

# Nokian Tyres Remuneration Policy

The remuneration policy of Nokian Tyres describes the remuneration of the Board of Directors and the President and CEO, and the considerations of determining the policy and operation of the policy. The remuneration policy complies with the Finnish Limited Liability Companies Act (624/2006, as amended), the Securities Markets Act (746/2012, as amended), the Decree of the Ministry of Finance 608/2019 and the Finnish Corporate Governance Code 2020.

The policy shall be applied until the 2024 Annual General Meeting, unless a revised policy is presented to the general meeting before that.

## 1. Overview of the Remuneration for Executives

The executive remuneration of the company is designed to advance the strategy execution, business objectives and long-term profitability of the company. Nokian Tyres aims to grow faster compared to the reference market, to have strong profitability and offer good returns to the shareholders. These financial goals are considered in designing executive remuneration and the remuneration policy.

Remuneration and incentive schemes are developed to support the company's strategy for strong performance and to secure the future potential of Nokian Tyres. Remuneration at Nokian Tyres is designed to be competitive compared to the relevant reference market and increase commitment and work engagement. Nokian Tyres strives for transparency and consistency in rewarding. Remuneration across the company, at employee and executive level, is reviewed regularly to secure its fairness and competitiveness in the relevant markets.

## 2. Decision-making process

Nokian Tyres Annual General Meeting makes decisions on the remuneration of the Board of Directors and members of Board Committees based on proposals prepared by the Personnel and Remuneration Committee. If a Shareholders' Nomination Board has been established in the company, said Nomination Board shall prepare the proposals.

The remuneration of the President and CEO is decided by the Board of Directors. The Personnel and Remuneration Committee prepares proposals for the salaries, benefits, and short-term and long-term incentives of the President and CEO for the decision by the Board of Directors. If needed, the Personnel and Remuneration Committee may use external experts in preparing the proposals. The compensation level of the President and CEO is actively monitored by the Personnel and Remuneration Committee compared to peer companies.

The remuneration policy is prepared by the Personnel and Remuneration Committee and approved by the Board of Directors. The remuneration policy will be presented to the Annual General Meeting for adoption every four years or when changed substantially. The remuneration policy presented at the Annual General Meeting will be applied to the Board of Directors' and the President and CEO's remuneration and the policy will be held available on the company's website. The Personnel and Remuneration Committee shall review the appropriateness of the policy at least annually.

The composition and duties of the Personnel and Remuneration Committee are described in detail in the Corporate Governance Statement. The majority of the members of the Personnel and Remuneration Committee shall be independent of the company and all of its major

shareholders. The President and CEO shall not participate in the preparation nor the decision-making regarding its own remuneration.

The Annual General Meeting decides on the Board of Directors' authorizations to decide on repurchase of own shares and the issuance of shares or special rights entitling to shares that can be used e.g. as part of Nokian Tyres' incentive schemes.

### **Deviation from the policy**

The Board of Directors may, upon recommendation of the Personnel and Remuneration Committee, temporarily deviate from the remuneration policy in the following exceptional circumstances, where essential changes to the operating conditions of the company occur:

- appointment of a new President and CEO or a deputy CEO;
- execution of strategic corporate transactions;
- material changes in company structure, organization, business or strategy, including mergers and acquisitions; or
- changes in the regulatory environment (including taxation) affecting the remuneration.

In these situations, deviation from any sections of the policy is possible related to the remuneration of the President and CEO or deputy CEO, if appointed. The right to deviate from the policy covers situations where the deviation is necessary to serve the long-term interests and sustainability of the company as a whole or ensure its viability.

Temporary deviations from the policy will be reported in the remuneration report. If a deviation decision has been taken, and the deviation is not considered temporary, the company will present the next general meeting with a revised policy. The Personnel and Remuneration Committee prepares the revised policy to the Board of Directors for approval. After the changes have been approved the revised remuneration policy is presented to the Annual General Meeting.

## **3. Remuneration of the members of the Board of Directors**

Nokian Tyres' Annual General Meeting decides on the remuneration of the Board of Directors and Board Committees based on a proposal prepared by the Personnel and Remuneration Committee. If a Shareholders' Nomination Board has been established in the company, said Nomination Board shall prepare the proposals. Benchmarking data and market trends are considered in the proposals to secure the company's ability to attract and retain competent members to the Board of Directors.

The remuneration of the management and the Board of Directors is differentiated, and the members of the Board cannot participate in the same share-based remuneration schemes with management. The remuneration of the Board of Directors may be paid in cash, company shares or a mix of the two elements. The amount of the fixed annual fee may vary based on the position of the relevant member in the Board and its Committees. The proposal for Board remuneration may include a fixed annual fee and separate Board and Committee meeting fees. Travelling expenses are reimbursed based on the company's travel policy. The members of the Board of Directors and Board Committees may also be introduced any new component of fees.

## **4. Remuneration of the President and CEO**

The remuneration of the President and CEO is basically following the same overall plans and principles than employees' remuneration in the company, although the specific role and responsibilities of the President and CEO and the market practices at CEO level affect the amount of remuneration. Main components of the President and CEO's total remuneration may consist of fixed elements, such as base salary and fringe benefits, variable elements, such as short- and long-term incentives, and other financial benefits, such as voluntary pension plan.

Element	Purpose and summary
<b>Base salary</b>	Base salary is set at a competitive level to retain and attract talent. The fixed remuneration of the President and CEO consists of base salary and possible car benefit according to the company's policy.
<b>Fringe benefits</b>	The President and CEO can be offered the taxable and non-taxable benefits that are typical for a CEO in the local market. These benefits may include, but are not limited to, elements such as car benefit, phone benefit, and life, permanent disability and health care insurances.
<b>Pension</b>	Pension accumulation and retirement age of the President and CEO is determined by the practices and terms of the applicable law in his/her home country. An additional defined contribution pension plan that corresponds the relevant local market can be arranged by the company.
<b>Other benefits</b>	Other possible benefits can be offered in certain circumstances such as relocation or international assignments at the Board's discretion.
<b>Short-term incentive (STI)</b>	<p>Nokian Tyres' short-term incentives are intended to share the company's success with employees and increase commitment to company performance. The performance criteria and earnings opportunity for the President and CEO are decided by the Board of Directors. The performance criteria are based on strategic goals that are mostly financial goals such as net sales and EBIT. The achievement of performance criteria targets set by the Board of Directors is evaluated on an annual basis and the reward amount is determined based on the extent to which the targets have been reached during the performance period. The reward payment is made during the first half of the year following the performance period, given that the service contract of the President and CEO is in force at the time of the payment.</p> <p>If the performance criteria targets are met, the STI payout will be 50 % of the President and CEO's annual base salary. The maximum reward is two times the size of the target reward.</p>
<b>Long-term incentive (LTI)</b>	<p>Long-term incentives are a part of Nokian Tyres' key employee incentive and retention program designed with the purpose of aligning the goals of the company's key personnel with the company's shareholders in order to increase the value of the company in the long term, to commit key personnel to the company and its strategic goals and to offer a competitive reward for key personnel.</p> <p>Nokian Tyres may establish share-based incentive programs in which the President and CEO can participate, and which are based on performance criteria. The value of the performance-based LTI payout is capped at the level of 250 % of the annual base salary of the President and CEO. The potential reward may be paid in shares and/or in cash.</p>

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Nokian Tyres may also offer restricted share plans for President and CEO. Those plans are designed as a complementary component to other long-term incentives and can be used in situations like new hire and retention at the Board's discretion.

The share-based incentive programs have mainly performance periods of a minimum of three years. The Board of Directors decides on the terms and conditions of the plans and on the performance criteria of the schemes and related objectives separately for each performance period. The achievement of performance criteria is evaluated after each performance period and the amount of the reward is determined based on the extent to which the goals have been reached during the performance period. The criteria for the performance period are based on strategic financial goals such as EPS and ROCE.

For the possible restricted share plans, there are no financial performance criteria, but the share rewards under the restricted share plan will be delivered to the President and CEO provided that his or her service contract with the company continues until the delivery date of the share rewards.

There may be an additional restriction period for the shares received from the share-based incentive programs after the reward payment.

The President and CEO is required to hold at least 25 % of the shares received as rewards from the long-term incentive programs and to accumulate the shares from the incentive programs until the value of the shares received from the share programs equals the annual gross base salary of the President and CEO.

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### **Other terms of the President and CEO's service contract**

The Personnel and Remuneration Committee prepares matters related to the service contract of the President and CEO for the Board of Directors. The term of notice for the President and CEO is six (6) months for both the President and CEO and the Company. If the contract is terminated by the company, the President and CEO is entitled to a severance payment corresponding to 12 months' salary and other benefits in addition to salary for the notice period.

No severance payment obligation shall be due in the event of a material breach of the obligations under the service contract of the President and CEO or the rules and regulations applicable to the President and CEO. As a rule, all unvested variable incentive components are forfeited upon the termination of the service contract by the President and CEO unless the Board of Directors, in exceptional circumstances, decides otherwise.

### **Malus and clawback situations**

Based on the terms and conditions of the incentive plans, if the President and CEO receives a reward based on the remuneration scheme that subsequently turns out to be incorrectly paid due to intent or negligence by the President and CEO, Nokian Tyres has the right to retroactively restate the amount and reclaim the excess part of the rewards paid from the short- and long-term incentives pursuant to rules regarding unjust enrichment.

The short- and long-term remuneration schemes are discretionary in nature and do not form part of the terms and conditions of the service contract of the President and CEO, and the Board of Directors shall decide on the implementation of the schemes and their terms and conditions at any time.