

The remuneration policy of Nokian Tyres describes the remuneration of the Board of Directors and the President and CEO, and the considerations of determining the policy and operation of the policy. The Remuneration Policy 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. Nokian Tyres Remuneration Policy can be found [here](#).

Nokian Tyres Remuneration Report 2021 describes the implementation of the Remuneration Policy of Nokian Tyres for the financial year 2021 and will be presented to the Annual General Meeting 2022 for an advisory resolution. Nokian Tyres Remuneration Report 2021 can be found [here](#).

This section provides general information on the principles for the remuneration of the Board of Directors, Managing Director, and more detailed information of the remuneration the rest of the Management Team, including paid salaries and rewards during financial year 2021.

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 Nokian Tyres Shareholders' Nomination Board.

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.

General principles for remuneration

Remuneration of the Board members

The following proposal for annual remuneration to be paid to the Board of Directors elected, has been made by Nokian Tyres' Shareholders' Nomination Board's to the Annual General Meeting 2022:

Chairman of the Board of Directors EUR 110,000 per year
Deputy Chairman of the Board and to the Chairmen of the Committees
EUR 75,000 per year
Other members EUR 52,500 per year

The Shareholders' Nomination Board further proposes that 60% of the annual fee be paid in cash and 40% in Company shares.

The meeting fee is proposed to remain at the current level and thus be EUR 700 for each Board and Board Committee meeting. 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 proposed to be EUR 700. Travel expenses are proposed to be compensated in accordance with the Company's travel policy.

Board members are not included in the Company's 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 fixed annual salary (incl. holiday compensation) for President and CEO, Jukka Moisio, has been set at EUR 778,680. The on-target level for the short-term incentive has been set at 50% and the maximum level at 100% of annual base pay. The value of the performance-based LTI payout is capped at the maximum level of 250% of the annual base salary of the President and CEO and the on-target level is defined at 125% of annual base salary. More details can be found in [the remuneration policy of Nokian Tyres](#).

Remuneration of 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 2,780,340 in 2021 (EUR 3,533,616 in 2020), and the short-term incentives amounted to a total of EUR 747,280 in 2021 (EUR 518,981 in 2020). More details about the salaries and financial benefits paid to the Group's Management Team in 2021 can be found in a table below.

Short-term incentive plans

The target level short-term incentive opportunity corresponds to 35% of a Group Management Team member's annual base salary and the maximum incentive is twice the target level, i.e. 70% of 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.

By decision of the Board of Directors, the short-term incentive plan 2020 was modified due to the effects of COVID-19. The earning period was cut to the second half of the financial year 2020 and target setting was simplified, in order to focus efforts on responding to the changed situation. The performance criteria for the short-term incentive H2/2020 were the Group's segments operating profit and net sales, as well as business area/unit specific net sales for respective Management Team member. The 2020 short-term incentive was paid out to the Group Management Team members during in March 2021 and the combined amount was EUR 747,280 (excluding the President and CEO).

The Group level performance criteria for the short-term incentive plan 2021 were the company's operating cash flow and segments operating profit. In addition to these criteria, the members of the Management Team were measured through financial and strategic objectives set for their business areas or functions. The short-term incentive award for 2021 will be paid to the members of the Management Team during the first half of year 2022.

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 Group's Management Team incentives.

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 10–15% of annual base salary for each Group Management Team member depending on their home country practices. Retirement age has been set to 63–66 years, depending on home country regulations. 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 the Group management team and key personnel

Performance Share Plan 2016, 2017 and 2018

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 ended on 31 March 2020.

New Long-term incentive plans established in 2019: Performance Share Plan and Restricted Share Plan

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 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.

The target incentive from the Performance Share Plan 2019 onwards corresponds to 75–100% of a Group Management Team member's annual base salary. The maximum level is twice the target level, i.e. 150–200 % of annual base salary. The maximum value of paid reward cannot exceed the maximum percentage of annual base salary used to define the allocation at grant. The number of shares can be re-calculated at pay out in case the performance criteria have been met at maximum and the share price has increased from grant.

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.

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan.

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. The share reward thereunder would have been paid in the first half of 2021 if that the performance targets set by the Board of Directors are achieved. No share awards were paid for the performance period 2019–2020.

The share awards for performance period 2019–2021 would have been paid during the first half of 2022 if the performance targets set by the Board had been achieved. The

targets for the Performance Period 2019–2021 (PSP 2019–2021) were not achieved and no share rewards will be paid to participants.

The performance criteria for PSP 2019–2020 and PSP 2019–2021 were based on Earning Per Share (EPS) growth and Return on Capital Employed (ROCE). The rewards paid based on the performance period of 2019–2020 would have corresponded 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 to continue the Performance Share Plan for a new performance period for the years 2020–2022. The PSP 2020–2022 commenced 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.

The potential share reward payable under the PSP 2020–2022 is based on the segments Earning Per Share (EPS) and segments 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.

Performance Period 2021–2023

In February 2021, the Board of Nokian Tyres plc decided to continue the Performance Share Plan for a new performance period for the years 2021–2023. The Performance Period (PSP 2021–2023) commenced effective as of the beginning of 2021 and the potential share reward thereunder will be paid in the first half of 2024 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. Eligible to participate in PSP 2021–2023 are approximately 220 individuals, including the members of Group's Management Team.

The potential share reward payable under the PSP 2021–2023 are based on the segments Earnings Per Share (EPS) and segments Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2021–2023 will be a maximum of 534,898 gross shares.

Performance Period 2022–2024

In February 2022, the Board of Nokian Tyres plc decided to continue the Performance Share Plan for a new performance period for the years 2022–2024. The Performance Period (PSP 2022–2024) commenced effective as of the beginning of 2022 and the potential share reward thereunder will be paid in the first half of 2025 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. Eligible to participate in PSP 2022–2024 are approximately 235 individuals, including the members of Group's Management Team.

The potential share reward payable under the PSP 2022–2024 are based on the segments Earnings Per Share (EPS) and segments Return on Capital Employed (ROCE). The possible rewards paid based on the Performance Period of 2022–2024 will be a maximum of 513,742 gross shares.

Restricted Share Plan 2019–2021

The Restricted Share Plan (RSP) consists of annually commencing restricted share plans. Each plan has a three-year vesting period after which the allocated share rewards will be delivered to the participants partly in Nokian Tyres plc shares and partly in cash. The purpose of the Restricted Share Plan is to serve as a complementary long-term incentive tool, used selectively for retention of Nokian Tyres key employees.

The commencement of each new plan is subject to a separate approval by the Board.

A precondition for the payment of the share reward based on the Restricted Share Plan is that the employment relationship of the individual participant with Nokian Tyres continues until the payment date of the reward. In addition to this precondition, a financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan.

The RSP 2019–2021 commenced at the beginning of 2019 and the share rewards will be delivered in the first half of 2022. 17 key employees participate in the share-based incentive plan, including members of the Management Team. The financial threshold value for Return on Capital Employed (ROCE) applied for the Management Team members was achieved. The rewards to be paid correspond to a total of 46,600 Nokian Tyres plc 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 commenced at the beginning of 2020. Potential share rewards will be delivered in the first half of 2023. A financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2020–2022.

The possible rewards paid based on the Restricted Share Plan 2020–2022 correspond to a maximum of 120,000 gross shares.

Restricted Share Plan 2021–2023

In February 2021, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2021–2023 commenced at the beginning of 2021. Potential share rewards will be delivered in the first half of 2024. A financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2021–2023.

The possible rewards paid based on the Restricted Share Plan 2021–2023 correspond to a maximum of 120,000 gross shares.

Restricted Share Plan 2022–2024

In February 2022, the Board of Nokian Tyres plc decided to continue the Restricted Share Plan and the RSP 2022–2024 commenced at the beginning of 2022. Potential share rewards will be delivered in the first half of 2025. A financial performance criteria is applied to Group Management Team. The criteria is a threshold value for Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2022–2024.

The possible rewards paid based on the Restricted Share Plan 2022–2024 correspond to a maximum of 120,000 gross shares.

Salaries and financial benefits paid to the Company's Management Team members in 2021 (cash basis)								
Remuneration of the Management Team (excl. the President and CEO)	Annual salary, € (including fringe benefits and holiday compensation)	Performance based bonuses, € (based on year 2020)	Other one-time payments, €	Severance payment, €	Total value of share-based bonus, €	Supplementary pension contributions	Total, €	Share-based bonus paid in shares, number of shares
2021	2,780,340	747,280	116,718	-	-	279,796	3,924,134	-

*Performance based bonuses based on year 2020, were paid in March 2021