



REMUNERATION IN NOKIAN TYRES

APRIL 9, 2019

SUMMARY FOR ANNUAL GENERAL MEETING

EXECUTIVE REMUNERATION IN NOKIAN TYRES – ANNUAL GENERAL MEETING 2019

Decision making and governance in Nokian Tyres

- Remuneration of the **President and CEO** as well as the **Group Management Team** is decided by the Board of Directors based on the proposal by the Personnel and Remuneration Committee.
- Personnel and Remuneration Committee prepares the abovementioned matters for decision making and uses external experts when necessary.

REWARDING DEVELOPMENT DURING 2018

- Global rewarding model developed during 2018 to **reflect our global operating model**
 - Global job role architecture and grading
 - Remuneration analysis done based on job grading
- **Long-term incentive plan renewal**
 - Time span expanded from 2 (1 + 1) years to 3 years to support long-term strategy
 - Performance criteria aligned with the interests of share owners
 - Clarified allocation criterias
 - Aligned award levels
 - Award levels lowered and balanced in relation to total compensation
 - Award levels capped for Group Management team
- **Transparency to the short-term incentive plans globally**
 - Transition from country-based plans towards global plans

EXECUTIVE REMUNERATION IN NOKIAN TYRES – AGM 2019

Remuneration of the President and CEO

- The remuneration of the President and CEO consists of a base salary, fringe benefits, short-term incentive based on annually defined performance criteria, share-based long-term incentive plans and a supplemental defined contribution pension plan.
- **Base salary** has been set to 693,240 EUR annually including fringe benefits such as car and phone.
- **Short-term incentive** is an annual plan based on **Group EBIT and Net Sales Growth** in 2019.
- **Long-term incentive** is a Performance Share Plans based on **Return on Capital Employed (ROCE) and Earnings Per Share (EPS) Growth**.
- **Supplemental Pension** is a Defined Contribution Plan and the pension age has been set to 65 years.

EXECUTIVE REMUNERATION IN NOKIAN TYRES – AGM 2019

Remuneration of the Group Management Team

- The remuneration of the Group Management Team consists of a base salary, fringe benefits, short-term incentive based on annually defined performance criteria, share-based long-term incentive plans and a supplemental defined contribution pension.
- **Base salaries** are benchmarked against relevant markets and set to a locally competitive level
- **Short-term incentive** is an annual plan based mainly on group and business unit or business area **EBIT and Net Sales Growth** in 2019.
- **Long-term incentive** is a Performance Share Plan based on **Return on Capital Employed (ROCE) and Earnings Per Share (EPS) Growth** in 2019-2021.
- **Supplemental Pension** is a Defined Contribution Plan and the pension age has been set to 63 years.

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Short-term Incentive Plans in 2019

Global STI Plan

- Annual plan, **Nokian Tyres EBIT** as a common goal with 20-50% weight depending on role and organization
- Target and maximum award levels defined for each job level as % of annual base salary
- Approximately 1,500 participants

Local STI Plans

- Separately defined monthly/quarterly incentive plans for sales, production and other functions to meet local needs
- Approximately 3,500 participants,

Global Profit Sharing Plan

- Annual plan based on Nokian Tyres EBIT
- All employees globally are eligible, (excluding Russia and employees included in share based long-term incentive plans)
- Maximum award is 1,0% of annual base salary

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Long-term Incentive Plans in 2019

Performance Share Plan (PSP) 2019

- Consists of annually commencing 3-year performance periods
- Target and maximum award levels defined for each job level as % of annual base salary
- Performance criteria for 2019-2021 are **Return on Capital Employed (ROCE)** and **Earnings Per Share (EPS) Growth**
- Two separate performance periods commence exceptionally in 2019 to bridge the old and new share plans:
 - **PSP 2019-2020** has approximately 210 participants, maximum reward corresponds to 580,000 gross shares
 - **PSP 2019-2021** has approximately 200 participants, maximum reward corresponds to 535,000 gross shares

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Long-term Incentive Plans in 2019

Restricted Share Plan (RSP) 2019

- A complementary plan aimed for individually selected key employees of Nokian Tyres in specific situations, also during the year
- Consists of annually commencing plans with a three-year restriction period, after which the share rewards will be paid to the participants, given that the employment pre-condition is fulfilled.
- Possible rewards paid based on **RSP 2019–2021** correspond approximately to a maximum of 70,000 shares.