

Remuneration Policy 2022

18 March 2022



Introduction

This Remuneration Policy describes the main principles of the remuneration of VR-Group Ltd's Board of Directors, Supervisory Board, President and CEO and the Management Team as well as the related decision-making procedure.

This Remuneration Policy adheres to the Government Resolution on Ownership Steering Policy and has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive where applicable.

This Remuneration Policy will be presented to the Annual General Meeting 2022. The resolution of the General Meeting is advisory, but remuneration must adhere to the Remuneration Policy presented to the General Meeting. This Remuneration Policy shall remain in effect until the Annual General Meeting 2023 unless the Board of Directors deems it necessary to make significant amendments before that time, in which case such amendments shall be presented to the Annual General Meeting for an advisory resolution.

Decision-making procedure

The governing bodies involved in decision-making concerning VR Group's remuneration are the General Meeting, the Board of Directors and the Human Resources Committee of the Board of Directors. No governing body participating in decision-making shall decide on its own remuneration or participate in decision-making where a conflict of interest otherwise exists involving the governing body or a member thereof. Predetermined processes are used to avoid conflicts of interest in decision-making concerning remuneration and to ensure the fairness and impartiality of decisions concerning remuneration.

The Human Resources Committee prepares the Remuneration Policy and Remuneration Report. The Board of Directors approves the Remuneration Policy and Remuneration Report based on the Human Resources Committee's preparatory work and presents them to the General Meeting annually. The Remuneration Policy is made available on the company's website.

The General Meeting approves the Remuneration Policy and decides on the annual remuneration of the Board of Directors and the members of its committees.

The Human Resources Committee of the Board of Directors plans the remuneration of VR Group's President and CEO and the members of the Management Team. The Board of Directors decides on the remuneration of the President and CEO based on the Human Resources Committee's proposal and annually approves the structures, principles and other governance rules concerning the remuneration system within the framework of the Remuneration Policy.

Remuneration principles

In the Government Resolution on Ownership Steering Policy, VR Group is in the category “Listed companies and large commercially operating unlisted companies”. VR Group’s remuneration aims to take market practices into account and reward the management for achieving sustainable results. The objective of VR Group’s remuneration is to promote the implementation of the company’s strategy, business goals and long-term profitability. Remuneration is aimed at incentivising individuals and groups to work coherently towards the Group’s strategic goals related to business operations and corporate responsibility, motivate the employees to perform at a high level and reward them for achieving set targets.

Responsibility is an essential aspect of VR Group’s strategy. It is integrated into day-to-day business operations and related projects are compiled into a responsibility programme. The Group Management Team directs and monitors the development of the responsibility programme. The achievement of the objectives in the areas of responsibility is monitored regularly and factored into remuneration.

Maintaining a high level of safety in the Group’s own operations is one of the key criteria in remuneration. The Board of Directors may, at its discretion, apply an across-the-board cut to remuneration components based on the short-term incentive scheme on safety-related grounds. This discretion shall apply, for example, in the event of the accidental death of an employee or customer or some other very serious or far-reaching safety deviation attributable to the Company.

A further goal of the incentive schemes is to retain the personnel in the company and engage their commitment to the company’s goals as well as promote VR Group’s employer image and competitiveness. VR Group aims for transparency and consistency in remuneration. Remuneration as a whole is regularly assessed to ensure that it is fair, reasonable and competitive.

These principles apply to the President and CEO, the Management Team and the entire personnel. To support the achievement of the goals set out in these principles, a significant proportion of the personnel are included in annual incentive schemes in addition to the Group’s President and CEO and Management Team.

Description of the remuneration of the Board of Directors

The remuneration of the members of the Board of Directors includes a fixed annual fee paid entirely in cash. Members of the Board of Directors may be paid an increased annual fee based on their duties or position on the Board of Directors, such as in the case of the Chair and Vice Chair of the Board of Directors. The members of the Board of Directors are paid a separate meeting fee for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are entitled to compensation for travel expenses based on their attendance at meetings. They may also be provided with a free VR rail pass benefit.

The members of the Board of Directors are not in an employment or service relationship with the company and they are not included in the Group’s other remuneration systems or variable incentive schemes.

Description of the remuneration of the Supervisory Board

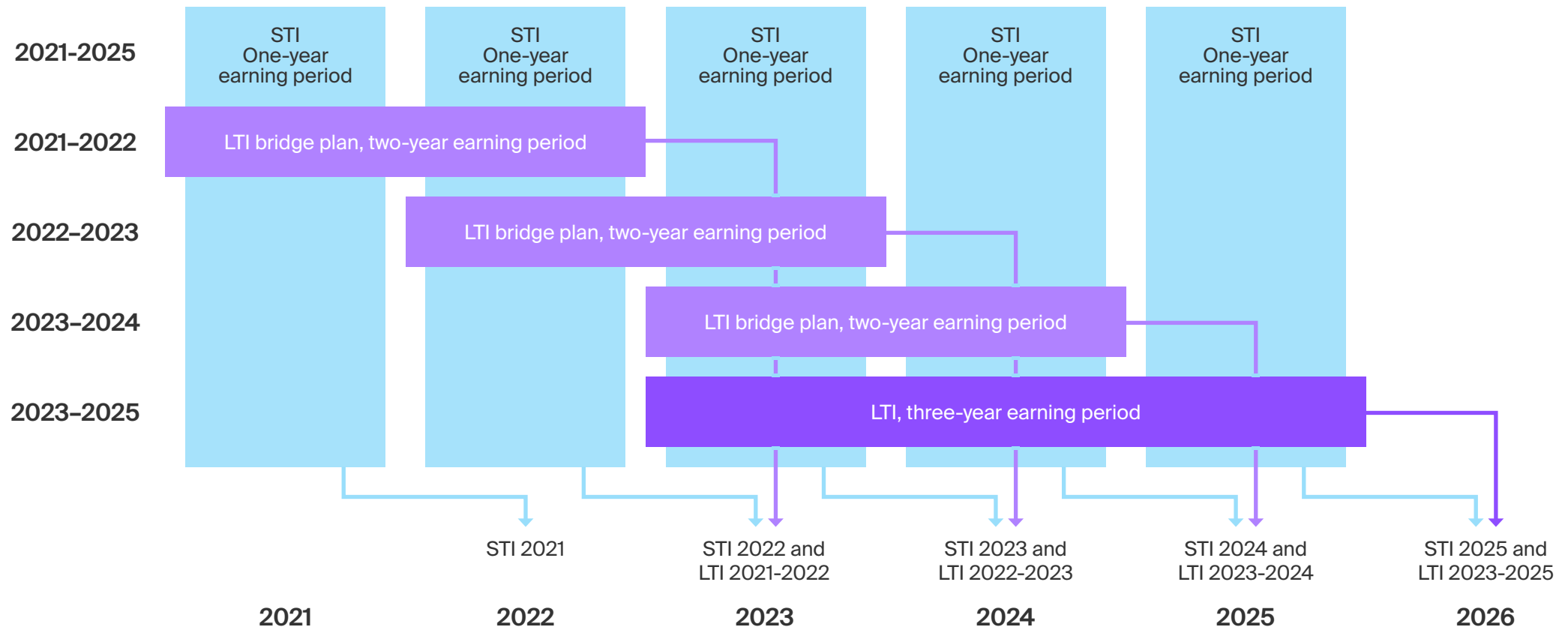
The members of the Supervisory Board are paid a meeting fee for attending meetings based on their duties or position on the Supervisory Board, such as in the case of the Chair and Vice Chair of the Supervisory Board. The members of the Supervisory Board are entitled to compensation for travel expenses based on their attendance at meetings. They may also be provided with a free VR rail pass benefit.

The members of the Supervisory Board are not in an employment or service relationship with the company and they are not included in the Group’s other remuneration systems or variable incentive schemes.

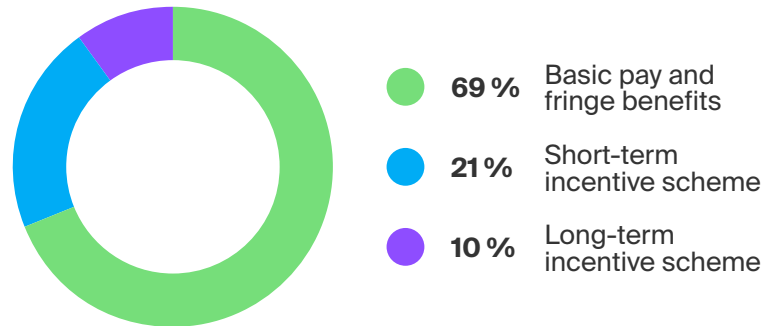
Description of the remuneration of the President and CEO and the Management Team

The remuneration of the President and CEO and the Management Team consists of fixed basic pay, fringe benefits, short-term incentive bonuses and long-term incentive bonuses. The maximum amounts of variable remuneration are within the limits laid out in the Government Resolution. The President and CEO and the Management Team are included in the short-term incentive schemes (STI) and long-term incentive schemes (LTI) in effect at any given time. The Board of Directors decides on the commencement of potential new earning periods annually. The current plan is for STI and LTI schemes to commence in the coming years in accordance with the figure below.

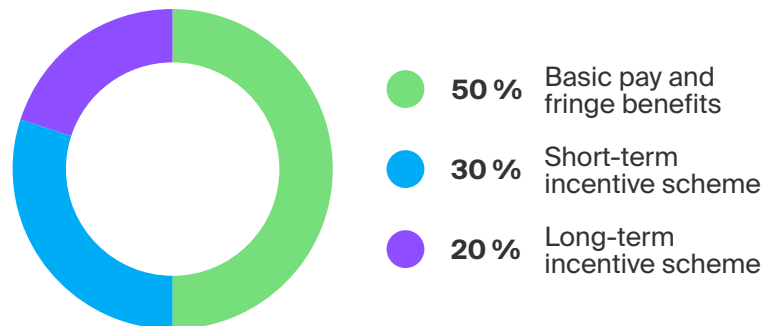
The remuneration of the President and CEO and the Management Team shall adhere to the company's remuneration principles. The remuneration of the senior management shall support the Group's strategic, commercial and responsibility-related goals, promote the retention of key personnel in the company and align the interests of the key personnel and the company's owner. In addition, remuneration shall be reasonable while being competitive and in line with market practices.



Remuneration of the President and CEO, remuneration based on the achievement of targets (shares of total remuneration)

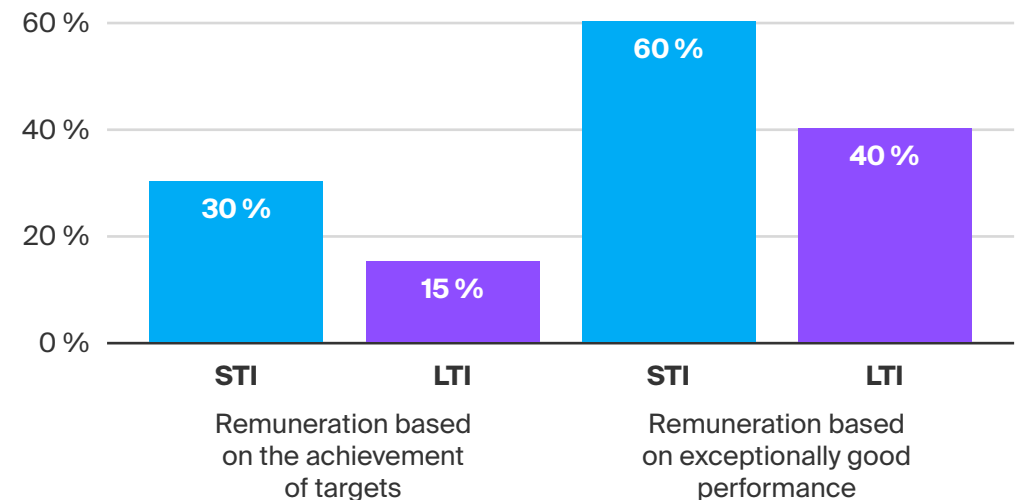


Remuneration of the President and CEO, remuneration based on exceptionally good performance (shares of total remuneration)



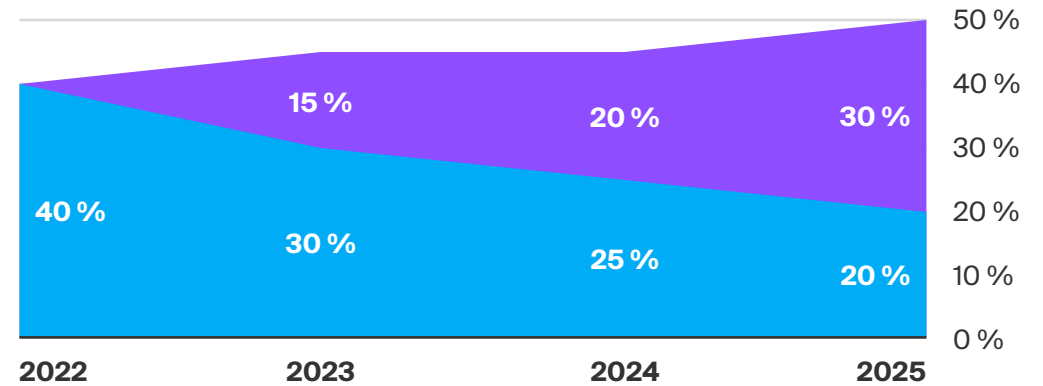
Variable remuneration as a percentage of the President and CEO's basic pay

The President and CEO's STI for 2022 is 30 per cent of the basic pay at the variable compensation level where the targets are achieved. The two-year LTI bonus that commenced in 2021 and will be potentially payable in 2023 is 15 per cent of the basic pay. If the performance of the company and the recipient of remuneration is exceptionally good, the STI may be at most 60 per cent of basic pay and the LTI 40 per cent of basic pay.



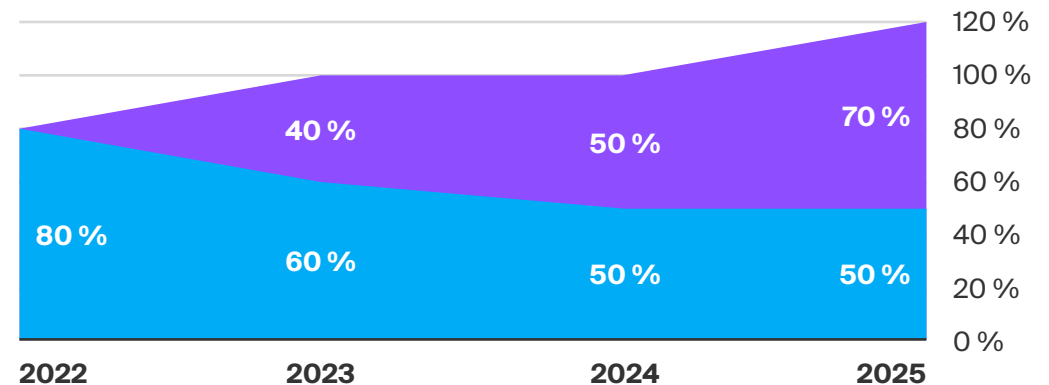
The aim is to gradually adjust the remuneration levels in the coming years so as to reduce the STI scheme's proportion of basic pay and gradually increase the LTI scheme's proportion in such a way as to not reduce the targeted total amount of remuneration paid. The following figures show a preliminary example of the shares of variable remuneration components paid in each year in relation to the fixed basic pay at the level of achieving the set objectives and at the level of exceptionally good performance.

President and CEO, amount of the bonus in relation to the basic pay



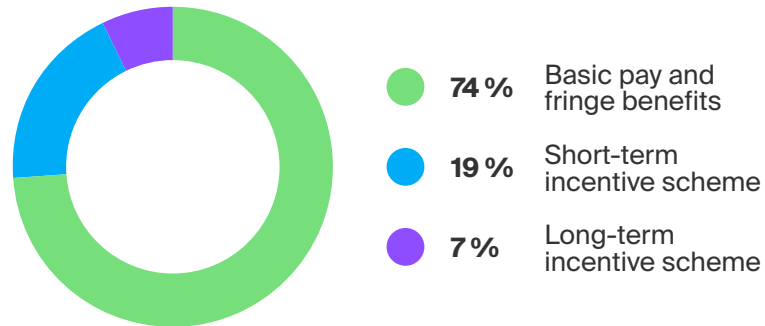
Example of payable shares of variable remuneration components (STI and LTI) in relation to the fixed basic pay at the level of achieving the set objectives

President and CEO, amount of the bonus in relation to the basic pay

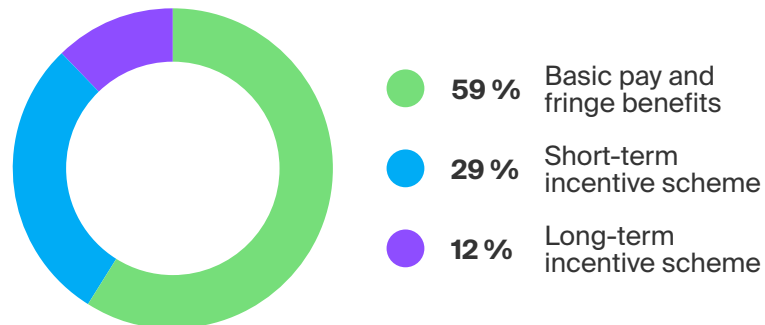


Example of payable shares of variable remuneration components (STI and LTI) in relation to the fixed basic pay at the level of exceptionally good performance

Remuneration of the Management Team, remuneration based on the achievement of targets (shares of total remuneration)

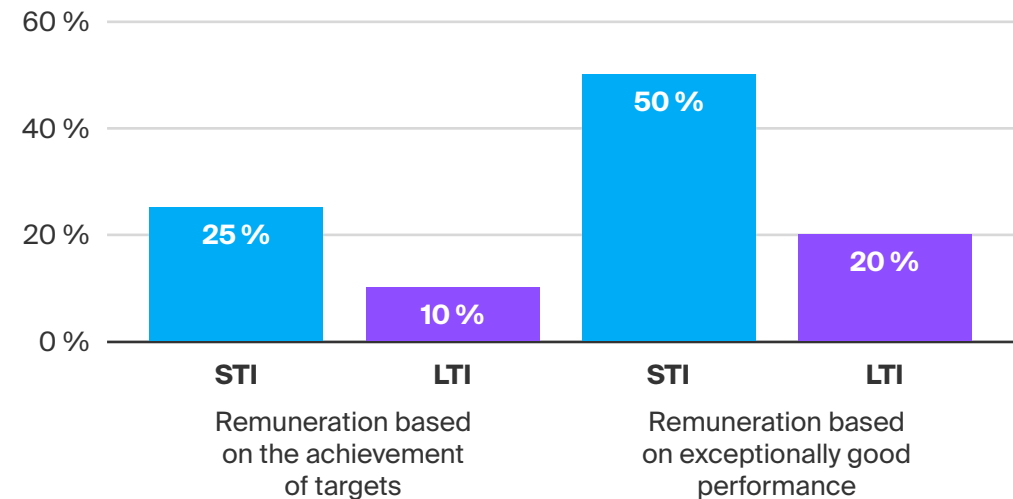


Remuneration of the Management Team, remuneration based on exceptionally good performance (shares of total remuneration)



Variable remuneration as a percentage of the Management Team's basic pay

The Management Teams' STI for 2022 is 25 per cent of basic pay at the variable compensation level where the targets are achieved. The two-year LTI bonus that commenced in 2021 and that will be potentially payable in 2023 is 10 per cent of the basic pay. If the performance of the company and the recipient of remuneration is exceptionally good, the STI may be at most 50 per cent of the basic pay and the LTI 20 per cent of the basic pay.



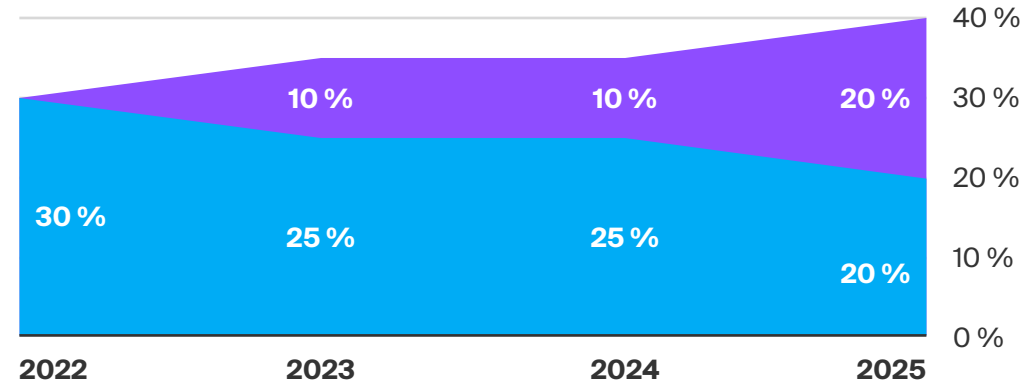
The aim is to gradually adjust the remuneration levels in the coming years so as to reduce the STI scheme's proportion of basic pay and gradually increase the LTI scheme's proportion in such a way as to not reduce the targeted total amount of remuneration paid. The following figures show a preliminary example of the shares of variable remuneration components paid in each year in relation to the fixed basic pay at the level of achieving the set objectives and at the level of exceptionally good performance.

Potential variable remuneration components are paid based on the achievement of the targets in the spring of the year following the earning period when the financial statement figures have been confirmed. The Board of Directors makes the final decision on the payment of incentive bonuses and it also has the right to decide on the cancellation, deferral or adjustment of the payment of incentive bonuses.

The payment of incentive bonuses in the event of the termination of a person's employment or service relationship in the middle of an earning period is addressed in the terms of the incentive scheme and payments must be within the limits of the Government Resolution on Ownership Steering Policy.

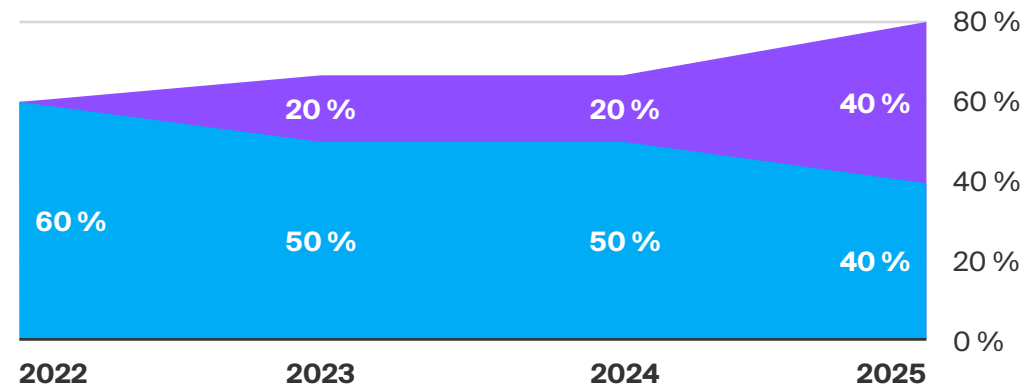
The President and CEO's service contract includes provisions concerning key terms of service, such as the period of notice and severance package. The President and CEO's salary for the period of notice and the severance package combined shall not exceed their 12-month fixed pay.

Management team, amount of the bonus in relation to the basic pay



Example of payable shares of variable remuneration components (STI and LTI) in relation to the fixed basic pay at the level of achieving the set objectives

Management team, amount of the bonus in relation to the basic pay



Example of payable shares of variable remuneration components (STI and LTI) in relation to the fixed basic pay at the level of exceptionally good performance

Purpose and description of the remuneration components of the President and CEO and the Management Team

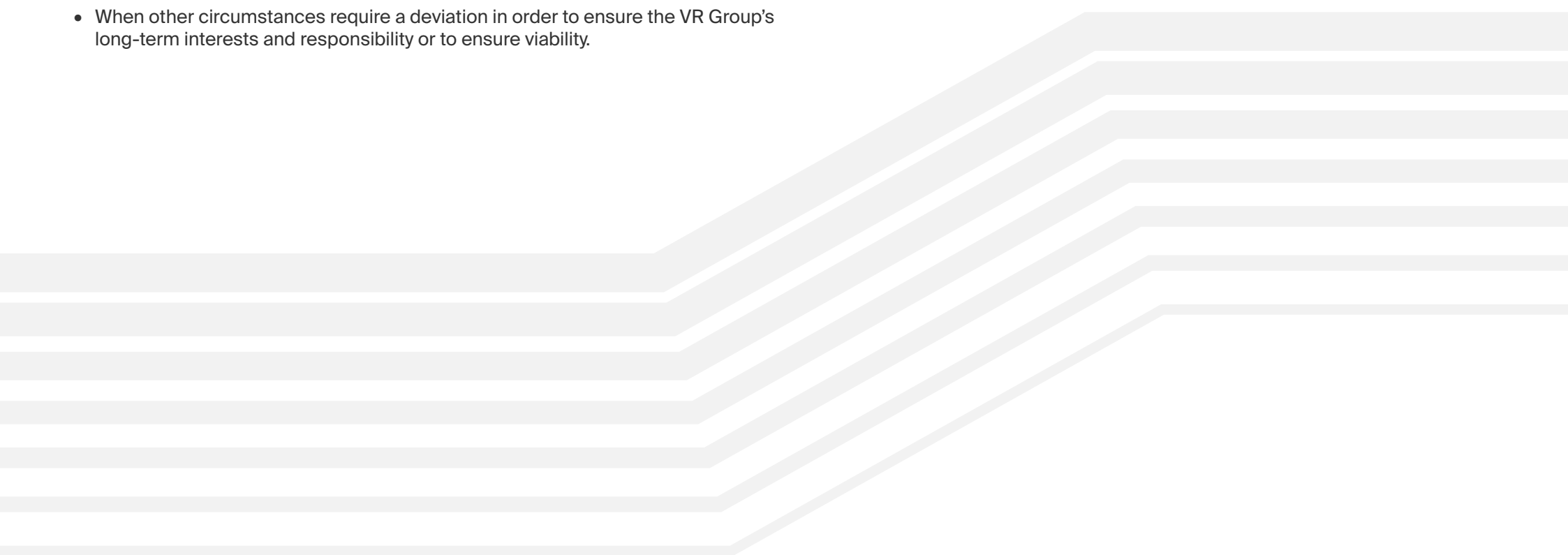
Remuneration component	Purpose and link to strategy	Description and practice
Fixed basic pay and fringe benefits	Competitive but reasonable compensation for the duties associated with the position, based on the individual's knowledge, skills and experience.	
Pension	<p>The retirement age of the President and CEO and the members of the Management Team is based on the employment pension legislation valid at any given time.</p> <p>Supplementary pension benefits are not used in remuneration.</p>	
Short-term incentive	Support the achievement of VR Group's short-term commercial targets and objectives related to corporate responsibility.	<p>Bonuses under the short-term incentive scheme are paid in cash. The earning period is one year.</p> <p>The final level of the bonus is determined based on the Board of Directors evaluating performance and the degree to which targets are achieved after the end of the year.</p>
Long-term incentive	Support the achievement of VR Group's long-term commercial targets and objectives related to corporate responsibility, align the interests of the management and the owner and promote the retention of key personnel.	<p>Bonuses under the long-term incentive scheme are paid in cash. No share-based schemes are in use. The earning period is two years at a minimum.</p> <p>The final level of the bonus is determined based on the Board of Directors evaluating performance and the degree to which targets are achieved after the end of the earning period.</p>
Other benefits and plans	Offer competitive benefits that support recruitment as well as personnel well-being and retention.	<p>The level of granted benefits is based on the local market practice of the country in which the person works and it may vary from one year to the next.</p> <p>The benefits currently in use include typical benefits such as phone benefit, car benefit and medical expense insurance.</p>
Clawback and deferral of remuneration	Ensures that remuneration is based on actual achievements.	Remuneration may be cancelled, deferred or adjusted as necessary by a unilateral decision of the Board of Directors.

At VR Group, all personnel (excluding the President and CEO) are within the scope of one-off remuneration. Members of the Management Team may be rewarded for excellent performance.

Such bonuses are discretionary, limited to at most two months' pay and decisions on their payment are made by the President and CEO/Chair of the Board of Directors.

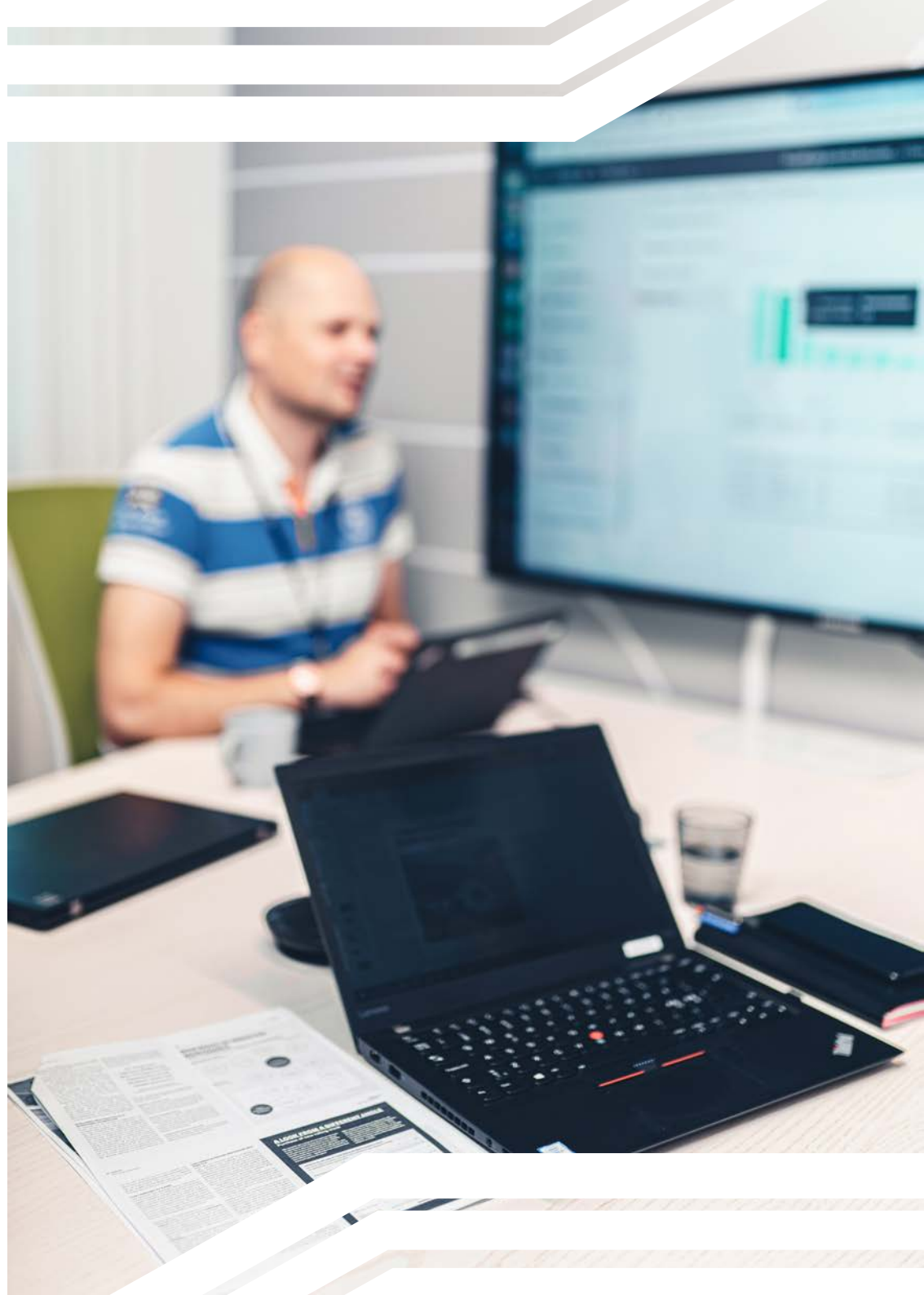
Deviation from the Remuneration Policy

The Board of Directors may, on the recommendation of the Human Resources Committee, temporarily deviate from any provision of the Remuneration Policy based on its direction in the following circumstances:

- A change of the President and CEO or other member of the Management Team
 - A change in the applicable legislation or state ownership steering policy
 - A significant change in the Group's structure
 - When other circumstances require a deviation in order to ensure the VR Group's long-term interests and responsibility or to ensure viability.
- 

Remuneration Report 2021

18 March 2022



Introduction

This Remuneration Report describes the remuneration of VR-Group Ltd's Board of Directors, Supervisory Board, President and CEO and the Management Team in the financial year 2021. Remuneration at VR Group adheres to the Government Resolution on Ownership Steering Policy. This Remuneration Report has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive where applicable.

Decision-making procedure concerning remuneration

The governing bodies involved in decision-making concerning VR Group's remuneration are the General Meeting, the Board of Directors and the Human Resources Committee of the Board of Directors.

The Human Resources Committee prepares the Remuneration Policy and Remuneration Report based on the decisions of the aforementioned bodies. The Board of Directors approves the Remuneration Policy and Remuneration Report and presents them to the General Meeting annually.

The General Meeting approves the Remuneration Policy and decides on the annual remuneration of the Board of Directors and the members of its committees.

The Human Resources Committee of the Board of Directors plans the remuneration of VR Group's President and CEO and the members of the Management Team. The Group's Board of Directors decides on the remuneration of the President and CEO based on the Human Resources Committee's proposal and annually approves the structures, principles and other governance rules concerning the remuneration system within the framework of the Remuneration Policy.

Remuneration principles in accordance with the Remuneration Policy in 2021

VR Group's remuneration system has been aimed at incentivising individual employees and groups to work together towards the Group's strategic goals. Remuneration has also been geared towards incentivising and motivating the personnel to perform at a high level and reward them for achieving set targets.

A further goal of the incentive schemes has been to retain the personnel in the company and engage their commitment to the company's goals as well as promote VR Group's employer image and competitiveness. These principles apply to the President and CEO and the entire personnel.

The remuneration of VR Group's Board of Directors, President and CEO and Management Team has been in line with the Remuneration Policy in place for 2021.

The table below shows the remuneration of the company's Board of Directors, President and CEO and personnel and the company's financial performance during the period 2017–2021. The remuneration of the President and CEO consists of basic pay, fringe benefits and variable remuneration components based on the previous year's commercial and other targets.

Development by year	2017	2018	2019	2020	2021
Remuneration of the Board of Directors ⁽¹⁾					
Annual fees decided upon	+0%	+0%	+0%	+0%	+0%
Fees paid	-11.6%	-2.6%	+14.1%	-5.5%	+7%
Remuneration of the President and CEO	0%	+23.6%	-3.3%	-13.0%	-6.6%
Remuneration of the personnel (average) ⁽²⁾	+6.4%	-0.4%	-1.4%	-0.1%	+5.0%
The company's financial performance					
Net sales	+5.5%	+2%	+1.2%	-19.4%	+5.9%
Operating profit (EBIT)	+155.3%	+37.5%	+28.8%	-128%	-45.9%

(1) The development of the remuneration of the Board of Directors is calculated as the percentage change in annual fees decided upon and total fees paid.

(2) Personnel expenses as per the financial statements divided by personnel on average.

Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors consists of a fixed annual fee, which depends on the individual's position on the Board of Directors, and fees for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are not within the scope of the Group's other remuneration systems.

The Annual General Meeting held on 9 April 2021 resolved to pay fees to the Board of Directors as follows:

Chair
of the Board

EUR 54,750 /year

Vice Chair
of the Board

EUR 25,800 /year

Member
of the Board

EUR 22,800 /year

In addition, the members of the Board of Directors are paid a fee of EUR 600 for each Board and Committee meeting.

The size of the annual and total remuneration decided on by the General Meeting did not change from the previous year.

The fees paid to the Board of Directors in 2021 totalled EUR 304,450.

The adjacent table shows the fees paid to the Chair, Vice Chair and members of the Board of Directors in 2021. In addition to the fees, the members of the Board of Directors are entitled to a free VR rail pass.

Chair	Annual fees	Meetings of the Board of Directors	Committee meetings	Total, EUR
Kjell Forsén	54,750	7,200	10,800	72,750
Vice Chair				
Heikki Allonen	25,800	7,200	12,600	45,600
Members				
Pekka Hurtola	22,800	7,200	12,600	42,600
Roberto Lencioni	22,800	7,200	10,800	40,800
Sari Pohjonen	22,800	7,200	3,600	33,600
Nermin Hairedin	24,700 ⁽¹⁾	7,200	3,600	35,500
Virve Laitinen	22,800	7,200	3,600	33,600

(1) the amount includes one monthly instalment of the annual fee from the previous year (2020)

Remuneration of the Supervisory Board

In 2021, the members of the Supervisory Board were paid the following meeting fees set by the Annual General Meeting on 9 April 2021:

Chair of the
Supervisory Board

EUR 800 /meeting

Vice Chair of the
Supervisory Board

EUR 600 /meeting

Member of the
Supervisory Board

EUR 500 /meeting

The fees paid to the Supervisory Board in 2021 totalled EUR 29,200. This amount includes the fees paid to the Chair, Vice Chair and ordinary members of the Supervisory Board as well as the fees paid to the representatives of personnel organisations. In addition to the fees, the members of the Supervisory Board also received a free VR rail pass.

Chair	Meeting fees, EUR
Sheikki Laakso	2,400

Vice Chair

Raimo Piirainen	1,800
-----------------	--------------

Members

Anders Adlercreutz	1,500
Sanna Antikainen	1,500
Seppo Eskelinen	1,500
Hanna Holopainen	1,000
Anna-Kaisa Ikonen	1,500
Mai Kivelä	1,500
Jouni Kotiaho	1,500
Matias Marttinen	1,500
Arto Pirttilahti	1,500
Katja Taimela	1,500

Remuneration of the President and CEO and the Management Team

Principles of the remuneration system of the President and CEO and the company's other management

Fixed remuneration components

The fixed remuneration components of the President and CEO and the Management Team consist of basic pay and fringe benefits.

Variable remuneration components

The remuneration systems and the maximum amounts of variable remuneration adhere to the frameworks laid out in the Government Resolution on Ownership Steering Policy.

In 2021, the President and CEO and the Management Team were part of a short-term incentive scheme.

The long-term incentive scheme (LTI) has started with a two-year earning period which started in 2021.

Pension

The retirement age and pension for the President and CEO and the members of the Management Team are in accordance with the Employees' Pensions Act, and no supplementary pensions are paid.

Remuneration of the President and CEO

The remuneration of the President and CEO in 2021 consisted of fixed basic pay and fringe benefits. The variable remuneration STI incentives were not paid on the basis of the 2020 review period and will not be paid on the basis of the 2021 review period as the COVID-19 pandemic had a negative impact on the Group's results which meant that the performance target required for the payments was not realised.

The LTI scheme started in 2021 with a two-year earning period and no LTI rewards have been realised.

The Group's President and CEO was replaced in August 2021, so the fees paid to the President and CEO are presented itemised for the former and the current President and CEO.

Remuneration paid to the President and CEO in 2021

Former President and CEO	EUR
Basic pay (including fringe benefits, holiday compensation)	297,340
Short-term incentive scheme (STI), Earning period 2020	0
Earned in 2021, payable in 2022	
Short-term incentive scheme (STI), Earning period 2021	0
Current President and CEO	
Basic pay (including fringe benefits)	151,381
Short-term incentive scheme (STI), Earning period 2020	0
Earned in 2021, payable in 2022	
Short-term incentive scheme (STI), Earning period 2021	0
Total	448,721

Remuneration of the Management Team

The remuneration of the Management Team in 2021 consisted of fixed basic pay and fringe benefits. The variable remuneration incentives were not paid on the basis of the 2020 review period and will not be paid on the basis of the 2021 review period as the COVID-19 pandemic had a negative impact on the Group's results and the performance target required for the payments was not realised.

At VR Group, all personnel (excluding the President and CEO) are within the scope of one-off remuneration. Members of the Management Team may be rewarded for excellent performance. Such bonuses are discretionary, limited to at most two months' pay and decisions on their payment are made by the President and CEO/Chair of the Board of Directors.

The Board of Directors has decided to pay in April 2022 a one-time bonus to those within the scope of the Group's reward systems in which the Group's EBITDA has been defined as the triggering factor for the payment. The profitability of the business has been emphasised in these remuneration systems. However, the prolonged coronavirus epidemic and related external conditions have had a significant negative impact on the results. Therefore, the personnel covered by the remuneration systems have had only limited opportunity to influence the company's financial success. On this basis, the Board of Directors opted for an unusual solution to the issue of separate remuneration, and would like in this way to express its gratitude for the commendable work performed in the midst of the coronavirus crisis. A total of approximately EUR 2,875 million will be paid out in bonuses. The Management Team's share of this one-time bonus is EUR 126,251. VR Group's Management Team had nine members in 2021.

Remuneration paid to the Management Team in 2021

Remuneration paid in 2021	EUR
Basic pay (including fringe benefits, holiday compensation)	1,795,270
Short-term incentive scheme (STI), Earning period 2020	0
Other remuneration	0
Total	1,795,270

Earned in 2021, payable in 2022

Short-term incentive scheme (STI), Earning period 2021	0
Other remuneration	126,251
Total	126,251



Remuneration Policy 2022 and Remuneration Report 2021

18 March 2022