



digia

Remuneration Report

2022

DIGITALISATION THAT MAKES A DIFFERENCE



# Letter to shareholders from the Chair of the Compensation Committee

## Dear Digia Plc shareholders,

The purpose of remunerations paid by the company is to support its business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. I am pleased to present Digia Plc's Remuneration Report for 2022 on behalf of the company's Compensation Committee and the Board of Directors. The Remuneration Report describes how remuneration at Digia Plc has developed in relation to the company's performance, and what remuneration was paid to the Board of Directors and the CEO in 2022.

Digia is a software and service company that helps its customers renew themselves in the networked world. 2022 was a year of business renewal and investments in growth – it was also the last year in our 2020–2022 strategy period. Our full-year net sales grew by 9.5 per cent to EUR 170.8 million. Operating profit amounted to EUR 12.7 million. I was happy to see that our Net Promoter Score (NPS) and Employee Net Promoter Score (eNPS) – indexes that measure customer satisfaction and the employee experience – were once again at a fairly good level.

In addition to its primary task, the Compensation Committee monitors the development of matters related to the company's working culture and employees in particular. Digia makes long-term investments in ensuring an excellent employee experience by developing a motivating workplace culture and lifelong learning. The company's workplace culture has been flexibly adapted to the requirements of the hybrid era, and we have paid particular attention to wellbeing management. Sustainability as a whole – and in particular social responsibility

themes – have also taken a more central role in both our culture and daily life at Digia. Digia's eNPS measures our employee experience and indicates the success of our long-term efforts – it reached a record-breaking high at the end of 2022.

## On the remuneration of Digia's management and Board of Directors in the 2022 fiscal year

The remuneration of Digia's Board of Directors and senior management is guided by the Remuneration Policy for Governing Bodies, which has been published on the company's Internet site. Together with the Remuneration Report, this policy aims to provide investors with a clear picture of the overall remuneration of Digia's governing bodies. The main idea behind the remuneration policy is that overall remuneration is based on the company's performance, as evident in the weighting and indicators of the short- and long-term incentives for senior management.

Digia's previous Remuneration Report – for 2021 – was presented at the spring 2022 Annual General Meeting. The advisory vote on the Remuneration Report at the meeting was 13,177,115 votes in favour of approving the report and 92,095 votes against. On the basis of these votes, the Annual General Meeting decided to adopt the presented 2021 Remuneration Report for Governing Bodies.

No significant changes occurred in the remuneration of the company's Board of Directors and senior management in 2022. Salary and incentive structures remained unchanged. Some annual-level adjustments were made to the remuneration of senior management. No long-term incentives were due for payment in 2022. However, incentives were paid from the short-term target bonus scheme



in 2022. Digia's current long-term incentive scheme for senior management will end at the end of 2022.

I would like to thank you for the trust I have been endowed with as Chair of Digia's Compensation Committee. I would also like to thank all Digia employees – I am impressed with the work that they do every day to ensure the company's growth and competitiveness, and to increase shareholder value.

## Outi Taivainen

Chair of the Compensation Committee



# Introduction

## Summary: Digia's remuneration in the 2022 fiscal year in relation to performance

This Remuneration Report has been drafted in compliance with the requirements of directive EU 2017/828 amending the Shareholder Rights Directive. The requirements of directive EU 2017/828 have been implemented in Finland mainly in the Limited Liability Companies Act (624/2006, as amended), Securities Markets Act (746/2012, as amended), Decree of the Ministry of Finance 608/2019 and the Corporate Governance Code 2020. Digia's Board of Directors has approved the Remuneration Report on the proposal of the Compensation Committee and the report will be presented to the Annual General Meeting in spring 2023.

The remuneration of Digia's governing bodies is based on Digia Plc's Remuneration Policy for Governing Bodies, on which shareholders made an advisory decision at the Annual General Meeting on 16 March 2020. The Remuneration Policy will remain in effect until the 2024 Annual General Meeting unless the Board of Directors decides to present amendments to the Remuneration Policy to a General Meeting before that date for an advisory decision. The Remuneration Policy is available on our website: <https://digia.com/en/investors/governance/statement-on-digia-management-emoluments/>.

In general, the purpose of remuneration paid by the company is to support its business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. Another aim is to support the recruitment and commitment of the best possible people to the company's governing bodies.

The structure of the remuneration of the company's Board of Directors and CEO and the decision-making order in the 2022 fiscal year complied with Digia's Remuneration Policy for Governing Bodies. There was no need to deviate from the policy or to claw back remuneration.

In 2022, Board members were paid a fixed monthly fee plus meeting fees. The amounts paid depended on the role in question – Chair, Vice Chair and member of the Board, and Chair and member of a committee. The fees paid are disclosed below in the section "Board remunerations 2022".

The total remuneration paid to the CEO in 2022 consisted of a fixed salary including customary fringe benefits and bonuses paid on the basis of the short-term incentive scheme. The incentive schemes and the total remuneration paid to the CEO are described in detail below in the sections "CEO's remuneration (2022)" and "Share-based incentive scheme (2020–2022)".

I Financial performance of the company	2018	2019	2020	2021	2022
Net sales (EUR million) and year-on-year change (%)	112.1 (+18.6%)	131.8 (+17.6%)	139.0 (+5.5%)	155.9 (+12.1%)	170.8 (+9.5%)
Operating profit (EUR million) (EBIT) and year-on-year change (%)	6.5 (+252%)	9.6 (+48.6%)	14.1 (+46.2%)	14.7 (+4.1%)	12.7 (-13.3%)
Official closing price of the share in the fiscal year (EUR) and year-on-year change (%)	2.85 (+21.3%)	3.99 (+40%)	7.52 (+88.5%)	7.04 (-6.4%)	5.71 (-18.9%)
Dividends paid per share (according to the year in which the dividend was set)	0.04	0.07	0.10	0.15	0.17
Market capitalisation	76,447,611	107,026,655	201,714,397	188,839,010	153,163,458
II Personnel salaries and remunerations (excluding the salary and remunerations of the CEO)	2018	2019	2020	2021	2022
Salaries and remunerations (EUR million)	62.8	72.7	76.9	81.3	87.1
Development of the above total salary costs (%)	+13%	+16%	+6%	+6%	+7%
Average personnel during report year (FTE)	1,069	1,186	1,261	1,334	1,399
Average salary costs (total salary costs divided by personnel average)	58,479	60,918	61,000	60,978	62,259
Development of average salary costs (%) (personnel average)	+1%	+4%	-	-	+2%
III. Remuneration of the Board of Directors*	2018	2019	2020	2021	2022
Annual remuneration of the Chair of the Board (fixed monthly fee + meeting fees) (EUR)	92,500	80,500	77,000	88,500*	87,000
Development of the remuneration of the Chair of the Board of Directors (%)	+16%	-13%	-4%	+15%	-2%
Annual remuneration of the other members of the Board of Directors (fixed monthly fee + meeting fees), total (EUR)	220,600	232,500*	226,500*	263,000*	255,000
Development of the remuneration of the other members of the Board of Directors (%)	+33%	+5%	-3%	+16%	-3%
Number of members of the Board of Directors in the calendar year (including Chair and Vice Chair)	6	6	6	6	6
IV Salary and remuneration of the President and CEO	2018	2019	2020	2021	2022
Total fixed salary per calendar year (including fringe benefits) (EUR)	252,200	271,704	295,702	301,548	302,583
Development of fixed salary (%)	+1%	+8%	+9%	+2%	-
Short-term incentives paid (EUR) (based partly on performance in year of payment and partly on previous year)	44,300	159,478	120,616	126,212	66,549
Long-term incentives paid (LTI) (EUR)	0	0	409 930	0	0
Development of variable salary components paid, total (%)	-62%	+260%	+233%	-76%	-47%
CEO's salary and variable salary components, total (EUR)	296,500	431,182	826,248	427,760	369,132

\* The table shows the remuneration paid to the Board of Directors in each fiscal year from 2018–2022. In 2021, the members of the Board of Directors, excluding the Chair, were also paid meeting fees totalling EUR 55,000 as a retrospective adjustment of meeting fees for 2019–2020 (EUR 11,000 per Board member). The Annual General Meeting had changed the meeting fee, but the fees paid to the Board for 2019–2020 were too low due to human error. These meeting fees for 2019–2020 have been adjusted for comparability in the table and are not included in the figures for 2021, when these delayed fees were paid.

## Development of Digia's financial performance and remuneration 2018–2022

The following section describes the development of the remuneration paid to members of the Board of Directors and the CEO as from 2018, compared to the development of the average remuneration of employees and the financial development of the company during the same period.

- Regarding the trend in the average salary costs of all personnel, it must be kept in mind that new recruitments, acquired businesses and turnover affect the development of the average salary costs. However, on average, employee salaries in the company develop faster than salary increases under collective agreements when comparing identical people at the beginning and end of the year. Some of Digia's employees are also covered by a short-term target bonus scheme or other variable salary component. The figure for personnel salaries includes fixed salaries and variable salary components and target bonuses.

- Salary costs do not include long-term incentive scheme expenses. The participants of the long-term incentive scheme are primarily the company's senior management. Long-term incentives were paid in spring 2017 and spring 2020. Long-term incentives will next be paid in spring 2023 on the basis of the long-term incentive scheme for 2020–2022. The shares paid to the CEO are shown under "Salary and remuneration of the President and CEO" in the table.

# Board remunerations 2022

## Remuneration of Digia's Board of Directors 1 Jan–31 Dec 2022

The 2022 Annual General Meeting decided on the payment of monthly fees of EUR 3,000 to Board members, EUR 4,000 to the Vice Chair and EUR 5,500 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2023 Annual General Meeting. In addition, fees of EUR 1,000 to the Chair and EUR 500 to other members are paid per each Board and Board Committee meeting. The amounts did not change from the amounts decided at the 2021 Annual General Meeting. In addition, Board members will be reimbursed for ordinary and reasonable expenses resulting from Board work against an invoice. In 2022, payments for expenses totalled EUR 2,329.60. This sum includes reimbursements accrued for both 2021 and 2022.

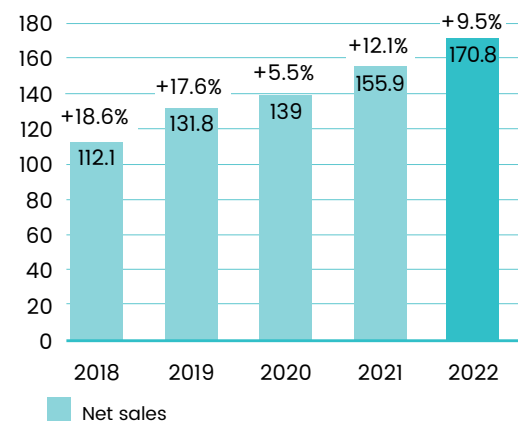
The following emoluments were paid to members of Digia's Board of Directors for Board and Committee work during the 2022 financial year:

*	Role and committees	Annual fee	Meeting fees for Board and Committee meetings	Total
Martti Ala-Härkönen	Member of the Board Chair of the Nomination Committee Member of the Audit Committee	36,000	16,000	52,000
Santtu Elsinen	Member of the Board Member of the Audit Committee	36,000	9,000	45,000
Päivi Hokkanen	Member of the Board Chair of the Compensation Committee (until the General Meeting 2022)	7,826	2,500	10,326
Robert Ingman	Chair of the Board of Directors Member of the Nomination Committee Member of the Compensation Committee	66,000	21,000	87,000
Sari Leppänen	Member of the Board Member of the Compensation Committee (from the General Meeting 2022)	28,174	8,000	36,174
Seppo Ruotsalainen	Vice Chair of the Board Member of the Nomination Committee Chair of the Audit Committee	48,000	15,500	63,500
Outi Taivainen	Member of the Board Chair of the Compensation Committee (from the General Meeting 2022)	36,000	12,000	48,000
<b>Total</b>		<b>258,000</b>	<b>84,000</b>	<b>342,000*</b>

\* The table shows the fees paid for board work in 2022. However, a total of EUR 4,000 of these fees shown in the table were only paid at the beginning of 2023. These fees were for meetings of the Nomination Committee paid at the end of 2022. Thereby, a total of EUR 338,000 in fees were paid during 2022.

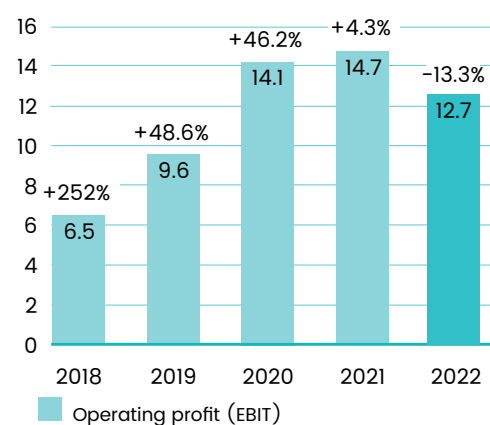
## Trend in net sales

EUR million



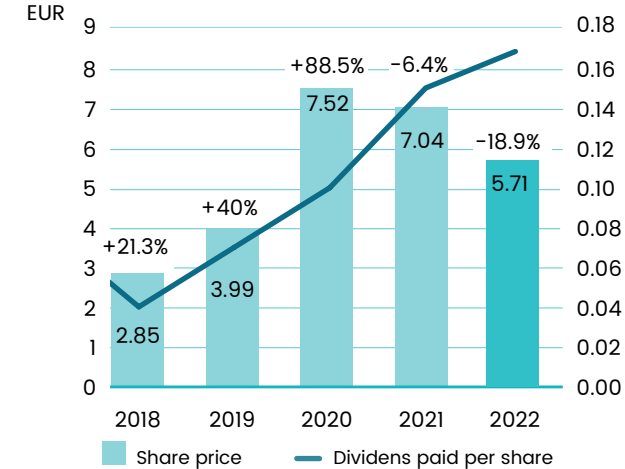
## Trend in operating profit (EBIT)

EUR million



## Trend in share price and dividends

EUR





# CEO's remuneration 2022

## Application of performance criteria and remuneration payable for the 2022 fiscal year

The company's incentive schemes are performance-based. Therefore, the reward level of the CEO's incentive schemes also reflects the company's business success and creation of profitable growth. The total remuneration paid to the CEO in 2022 consisted of a fixed salary and short-term incentives. The incentives paid in 2022 were accrued in both 2021 and 2022.

No changes were made to the CEO's fixed total salary in 2022. However, the maximum level of the earning opportunity for the short-term incentive was increased to 80% (formerly 75%). The CEO's total compensation was also adjusted in 2022, such that the Board of Directors decided to allocate 7,500 additional shares to the CEO under the long-term incentive scheme. The CEO can therefore earn a maximum bonus amounting to the value of 187,500 Digia Plc shares as part of the 2020–2022 long-term incentive scheme. The bonus will be paid as a combination of shares and cash in spring 2023. No long-term incentives were payable in 2022.

The main emphasis of the earnings criteria of the CEO's short-term incentive scheme is on the company's

performance on the annual level. Despite this, the goal is to set the indicators to also support the company's long-term success. The earnings criteria of the short-term incentive in 2022 were:

Earnings criterion	Weight
Company's net sales	55%
Company's EBITA	35%
Customer experience	5%
Employee experience	5%

All bonus indicators are assessed independently of each other, but if the full-year operating profit had fallen short of the set EBITA threshold value, the incentive assessed at the end of the year would not have been paid. The target period for the company's short-term incentives is the calendar year, but they are paid in two instalments in February and August. The model aims to support Digia's profitable growth and ensure that, for example, growth through acquisitions is appropriately taken into consideration regardless of the implementation date of any acquisition. At the same time, the model accounts for a functional half-yearly bonus payment cycle.

In 2022, the CEO was paid a total salary (including fringe benefits) amounting to EUR 302,583.00 and incentives totalling EUR 66,548.80. The incentive consisted of the realised targets shown below. In addition, the CEO received the company's ordinary personnel and fringe benefits.

## Salaries and remunerations paid to the CEO in the 2022 fiscal year

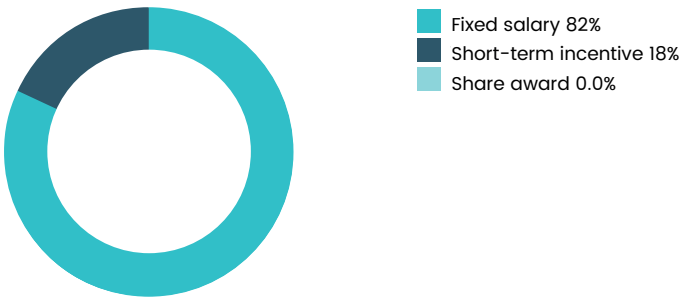
The CEO was paid the following as salary and other benefits during the 2022 fiscal year:

Remuneration component	Paid in 2022
Fixed total salary (incl. fringe benefits)	EUR 302,583.00
Short-term incentive (STI)	EUR 66,548.80
Long-term incentive scheme bonus (2020–2023 incentive scheme)	Not paid; payable in spring 2023
<b>Total</b>	<b>EUR 369,131.80</b>

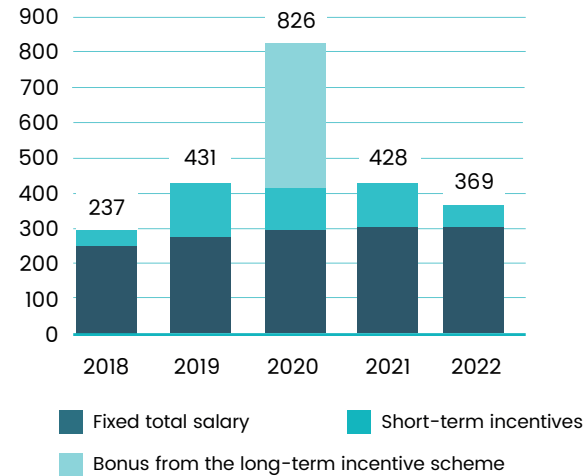
January	June	December	January	June	December
01–06/2021 intermediate targets			01–06/2022 intermediate targets		
Full-year 2021 targets			Full-year 2022 targets		
<b>August</b>			<b>February</b>	<b>August</b>	
H1/2021 intermediate target payment			Full-year bonus payment	H1/2022 intermediate target payment	
			The share paid for H1/2021 is deducted		
			<b>Bonus paid: EUR 43,508.80</b>	<b>Bonus paid: EUR 23,040.00</b>	



CEO's remuneration structure  
Paid 2022



CEO's salaries and remunerations 2018–2022  
EUR 1,000



Share-based incentive scheme  
2020–2022

Digia Plc had a long-term share-based incentive scheme in force during the reporting period, which covered the years 2020–2022. In principle, the target group for this scheme consisted of the CEO and the company's senior management. The targets are based on the company's net sales (weight 60%) and total shareholder return (TSR) (weight 40%). The earnings period for the net sales and TSR indicators was three years (2020–2022), and the targets for both indicators were set for the final date of the earnings period. The bonuses based on the scheme will be confirmed and paid in spring 2023 for both indicators.



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