

## REMUNERATION PRINCIPLES

In 2021, a total of 297 thousand euros of pay together with social tax was calculated for the CEO of Arco Vara AS (in 2020: 89 thousand euros).

Remuneration is paid to the director on the basis of the board member's contract. Pursuant to the board member's employment contract of Miko-Ove Niinemäe who manages Arco Vara AS as of 30 April 2020, the council has established a fixed monthly payment of 4,500 euros (net amount), from 19 April 2022 the payment is 6,000 euros (net amount) per month.

Upon leaving work, the director is eligible for a severance compensation of 5 monthly salaries. The severance compensation reserve of 38 thousand euros is stated in expenses for 2021 and 13 thousand euros in 2022.

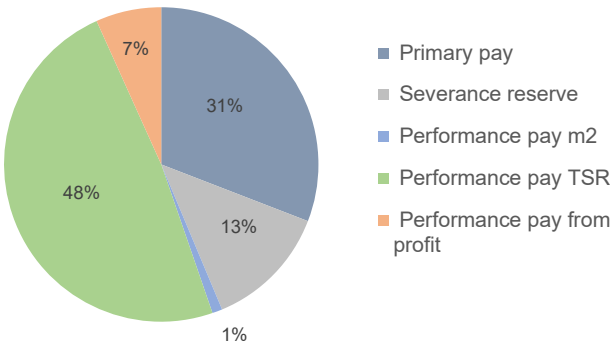
The objective of the reward system for the director is to motivate the director to expand the development activities of the company while ensuring the profitability of operations for investors. The reward system of the director, in force since 2021, consists of three parts:

- 1) 1% of audited net profit,
- 2) 0.25 x (m<sup>2</sup> (gross) of construction volume above ground established in the detailed plan of each new project + m<sup>2</sup> (gross) of construction volume above ground established in a construction permit obtained over the course of the financial year). The board member is also entitled separately to a reward upon establishment of each new detailed plan before acquiring a construction permit, in which case the calculation is based on 0,25 x m<sup>2</sup> (gross) of construction volume above ground established in the detailed plan of each new project;
- 3) 1.5% of the result of the following operation: difference between market capitalisations of the current and previous financial year + the amount of dividends paid in the financial year (jointly TSR). If the difference between the market capitalisation of the current financial year and the market capitalisation of the previous financial year is negative, i.e., market capitalisation has decreased since the year before, 1.5% is calculated from the amount of dividends paid on the current financial year. TSR is calculated based on the highest market capitalisation calculated for previous periods.

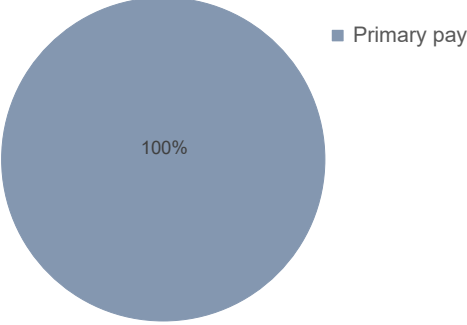
The parties have established that market capitalisation for start of reward calculations is 12,204,877 euros (1.30 euros x 9,388,367 shares). The maximum price for a share for calculating market capitalisation in 2021 was also set as 2.50 euros. In addition, 2.50 euros is the base threshold for calculating rewards for 2022.

The reward conditions for board members described above are fixed in total expenses of the company and are not related.

Management remuneration proportions for 2021:



Management remuneration proportions for 2020:



In 2017 – 2019, the director of the group was also remunerated via the options programme of the shares in addition to the primary pay, which did not generate direct expenses to the company as the director paid for the nominal values of shares. The option program does not apply to the current member of the Management Board.