

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 2022 describes the implementation of the Remuneration Policy of Nokian Tyres for the financial year 2022 and will be presented to the Annual General Meeting 2023 for an advisory resolution. Nokian Tyres Remuneration Report 2022 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 2022.

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 2023: to the Chairman of the Board of Directors EUR 110,000; to the Deputy Chairman of the Board and to the Chairmen of the Committees EUR 75,000, and to other members EUR 52,500.

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.

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 of EUR 2,558,023 (EUR 2,780,340 in 2021), and the short-term incentives amounted to a total of EUR 1,897,812 (EUR 747,280 in 2021). More details about the salaries and financial benefits paid to the Group's Management Team in 2022 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.

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 was paid to the members of the Management Team in March 2022. Total amount was 1 897 812 EUR (excluding CEO)

Due to the radical changes in business conditions in 2022 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. 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.

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

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 150-200% 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 would have been paid in the first half of 2022 provided that the performance targets set by the Board of Directors had been achieved. The targets for the Performance Period 2019–2021 (PSP 2019–2021) were not achieved and no share rewards were paid to participants.

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 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 performance measure was based on segments Earnings Per Share (EPS) and segments Return on Capital Employed (ROCE), both with an equal weight of 50%.

The Board of Directors of Nokian Tyres plc has approved payments of share awards from the Performance share plan 2020–2022. The achievement for the segments Earnings Per Share (EPS) target was 50.0% and for the segments Return on Capital Employed (ROCE) target was 145.0%. The combined achievement of the set targets was thereby 97.5%. The rewards to be paid correspond to a total of approximately 158,500 Nokian Tyres plc gross shares. The rewards will be paid by the end of March 2023. Approximately 125 key employees participate in the Performance Share Plan 2020–2022, including members of the Management Team.

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 were 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 paid rewards corresponded 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.

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.

New share-based incentive plan 2023-2027

The Board of Directors of Nokian Tyres plc has decided to establish a new share-based incentive plan for the group's key employees. The aim is to align the objectives of the company's shareholders and key employees for increasing the value of the company in the long-term, to retain the key employees at the company and to offer them a competitive incentive scheme that is based on earning and accumulating shares.

The Performance Share Plan 2023–2027 consists of three performance periods covering the financial years 2023–2024, 2024–2025 and 2025–2027. The Board will decide annually on the commencement and details of the performance periods.

In the plan, the target group is given an opportunity to earn Nokian Tyres plc shares based on the achievement of the targets set for the performance periods. Potential rewards of the plan will be paid by the end of April 2026, 2027, and 2028 respectively. The rewards will be paid partly in Nokian Tyres plc shares and partly in cash. The cash proportion of the reward is intended for covering taxes and tax-related expenses arising from the rewards to the participants. In general, no reward will be paid if the participant's employment or director contract terminates before the reward payment.

The rewards from the performance period 2023–2024 are based on cumulative EBITDA, increase in passenger car tire production volume and reduction in direct CO2 emissions.

The President and CEO of the company and members of the Management Team are obliged to hold 50 per cent of the received net shares until the value of the participant's total shareholding in the company corresponds to the participant's annual gross salary. The shareholding amount must be maintained as long as the membership in the Management Team or the position as a President and CEO continues.

The value of the gross rewards to be paid from the performance period 2023–2024 will correspond to an approximate maximum total of 1,400,000 Nokian Tyres plc shares, including the cash proportion. Approximately 150 persons, including the President and CEO of the company and other Management Team members, belong to the target group of the performance period.

Restricted Share Plan 2023

The Board of Directors of Nokian Tyres plc has decided to continue the Restricted Share Plan, using the same structure as previous years. 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. It consists of annually commencing individual Restricted Share Plans, each with a three-year retention period after which the share rewards granted within the plan will be paid to the participants in shares of Nokian Tyres plc and partly in cash. The commencement of each individual plan is subject to a separate approval by the Board of Directors.

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 reward. In addition to this precondition, a financial performance criteria is applied to Nokian Tyres Management Team. The criteria is a threshold value for segments Return on Capital Employed (ROCE), which must be exceeded for a potential payment of a share reward based on the Restricted Share Plan 2023–2025.

The next plan (RSP 2023–2025) within the Restricted Share Plan structure commences effective as of the beginning of 2023 and the potential share reward thereunder will be paid in the first half of 2026. The possible rewards paid based on RSP 2023–2025 correspond approximately to a maximum of 120,000 gross shares.

Adjustment of financial criteria for Restricted Share Plans 2020–2022, 2021–2023 and 2022–2024

In addition to the employment precondition for the payment of the share reward based on the Restricted Share Plan, a financial performance criteria was set in Restricted Share Plans 2020–2022, 2021–2023 and 2022–2024 to Nokian Tyres Management Team, incl. the President and CEO. The criteria is a threshold value, which must be exceeded for any payment of a share reward based on the Restricted Share Plan.

In February 2023, the Board of Director decided to modify the financial performance criteria. The change was necessary to reflect the radical effects on business conditions, caused by the war in Ukraine. It was decided that the threshold criteria are changed and measured against a pre-set average threshold value for segments ROCE (during the financial years during the corresponding restriction period). The previous financial threshold criteria was set for an average value for ROCE (according to IFRS), during the restriction period in question.

A threshold value tied to average segments ROCE is be applied to Restricted Share Plans 2020–2022, 2021–2023, 2022–2024, as well as for the Restricted Share plan commencing in 2023, with a restriction period between 2023–2025.

Payments for Restricted Share Plan 2020–2022

The Board of Directors of Nokian Tyres plc has approved payments of share awards from the Restricted Share Plan 2020–2022.

The three-year restriction period of the Restricted Share Plan 2020–2022 ended after financial year 2022. 67 key employees participate in the share-based incentive plan, including the President and CEO and members of the Management Team. The financial threshold value for segments Return on Capital Employed (ROCE) applied for the President and CEO and the Management Team members was achieved. The rewards to be paid correspond to a total of 71,550 Nokian Tyres plc gross shares. The rewards will be paid by the end of March 2023. 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 reward.

Salaries and financial benefits paid to the Company's Management Team members in 2022 (cash basis)								
Remuneration of the Management Team (excl. the President and CEO) 2022	Annual salary, € (including fringe benefits and holiday compensation)	Performance based bonuses, € (based on year 2021)	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
	2,558,023	1,897,812		-	516,099	279,796	4,971,934	113,907

*Performance based bonuses based on year 2021, were paid in March 2022