



**nokian[®]
TYRES**



REMUNERATION REPORT 2022

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Personnel and Remuneration Committee – Chair’s greeting

Financial year 2022 was exceptional for Nokian Tyres. The war in Ukraine has had severe impacts on Nokian Tyres’ operating environment, which led to a decision to initiate a controlled exit from Russia. In late October 2022, Nokian Tyres signed an agreement to sell its Russian operations to Tatneft PJSC. During the second half of 2022, the first steps were taken to build the new Nokian Tyres without Russia. Nokian Tyres’ Board of Directors made the decision to invest approximately EUR 650 million in a new greenfield tire factory in Romania – the first zero CO₂ emission factory in the tire industry. This investment with emphasis on an even more sustainable future, is extremely important in terms of Nokian Tyres’ future growth.

Due to the radical changes in business conditions, modifications were made to realign the interests of Nokian Tyres key personnel and to create motivation and future retention. The Board of Directors decided to modify the financial year 2022 incentive targets, which were set before the war in Ukraine. It was decided that the two main short-term incentive plans of Nokian Tyres would pay-out on target level for the first half of financial year 2022 and that new targets would be set for the earning period of the second half of 2022. New group level targets for financial year 2022 were set for Segments Operating Profit and Net Sales. To create additional retention, the incentive pay-outs will take place in two instalments, one in March 2023 and one in June 2023. An original climate related goal, measured through reduction in CO₂ emission during financial year 2022, was kept in place for the President and CEO and the Management Team. Nokian Tyres showed good performance against both the financial and climate related targets, laying a strong foundation for entering financial year 2023.

Financial year 2022 was exceptional in many ways and the conditions were tough. The hard work and dedication showed by the Nokian Tyres teams and of the performance against drastic circumstances is well noted. We will continue to reinforce the stature of our Remuneration Policy, to use remuneration as means to advance our strategy execution, business objectives and long-term profitability. We will keep on building the new Nokian Tyres and make sure that our remuneration system offers the best possible support in doing so.

Veronica Lindholm

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

“ We will keep on building the new Nokian Tyres and make sure that our remuneration entity offers best possible support in doing so.

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 2022. 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 2022. 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 and adopted by the 2021 Annual General Meeting. The 2022 Annual General Meeting resolved to adopt the Company’s following Remuneration Report 2021, through an advisory resolution supported by approximately 80% of the votes cast at the 2022 Annual General Meeting, indicating approval of the Remuneration Report 2021 by the shareholders of the Company.

An index comparison is presented in the next table 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 under the section “Remuneration and financial development between 2018 to 2022”.

Index of development between years 2018–2022

Remuneration index	2018	2019	2020	2021	2022
Total Board remuneration – Average annual fee paid to Board members ²⁾	100%	100%	113%	107%	123%
President and CEO salaries and financial benefits	100%	38%	53%	32%	42%
Average salary cost per employee ³⁾	100%	99%	97%	115%	117%
Financial measures index ¹⁾					
Operating profit	100%	85%	32%	72%	31%
Earnings per share (EPS)	100%	134%	29%	69%	-59%
Return of capital employed (ROCE)	100%	76%	26%	59%	-26%

¹⁾ Financial measures used for index according to IFRS reporting. Segments figures in accordance to Nokian Tyres new reporting practices available (2019, 2020, 2021 and 2022) in section “Remuneration and financial development between 2018 to 2022”. 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 (2018–2020: 8 Board members, 2021–2022: 9 Board members) and excluding fees paid to members leaving during following term. Further details in section “Remuneration and financial development between 2018 and 2022”.

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 strong performance during the financial year 2021 and entered financial year 2022 with solid business outlooks. The war in Ukraine and resulting sanctions had a significant negative impact on Nokian Tyres’ supply capacity and performance. Net sales for financial year 2022 were 1,776 MEUR and Segments operating profit was 221 MEUR. The war in Ukraine shifted Nokian Tyres short-term business objectives and long-term strategy. A controlled exit from Russia was initiated and later during financial year 2022, Nokian Tyres announced an EUR 650 million investment in a new greenfield tire factory in Romania as the company began building the new Nokian Tyres. To steer collective efforts towards complying with the new business conditions, targets set for Nokian Tyres two main short-term incentive plans were modified by the Board of Directors. It was decided to modify the targets set before the war in Ukraine, which were no longer relevant for the prevalent situation. New Group level targets were set for Segments operating profit and Net sales, both with an equal weight of 50%. The earning period linked to the modified targets was the second half of financial year 2022. The earning period for the first half of financial year 2022, will be paid out on target level. These modifications were also applied to President and CEO Jukka Moisio and the Management Team, whose performance was in addition measured through a climate related target, which was not adjusted during financial year 2022.

To create additional retention, the incentive pay-outs will take place in two instalments, one in March 2023 (earning period H1 2022 and climate related incentive) and one in June 2023 (earning period H2 2022). The modifications realigned the focus of the participating employees and produced positive results against the occurring business conditions. The Group level goals created a collective objective to strive for and were in alignment with the adopted Remuneration Policy.

Nokian Tyres has two annually commencing long-term share-based plans, under discretion of the Board of Directors' decision. Both plans were **renewed in February 2022**, for a 3-year period between 2022–2024. Nokian Tyres Performance Share Plan is the main share-based incentive plan which is measured through Group Segments Earnings Per Share (EPS) and Group Segments Return on Capital Employed (ROCE). Nokian Tyres Restricted Share Plan serves as a complementary long-term incentive tool, used selectively for retention of Nokian Tyres key employees. The Restricted Share Plan consists of three-year retention period, after which the share awards granted within the plan, will be paid to the participants. A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of a participant with Nokian Tyres continues until the payment date of the award. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team, including the President and CEO. In February 2023, the Board of Director decided to change the financial performance criteria from ROCE to Segments ROCE. The change was necessary to reflect the radical effects on business conditions, caused by the war in Ukraine. The average Segments ROCE threshold criteria for Restricted Share Plan 2020–2022 was met, resulting in delivery of granted shares for Management Team members and the President and CEO, participating in the plan.

As described above, The Board of Directors has decided to apply a threshold value for average Segments ROCE over the vesting period for the President and CEO and Nokian Tyres Management Team, for Restricted Share Plans commencing 2020, 2021, 2022 and 2023. The purpose is to further align the interests of the President and CEO with the interests of shareholders regarding the financial development of the Company. During the financial year 2022, 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 2022 – 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 2022

Nokian Tyres 2022 Annual General Meeting decided the following annual fees to be paid to the Board of Directors serving during the financial year 2022:

Chairman of the Board:

A fee of EUR 110,000 per year;

Deputy Chairman and to the Chairs of the Audit Committee and Personnel and Remuneration Committee

A fee of EUR 75,000 per year

Other members of the Board:

A fee of EUR 52,500 per year

For each Board and Board Committee meeting the fee is 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 is tripled. For Board members resident outside Europe, the fee for each meeting outside a member's home country is tripled. If a member participates in a meeting via telephone or video connection, the remuneration is EUR 700. Travel expenses are 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	110,000	11,900	4,200	126,100	3,441
Veronica Lindholm	Board member / Chair of the Personnel and Remuneration Committee	75,000	11,900	4,200	91,100	2,346
Pekka Vauramo	Deputy Chairman / Member of the Personnel and Remuneration Committee	75,000	11,200	4,200	90,400	2,346
Jouko Pölönen	Board member / Chairman of the Audit Committee	75,000	11,900	3,500	90,400	2,346
Christopher Ostrander	Board member	52,500	16,100	-	68,600	1,642
Inka Mero	Board member / Member of the Audit Committee	52,500	11,900	3,500	67,900	1,642
Heikki Allonen	Board member / Member of the Audit Committee	52,500	11,900	2,800	67,200	1,642
George Rietbergen	Board member	52,500	14,700	-	67,200	1,642
Susanne Hahn	Board member	52,500	9,100	-	61,600	1,642
Raimo Lind	Board member / Chairman of the Audit Committee (until April 28th, 2022)	-	4,200	1,400	5,600	-

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 2nd, 2022. The Company paid asset transfer taxes arising from the acquisition of shares.

Remuneration of the President and CEO 2022

President and CEO	Fixed annual salary (incl. holiday compensation)	Monthly base salary	Paid salary during financial year 2022 (incl. holiday compensation and mobile phone benefit)	Paid performance-based bonuses (based on year 2021)	Due performance-based bonuses (based on year 2022) ¹⁾	Total value of awarded share-based bonus	Supplementary pension contribution	Severance payment	Total fees paid during financial year 2022
Jukka Moisio	778,680	61,800	771,504	730,800	538,680	-	-	-	1,502,304

Note: All amounts presented are in EUR.

¹⁾ Due performance-based bonuses (based on year 2022) will be paid during the financial year 2023.

Short-term incentive opportunities as of annual base salary

Target	Max
50%	100%

Performance share plan long-term incentives¹⁾

Target	Max
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.

President and CEO Jukka Moisio did not receive a salary increase during financial year 2022 and the monthly base salary was thereby 61,800 EUR during the entire year.

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 were modified during the earning period of financial year 2022. The financial targets set before the war in Ukraine were adjusted, to reflect the radical changes in business conditions. It was decided that the short-term incentive for the first half of financial year 2022, would be paid at target level and new Group level targets were set for the earning period of the second half of financial year 2022. The original climate related goal measured through reduction in CO₂ emission during financial year 2022, was kept in place. The weight of the climate related goal was 10% and the achievement of the set goal was 195,0%. The pay-out for this incentive element is thereby 72,306 EUR (base salary FY 2022 × STI target 50% × weight 10% × achievement 195%). The short-term incentive amount of 166,860 EUR for the first half of 2022 corresponds to 50% (target level) of the annual base pay between January–June 2022, multiplied with the weight of 45%. The short-term bonus of 166,860 EUR for the first half of 2022 and the climate related incentive of 72,306 EUR will be paid in March 2023 payroll. The modified performance measures for the earning period of the second half of financial year 2022, were tied to Nokian Tyres Segments operating profit and Nokian Tyres Net sales, both with an equal weight of 50%. The performance period was the financial year 2022. The paid base salary during the second half of financial year 2022 functioned as the basis for the incentive. The combined achievement for the set targets for the financial year is 179,5% (100% being the target level and 200% maximum) and the short-term incentive payout for the second half of 2022 to President and CEO Jukka Moisio is 299,514 EUR (base salary July–December 2022 × STI target 50% × weight 45% × achievement 179,5%). The proportion between fixed and variable pay linked to the financial year 2022 is 41,1% variable pay and 58,9% fixed pay. For retention reasons and by decision of the Board of Directors, the pay-out of the 2022 second half short-term incentive reward will take place in June 2023.

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 27,680 performance-based shares from Nokian Tyres Performance Share Plan 2022–2024

during the financial year 2022. The possible reward will be paid during the first half of the financial year 2025, in case the targets set by the Board of Directors are met. The targets set for Nokian Tyres Performance Share Plan 2022–2024 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 2022.

Nokian Tyres has temporarily deviated from the adopted Remuneration Policy during the financial year 2022. 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, 2022 and 2023, 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 was modified by decision of the Board of Directors in February 2023. The threshold is measured against a pre-set average threshold value for Segments 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. The previous financial threshold was tied to an average value for ROCE (according to IFRS), during the restriction period in question. President and CEO Jukka Moisio has not been granted shares from the Restricted Share Plan 2022–2024. A threshold value tied to average Segments ROCE between the financial years 2022–2024 will be applied to any Management Team allocations, as well as for the Restricted Share plan commencing in 2023, with a vesting period between 2023–2025, as described in the Company's [stock exchange release published on February 7, 2023](#).

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 Segments ROCE 2020–2022	H1/2023
Performance share plan 2021–2023	31,013	62,026	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2024
Performance share plan 2022–2024	27,680	55,360	Segments ROCE (50% weight) & Segments EPS (50% weight)	H1/2025
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 are 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 2022.

Remuneration and financial development between 2018 and 2022

	2018	2019	2020	2021	2022
Board remuneration, total pay EUR					
Jukka Hienonen	-	-	105,800	112,700	126,100
Veronica Lindholm	57,000	56,400	65,500	60,200	91,100
Pekka Vauramo	52,200	53,400	63,100	82,000	90,400
Jouko Pölönen	-	-	-	59,100	90,400
Christopher Ostrander	-	-	-	57,700	68,600
Inka Mero	54,000	54,600	63,100	60,900	67,900
Heikki Allonen	54,000	54,600	63,100	60,900	67,200
George Rietbergen	53,400	54,600	60,100	57,500	67,200
Susanne Hahn	-	-	-	-	61,600
Raimo Lind	78,900	76,500	85,600	83,400	5,600
Kari Jordan	75,900	78,300	87,400	1,800	-
Petteri Walldén	102,000	101,400	6,600	-	-
Total (excl. fees paid to leaving members) ¹⁾	527,400	529,800	593,700	634,400	736,100
Board size, number of members	8	8	8	9	9
Average total pay per member ¹⁾	65,925	66,225	74,213	70,489	81,167
Index	100%	100.5%	112.6%	106.9%	123.1%
President and CEO, total pay EUR					
Jukka Moisio May 27, 2020–	-	-	429,611	1,157,960	1,502,304
Hille Korhonen Jun 1, 2017–May 26, 2020	3,601,862	1,362,987	1,472,192	-	-
Total	3,601,862	1,362,987	1,901,803	1,157,960	1,502,304
Index	100%	37.8%	52.8%	32.1%	41.7%
Employee remuneration, average EUR					
Salaries, incentives, and other related costs, MEUR	228.9	235.3	224.7	270.7	277.3
Group employees on average during financial year	4,790	4,995 ²⁾	4,859	4,941	4,947
Average per year, k EUR	47.79	47.10	46.24	54.79	55.87
Index	100%	98.6%	96.8%	114.6%	116.9%
Financial development 2018–2022					
Operating profit, MEUR	372.4	316.5	120.0	268.2	116.2
Segments operating profit, MEUR	-	337.2	190.2	324.8	221.2
Index³⁾	100%	85.0%	32.2%	72.0%	31.2%
EPS, EUR	2.15	2.89 ⁴⁾	0.62	1.49	-1.27
Segments EPS, EUR	-	3.04 ⁴⁾	1.04	1.84	1.30
Index³⁾	100%	134.4%	28.8%	69.3%	-59.1%
ROCE, %	23.3%	17.6%	6.0%	13.7%	-6.0%
Segments ROCE, %	-	18.6%	9.3%	15.8%	10.3%
Index³⁾	100%	75.5%	25.8%	58.8%	-25.8%

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, Kari Jordan from 2021 average and Raimo Lind from 2022 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 2019–2022 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.