

REMUNERATION REPORT 2020

Introduction

This remuneration report (the "Remuneration Report") describes the implementation of the remuneration policy (the "Remuneration Policy") of Nokian Tyres plc (the "Company" or "Nokian Tyres") for the financial year 2020. The Remuneration Policy was presented to and adopted by an advisory resolution in the 2020 Annual General Meeting and shall be applied until the 2024 Annual General Meeting, unless a revised policy is presented to the general meeting before that. The Remuneration Policy 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. This Remuneration Report will in turn provide investors more detailed information of the development of remuneration and some strategic KPI's within Nokian Tyres as well as the implementation of the valid Remuneration Policy. The Remuneration Report is presented for the first time to the 2021 Annual General Meeting for an advisory vote. An index comparison is presented in the table below and a further breakdown of the development of the remuneration of the Board of Directors and President and CEO of the Company with a comparison to the development of the average remuneration of the Company's employees and to the Company's financial development over the preceding 5 financial years is presented below under the section "Remuneration and financial development between 2016 to 2020".

Index of development between years 2016–2020

| Remuneration index | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|------|------|------|------|------|
| Total Board remuneration - Average annual fee paid to Board members** | 100% | 114% | 121% | 121% | 136% |
| President and CEO salaries and financial benefits | 100% | 61% | 171% | 65% | 90% |
| Average salary cost per employee*** | 100% | 98% | 97% | 95% | 94% |
| Financial measures index* | | | | | |
| Operating profit | 100% | 118% | 120% | 102% | 39% |
| Earnings per share (EPS) | 100% | 87% | 115% | 155% | 33% |
| Return of capital employed (ROCE) | 100% | 113% | 117% | 88% | 30% |

*Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019 and 2020) in section "Remuneration and financial development between 2016 to 2020". [Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.](#)

** Total Board remuneration - Average annual fee paid to Board members calculated by dividing total amount of fees paid to board members each year, by composition of board (amount of members) during each year (2016: 7 board members, 2017 and onwards: 8 board members) and excluding fees paid to members leaving during following term. Further details in section "Remuneration and financial development between 2016 and 2020".

***Average cost per employee calculated based on average number of employees during each financial year, divided by total amount of salaries, incentives, and other related employee costs for corresponding financial year.

Financial year 2020 offered challenging conditions for Nokian Tyres. The Company was able to show fast adaptability to changed market conditions, cutting cost and readjusting short-term business objectives to comply with the transformed circumstances due to COVID-19 pandemic. Fast adaptability was applied to remuneration, as the structure and earning period of short-term incentive plans were adjusted by a decision of the Board, to realign efforts towards complying with the emerged situation. The earning period was cut to the second half of the financial year 2020 in the Nokian Tyres Global STI plan and target setting was modified and simplified due to the extraordinary effect COVID-19 had on the whole global economy, in order to ensure competitive remuneration to incentivize and retain employees. These measures were in alignment with current Remuneration Policy governance and supported the strong Company performance against the challenging conditions of the financial year 2020.

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. Nokian Tyres has two annually commencing long-term share-based plans, under discretion of the Board of Directors' decision. The long-term share-based plans mainly have performance periods of a minimum of three years. The Nokian Tyres Performance Share Plan is measured through group level financial KPI's such as EPS (Earnings per Share) and ROCE (Return on Capital Employed). The set KPI's are strongly aligned with long-term strategical goals and shareholder value growth. The Nokian Tyres Restricted Share Plan is designed as a complementary component to other long-term incentives and can be used in situations such as new hires and retentions at the Board's discretion. The restricted shares typically have a vesting period of three years. Nokian Tyres published a [Stock Exchange Release February 4, 2020](#), describing the above mentioned two share-based plans commencing during the financial year 2020. A stock exchange release relating to the commencement of [new Performance and Restricted Share Plans during financial year 2021 was published on February 9, 2021](#). By a decision of the Board of Directors, the Restricted

Share Plans commencing 2019, 2020 and 2021 have a threshold value for average ROCE over the vesting period for the President and CEO and Nokian Tyres Management team. With combined elements of regular remuneration review, long-term performance and key talent retention, Nokian Tyres remuneration continues to promote and build the Company's long-term financial success.

During the financial year 2020, Nokian Tyres temporarily deviated from the adopted Remuneration Policy due to the appointment of the new President and CEO in May 2020. As a result of this appointment, the Board of Directors of the Company decided to apply a financial performance criteria to the restricted share plans offered for the President and CEO. A further description of the deviation and clarification of the circumstances justifying the deviation are presented below under the section "*Remuneration of the President and CEO 2020 – Long-term incentive plans*". Apart from this deviation, the remuneration of the Board of Directors and the President and CEO complied with the Remuneration Policy and no other deviations were made due to the appointment of a new President and CEO.

Remuneration of the Board of Directors 2020

Nokian Tyres 2020 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during financial year 2020:

Chairman of the Board: A monthly fee of EUR 7,917 or EUR 95,000 per year

Deputy Chairman of the Board and to the Chairman of the Audit Committee: A monthly fee of EUR 5,833 or EUR 70,000 per year

Members of the Board: A monthly fee of EUR 3,958 or EUR 47,500 per year

60% of the annual fee is paid in cash and 40% in Company shares to the effect that in the period from May 6 to June 5, 2020, EUR 38,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Chairman of the Board, EUR 28,000 worth of Nokian Tyres plc shares were purchased at the stock exchange on behalf of the Deputy Chairman of the Board and Chairman of the Audit committee, and EUR 19,000 worth of Nokian Tyres plc shares were purchased on behalf of each Board member. The Company paid asset transfer taxes arising from the acquisition of shares.

Each member of the Board received EUR 600 for meetings held in their home country and EUR 1,200 for meetings held outside their home country. When a member participated in a meeting via telephone or video connection, the remuneration paid was EUR 600. Travel expenses were compensated in accordance with the Company's travel policy.

The Board gathered frequently during financial year 2020 due to COVID-19's impact on Nokian Tyres business.

| Board member | Position on the Board | Annual fixed fee (EUR)* | Board meeting fees (EUR) | Committee meeting fees (EUR) | Total fees (EUR) | Shares acquired with fixed annual fee (number of shares) |
|-------------------|--|-------------------------|--------------------------|------------------------------|------------------|--|
| Jukka Hienonen | Chairman of the Board / Member of the Personnel and Remuneration Committee (since April 2. 2020) | 95,000 | 6,000 | 4,800 | 105,800 | 2,045 |
| Kari Jordan | Deputy Chairman and Chairman of the Personnel and Remuneration Committee | 70,000 | 10 800 | 6,600 | 87,400 | 1,057 |
| Raimo Lind | Chairman of the Audit Committee | 70,000 | 11,400 | 4,200 | 85,600 | 1,057 |
| Heikki Allonen | Board member / Member of the Audit Committee | 47,500 | 11,400 | 4,200 | 63,100 | 1,022 |
| Inka Mero | Board member / Member of the Audit Committee | 47,500 | 11,400 | 4,200 | 63,100 | 1,022 |
| Pekka Vauramo | Board member / Member of the Audit Committee | 47,500 | 11,400 | 4,200 | 63,100 | 1,022 |
| Veronica Lindholm | Board member / Member of the Personnel and Remuneration Committee | 47,500 | 11,400 | 6,600 | 65,500 | 1,022 |
| George Rietbergen | Board member | 47,500 | 12,600 | - | 60,100 | 1,022 |
| Petteri Waldén | Chairman of the Board / Member of the Personnel and Remuneration Committee (until April 2. 2020) | - | 4,800 | 1,800 | 6,600 | - |

* 60% of the annual fixed fee paid in cash and 40% in Company shares.

Remuneration of the President and CEO 2020

| President and CEO | Fixed annual salary (incl. fringe benefits and holiday compensation) | Monthly base salary | Paid salary during financial year 2020 | Paid performance-based bonuses (based on year 2019) | Due performance-based bonuses (based on year 2020)** | Total value of awarded share-based bonus | Supplementary pension contribution | Severance payment | Total fees paid during financial year 2020 |
|---|--|---------------------|--|---|--|--|------------------------------------|-------------------|--|
| Jukka Moisis May 27, 2020- | 756,240 | 60,000 | 429,611 | - | 402,632 | - | - | - | 429,611 |
| Hille Korhonen June 1, 2017-May 26, 2020 | 693,240 | 55,000 | 691,148* | - | - | - | 121,044 | 660,000 | 1,472,192 |

Note: All amounts presented are in EUR.

* Including notice pay and annual leave allowance.

** Due performance-based bonuses (based on year 2020) will be paid during financial year 2021.

| Short-term incentive opportunities as of annual base salary | | Performance share plan long-term incentives* | |
|---|------|--|------|
| Target | Max | Target | Max |
| 50% | 100% | 125% | 250% |

* Nokian Tyres may in addition offer restricted share plans for President and CEO in situations like new hire and retention, at the Board's discretion

President and CEO Jukka Moiso has a Company paid mobile phone benefit, with a value of EUR 20 per month or EUR 240 per annum. Fixed annual salary incl. holiday compensation calculated by multiplying monthly base salary EUR 60,000 by 12.6.

Previous President and CEO Hille Korhonen had a Company paid mobile phone benefit, with a value of EUR 20 per month or EUR 240 per annum. Fixed annual salary incl. holiday compensation calculated by multiplying monthly base salary EUR 55,000 by 12.6.

Short-term incentive plans

President and CEO Jukka Moiso is entitled to short-term incentives as described in the Remuneration Policy. The short-term incentive on target amount is equivalent to 50% of the annual base salary and the maximum amount is 100% of the annual base salary. The performance period is typically one year, unless decided otherwise by the Board. The possible reward is paid out in the first half of the year following the performance period.

By decision of the Board of Directors, President and CEO Jukka Moiso's short-term incentives 2020 performance measures were tied to Nokian Tyres EBIT and Nokian Tyres Net Sales. Both measures were in alignment with the current Remuneration Policy and had an equal weight of 50%. The performance period was the second half of financial year 2020, due to the appointment in late May 2020. The paid base salary during financial year 2020 functioned as the basis for the incentive payout. The combined achievement for the second half of financial year 2020 was 188% (100% being the target level and 200% maximum) and the short-term incentive payout to President and CEO Jukka Moiso is 402,632 EUR. The proportion between fixed and variable pay linked to financial year 2020 was 48.4% variable pay and 51.6% fixed pay. The actual payment of the 2020 short-term incentive reward will take place during the first half of financial year 2021.

Long-term incentive plans

The President and CEO's long-term incentives consist of share incentive plans. The value of the performance-based LTI payout is capped at the level of 250% of the annual base salary and the annual target amount is 125% of annual

base salary. The value of paid reward cannot exceed 250% of the annual base salary, used to define the allocation at grant. President and CEO Jukka Moiso was not granted performance-based shares from Nokian Tyres Performance Share Plan during the financial year 2020.

Nokian Tyres may in addition offer restricted share plans for the President and CEO in situations like new hire and retention, at the Board's discretion. President and CEO Jukka Moiso was granted 10,000 shares from the Restricted Share Plan 2020–2022. The stock exchange price was 20.29 EUR/share on the assignment date of June 29, 2020. The potential delivery of the share reward will take place after the vesting period 2020–2022, during the first half of year 2023, in case the threshold value of Return of Capital Employed (ROCE) set by the Board is met.

In connection with the restricted share plan for the President and CEO, Nokian Tyres temporarily deviated from the adopted Remuneration Policy during the financial year 2020. The deviation against the adopted Remuneration Policy occurs in the **Long-term incentive (LTI)** section, where the statute of Restricted Share Plans states; *“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.”* The Board of Directors of the Company decided to apply a financial performance criteria to the three-year Restricted Share Plans commencing during the years 2019, 2020 and 2021, as a result of the appointment of the new President and CEO in May 2020. The criterion is applied to the Restricted Share Plans of the President and CEO and the management team. The deviation was deemed necessary in order to align the new President and CEO's remuneration to the financial performance of the Company and to promote efforts to ensuring the long-terms interests and sustainability of the Company. The financial performance criterion is measured against a pre-set average threshold value for ROCE (a minimum value that must be achieved in order for the share reward to be delivered), for the three-year vesting period of each Restricted Share Plan. As a result of the temporary deviation, Nokian Tyres applied a financial performance criteria to the 10,000 restricted shares allocated to President

and CEO Jukka Moiso from the Restricted Share Plan 2020–2022. Possible share allocations from the Restricted Share Plan 2021–2023 will also have a threshold value tied to average ROCE between financial years 2021–2023.

The potential reward will be paid partly in shares of Nokian Tyres Plc and partly in cash. The cash portion of the reward is intended to cover the taxes arising from the paid reward.

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.

Pension and information regarding the termination of the employment of the previous President and CEO

Pension accumulation and retirement age of the President and CEO is determined by the practices and terms of the applicable law in the home country of the President and CEO. An additional defined contribution pension plan that corresponds to the relevant local market can be arranged by the Company. President and CEO Jukka Moiso does not have a Company paid supplementary pension arrangement. The retirement age and the pension is determined in accordance to the Employees Pensions Act.

The previous President and CEO Hille Korhonen had a Company paid supplementary pension arrangement. The age of retirement defined in the said arrangement was set by written agreement to 65 years. The pension was determined on the basis of the Employees Pensions Act and a separately defined contribution pension plan taken out by the Company. The amount paid in the defined contribution pension plan 2020 was EUR 121,044, corresponding to 20% of base salary until the end of employment during the financial year 2020.

The President and CEO's period of notice is 6 months. If the agreement is terminated by the Company, the President and CEO is entitled to compensation corresponding to 12 months' salary and other benefits, in addition to the notice period's salary.

Malus and claw back

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.

Nokian Tyres did not exercise any malus or claw back rights during the financial year 2020.

Remuneration and financial development between 2016 and 2020

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|--|--------------------------|---------------|---------------|---------------|---------------|
| Board remuneration, total pay EUR | | | | | |
| Jukka Hienonen | - | - | - | - | 105,800 |
| Kari Jordan | - | - | 75,900 | 78,300 | 87,400 |
| Raimo Lind | 50,800 | 74,400 | 78,900 | 76,500 | 85,600 |
| Heikki Allonen | 46,000 | 53,800 | 54,000 | 54,600 | 63,100 |
| Inka Mero | 50,200 | 53,200 | 54,000 | 54,600 | 63,100 |
| Pekka Vauramo | - | - | 52,200 | 53,400 | 63,100 |
| Veronica Lindholm | 43,000 | 52,000 | 57,000 | 56,400 | 65,500 |
| George Rietbergen | - | 56,800 | 53,400 | 54,600 | 60,100 |
| Petteri Walldén | 91,400 | 93,800 | 102,000 | 101,400 | 6,600 |
| Tapio Kuula | 49,600 | 70,200 | - | - | - |
| Hille Korhonen | 51,400 | 43,000 | - | - | - |
| Hannu Penttilä | 6,000 | - | - | - | - |
| Total (excl. fees paid to leaving members)* | 382,400 | 497,200 | 527,400 | 529,800 | 593,700 |
| Board size, number of members | 7 | 8 | 8 | 8 | 8 |
| Average total pay per member* | 54,629 | 62,150 | 65,925 | 66,225 | 74,213 |
| Index | 100% | 113.8% | 120.7% | 121.2% | 135.8% |
| President and CEO, total pay EUR | | | | | |
| Jukka Moisio | May 27, 2020- | - | - | - | 429,611 |
| Hille Korhonen | Jun 1, 2017-May 26, 2020 | - | 411,540 | 3,601,862 | 1,362,987 |
| Andrei Pantioukhov | Jan 1, 2017-May 31, 2017 | - | 235,940 | - | - |
| Ari Lehtoranta | Sep 1, 2014-Dec 31, 2016 | 2,109,397 | 646,229 | - | - |
| Total | | 2,109,397 | 1,293,709 | 3,601,862 | 1,362,987 |
| Index | 100% | 61.3% | 170.8% | 64.6% | 90.2% |
| Andrei Pantioukhov acted as interim President and CEO between Jan 1, 2017-May 31, 2017 | | | | | |
| Employee remuneration, average EUR | | | | | |
| Salaries, incentives, and other related costs, MEUR | 219.0 | 224.7 | 228.9 | 235.3 | 224.7 |
| Group employees on average during financial year | 4,433 | 4,630 | 4,790 | 4,995** | 4,859 |
| Average per year, k EUR | 49.40 | 48.53 | 47.79 | 47.10 | 46.24 |
| Index | 100% | 98.2% | 96.7% | 95.3% | 93.6% |
| Financial development 2016-2020 | | | | | |
| Operating profit, MEUR | 310.5 | 365.4 | 372.4 | 316.5 | 120.0 |
| Segments operating profit, MEUR | - | - | - | 337.2 | 190.2 |
| Index*** | 100% | 117.7% | 119.9% | 101.9% | 38.6% |
| EPS, EUR | 1.87 | 1.63 | 2.15 | 2.89**** | 0.62 |
| Segments EPS, EUR | - | - | - | 3.06**** | 1.04 |
| Index*** | 100% | 87.2% | 115.0% | 154.5% | 33.2% |
| ROCE, % | 19.9% | 22.4% | 23.3% | 17.6% | 6.0% |
| Segments ROCE, % | - | - | - | 18.6% | 9.3% |
| Index*** | 100% | 112.6% | 117.1% | 88.4% | 30.2% |

* Average total pay per Board member is calculated by dividing the total fees paid to the Board members, excl. members who left the Board during the corresponding term. I.e. fees paid to Hannu Penttilä removed from year 2016 average and fees paid to Petteri Walldén removed from year 2020 average.

** Figures corrected to include passive employments in December 2019 (employees on long leaves).

*** Financial measures used for index according to IFRS reporting. Segments figures 2019-2020 presented (not calculated in index) in accordance to Nokian Tyres new reporting practices [Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020](#).

**** EPS 2019 excl. the impact of the rulings on the tax disputes of EUR 1.08 were EUR 1.81. Segments EPS 2019 excl. the impact were EUR 1.98.