

REMUNERATION REPORT 2021



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Personnel and Remuneration Committee – Chairman’s greeting

Nokian Tyres showed strong performance during the financial year 2021. Demand in the replacement tire market started recovering quickly in late 2020 and continued to be strong throughout 2021. At the same time, raw material and logistics costs increased sharply, and there was a shortage of containers and transport capacity. Uncertain outlooks caused by the COVID-19 pandemic were still present, although market conditions improved rapidly. Nokian Tyres was quickly able to respond to the increased demand and achieved all time high net sales in 2021.

As stated in our Remuneration Policy, Nokian Tyres remuneration should always advance strategy execution, business objectives and long-term profitability of the Company. Measures were taken to maintain this commitment in 2021. The Nokian Tyres Performance Share Plan, intended for the President and CEO, Management Team and other key personnel, was continued for the performance period 2021–2023. Performance will be measured with segments EPS and segments ROCE, targets that are

closely linked to our revised mid-term strategy. The Company’s main short-term incentive plan in 2021 measured financial performance with net sales, segments operating profit and operative cash flow, all of which delivered good results during 2021. For the upcoming financial year 2022, Nokian Tyres will launch performance criteria tied to sustainability targets for the President and CEO and the Management Team. For year 2022, achieving greenhouse gas reduction targets is part of Nokian Tyres’ Management Team incentives.

Nokian Tyres is dedicated to producing first-class products for its customers and value for its shareholders. Nokian Tyres remuneration will continue to support these objectives. I am looking forward to financial year 2022, the next steps in our strategy towards EUR 2 billion in net sales with improved profitability, as well as doing our part in the battle against climate change.

Sincerely,

Veronica Lindholm

Chairman of the Personnel and Remuneration Committee of Nokian Tyres Board of Directors

“ Nokian Tyres remuneration should always advance strategy execution, business objectives and long-term profitability of the Company.

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 2021. 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 with more detailed information of the development of remuneration and some strategic KPIs within Nokian Tyres as well as the implementation of the valid Remuneration Policy during the financial year 2021. The first new Remuneration Report for the financial year 2020, prepared in accordance with the Securities Market Association’s Corporate Governance Code 2020, was presented to the 2021 Annual General Meeting. The 2021 Annual General Meeting resolved to adopt the Company’s Remuneration Report 2020 through an advisory resolution supported by approximately 88% of the votes cast at the 2021 Annual General Meeting, indicating approval of the Remuneration Report 2020 by the shareholders of the Company.

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 2017 to 2021*”.

Index of development between years 2017–2021

Remuneration index	2017	2018	2019	2020	2021
Total Board remuneration - Average annual fee paid to Board members ²⁾	100%	106%	107%	119%	113%
President and CEO salaries and financial benefits	100%	278%	105%	147%	90%
Average salary cost per employee ³⁾	100%	99%	97%	95%	113%
Financial measures index¹⁾					
Operating profit	100%	102%	87%	33%	73%
Earnings per share (EPS)	100%	132%	177%	38%	91%
Return of capital employed (ROCE)	100%	104%	79%	27%	61%

¹⁾ Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019, 2020 and 2021) in section “Remuneration and financial development between 2017 to 2021”. [Stock exchange release about Nokian Tyres new reporting practices April 24th, 2020.](#)

²⁾ **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 (number of members) during each year (2017–2020: 8 Board members, 2021: 9 Board members) and excluding fees paid to members leaving during following term. Further details in section “Remuneration and financial development between 2017 and 2021”.

³⁾ **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.

Nokian Tyres had very strong performance during the financial year 2021, net sales with comparable currencies increased by 29.7% and segments operating profit improved. Segments operating profit margin for the financial year 2021 was 19.0%. Due to the challenging conditions caused by COVID-19 in 2020 and the ongoing uncertainty caused by the pandemic, cash flow continued to be in focus. The Board of Directors therefore decided to reiterate and incentivize protection of the Company's cash flow. Nokian Tyres operative cash flow was set as a performance criteria for all employees eligible for Nokian Tyres Global Short-term Incentive plan (approx. 1,500 employees). The other Group level financial target for all eligible employees was Nokian Tyres segments operating profit. The President and CEO Jukka Moisio's short-term performance was measured against these criteria, both with an equal 50% weight. Both performance criteria were in alignment with the current Remuneration Policy and delivered excellent results. Nokian Tyres showed a strong recovery during the financial year 2021, with substantial growth in both sales and segments operating profit.

In September 2021, Nokian Tyres announced its revised mid-term strategy. The mid-term financial strategy underlines the following financial targets:

Growing faster than the market:

Net sales EUR 2 billion

High returns and profitability:

Segments operating profit and segments ROCE at the level of 20%

Growing ordinary dividend:

Dividend above 50% of net earnings

The revised mid-term strategy is closely linked with the Nokian Tyres Remuneration Policy, which states: "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." To support the strategy, the long-term growth, retention and motivation, 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 the following Group level financial KPIs: segments EPS (Earnings per share) and segments ROCE (Return on capital employed). The set KPIs 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 9, 2021](#), describing the above mentioned two shared-based plans commencing during the financial year 2021. A stock exchange release relating to the commencement of

[new Performance and Restricted Share Plans during the financial year 2022 was published on February 8th, 2022.](#)

In order to further align the interests of the President and CEO with the interests of shareholders regarding the financial development of the Company, the Board of Directors decided to apply a threshold value for average ROCE over the vesting period for the President and CEO and Nokian Tyres Management Team, for Restricted Share Plans commencing 2019, 2020, 2021 and 2022. During the financial year 2021, Nokian Tyres thereby temporarily deviated from the adopted Remuneration Policy by applying 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 supporting the deviation are presented below under the section "*Remuneration of the President and CEO 2021 – 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.

Remuneration of the Board of Directors 2021

Nokian Tyres 2021 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during the financial year 2021:

Chairman of the Board:

A fee of EUR 102,500 per year;

Deputy Chairman of the Board and the Chairman of the Audit Committee:

A fee of EUR 72,500 per year

Other members of the Board:

A fee of EUR 50,000 per year

For each Board and Board Committee meeting the fee was EUR 700. For Board members resident in Europe, the fee for each meeting in Europe outside a member's home country is doubled, and for each meeting outside Europe the fee was tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country was tripled. If a member participated in a meeting via telephone or video connection, the remuneration was EUR 700. Travel expenses were compensated in accordance with the Company's travel policy.

Board member	Position on the Board	Annual fixed fee (EUR) ¹⁾	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 / Member of the Shareholders' Nomination Board	102,500	7,500	2,700	112,700	1,297
Raimo Lind	Board member / Chairman of the Audit Committee	72,500	7,500	3,400	83,400	917
Pekka Vauramo	Deputy Chairman / Member of the Personnel and Remuneration Committee	72,500	6,800	2,700	82,000	917
Heikki Allonen	Board member / Member of the Audit Committee	50,000	7,500	3,400	60,900	632
Inka Mero	Board member / Member of the Audit Committee	50,000	7,500	3,400	60,900	632
Veronica Lindholm	Board member / Chairman of the Personnel and Remuneration Committee	50,000	7,500	2,700	60,200	632
Jouko Pölönen	Board member / Member of the Audit Committee	50,000	6,300	2,800	59,100	632
George Rietbergen	Board member	50,000	7,500	–	57,500	632
Christopher Ostrander	Board member	50,000	7,700	–	57,700	632
Kari Jordan	Deputy Chairman and Chairman of the Personnel and Remuneration Committee (until March 30, 2021)	–	1,200	600	1,800	–

¹⁾ 60% of the annual fixed fee paid in cash and 40% in Company shares. Management transaction stock exchange releases regarding the share acquisitions published on May 6th, 2021. The Company paid asset transfer taxes arising from the acquisition of shares.

Remuneration of the President and CEO 2021

President and CEO	Fixed annual salary (incl. holiday compensation)	Monthly base salary	Paid salary during financial year 2021	Paid performance-based bonuses (based on year 2020)	Due performance-based bonuses (based on year 2021) ¹⁾	Total value of awarded share-based bonus	Supplementary pension contribution	Severance payment	Total fees paid during financial year 2021
Jukka Moisio	778,680	61,800	755,328	402,632	730,800	–	–	–	1,157,960

Note: All amounts presented are in EUR.

¹⁾ Due performance-based bonuses (based on year 2021) will be paid during the financial year 2022.

Short-term incentive opportunities as of annual base salary		Performance share plan long-term incentives ¹⁾	
Target	Max	Target	Max
50%	100%	125%	250%

¹⁾ 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.

As decided by the Board of Directors, President and CEO Jukka Moisio was granted a salary increase of 3.0%, effective from July 1st, 2021. The monthly base salary during January–June 2021 was 60,000 EUR and after the 3.0% increase, the monthly base salary between July–December 2021 was 61,800 EUR.

President and CEO Jukka Moisio 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 is calculated by multiplying the monthly base salary of EUR 61,800 by 12.6.

Short-term incentive plans

President and CEO Jukka Moisio 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, the performance measures of President and CEO Jukka Moisio's short-term incentives 2021 were tied to Nokian Tyres segments operating profit and Nokian Tyres operative cash flow. Both measures were in alignment with the current Remuneration Policy and had an equal weight of 50%. The performance period was the financial year 2021. The paid base salary during the financial year 2021 functioned as the basis for the incentive

payout. The combined achievement for the set targets for the financial year is 200% (100% being the target level and 200% maximum) and the short-term incentive payout to President and CEO Jukka Moisio is 730,800 EUR. The proportion between fixed and variable pay linked to the financial year 2021 is 49.2% variable pay and 50.8% fixed pay. The actual payment of the 2021 short-term incentive reward will take place during the first half of the financial year 2022.

Long-term incentive plans

The President and CEO's long-term incentives (LTI) consist of share incentive plans. The value of the performance-based LTI payout is capped at the level of 250% of annual base salary and the annual target amount is 125% of annual base salary. The value of paid performance-based LTI reward cannot exceed 250% of annual base salary used to define the allocation at grant. President and CEO Jukka Moisio was granted 31,013 performance-based shares from Nokian Tyres Performance Share Plan 2021–2023 during the financial year 2021. The possible reward will be paid during the first half of the financial year 2024, in case the targets set by the Board of Directors are met. The targets set for Nokian Tyres Performance Share Plan 2021–2023 are segments Earnings per share (EPS) and segments Return on capital employed (ROCE). Both performance criteria have an equal weighting of 50%. The potential share rewards will be paid partly in shares of Nokian Tyres and partly in cash. Cash portion of the reward is intended to cover the taxes arising from the paid reward. President and CEO

Jukka Moisio was not granted restricted shares during the financial year 2021.

Nokian Tyres has temporarily deviated from the adopted Remuneration Policy during the financial year 2021. 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, 2021 and 2022, 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 Company's Management Team. The deviation reinforced the alignment of the President and CEO's and the Company's Management Team's remuneration to the financial performance of the Company, promoted efforts ensuring the long-term interests of the Company, and further aligned the interests of the President and CEO and the Company's Management Team with those of the Company's shareholders. 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. President and CEO Jukka Moisio has not been granted shares from the Restricted Share Plan 2021–2023. A threshold value tied to average ROCE between the financial years 2021–2023 will be applied to any Management Team allocations, as well as for the Restricted Share plan commencing in 2022, with a vesting period between 2022–2024, as described in [the Company's stock exchange release published on February 8th, 2022](#).

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.

Active Long-term incentive plans and shares granted to the President and CEO

Long-term incentive plan and performance period	Gross shares granted	Maximum gross share award ¹⁾	Performance criteria	Pay-out of possible reward
Restricted share plan 2020–2022	10,000	10,000	Average ROCE 2020–2022	H1/2023
Performance share plan 2021–2023	31,013	62,026	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2024
Achievement of set targets	100%	200%		

¹⁾ The potential share rewards will be paid partly in shares of Nokian Tyres plc and partly in cash. Gross shares is the amount of shares earned, based on performance against set targets and used to calculate the cash proportion. Actual shares delivered= net shares. Cash portion of the reward is intended to cover the taxes arising from the paid reward.

Pension and information regarding the termination of the employment of the 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 Moisio 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 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 2021.

Remuneration and financial development between 2017 and 2021

	2017	2018	2019	2020	2021
Board remuneration, total pay EUR					
Jukka Hienonen	-	-	-	105,800	112,700
Raimo Lind	74,400	78,900	76,500	85,600	83,400
Pekka Vauramo	-	52,200	53,400	63,100	82,000
Heikki Allonen	53,800	54,000	54,600	63,100	60,900
Inka Mero	53,200	54,000	54,600	63,100	60,900
Veronica Lindholm	52,000	57,000	56,400	65,500	60,200
Jouko Pölönen	-	-	-	-	59,100
George Rietbergen	56,800	53,400	54,600	60,100	57,500
Christopher Ostrander	-	-	-	-	57,700
Kari Jordan	-	75,900	78,300	87,400	1,800
Petteri Walldén	93,800	102,000	101,400	6,600	-
Tapio Kuula	70,200	-	-	-	-
Hille Korhonen	43,000	-	-	-	-
Total (excl. fees paid to leaving members) ¹⁾	497,200	527,400	529,800	593,700	634,400
Board size, number of members	8	8	8	8	9
Average total pay per member ¹⁾	62,150	65,925	66,225	74,213	70,489
Index	100%	106.1%	106.6%	119.4%	113.4%
President and CEO, total pay EUR					
Jukka Moisio	May 27, 2020–	-	-	429,611	1,157,960
Hille Korhonen	Jun 1, 2017–May 26, 2020	411,540	3,601,862	1,362,987	-
Andrey Pantyukhov	Jan 1, 2017–May 31, 2017	235,940	-	-	-
Total		1,293,709	3,601,862	1,362,987	1,901,803
Index		100%	278.4%	105.4%	147.0%
Andrey Pantyukhov acted as interim President and CEO between Jan 1, 2017–May 31, 2017					
Employee remuneration, average EUR					
Salaries, incentives, and other related costs, MEUR	224,7	228,9	235,3	224,7	270,7
Group employees on average during financial year	4,630	4,790	4,995 ²⁾	4,859	4,941
Average per year, k EUR	48.53	47.79	47.10	46.24	54.79
Index	100%	98.5%	97.1%	95.3%	112.9%
Financial development 2017–2021					
Operating profit, MEUR	365.4	372.4	316.5	120.0	268.2
Segments operating profit, MEUR	-	-	337.2	190.2	324.8
Index³⁾	100%	101.9%	86.6%	32.8%	73.4%
EPS, EUR	1.63	2.15	2.89 ⁴⁾	0.62	1.49
Segments EPS, EUR	-	-	3.04 ⁴⁾	1.04	1.84
Index³⁾	100%	131.9%	177.3%	38.0%	91.4%
ROCE,%	22.4%	23.3%	17.6%	6.0%	13.7%
Segments ROCE,%	-	-	18.6%	9.3%	15.8%
Index³⁾	100%	104.0%	78.6%	26.8%	61.2%

¹⁾ 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 Petteri Walldén removed from year 2020 average and Kari Jordan from 2021 average.

²⁾ Figures corrected to include passive employments in December 2019 (employees on long leaves).

³⁾ Financial measures used for index according to IFRS reporting. Segments figures 2019–2021 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](#).

⁴⁾ 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.