

# CORPORATE GOVERNANCE STATEMENT

## I Introduction

During 2019 Nokian Tyres plc (hereinafter referred to as “Nokian Tyres” or the “Company”) complied in full with the Corporate Governance Code published by the Securities Market Association that entered into force on January 1, 2016 (the “Corporate Governance Code 2015”). As of January 1, 2020 Nokian Tyres follows the Corporate Governance Code published by the Securities Market Association that entered into force on January 1, 2020 (the “Corporate Governance Code 2020”) and the Company complies with the recommendations in the said code. This Corporate Governance Statement has been prepared in accordance with the Corporate Governance Code 2020. The Corporate Governance Code 2015 and 2020 are available in their entirety at [www.cgfinland.fi/en/](http://www.cgfinland.fi/en/). The Company follows the Finnish Limited Liability Companies Act, laws and regulations relating to publicly listed companies in Finland, the Articles of Association, the charters of the Board of Directors and the committees, the Nasdaq Helsinki rules and regulations, and the orders and instructions from the European Securities and Markets Authority as well as the Financial Supervisory Authority.

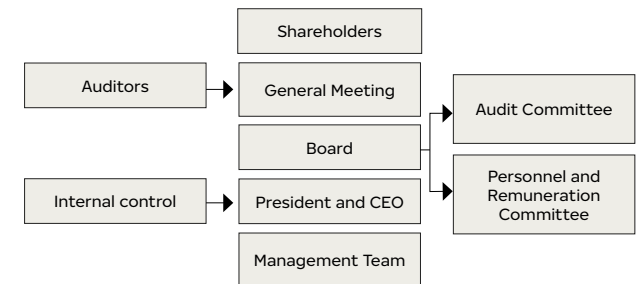
The Company publishes its Corporate Governance Statement as a separate document and as part of the annual report. The statement also includes a Report of the Salaries and Remuneration, which has been prepared in accordance with the Corporate Governance Code 2015 as permitted by applicable laws and the Corporate Governance Code 2020. The statement is available on the Company’s website at [www.nokiantyres.com](http://www.nokiantyres.com) under Investors – Corporate Governance.

The Company’s corporate governance is based on the General Meeting, the Articles of Association, the Board of Directors, the President and CEO, the group’s management team, the legislation and regulations mentioned hereinabove as well as the group’s policies, procedures, and practices. The Board of Directors has approved the Corporate Governance Statement. The Company’s auditor verifies that the statement and its related descriptions of the internal reporting controls and risk management correspond to the financial reporting process. The statement will not be updated during the financial period; however, up-to-date information will be updated on the Company’s website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

## II Descriptions concerning governance

Nokian Tyres is a Finnish limited liability company and its registered place of business is Nokia. The parent company Nokian Tyres and its subsidiaries form the Nokian Tyres Group. The administrative bodies of the parent company Nokian Tyres plc, i.e. the General Meeting, Board of Directors and President and CEO, are responsible for the administration and operation of the Nokian Tyres Group. The General Meeting elects the members of the Board of Directors, and the Board of Directors appoints the Company’s President and CEO. The President and CEO is assisted by the management team in leading the Company’s operations.

## Nokian Tyres’ administrative organization



## General Meeting

The Company’s highest decision-making power is held by the General Meeting, whose tasks and procedures are outlined in the Limited Liability Companies Act and the Articles of Association. The Annual General Meeting decides on such matters as the confirmation of the Company’s annual accounts, profit distribution, and discharging the Board of Directors and the President and CEO from liability. Furthermore, the Annual General Meeting decides on the number of members in the Board of Directors, the selection of the board members and the auditor, and their remuneration. In addition, the General Meeting can make decisions on questions such as amendments to the Articles of Association, share issues, granting warrants, and acquisition of the company’s own shares.

The Annual General Meeting is held by the end of May of each year on a date determined by the Board of Directors, either at the Company’s registered place of business or in the city of Tampere or Helsinki. An extraordinary general meeting is summoned whenever the Board considers this to

be necessary or if an auditor or a group of shareholders with a holding of a total of at least one-tenth of all the shares in the Company requires it in writing in order to address a particular issue.

According to law, a shareholder has the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the General Meeting, so that the matter can be mentioned in the notice to the meeting. The shareholder shall submit the request for having a matter to be dealt with by the General Meeting by the date indicated on the Company's website.

The Articles of Association state that the notice of a General Meeting shall be published on the Company's website. In addition, the Company publishes the notice of a General Meeting as a stock exchange release. The invitation lists the agenda of the meeting.

The Company's Articles of Association are available on the Company's website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

Shareholders are entitled to participate in the General Meeting if they are registered in the Company's shareholders' register, maintained by Euroclear Finland Oy, on the record date separately indicated by the Company. A holder of nominee registered shares can be temporarily registered in the shareholders' register of the Company for purposes of participation in the General Meeting.

According to the Corporate Governance Code 2015 and 2020, the Chairman of the Board, the Board members and the President and CEO must be present at the General Meeting, and the auditor must be present at the Annual General Meeting. Board member candidates must be present at the General Meeting deciding on their election.

The Annual General Meeting for 2019 took place on 9 April 2019 at the Tampere Hall in Tampere. The meeting confirmed the consolidated financial statements, discharged the Board members and the President and CEO from liability for the fiscal year 2018 and decided to amend the Articles of Association of the Company. All of the documents related to the Annual General Meeting are available on the Company's website at [www.nokiantyres.com/company/investors](http://www.nokiantyres.com/company/investors).

The Annual General Meeting for 2020 will take place on 2 April 2020 at 4:00 p.m. in Tampere.

## Board of Directors

### Operation of the Board of Directors

The Board is responsible for the Company's corporate governance and the appropriate organization of its operations pursuant to the Finnish Limited Liability Companies Act and other regulations. The Board holds the general authority in company-related issues, unless other company bodies have the authority under the applicable legislation or the Articles of Association. The policies and key tasks of the Board are defined in the Finnish Limited Liability Companies Act, the Articles of Association, and the Board's charter. The key tasks include:

- Approving consolidated financial statements, half year reports and interim reports
- Presenting matters to the General Meeting
- Appointing and dismissing the President and CEO
- Organization of financial control.

In addition, as defined in the Board charter, the Board deals with, and decides on, matters of principle as well as issues that carry financial and business significance, such as:

- Group and business unit level strategies
- The Group's action, budget, and investment plans
- The Group's risk management and reporting procedures
- Decisions concerning the structure and organization of the Group
- Significant individual investments, acquisitions, divestments, and reorganizations
- The Group's insurance and financing policies
- Reward and incentive schemes for the Group's management
- Appointing Board committees, and
- Monitoring and evaluating the actions of the President and CEO.

The Company has a separate Audit Committee and a Personnel and Remuneration Committee.

The President and CEO of Nokian Tyres is in charge of ensuring that the Board members have the necessary and sufficient information on the Company's operations. The Board assesses its activities and operating methods by carrying out a self-evaluation once a year. Members of the Board and the President and CEO will not participate in making a decision where the law states that they must be disqualified.

### Composition of the Board

According to the Articles of Association of Nokian Tyres, the Board of Directors comprises no fewer than four and no more than eight members. The proposal regarding the composition of the Board for the General Meeting is prepared by the Personnel and Remuneration Committee. The number of Board members and the composition of the Board shall be such that the Board is capable of efficiently carrying out its tasks, while taking into account the requirements set by the Company's operations and its stage of development. The elected Board members must be qualified for the task and able to devote a sufficient amount of time for the Board duties.

Members of the Board are elected at the Annual General Meeting for a one-year term of office that begins after the closing of the Annual General Meeting and ends at the end of the next Annual General Meeting. The Board of Directors appoints a Chairman and a Deputy Chairman from among its members. The remuneration payable to the Board members is also decided at the Annual General Meeting.

### Information on the Board members

The Annual General Meeting on 9 April 2019 elected 8 Board members. All the Board members, Heikki Allonen, Kari Jordan, Raimo Lind, Veronica Lindholm, Inka Mero, George Rietbergen, Pekka Vauramo and Petteri Walldén were re-elected. In the constituent meeting held after the Annual General Meeting, the Board appointed Petteri Walldén as its Chairman and Kari Jordan as the Deputy Chairman.

**Petteri Wallden, Chairman of the Board (b. 1948)**

Member of the Board since 2005. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Technology)  
Full-time position: CEO, Wapiti Oy

## Key experience:

2007–2010 Alteams Oy, President and CEO;  
2001–2005 Onninen Oy, President and CEO;  
1996–2001 Ensto Oy, President and CEO;  
1990–1996 Nokia Kaapeli Oy, President and CEO;  
1987–1990 Sako Oy, President and CEO.

## Key positions of trust:

Chairman of the Board: Savonlinna Opera Festival  
Deputy Chairman of the Board: Tikkurila Oyj  
Member of the Board: Alteams Oy and Componenta Corporation

**Kari Jordan, Deputy Chairman of the Board (b. 1956)**

Member of the Board since 2018. Chairman of the Personnel and Remuneration Committee.

Education: Master of Science (Economics), Vuorineuvos (Finnish honorary title)

Full-time position: Chairman of the Board, Outokumpu Oyj

## Key experience:

2006–2018 Metsä Group, President and CEO;  
2004–2017 Metsäliitto Cooperative, CEO;  
1981–2004 Several management positions in the banking and financial sector at Citibank, OKO bank, KOP bank and Nordea Group.

## Key positions of trust:

Chairman of the Board: Outokumpu Oyj  
Vice Chairman of the Board: Nordea Bank Abp

**Heikki Allonen (b. 1954)**

Member of the Board since 2016. Member of the Audit Committee.

Education: Master of Science (Technology)  
Full-time position: CEO, Hemmings Oy Ab

## Key experience:

2016– Hemmings Oy Ab, President and CEO;  
2008–2016 Patria Oyj, President and CEO;  
2004–2008 Fiskars Corporation, President and CEO;  
2001–2004 SRV Group Plc, President and CEO;  
1992–2001 Wärtsilä Oy, Member of the Board of Management;  
1991–1992 Metra Oy Ab, VP of Development;  
1986–1991 Oy Lohja Ab, VP, Corporate Development and Planning.

## Key positions of trust:

Vice Chairman of the Board: VR Group Oy  
Member of the Board: Detection Technology Plc  
Member of the Board: Savox Oy Ab

**Raimo Lind (b. 1953)**

Member of the Board since 2014. Chairman of the Audit Committee.

Education: Master of Science (Economics)  
Full-time position: Professional board member

## Key experience:

2005–2013 Wärtsilä Corporation, Senior Executive Vice President and deputy to the CEO;  
1998–2004 Wärtsilä Corporation, CFO;  
1992–1997 Tamrock Oy; Coal division president, Service division president, CFO;  
1990–1991 Scantrailer Ajoneuvoteollisuus Oy; Managing Director;  
1976–1989 Service division, Vice president, Wärtsilä Singapore Ltd, MD, Diesel division, VP Group Controller, Wärtsilä.

## Key positions of trust:

Chairman of the Board: Nest Capital  
Member of the Board: Nordkalk Oy and HiQ AB

**Veronica Lindholm (b. 1970)**

Member of the Board since 2016. Member of the Personnel and Remuneration Committee.

Education: Master of Science (Economics)  
Full-time position: Professional board member

## Key experience:

2015–2019 Finnkino Oy, CEO;  
2013–2015 Mondelez Finland, CEO;  
2009–2013 Walt Disney Company Nordic, VP, Chief Marketing Officer;  
2008–2009 Walt Disney Studios, Head of Digital Distribution EMEA;  
2000–2008 Walt Disney International Nordic, Marketing Director.

**Inka Mero (b. 1976)**

Member of the Board since 2014. Member of the Audit Committee.

Education: Master of Science (Economics).  
Full-time position: Managing Partner & Founder, Voima Ventures VC Fund

## Key experience:

2019– Voima Ventures I & II VC Fund, Managing Partner & Founder;  
2016–2019 Pivot5 Oy (Industryhack Oy), Co-founder and Chairwoman;  
2008–KoppiCatch Oy, Co-founder and Chairwoman;  
2006–2008 Playforia Oy, CEO;  
2005–2006 Nokia Corporation, Director;  
2001–2005 Digia Plc, VP, Sales and Marketing;  
1996–2001 Sonera Corporation, Investment Manager.

## Key positions of trust:

Chairman of the Board: KoppiCatch Oy and Voima Ventures Oy  
Member of the Board: Fiskars Corporation Plc, Dispelix Oy, Infinited Fiber Company Oy, Elfys Oy, Tactotek Oy and Klevu Oy

**George Rietbergen (b. 1964)**

Member of the Board since 2017.

Education: Master of Business Administration  
Full-time position: 5Square Committed Capital, Partner

Key experience:

2017– 5Square Committed Capital, Partner;  
2016–2017 Nokian Tyres plc, Advisor to the Board;  
2015–2016 Arriva Netherlands, COO;  
2013–2015 Goodyear Dunlop Tyres, Group Managing Director, DACH, Germany;  
2012–2013 Goodyear Dunlop Tyres, Vice President, Commercial Tires, EMEA Belgium;  
2010–2012 Goodyear Dunlop Tyres, Group Managing Director, UK & Ireland UK;  
2005–2010 Goodyear Dunlop Tyres, General Manager, Benelux Netherlands;  
2001–2005 Goodyear Dunlop Tyres, Director Retail and E-Business EMEA, Netherlands;  
1999–2001 KLM Royal Airlines, Director of Ebusiness.

**Pekka Vauramo (b. 1957)**

Member of the Board since 2018. Member of the Audit Committee.

Education: Master of Science (Technology)  
Full-time position: Metso Corporation, President and CEO

Key experience:

2013–2018 Finnair Plc, President and CEO;  
2007–2013 Various management positions at Cargotec;  
1995–2007 Various management positions at Sandvik AB;  
1985–1995 Various management positions at Tamrock Corporation.

Key positions of trust:

Vice Chairman of the Board: Technology Industries of Finland  
Member of the Board: Confederation of Finnish Industries

**Independence of the Board members**

Pursuant to the recommendation of the Corporate Governance Code 2015 and 2020, the Board assesses the independence of its members annually. According to the Board's estimate, all Board members are independent of the Company and its major shareholders.

**Shares owned by Board members and their controlled corporations**

<b>Nokian Tyres holdings of the Company's current Board members</b>	<b>Number of shares, December 31, 2019</b>
Petteri Walldén, chairman	22,322
Kari Jordan, deputy chairman	2,104
Heikki Allonen, member	2,595
Raimo Lind, member	4,955
Veronica Lindholm, member	2,595
Inka Mero, member	3,988
George Rietbergen, member	1,932
Pekka Vauramo, member	1,402
Total	41,893

**The Board members' attendance at meetings**

The Board convened a total of 11 times in 2019.

<b>Attendance at meetings by the Company's Board members in 2019</b>	<b>Attendance/ meetings</b>
Petteri Walldén, chairman	11/11
Kari Jordan, deputy chairman	11/11
Heikki Allonen, member	11/11
Raimo Lind, member	10/11
Veronica Lindholm, member	11/11
Inka Mero, member	11/11
George Rietbergen, member	10/11
Pekka Vauramo, member	10/11

**Diversity of the Board of Directors**

The Company sees diversity as a success factor enabling the achievement of Nokian Tyres' strategic goals and business growth. In practice, diversity means different factors such as gender, age, nationality, and the complementary expertise of the members, their education and experience in different professional areas and industrial sectors in which the Group mainly operates. Leadership experience and personal capacities are also considered.

The Board shall have no fewer than two representatives from both genders. If two candidates are equally qualified, the candidate from the minority gender has priority. This goal has been met in the current Board. The Board members have significant experience in industry, consumer business and financial management, among other things. The status and progress of diversity will be monitored by the Personnel and Remuneration Committee in its self-assessment discussion.

The principles concerning the selection of the Board and its diversity are visible on the Company's website at [www.nokiantyres.com/company/investors/](http://www.nokiantyres.com/company/investors/).

**Committees of the Board**

The Board will decide on the committees and their chairpersons and members each year during the constituent meeting. In 2019, the Board had two committees: The Personnel and Remuneration Committee and the Audit Committee. Each committee must include no fewer than three members having the competence and expertise necessary for working in the committee. At least one member of the Audit Committee must have expertise in accounting or auditing. The majority of the members of the Personnel and Remuneration Committee must be independent of the Company. The majority of the members of the Audit Committee must be independent of the Company, and at least one member must be independent of the Company's major shareholders. The President and CEO and the other members of the Company management team cannot act as members of the Personnel and Remuneration Committee.

### Personnel and Remuneration Committee

The Personnel and Remuneration Committee prepares a proposal to the General Meeting on the members to be appointed to the Board of Directors and the remuneration to be paid to the Board members. In addition, the committee prepares a proposal to the Board on the Company's President and CEO and on the salary and other incentives paid to the President and CEO. The Personnel and Remuneration Committee also prepares a proposal to the Board on the nominations, salaries and other incentives of the Group Management Team members. This Committee also reviews and submits a proposal to the Board on the allocation and criteria of the Nokian Tyres share-based incentive plans, and on the other incentive plans. In addition, the key duties of the Personnel and Remuneration Committee will as of 1 January 2020 include the preparation of remuneration policy and remuneration report for the Board and the President and CEO in accordance with applicable laws and regulations. The committee has no independent decision-making power; collective decisions are made by the Board, which is responsible for carrying out the tasks assigned to the committee.

The committee receives access to the information regarding factors affecting the assessment of the independence of new member candidates and the results from the assessment of the Board's work.

In 2019, the members of the Personnel and Remuneration Committee were Kari Jordan (Chairman), Veronica Lindholm, and Petteri Walldén.

The committee assembled 5 times in 2019.

All committee members are independent of the Company and of all major shareholders in the Company.

### Audit Committee

The Audit Committee assists the Board of Directors in its regulatory duties and reports to the Board. The committee has no independent decision-making power; collective decisions are made by the Board, which is then responsible for carrying out the tasks assigned to the committee.

According to the committee charter, the committee controls that bookkeeping, financial administration, financing, internal control, internal auditing, audit of the accounts, and risk management are appropriately arranged in the Company. The committee follows and assesses the reporting process for

financial statements as well as any significant changes in the recording principles and the items valued in the balance sheet. The committee also processes the general description of the mechanisms of internal auditing and risk management of the financial reporting process, which forms part of the Corporate Governance Statement. The committee follows the statutory auditing of the financial statement and the consolidated financial statements and assesses the independence of the statutory auditor and the offering of services other than auditing services by the auditor. Furthermore, the committee will handle the auditor's report and possible audit minutes as well as the supplementary report presented by the auditor to the committee. The committee prepares the draft resolution on selecting the auditor. In addition, the Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of the ordinary course of business and arm's-length terms in accordance with applicable laws and regulations. The Audit Committee must have the expertise and experience required for its tasks.

In 2019, the members of the Audit Committee were Raimo Lind (Chairman), Heikki Allonen, Inka Mero, and Pekka Vauramo. The Company's chief auditor participates in the committee's meetings.

The committee assembled 5 times in 2019.

All committee members are independent of the Company and of all major shareholders in the Company.

### The attendance of Board members at committee meetings in 2019

	Personnel and Remuneration Committee	Audit Committee
Petteri Walldén	5/5	
Kari Jordan	5/5	
Heikki Allonen		5/5
Raimo Lind		4/5
Veronica Lindholm	5/5	
Inka Mero		5/5
George Rietbergen		
Pekka Vauramo		4/5

### President and CEO and his/her duties

The President and CEO conducts the group's business and manages the Company operations in accordance with the Finnish Limited Liability Companies Act and the instructions and guidelines provided by the Board of Directors. The President and CEO is responsible for informing the Board of Directors regarding the development of the Company's business and financial situation. The President and CEO prepares the Company's strategy and objectives for the Board of Directors. The President and CEO is also responsible for implementing the approved strategy and plans. The President and CEO is responsible for ensuring the legal compliance of the Company's bookkeeping and for arranging reliable asset management. The President and CEO is elected by the Board of Directors.

Hille Korhonen, Lic. Sc. (Tech) has been working as the Company's President and CEO since June 1, 2017.

### Hille Korhonen (b. 1961)

Education: Licentiate of Science (Technology)

Position: President and CEO June 1, 2017–

Key experience:

2013–5/2017 Alko Oy, President and CEO;  
2008–2012 Fiskars Corporation, Vice President, Operations;  
2003–2007 Iittala, Group Director, Operations;  
1996–2003 Nokia Corporation, Management duties for logistics;  
1993–1996 Outokumpu Copper Plc, Manager, Logistics and Marketing Development.

Key positions of trust: -

**Nokian Tyres holdings of the President and CEO and controlled corporations, December 31, 2019**

	Number of shares
Hille Korhonen, President & CEO	47,279

**Other management**

The Group's management team is responsible for assisting the President and CEO in preparing the Company's strategy and in operative management, and for discussing matters that involve substantial financial or other impacts, such as corporate transactions and organization changes. Members of the management team carry the main responsibility for their business areas and functions. The management team has no activities based on the applicable legislation or the Articles of Association. According to the Group's meeting practices, the management team assembles once per month. In addition to the President and CEO, the heads of the business units, business areas and service functions participate in the meetings.

**Responsibility area, year of birth, education and Nokian Tyres holdings of the Group's management team and controlled corporations, December 31, 2019**

	Year of birth	Education	Number of shares
Päivi Antola Corporate Communications & Investor Relations	1971	Master of Arts, CEFA	1,264
Tytti Bergman People & Culture	1969	Master of Science (Economics and Business Administration)	2,996
Mark Earl Americas Business Area	1960	BS in Business Administration, Computer Science	5,180
Esa Eronen Supply Chain & Sustainability	1957	Technology Engineer	19,139
Anna Hyvönen Nordics Business Area and Vianor Business Unit	1968	Licentiate of Science (Technology)	21,715
Teemu Kangas-Kärki Finance	1966	Master of Science (Economics and Business Administration)	7,014
Jukka Kasi Products & Marketing	1966	Master of Science (Technology)	4,420
Bahri Kurter Central Europe Business Area	1966	Master of Arts (Economics)	-
Andrei Pantioukhov Russia and Asia Business Area	1972	Master of Business Administration	69,359
Manu Salmi Nokian Heavy Tyres Business Unit	1975	Master of Military Sciences, Master of Science (Economics), MBA	26,601
Timo Tervolin Strategy & M&A	1977	Master of Science (Technology), Master of Science (Economics and Business Administration)	6,385
Susanna Tusa Legal & Compliance	1972	Master of Laws, Master of International Business	6,546
Frans Westerlund IT & Processes	1966	Master of Science (Economics and Business Administration)	4,042

More detailed information concerning the Group's management team is available on the Company's website at [www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/](http://www.nokiantyres.com/company/investors/corporate-governance/the-groups-management-team/).

### III Descriptions of mechanisms of internal control and risk management

#### Internal control

The purpose of the group's internal control mechanisms is to ensure that the Company's operation is in line with the applicable laws and regulations and the Company's Code of Conduct. As regards the financial reporting process, the purpose of the Group's internal control mechanisms is to ensure that the financial reports released by the Company have been compiled in accordance with the accounting principles applied by the Company and that they contain essentially correct information on the Group's financial position, and to ensure that financial reporting is accurate and reliable. The Group has defined group-level policies and instructions for the key operative units specified below in order to ensure efficient and profitable Company operations.

The Group's business consists of the Passenger Car Tyres, Heavy Tyres, and Vianor business units. The Passenger Car Tyres is further divided into the Americas, Europe, Nordics and Russia and Asia business areas. Heavy Tyres and the Passenger Car Tyres business areas are responsible for their own operations, financial results, risk management, balance sheet and investments, supported by the different service functions. The Group's sales companies serve as product distribution channels in local markets. The tire retail chain is organized into a sub-group. The tire outlets operating in different countries are part of the sub-group.

Subsidiaries are responsible for their daily operations and administration. They report to the director responsible for the said business area, while the Vianor chain reports to the director of the Vianor business unit.

The Board of Directors is responsible for the functionality of the internal control mechanisms, which are managed by the Company's management and implemented throughout the organization. Internal control is an integral part of all activities of the Group at all levels. The Company's operative management bears the main responsibility for operational control. Every supervisor is obliged to ensure sufficient control

over the activities belonging to his or her responsibility and to continuously monitor the functionality of the control mechanisms. The Chief Financial Officer is responsible for organizing financial administration and reporting processes and the internal control thereof. The parent company's Finance and Control unit is responsible for internal and external accounting; its tasks include producing financial information concerning the different areas and ensuring the accuracy of this information.

The preparation process of the consolidated financial statements (IFRS), the related control measures, and the task descriptions and areas of responsibility related to the reporting process are defined. The Company's Finance and Control unit produces the consolidations and information for the group level and the different areas. Each legal entity within the Group produces its own information in compliance with the instructions provided and in line with local legislation. The Group's Finance and Control unit is centrally responsible for the interpretation and application of financial reporting standards as well as for monitoring compliance with these standards.

Effective internal control requires sufficient, timely, and reliable information in order for the Company's management to be able to monitor the achievement of targets and the efficiency of the control mechanisms. This refers to financial information as well as other kinds of information received through IT systems and other internal and external channels. The instructions on financial administration and other matters are shared on the Company's intranet for all of those who need them, and training is organized for personnel with regard to these instructions when necessary. Communication with the business units is continuous. The Company's financial performance is internally monitored by means of monthly reporting complemented with updated forecasts. The financial results are communicated to Company personnel immediately after the official stock exchange releases have been published.

#### Investor Communications

The goal of Nokian Tyres' investor relations is to regularly and consistently provide the stock market with essential, correct, sufficient, and up-to-date information that is subsequently used to determine the share value. The operations are based on equality, openness, and accuracy.

#### Risk management

The Group has adopted a risk management policy, approved by the Board of Directors, which supports the achievement of strategic goals and ensures continuity of business. The Group's risk management policy focuses on managing both the risks pertaining to business opportunities and the risks affecting the achievement of the Group's goals in the changing operating environment.

The risks are classified as strategic, operational, financial and hazard risks. Strategic risks are related to customer relationships, competitors' actions, political and legislative risks, reputation, country risks, brand, product development, climate change and sustainability risks and investments. Operational risks arise as a consequence of shortcomings or failures in the Company's internal processes, actions by its personnel or systems, contractual risks, risk of non-compliance, or external events, such as unforeseen changes in the operating environment, cyber and information security, management of the supply chain, or changes in raw material prices. Financial risks are related to fluctuations in interest rate and currency markets, liquidity and refinancing, and counterparty and credit risks. Hazard risks arise from shortcomings or failures in employee safety or environmental management systems.

The most significant risks related to Nokian Tyres' business are the country risks related to the Russian business environment and other risks of change within the operating environment, risks related to products and product development, production outage risks, currency and credit risks, and tax risks. Due to the Company's product strategy, interruption risks that are related to marketing and logistics may also have a significant impact on peak season sales. The risk analysis conducted in 2019 also focused special attention on corporate social responsibility risks, the most significant of which are related to the Company reputation and product quality. Analyses and projects related to information security, data protection and customer information were a special focus area.



The risk management process aims to identify and evaluate the risks, and to plan and implement the practical measures and continuous monitoring for each risk. Among others, such measures may include avoiding the risk, reducing it in different ways or transferring the risk through insurance policies or agreements. Control functions and measures are verification or back-up procedures applied in order to reduce the risks and ensure the completion of the risk management measures.

Responsibility for identifying, evaluating and to large extent, managing risks is delegated to business units, business areas and support functions. Treasury is responsible for developing and maintaining risk management processes, methods and tools. Assisted by the Audit Committee, the Company's Board of Directors monitors and assesses the efficiency of the Company's risk management mechanisms and monitors the assessment and management of risks related to the Company's strategy and functions. The Audit Committee monitors that the risk management actions are in line with the risk management policy. Issues raising in risk analysis are noted in development of processes, compliance and control, and in Internal Audit planning. The Company's Board of Directors discusses the most significant risks annually in connection with the strategic process.

## IV Other information provided

### Internal audit

The Group's internal audit systematically carries out assessments and audits on the efficiency of risk management, internal control, and corporate governance processes. Internal audit is an independent and objective function whose aim is to help the organization to achieve its goals. The principles for internal audit have been confirmed in the internal audit's charter approved by the Board of Directors.

The Group's Internal Audit function is managed by the Chief Audit Executive (CAE), who works under the Board of Directors. The focus areas for internal audit are approved by the Board of Directors each year. The audit assignments are based on the key strategic focus areas of the Company's business operations and functions and the risks involved. The operation of Internal Audit covers all business activities,

functions and processes within the Nokian Tyres Group. The CAE reports on their findings and the agreed further actions to the Audit Committee, the Board of Directors, the President and CEO, the CFO and Management of the Company. The Company's Board of Directors follows and monitors the efficiency of the Internal Audit.

In 2019, Internal Audit focused on assessing, among other things, the operations and risks of various business areas and country organizations, corporate governance arrangements, risk management arrangements and instructions, corporate sustainability and information security matters as well as specific misconduct risks and cases. The Internal Audit function at Vianor focuses on guiding the retail outlets and ensuring conformity to the Vianor activity management system. It reports to the Internal Auditor of the Group and the country managers.

### Related party transactions

The Company has procedures in place to identify and define its related parties and assesses and monitors related party transactions to ensure that all conflicts of interest and the Company's decision-making process are appropriately taken into account. The Audit Committee monitors and assesses how agreements and other legal acts between the Company and its related parties meet the requirements of ordinary activities and arm's-length terms in accordance with applicable laws and regulations. The Group's financial management monitors and supervises related party transactions as part of the Company's normal reporting and monitoring procedures and reports to the Audit Committee on regular basis. The Company only has related party transactions that are a part of normal business, and the information regarding them is provided in the annual report and the notes to the financial statements. The decision-making processes have furthermore been structured in order to avoid conflict of interests. In case the Company would have any transactions that are not part of the Company's ordinary course of business or are not implemented under arms-length terms, such transactions shall be handled by the Audit Committee and approved by the Board and provided in the annual report and the notes to the financial statements.

### Insider management

The Company complies with the guidelines for insider trading drawn up by Nasdaq Helsinki Ltd. Furthermore, the Company has drawn up separate insider guidelines that have been approved by the Board of Directors and that supplement other insider regulations as well as include instructions on insiders and insider administration.

Project-specific insider lists are drawn up of people involved in insider projects of the Company. Persons with insider information are not allowed to trade in the Company's financial instruments until the project has become void or been published. Those entered into the project-specific list of insiders are notified of their entry and the duties it entails, as well as the termination of the list's maintenance. Separate instructions are available for the establishment of a project-specific list of insiders.

The Company draws up a separate list of people in executive positions and their related persons. In 2019, the persons holding executive positions in the Company, as defined in the Market Abuse Regulation, were the members of the Board of Directors, the President and CEO, the Chief Financial Officer, the directors of the business areas in the Passenger Car Tyres business unit, the director of the Nokian Heavy Tyres business unit and the director of the Vianor business unit.

Persons holding executive positions within the Company are allowed to trade in the Company's financial instruments only for 30 days after the publication day of the Company's financial statement report, half year report, or interim report. The same applies to persons who participate in the preparation, drawing up, and/or publication of the Company's financial reports. The prohibition on trading mentioned hereinabove also applies to persons who process the financial reporting and forecasts of the Nokian Tyres Group.

The Group General Counsel for Nokian Tyres is responsible for the overall management of insider matters in the Company and the related communication (limitations on trade, obligations to announce and publish management transactions). The Group General Counsel will check the information for the persons holding executive positions and their related persons at least once per year. The CFO is the Group General Counsel's substitute for insider matters.



**Whistleblowing**

The Company has defined processes that internal and external parties can use to notify of any suspected violations of the Company's insider trading guidelines or other instructions, or of any other malpractices. External parties can use the email address [whistleblow@nokiantyres.com](mailto:whistleblow@nokiantyres.com), among others. All whistleblowing notifications are investigated promptly in a confidential manner and protecting the identity of the whistleblower as far as possible.

**Audit**

The auditor has an important role as a controlling body appointed by the shareholders. The audits give shareholders an independent opinion on how the financial statements and report by the Board of Directors of the Company have been drawn up and the accounting and administration of the Company have been managed. The auditor elected at the Annual General Meeting of 2019 is KPMG Oy Ab, authorized public accountants, with Lasse Holopainen, Authorized Public Accountant, acting as the Chief Auditor. The auditor's term of office lasts until the end of the following Annual General Meeting. In addition to his duties under the valid regulations, he reports all audit findings to the Group's management.

The Group's audit fees in 2019 amounted to EUR 451,290 (2018: 411,326). The fees paid to the authorized public accountants for other services totaled EUR 1,146,556 (2018: 827,885).

# SALARIES AND REMUNERATIONS 2019

The Salaries and Remunerations report 2019 has been done according to the Finnish Corporate Governance Code 2015. A new Remuneration Policy will be prepared according to the Shareholders Rights Directive and Corporate Governance Code 2020 and will be submitted to Annual General Meeting for adoption in 2020.

## A. Decision-making mechanism for remuneration

Each year, the Annual General Meeting decides on the remuneration payable to the Board members on the basis of a proposal drawn up by the Personnel and Remuneration Committee.

The Board of Directors decides on the salary, benefits, and short and long-term incentives of the President and CEO as well as the rest of the Group Management Team. The Personnel and Remuneration Committee prepares the above-mentioned matters for the Board to decide on, while using external experts when necessary.

In 2019, the Annual General Meeting authorized the Board of Directors to resolve to repurchase of a maximum of 5,000,000 of the company's own shares using funds from the Company's unrestricted equity. This authorization is valid until the next Annual General Meeting, but however at most until June 30, 2020. The Board may also use these shares as incentives.

## B. General principles for remuneration

### Remuneration of the Board members

The Board members receive an annual fee and a meeting fee for the meetings of the Board and its committees. Travel costs are compensated according to the company's travel policy. 50% of the annual fee is paid in cash and 50% is paid in shares of the company that are purchased for the Board members in April following the Annual General Meeting. The company is responsible for any asset transfer tax.

The Annual General Meeting in 2019 decided on the following fees for Board members:

- Annual fee for chairman, EUR 90,000
- Annual fee for deputy chairman and for the chairman of the Audit Committee, EUR 67,500
- Annual fee for member, EUR 45,000
- Meeting fee EUR 600/attended meeting/person, or if the member of the board is living outside of Finland, EUR 1,200/attended meeting/person.

Board members are not included in the company's option or share incentive plans.

### Remuneration of the President and CEO

The Board of Directors decides on the salary, incentives and other benefits of the President and CEO.

The remuneration consists of a base salary, fringe benefits, short-term incentive based on annually defined performance criteria and the share-based long-term incentive plans.

The total annual base salary for the President and CEO, Hille Korhonen, has been set at EUR 693,240 including fringe benefits such as car and phone benefit.

### Short-term and long-term incentive plans

The President and CEO's short-term performance-related incentive is based on the Group's profit and net sales, and it may amount to a maximum of 100% of the annual base salary. The performance period is one year and the possible reward is paid out in the first half of the year following the performance period.

The President and CEO's long-term incentive consists of share incentive plans. The performance criteria for the share incentive plans in force at any given time can be found under Long-term incentive plans for key personnel. The maximum LTI award opportunities are set forth in Table 1.

### Pensions and information regarding the termination of the employment

The President and CEO's age of retirement is set by written agreement at 65 years. The pension is 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 2019 was EUR 132,048.

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.

### **Remuneration the Group Management Team**

The Board approves the salaries, benefits and the incentive plans of the Group Management Team based on the proposal by the Personnel and Remuneration Committee.

The remuneration of the Group's Management Team consists of a base salary and fringe benefits, such as phone and car benefits; depending on local practice, the fringe benefits are either included in the base salary or paid in addition to it, a short-term incentive based on annually defined performance criteria, and a share-based long-term incentive plan.

The salaries of the management team members (excluding the President and CEO) were in total EUR 3,121,389 in 2019 (EUR 2,580,611 in 2018), and the short-term incentives amounted to a total of EUR 569,943 in 2019 (EUR 753,063 in 2018).

### **Short-term and long-term incentive plans**

The performance criteria for the short-term incentive plan for 2019 were Group's operating profit and net sales growth, as well as the achievement of the financial and strategic goals set for respective business or function of each Management Team member. The business and function specific goals consist of e.g. profitable growth, net sales, and the efficiency of the operative process. The main performance criteria will remain the same for 2020. The maximum short-term incentive corresponds to 60–70% of a Group Management Team member's annual base salary. The performance period is one year and the possible reward is paid out in the first half of the year following the performance period.

The Group Management Team members are eligible for long-term incentive plans. Details of long-term incentive plans are presented in Incentive plans for key personnel. The target LTI award opportunities are set forth in Table 1.

### **Pensions and information regarding the termination of the employment**

The Group Management Team members are eligible for a separate defined contribution pension. The annual contributions to this plan are 5–15% of annual base salary for each Group Management Team member depending on their home country practices. Group Management Team members are eligible for the paid contributions after 3 years continuous

employment with the company. Retirement age has been set to 63 years. Terms and conditions of supplementary Pension may vary between countries.

A management team member's notice period is 6 months when terminated by the company and 3 months when terminated by the management team member. If the employment is terminated due to a reason attributable to the company, the management team member is entitled to maximum 6 month's salary and 6 month's Severance payment.

### **Long-term Incentive plans for key personnel**

#### **Option scheme 2013**

The Annual General Meeting held in 2013 decided on the issue of stock options as part of the Group's incentive and commitment system for personnel. The system also covers persons employed or recruited by the Group at a later date. The Board distributed the options in the spring of 2013 (options 2013A), 2014 (2013B), and 2015 (2013C). The subscription period of 2013C options ended on 31 May 2019. There are no outstanding options.

#### **Performance Share Plan 2016**

In the spring of 2016, the Board of Nokian Tyres plc decided to update the Group's incentive schemes. The update aimed to clarify and improve the schemes and to offer a competitive rewards system for all personnel.

The purpose of Nokian Tyres' share-based incentive system was to harmonize the goals of the owners and key personnel in order to increase the value of the company in the long term, and to commit key personnel to the company. The share rewards system covered some 5% of the Group's personnel, including the management team members.

The share rewards system had three one-year performance periods for the calendar years 2016, 2017, and 2018. The company's Board decided separately on each performance period for the system and set the performance criteria, and the goals for each criterion, at the beginning of the performance period. The performance criteria for performance period 2018 were the Group's operating profit and net sales.

The rewards based on the performance period 2018 were paid in 2019 and corresponded to a total of 146,000 gross shares. The rewards were paid partially in shares and partially in money. The monetary reward was intended to cover the taxes and tax-like charges incurred on the key person. For shares paid on the basis of the performance period 2018, the restriction period will end on 31 March 2020.

#### **Performance Share Plan 2019 and Restricted Share Plan 2019**

In February 2019, the Board of Nokian Tyres plc decided to establish a new share-based long-term incentive scheme for the Company's management and selected key employees. The decision included a Performance Share Plan (PSP) as the main structure and a Restricted Share Plan (RSP) as a complementary structure for specific situations.

The purpose of the share-based incentive plans is to harmonize the goals of the Company's owners and key personnel in order to increase the value of the Company in the long term, to commit key personnel to the Company and its strategic target and to offer a competitive rewards system for personnel. The Performance Share Plan is targeted to the President and CEO, Group Management Team members and other key employees.

The Performance Share Plan 2019 consists of annually commencing three year performance periods after which the possible reward is delivered to participants. The company's Board will decide separately on each performance period and set the performance criteria at the beginning of the earnings period.

A member of the Group's Management Team must own 25% of the gross total number of shares earned through the system, up to the point where the total value of their share ownership is equal to their gross annual salary. They must own this number of shares for as long as they are involved in the Group's Management Team.

#### **Performance Period 2019–2020 and Performance Period 2019–2021**

The first plan (PSP 2019–2021) commenced effective as of the beginning of 2019 and the potential share reward thereunder will be paid in the first half of 2022 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres Plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

In addition to the 3 year performance period (PSP 2019–2021), a separate one-time 2 year performance period (PSP 2019–2020) commenced in 2019 in order to bridge the previous two year PSP 2018 and three year PSP 2019–2021. Potential share reward thereunder will be paid in the first half of 2021 provided that the performance targets set by the Board of Directors are achieved.

The potential share reward payable under the PSP 2019–2020 and PSP 2019–2021 are based on the Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The possible rewards paid based on the performance period of 2019–2020 correspond to a maximum of 580,000 gross shares and based on the performance period of 2019–2021 to a maximum of 535,000 gross shares.

#### **Performance Period 2020–2022**

In February 2020, the Board of Nokian Tyres plc decided continue the Performance Share Plan for a new performance period for the years 2020–2022. The PSP 2020–2022 commences effective as of the beginning of 2020 and the potential share reward thereunder will be paid in the first half of 2023 provided that the performance targets set by the Board of Directors are achieved. The potential reward will be paid partly in shares of Nokian Tyres Plc and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

The potential share reward payable under the PSP 2020–2022 is based on the Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The possible rewards paid based on the performance period of 2020–2022 correspond to a maximum of 569,260 gross shares.

**Table 1. Long-term incentives**

<b>Performance share plan 2019–2020 and 2019–2021</b>			
	<b>Performance period 2019–2020 (target)</b>	<b>Performance period 2019–2021 (target)</b>	<b>Performance period 2020–2022 (target)</b>
President and CEO	125%	125%	125%
Other management team	50%–130%	50%–125%	50%–100%
	Maximum share award level is defined as % of the annual salary, max is 2 x target.	Maximum share award level is defined as % of the annual salary, max is 2 x target.	

#### **Restricted Share Plan 2019–2021**

The Restricted Share Plan (RSP) consists of annually commencing restricted share plans, each with a three-year vesting period after which the allocated share rewards will be delivered to the participants provided that their employment with Group continues until the delivery date of the share rewards. The commencement of each new plan is subject to a separate approval by the Board.

The RSP 2019–2021 commenced at the beginning of 2019 and potential share rewards will be delivered in the first half of 2022. The possible rewards paid based on the Restricted Share Plan 2019–2021 correspond to a maximum of 70,000 gross shares.

#### **Restricted Share Plan 2020–2022**

In February 2020, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2020–2022 will commence at the beginning of 2020. Potential share rewards will be delivered in the first half of 2023. The possible rewards paid based on the Restricted Share Plan 2020–2022 correspond to a maximum of 120,000 gross shares.

## C. Remuneration statement

### Board of Directors

The remuneration paid to the Board members, the number of shares purchased, and the meeting fees for the Board and the committees are presented in the table below.

*Table 2. Remuneration paid to the Board members in 2019 (cash basis)*

	Position on the Board	Fixed annual fee, €*	Meeting remuneration fees, €	Committee meeting remuneration fees, €	Total remuneration fees, €	Shares acquired with a fixed annual fee, number of shares	Share holdings of the Board, number of shares
Petteri Waldén	Chairman	90,000	6,600	4,800	101,400	1,457	22,322
Kari Jordan	Deputy Chairman, Chairman of the Personnel and Remuneration Committee	67,500	6,600	4,200	78,300	1,093	2,104
Heikki Allonen	member	45,000	6,600	3,000	54,600	728	2,595
Raimo Lind	Chairman of the Audit Committee	67,500	6,000	3,000	76,500	1,093	4,955
Veronica Lindholm	member	45,000	6,600	4,800	56,400	728	2,595
Inka Mero	member	45,000	6,600	3,000	54,600	728	3,988
George Rietbergen	member	45,000	9,600		54,600	728	1,932
Pekka Vauramo	member	45,000	6,000	2,400	53,400	728	1,402
Total		450,000			529,800	7,283	41,893

\* 50% of the annual remuneration to be paid in cash and 50% in company shares

### President and CEO and management team

*Table 3: Salaries and financial benefits paid to the President and CEO and the company's other management team members in 2019 (cash basis)*

	Annual salary, € (including fringe benefits)	Performance based bonuses, € (based on year 2018)	Severance payment, €	Total value of share-based bonus, €*	Total, €	Share-based bonus paid in shares, number of shares
President and CEO	693,240	189,948		479,799	1,362,987	6,971
Other members of the management team	3,121,389	569,943	183,665	1,706,317	5,397,649**	31,962

\* According to the stock exchange price of the assignment date of March 5, 2019 / September 2, 2019 the payment for the performance period of 2018 of the share-based incentive plan

\*\* Excluding Severance payment

# NOKIAN TYRES GROUP STRUCTURE

