



# Remuneration report 2020



For more than a century, Orion has been building well-being by providing effective medical treatments. Our drugs have been used to eliminate national diseases, prevent heart attacks, cure everyday headaches and save lives in intensive care units. We have developed from a shop founded by three pharmacists into an international company that carries out medical research at the top international level. We develop and produce new, unprecedented treatments that can improve the quality of life for people with cancer, central nervous system disorders, asthma or chronic obstructive pulmonary disease, among others. Our self-care products that support well-being help people take care of themselves every day. Orion's products are available in more than 100 countries.



# Orion | Remuneration report 2020

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## Introduction

Orion Corporation's ("Orion") remuneration report has been prepared in accordance with the revised governance code for Finnish listed companies (Corporate Governance Code 2020) by the Securities Markets Association, which entered into force in 2020. The purpose of the report is to continue the transparency of Orion's remuneration schemes, as well as showing how its remuneration schemes promote the company's competitiveness, long-term financial success, and the achievement of the company's targets and realization of its strategy. In addition, the goal is to explain how remuneration schemes contribute the favourable development of shareholder value.

Orion's remuneration policy was prepared in 2020. Its central principle is that the remuneration of the Board of Directors and the President and CEO promotes the achievement of the aforementioned objectives and offers a package that is competitive and the level and structure of which are in line with the market practice. In accordance with the applicable rules and regulations, the remuneration policy was presented to Orion's Annual General Meeting in 2020. The AGM approved the policy in accordance with the Board of Directors' proposal. During the financial year 2020, the remuneration of the Board of Directors and the President and CEO was based on this remuneration policy, and there were no deviations. There were no grounds for clawback of remuneration.

Remuneration within the Orion Group aims to encourage good performance and motivate the personnel to long-term work to achieve the company's goals. Remuneration is one of means by which the company strives to ensure the availability of skilled and motivated persons for each position on all levels of the organisation. These principles also apply to the remuneration of the members of the Board of Directors and the President and CEO.

In accordance with Orion's remuneration policy, the remuneration of the President and CEO consists of a monthly salary with fringe benefits, an annual performance-based bonus (STI) and long-term share-based incentive plans (LTI). In addition, the President and CEO has a supplementary pension benefit. In accordance with the remuneration policy, a significant portion of the President and CEO's remuneration consists of variable remuneration components: an annual performance-based bonus and long-term incentive plan. This ensures a strong link between the company's strategy, financial objectives and the President and CEO's remuneration, because the performance objectives for the annual performance-based bonus and the long-term incentive plans are directly connected to the implementation of the company's strategy and its financial success over the short and long terms. The company's development is reflected in the remuneration paid to the President and CEO.

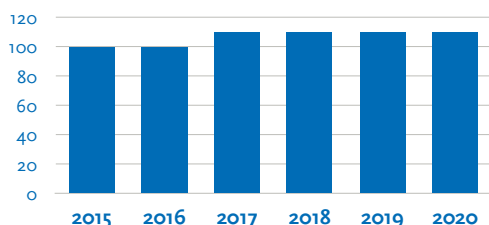
In accordance with Orion's remuneration policy, the Annual General Meeting resolves on the remuneration of the Board members. The recommendation on the remuneration presented in the notice to the Annual General Meeting is prepared by the company's Nomination Committee. Orion's long-standing practice of paying a portion of the Board members' annual fees in the company's B shares contributes to the company's long-term financial success.

The salaries, fees, fringe benefits and performance-based bonuses paid to the President and CEO in the financial year 2020 totalled EUR 1,634,434 (EUR 1,138,143 in 2019), of which EUR 70% (49%) consisted of variable remuneration components. A significant portion of the President and CEO's remuneration consists of variable remuneration components based on the achievement of the objectives set by the Board of Directors for the earning periods of the STI and LTI schemes. Each earning period lasts for 1–3 years. The Board of Directors assess and confirms the achievement of the objectives annually, or in case of earning periods longer than a year, at the end of each earning period. Consequently, a significant portion of the President and CEO's remuneration is determined based on the performance during the years preceding the year when the remuneration is paid.

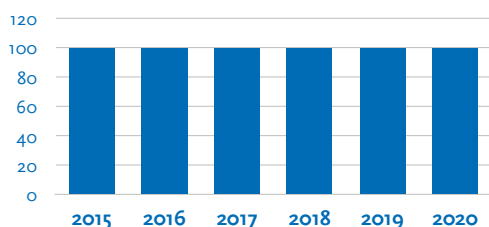
The President and CEO's annual performance-based bonus and long-term share-based incentives are based on Orion Group's financial performance indicators. In 2020, the STI scheme criteria were related to the Orion Group's operating profit and cash flow, as well as personal objectives set by the Board of Directors. The rewards for the different earning periods of the LTI plan, which commenced in 2016, are based on the Orion Group's operating profit or the total return on Orion Corporation's B shares. The rewards for the earning periods of the LTI plan, which commenced in 2019, are based on the achievement of targets related to the operating profit and net sales. All variable remuneration components paid to the President and CEO have been based on pre-defined performance criteria.

# Development of remuneration, presentation of comparison information

## Development of the Board of Directors' average remuneration, annual fees, %

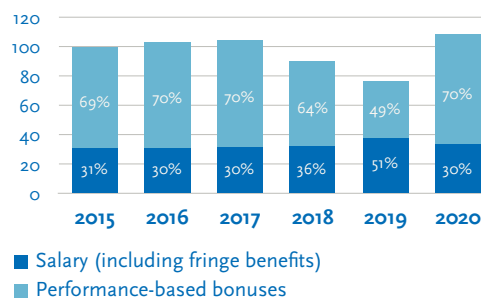


## Development of the Board of Directors' average remuneration, meeting fees, %



The development of remuneration is described by comparing figures from 2016–2020 with 2015 (100%).

## Development of the President and CEO's remuneration, %

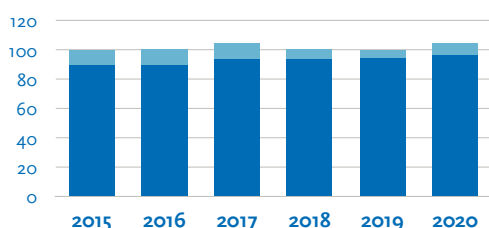


■ Salary (including fringe benefits)  
■ Performance-based bonuses

Salaries (including fringe benefits) are fixed and performance-based bonuses are variable remuneration components. The figure above does not include the President and CEO's supplementary pension benefit. The development of the President and CEO's remuneration, including the supplementary pension benefit, is presented in the table 'Development of the Orion Group and remuneration'. The development of remuneration is described by comparing figures from 2016–2020 with 2015 (100%).

In 2019, the President and CEO was paid, as part of the fixed remuneration, an annual service reward (20 years in Orion's service) and a separate reward related to the divestment of Orion Diagnostica, approved by the Board of Directors. The criteria for paying the annual service reward are the same for all employees.

## Development of Orion employees' average remuneration, %

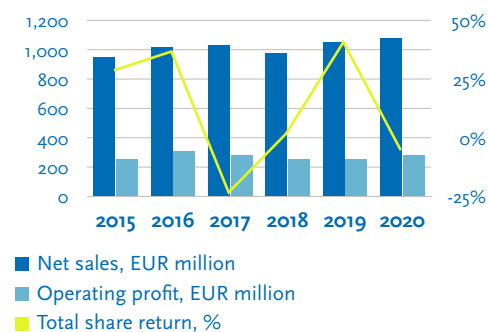


■ Salary (including fringe benefits)  
■ Performance-based bonuses

The figures are based on information presented in the consolidated financial statements and have been converted from local currencies into euros using the same exchange rates as in the consolidated financial statements. The information in the table is presented on a cash-flow basis (incl. long-term share-based incentive plans and other performance-based bonuses). The development of Orion employees' average remuneration has been reported without Orion Diagnostica, which was divested in 2018. The development of remuneration is described by comparing figures from 2016–2020 with 2015 (100%).

Orion employees' average remuneration includes the remuneration paid each year: the fixed annual salary with fringe benefits, the performance-based annual bonus and rewards paid based on long-term share-based incentive plans.

## Orion Group's financial performance, key figures



■ Net sales, EUR million  
■ Operating profit, EUR million  
■ Total share return, %

The operating profit and net sales have been reported without Orion Diagnostica, which was divested in 2018. The total share return consists of the change in the share value and the dividends paid during the year.

# DEVELOPMENT OF THE ORION GROUP AND REMUNERATION, CHANGE, YEAR-ON-YEAR

|  | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|------|------|
| <b>Development of the Orion Group</b>  |      |      |      |      |      |      |
| Net sales  |      | 6%   | 1%   | -5%  | 8%   | 3%   |
| Operating profit   |      | 19%  | -7%  | -11% | 0%   | 11%  |
| Total share return   |      | 37%  | -23% | 2%   | 41%  | -5%  |
| <b>Development of remuneration</b>   |      |      |      |      |      |      |
| The Board of Directors' average remuneration (annual fees)                             |      | 0%   | 10%  | 0%   | 0%   | 0%   |
| The Board of Directors' average remuneration (meeting fees)                            |      | 0%   | 0%   | 0%   | 0%   | 0%   |
| The President and CEO's remuneration (excluding the supplementary pension benefit)     |      | 3%   | 1%   | -14% | -15% | 44%  |
| The President and CEO's remuneration (including the supplementary pension benefit)     |      | 10%  | 8%   | -8%  | -9%  | 33%  |
| Orion employees' average remuneration  |      | 1%   | 4%   | -3%  | -1%  | 5%   |
| Orion employees' average fixed remuneration (annual salary, including fringe benefits) |      | 0%   | 3%   | 1%   | 1%   | 2%   |

**Changes** in remuneration, net sales and the operating profit (% , year-on-year). The development of Orion employees' average remuneration, as well as net sales and the operating profit, have been reported without Orion Diagnostica, which was divested in 2018.

The total share return consists of the change in the share value and the dividends paid during the year.

The development of Orion employees' average remuneration is calculated by dividing personnel expenses (including indirect employee costs) by the average number of employees during the year. With regard to the supplementary pension benefit in the development of the President and CEO's remuneration, the advance payment for the supplementary pension benefit has been considered for 2020. Otherwise, the payments made have been taken into account.

## The Board of Directors' remuneration for the previous financial year

The Board of Directors' remuneration is for work carried out within the Board and its committees. In accordance with the decision of the 2020 Annual General Meeting, the Board of Directors annual fees were paid in cash (60%) and in the Orion Corporation B shares (40%). There are no particular rules relating to ownership of the shares received by the members of the Board of Directors as fees. In accordance with the decision of the Annual General Meeting, Orion has in addition paid the transfer tax related to the part of the annual fee of the Board of Directors paid in shares.

### REMUNERATION PAID IN THE 2020 FINANCIAL YEAR TO THE MEMBERS OF THE BOARD DURING THE 2020 FINANCIAL YEAR

|  | Total annual fee, EUR <sup>1</sup> | Portion of the fee paid in B shares, pcs | Portion of the annual fee paid in shares, EUR | Portion of the annual fee paid in cash, EUR | Meeting fees, EUR | Total          | Committee memberships                 |
|--|------------------------------------|--|---|---|-------------------|----------------|---------------------------------------|
| <b>Members of the Board on 31 Dec 2020</b> |                                    |  |   |   |                   |                |                                       |
| Mikael Silvennoinen, Chairman              | 84,000                             | 777                                      | 33,564  | 50,436                                      | 27,000            | 111,000        | Remuneration (Chair), nomination, R&D |
| Timo Maasilta, Vice Chairman               | 55,000                             | 509                                      | 21,987  | 33,013                                      | 25,200            | 80,200         | Remuneration, nomination, R&D         |
| Kari Jussi Aho (from 6 May 2020)           | 42,000                             | 389                                      | 16,804  | 25,196                                      | 10,200            | 52,200         | Audit, R&D                            |
| Pia Kalsta                                 | 42,000                             | 389                                      | 16,804  | 25,196                                      | 16,200            | 58,200         | Audit, R&D                            |
| Ari Lehtoranta                             | 42,000                             | 389                                      | 16,804  | 25,196                                      | 16,800            | 58,800         | Audit (Chair), R&D                    |
| Hilpi Rautelin                             | 42,000                             | 389                                      | 16,804  | 25,196                                      | 16,800            | 58,800         | R&D (Chair), remuneration             |
| Eija Ronkainen                             | 42,000                             | 389                                      | 16,804  | 25,196                                      | 16,200            | 58,200         | Audit, R&D                            |
| <b>Former members of the Board</b>         |                                    |  |   |   |                   |                |                                       |
| Heikki Westerlund (until 6 May 2020)       | 0                                  | 0  | 0   | 0   | 18,000            | 18,000         | Remuneration, nomination, R&D         |
| <b>Total Board fees</b>                    | <b>349,000</b>                     | <b>3,231</b>                             | <b>139,570</b>                                | <b>209,430</b>                              | <b>146,400</b>    | <b>495,400</b> |                                       |

<sup>1</sup> Total annual fee consists of a portion paid in shares and a portion paid in cash.

The members of the Board of Directors have not had any other financial benefits from the company, and they are not included in the company's other incentive schemes.

## The President and CEO's remuneration for the previous financial year

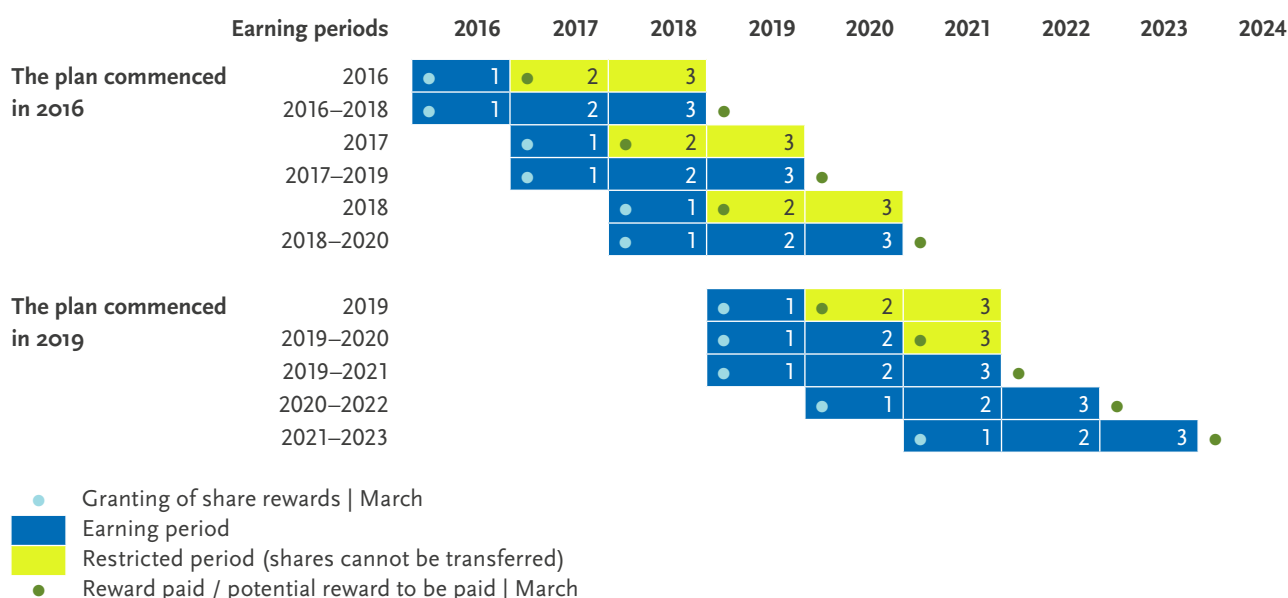
### Fees and the supplementary pension benefit paid to the President and CEO in the 2020 financial year

|                          | Fixed remuneration                              | Variable remuneration          |  |   |   | Total     | Pension benefits   |
|--------------------------|---|--------------------------------|--|---|---|-----------|--|
|                          | Fixed annual salary (including fringe benefits) | Performance-based annual bonus | Share-based incentive plan: cash portion | Share-based incentive plan: share portion | Share-based incentive plan: portion paid in B shares, pcs |           | Supplementary pension benefit (advance payment for 2020) |
| <b>President and CEO</b> |   |                                |  |   |   |           |  |
| Timo Lappalainen         | 497,340   | 309,456                        | 413,819                                  | 413,819                                   | 11,400  | 1,634,434 | 728,792  |

All figures are in Euros unless otherwise stated.

The remuneration paid to the President and CEO in the 2020 financial year included a fixed annual salary with fringe benefits (car and mobile phone) and an annual performance-based bonus based on the performance during the 2019 financial year. The annual performance-based bonus of the President and CEO for 2020 was no more than ten (10) months' salary.

The rewards paid to the President and CEO based on share-based incentive plans in the 2020 financial year were determined in line with the incentive plans that commenced in 2016 and 2019. For the plan that commenced in 2016, the earning period paid in 2020 was the calendar years 2017–2019. The earning period does not involve a restricted period. For the plan that commenced in 2019, the earning period paid in 2020 was the 2019 calendar year. Shares earned based on this earning period cannot be transferred during the restricted period specified in the plan. The restricted period ends on 31 December 2021. Performance-based rewards paid from share-based incentive plans consist of a cash portion and a portion paid in Orion Corporation B shares.



The Group's share-based incentive plans in force and the earning periods that the President and CEO belongs to.

During the 2019–2021 earning period, the President and CEO can earn a maximum of 10,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. During the 2020–2022 earning period, the President and CEO can earn a maximum of 20,000 Orion Corporation B shares and a cash payment corresponding to the value of the shares. Remuneration to be paid to the President and CEO from a share-based incentive plan can be reduced if the limits set for the Orion Group's long-term incentive payments within a single calendar year are exceeded.

The commitment impact of an LTI plan is based on the fact that the duration of the earning period, or the combined duration of the earning period and restricted period, is always three years. Both one-year and three-year earning periods were used in the 2016 LTI plan. In principle, in the 2019 LTI plan it was switched to only three-year earning periods, however, so that during the transition period a one-year earning period and a two-year earning period were also used.

The President and CEO's retirement age has been agreed to be 60 years, the target pension level is 60% of the agreed pensionable income. The pension is based on a defined benefit plan. In 2019 insurance payment for the President and CEO's supplementary pension benefit totalled EUR 641,236. The advance payment for the insurance payment in 2020 was EUR 728,792.

The variable remuneration components – the performance-based annual bonus and the rewards paid from share-based incentive plans – represent a significant portion of the remuneration of Orion's President and CEO. In 2020, variable remuneration represented 70% of the total remuneration, and the fixed annual salary represented 30% of the total remuneration.

Orion does not have a deputy CEO in line with chapter 6, section 19, subsection 2 of the Limited Liability Companies Act.

## The President and CEO's due remuneration

Remuneration of the President and CEO's due in the financial year 2021:

- Annual performance-based bonus for 2020: EUR 374,792, to be paid in March 2021
- Within the share-based incentive plan that commenced in 2016: the earning period commenced in 2018 (calendar years 2018–2020), the reward to be paid in shares is a maximum of 5,769 Orion Corporation B shares. These will be transferred on 1 March 2021. The value of the share reward is the volume-weighted average price of Orion Corporation B share on the date of transfer. In addition to the share reward, the President and CEO will receive a cash payment, with the maximum amount corresponding to the value of the shares.
- Within the share-based incentive plan that commenced in 2019: the earning period commenced in 2019 (calendar years 2019–2020), the reward to be paid in shares is a maximum of 7,337 Orion Corporation B shares. These will be transferred on 1 March 2021. Shares earned based on this earning period cannot be transferred during the restricted period specified in the plan. The end date of the restricted period is on 31 December 2021. The value of the share reward is the volume-weighted average price of Orion Corporation B share on the date of transfer. In addition to the share reward, the President and CEO will receive a cash payment, with the maximum amount corresponding to the value of the shares.

The rewards to be paid to the President and CEO from a share-based incentive plans can be reduced if the limits set for the Orion Group's long-term incentives to be paid within a single calendar year are exceeded.

KPMG Oy Ab, Authorised Public Accountants, who served as Orion's auditor for the 2020 financial year, have checked to ensure that the information referred to in requirements of section 3 of the decree has been provided in this report in the manner referred to in Decree 608/2019 of the Ministry of Finance.

Orion's Board of Directors approved this remuneration report on 9 February 2021. The remuneration report for the financial year 2020 will be presented to Orion's Annual General Meeting on 25 March 2021.



**Orion Corporation**

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