

Remuneration report

2023

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Introduction

The remuneration policy approved by Honkarakenne's Board of Directors has been discussed and approved at the company's Annual General Meeting 2020. The Remuneration Policy describes the practices and principles associated with remunerating Honkarakenne's Board members and the President & CEO. Honkarakenne's corporate governance is based on recommendations of the Finnish Corporate Governance Code 2020 and the provisions of the Securities Markets Act and Limited Liability Companies Act.

This Remuneration Report discloses the remuneration of the members of the Company's Board of Directors and the President & CEO for the preceding financial year 2023 and compares the development of the average remuneration of Honkarakenne's employees and of the Company's financial performance to the development of the fees paid to the Company's governing bodies. This Remuneration Report describes how the Remuneration Policy has been implemented over the preceding financial year.

The remuneration of Honkarakenne is based on the following main principles presented in the Remuneration Policy:

- The opportunity for overall remuneration must be sufficiently competitive in relation to the market level.
- Performance-based incentives form part of the CEO's remuneration potential.
- Some of the performance-based incentives emphasize long-termism, being linked to shareholder value development and the company's strategy.

Deviations from the Remuneration Policy and exercise of Clawback

The Company has not exercised the right to deviate from the Remuneration Policy nor exercised the option of clawback of remuneration in 2023.

Development of remuneration and fees

Below is a comparable description of the remuneration paid to the Board members and President & CEO have developed during the previous five financial years in relation to the average remuneration development of the personnel and the financial development of the Group.

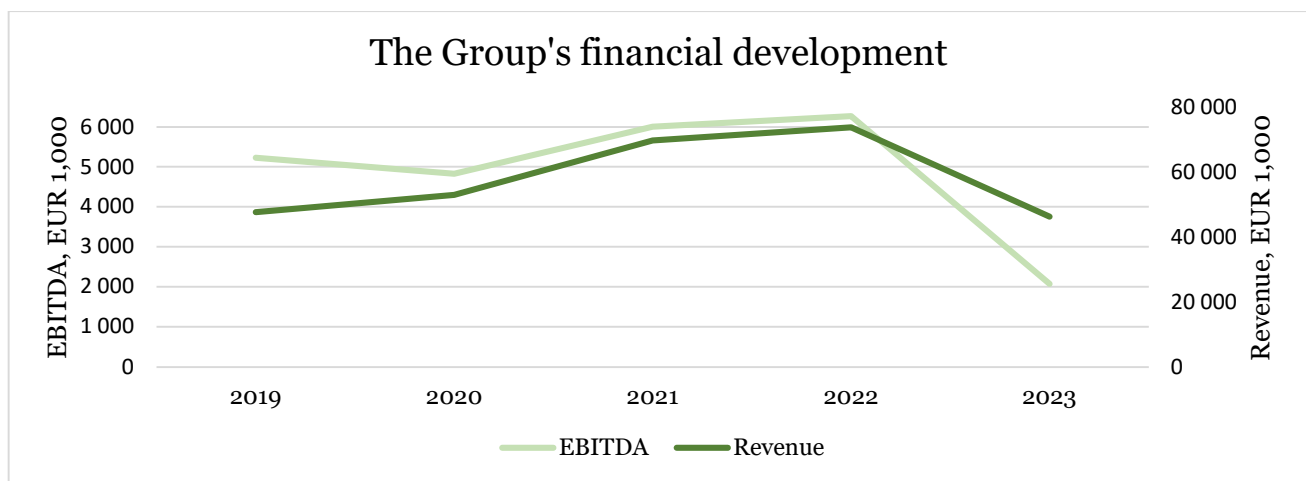
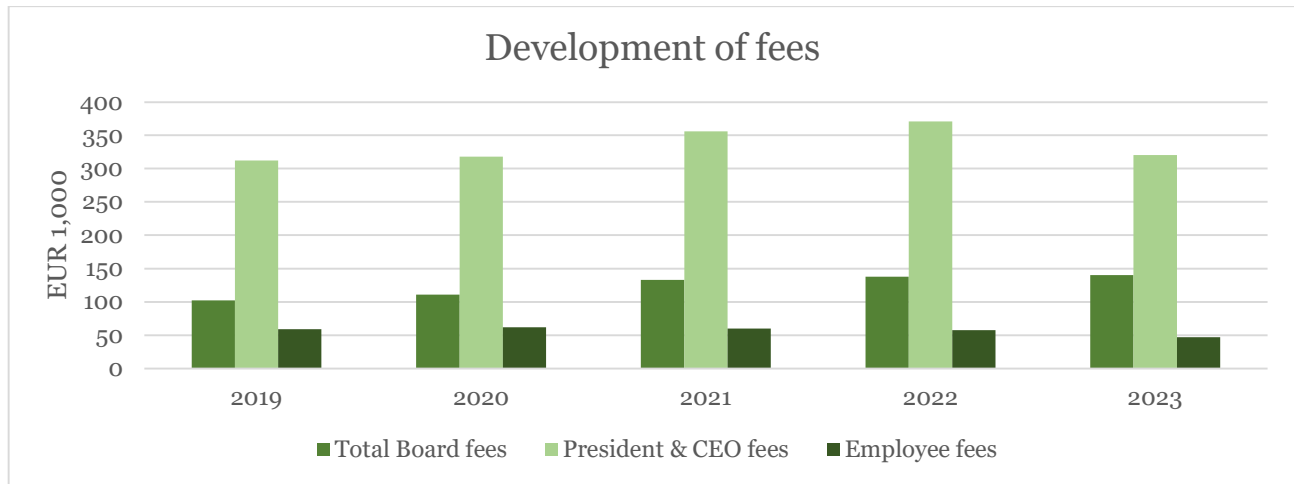
The President & CEO's remuneration has remained at almost the same level since 2019, after the remuneration was implemented in accordance with the second tier of the target setting during the last four financial periods. The euro amounts of the President & CEO's share bonus have varied due to the changes of share prices. The increase in total fees of the Board from 2019 is due to changes in the Board composition and the increase in remuneration made in 2021. The employee salaries is presented as average annual expenses per employee. The costs of the entire personnel have increased in the same proportion as the increase in the number of personnel.

EUR 1,000	2019	2020	2021	2022	2023
Total Board fees ¹	102	111	133	138	140
President & CEO fees ²	312	318	356	371	320
Employee fees (average) ³	59	62	60	58	47
Revenue	47,549	52,896	69,652	73,701	46,289
EBITDA	5,227	4,824	6,005	6,267	2,077

¹ Total annual fees of Board members.

² The total annual remuneration of the President & CEO.

³ Personnel costs according to the company's financial statements divided by the number of employees (FTE).



Remuneration of the Board of Directors

The General Meeting of Honkarakenne decides on the basis for remuneration for work in the Board. The remuneration of Board members consists of monthly remuneration and possible Board Committee meeting remuneration. In the General Meeting 13 April 2023, the following fees were decided to be remunerated to Board members:

	Fee, EUR
Monthly fee of Chairman of the Board	3,500
Monthly fee of member of the Board	2,000
Meeting fee of possible Board Committee	500 / meeting

The Board members do not have an employment relationship with the Company and are not part of any share-based remuneration scheme of the Company. The travel costs of permanent Board members will be reimbursed according to the Company's travel policy.

In 2022 the Board of Directors had 5 members and met 12 times. The Board did not have Committees in 2023 nor paid any Committee meeting fees. The fees to the Board were paid fully in cash once a month. There are no additional financial benefits paid to the Board members in 2023. The payments made in 2023 are described in the table below.

All fees paid to the Company's Board of Directors are made within the framework of the effective Remuneration Policy for governing bodies presented to the Annual General Meeting.

Paid in 2023	Annual fee, EUR
Saarimäki Kyösti , Member and Chairman of the Board until 20 April 2023	14,000
Kohtamäki Timo , Chairman of the Board since 20 April 2023	36,000
Saarelainen Kari , Member	24,000
Halonen Arto , Member	24,000
Ristola Maria , Member	24,000
Tiitola Antti , Member since April 2023	18,000
Total	140,000

Remuneration of the President & CEO

The terms of the President & CEO's remuneration and contract shall be decided by the Board. President & CEO remuneration has complied with the valid remuneration policy.

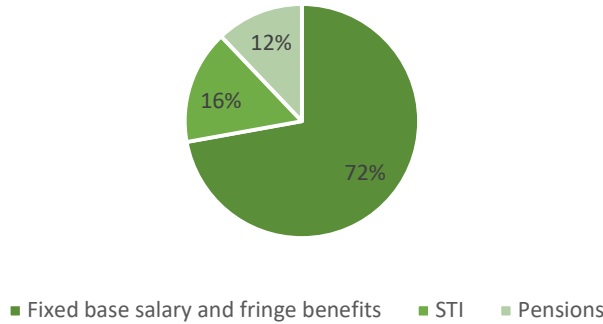
The President & CEO's remuneration consists of a fixed monthly salary including fringe benefits, variable long- and short-term incentive schemes based on performance, and any other elements that may be included in the remuneration policy. Long- and short-term incentive schemes form the performance-based part of the President & CEO's remuneration. In 2023 the President & CEO had no long-term incentive scheme in place.

In 2022 the President & CEO was paid a total fee of EUR 300,900. The President & CEO's remuneration consisted of the following in 2022:

- fixed base salary,
- fringe benefits (incl. medical expenses insurance),
- voluntary pension insurance, which amounted to two monthly salaries in 2023 including additional pension plan payment and payment related to the short-term incentive,
- remuneration for short-term performance-based incentive scheme decided by the Board, that is, the 2022 bonus. The remuneration under the short-term performance-based incentive scheme consisted of both cash and share-based elements.

Element, EUR	Paid fees in 2023	Fees due in 2024
Fixed base salary	247,116	-
Fringe benefits	1,156	-
Short-term incentive		
<i>Performance period 2022</i>	13,913	-
<i>Performance period 2023</i>	-	-
Share-based incentive		
<i>Performance period 2022</i>	38,665	-
<i>Performance period 2023</i>	-	-
Supplementary pensions based on pension plan	20,869	-
Supplementary pensions based on short-term incentive		
<i>Performance period 2022</i>	20,269	-
<i>Performance period 2023</i>	-	-

Proportions of the President & CEO 's remuneration in 2023

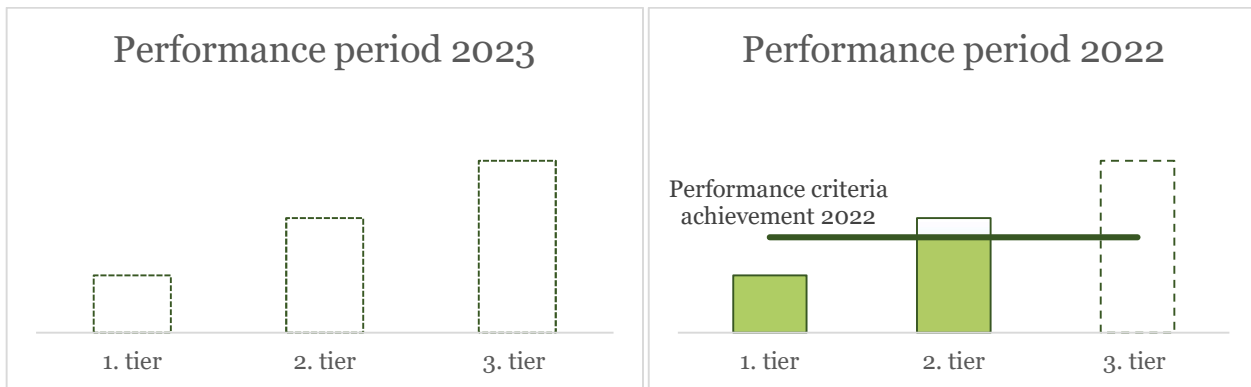


Short-term incentive

Short-term, performance-based incentive schemes (STI) are part of the President & CEO's annual remuneration system. Short-term, performance-based incentive schemes may include elements paid in cash and/or share-based elements, and supplementary pension cover.

In 2023, the President & CEO's incentive scheme based on short-term performance was in three tiers and it was tied to the budgeted operating profit from 2023 onwards and operating margin until 2022. The scheme's first-tier bonus corresponded to a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj's Series B shares. The second-tier bonus consisted of the first-tier bonus, a cash bonus worth one monthly salary and 5,000 of Honkarakenne Oyj's Series B shares. The scheme's third-tier bonus corresponded to the first- and second-tier bonuses, a supplementary pension payment equivalent to one monthly salary, plus 5,000 of Honkarakenne Oyj's Series B shares.

Description of the performance criteria, operating margin, achievement in the short-term incentive:



Pension scheme

The President & CEO's pension cover has been organized with statutory pension cover that is based on length of service and earnings. The President & CEO's retirement age is determined by the Employees Pensions Act.

As part of the President & CEO's overall remuneration, supplementary pension cover of one month's salary was offered in addition to statutory cover. In addition, based on the short-term incentive an additional one month's salary amount of pension cover was paid on the achievement of the first tier in STI. Supplementary pension cover was implemented as defined contribution plan.

Conditions for termination

If the President & CEO's contract is terminated, the President & CEO's compensation will be determined on the basis of contractual obligations and the incentive scheme's terms and conditions.

The executive employment contract specifies the President & CEO's period of notice and any severance pay. The President & CEO's notice period is six months on both sides. If the President & CEO's contract is terminated by the company, the President & CEO will also receive additional severance pay equivalent to six months' salary.