary and tied to Orthex's results of operations and the achievement of relevant performance metrics and/or individual performance targets. The terms and objectives of the incentive plan, including performance metrics and weights, are determined, and approved annually in advance by the company's Board of Directors. In 2021, the metrics and weights of the CEO incentive plan were as follows: profitability 60%, turnover 25%, sustainability 15%. During the financial year 2021, the maximum amount of the CEO's incentive corresponded to 7 months' gross base salary."

The shares of CEO's fixed (84%) and variable (16%) remuneration in relation to total remuneration in 2021 are disclosed in the table on page 48 of the annual report.

We will pay special attention to defining the maximum levels of variable remuneration next time the remuneration policy for governing bodies will be updated.

#### Audit fees

We have disclosed the fees paid to the auditor on page 45 of the annual report and on [page 12 of the CG Statement](#) as follows:

" The fees for the audit paid to the auditor in 2021 totalled EUR 0.2 million. In addition, EUR 0.5 million was paid to the auditor for non-audit services that mainly related to services provided in connection with the listing of the company."

No other questions related to Orthex's Annual General Meeting have been submitted to the company.