

# REMUNERATION REPORT 2021

PONSSE PLC

# 1. INTRODUCTION

## Remuneration reporting

In its decision making and administration, Ponsse Plc (hereinafter “Ponsse” or “the company”) complies with the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company’s Articles of Association. Ponsse’s Board of Directors has confirmed the company’s corporate governance code which follows the Corporate Governance Code for Finnish listed companies approved by the Security Market Association in 2020. The Corporate Governance Code is available, for example, on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

Ponsse’s remuneration report is based on the provisions of the Corporate Governance Code for Finnish listed companies. The report identifies the salaries, fees and other financial benefits paid to the company’s bodies, i.e. members of the Board of Directors and the President and CEO, during and on the basis of the 2021 financial period. In addition, the report describes remuneration, relevant decision making and key remuneration principles.

The remuneration report is prepared and presented at the Annual General Meeting every year. The previous remuneration report (2020) was presented at the Annual General Meeting in the spring of 2021, when the majority of all votes cast at the AGM (99.75%) supported the approval of the remuneration report. The company assesses and develops remuneration reporting annually on the basis of feedback received from shareholders, for example.

## Remuneration principles in 2021

The remuneration of Ponsse’s bodies is based on the remuneration policy, which was approved based on an advisory decision at the 2020 AGM.

The elements of remuneration defined in the remuneration policy aim to harmonise the goals of shareholders, Board members, the President and CEO and the personnel to increase the company’s value and to implement the business strategy in the long term. The goal of the remuneration policy is to advance the company’s long-term financial performance and the building of a sustainable shareholder value by recruiting, engaging and motivating senior managers and employees to fulfil Ponsse’s strategy.

The remuneration policy is based on the following key principles:

- 1) Remuneration is provenly competitive as a whole.**
- 2) Remuneration attracts and commits employees to the company.**
- 3) Remuneration is fair, equal and easy to understand.**

The purpose of remuneration is to provide encouragement to achieve the strategic goals confirmed by the Board of Directors in the short term (short-term incentives) and in the long term (long-term incentives). Short-term incentives typically mean bonuses based on personal performance and the company’s results or other criteria, or other one-off and non-recurring fees related to excellent performance. Group-level incentives that measure the company’s short-term success have been in use since 2009.

Long-term incentive schemes typically mean fees based on the company's shares (e.g. share-based incentives).

No derogation from the remuneration policy was made during the 2021 financial period, and there were no situations where it would have been necessary to recover any fees or postpone or not make any payments.

### Remuneration trends and financial development during the past five years

The development of remuneration paid to members of the Board of Directors and the President and CEO during the five previous financial periods is presented below relative to the average development of remuneration paid to employees and the company's financial development during the same period. The development is presented according to the average trend of key figures.

	2021	2020	2019	2018	2017
<b>Board of Directors, annual fee (EUR thousand)</b>	283	264	245	241	227
Change from the previous year (%)	+7.2%	+7.8%	+1.7%	+6.2%	
<b>President and CEO, taxable income (EUR thousand)</b>	517	802	702	966	494
Change from the previous year (%)	-35.5%	+14.2%	-27.3%	+95.5%	
<b>The personnel's average taxable income (EUR thousand)<sup>1</sup>:</b>					
<b>Parent company</b>	53	46	51	50	51
Change from the previous year (%)	+15.2%	-9.8%	+2.0%	-2.0%	
<b>Subsidiaries</b>	32	31	33	32	34
Change from the previous year (%)	+3.2%	-6.1%	+3.1%	-5.9%	

<sup>1</sup> Remuneration paid to the personnel is presented by indicating the total remuneration amount paid by the company.

<b>Ponsse Group's financial development:</b>					
<b>Net sales (EUR million)</b>	750.0	636.6	667.4	612.4	576.6
Change from the previous year (%)	+17.8%	-4.6%	+9.0%	+6.2%	
<b>Operating result, % of net sales</b>	10.0	9.0	10.1	10.1	11.7
<b>Operating result, EUR million<sup>2</sup></b>	75.0	57.1	67.3	61.7	67.4
Change from the previous year (%)	+31.3%	-15.2%	+9.1%	-8.5%	

## 2. REMUNERATION OF MEMBERS OF THE BOARD IN 2021

Ponsse Plc's Annual General Meeting decides on the remuneration paid to members of Ponsse Plc's Board of Directors. The Annual General Meeting decided on 7 April 2021 that the annual fee of the Chairman of the Board is EUR 48,000, that of the Vice Chairman of the Board is EUR 45,000 and that of the other members of the Board is EUR 38,000. Travel expenses are also compensated for. If a member of the Board is in an employment or service relationship with the company, a salary will be paid to the member in accordance with the employment or service relationship.

	Period	Annual remuneration EUR	Other remuneration EUR	Total EUR
Mammu Kaario, Vice Chairman of the Board	1.1.–31 December 2021	45,000.00		45,000.00
Matti Kylävainio	1.1.–31 December 2021	38,000.00		38,000.00
Juha Vanhainen	1.1.–31 December 2021	38,000.00		38,000.00
Janne Vidgrén	1.1.–31 December 2021	38,000.00	120.00	38,120.00
Jarmo Vidgrén <sup>3</sup> ,	1.1.–31 December 2021	48,000.00	74,484.40	122,484.40

<sup>2</sup> A new indicator added to the 2021 report. The company deems that euro-denominated net sales supplement the presentation of the development of the company's financial profitability.

<sup>3</sup> Other remuneration is related to supporting marketing and sales.

Chairman of the Board				
Juha Vidgrén <sup>4</sup>	1.1.–31 December 2021	38,000.00	16,449.44	54,449.44
Jukka Tuomas Vidgrén	1.1.–31 December 2021	38,000.00		38,000.00
Total	1.1.–31 December 2021	283,000.00	91,053.84	374,053.84

### 3. REMUNERATION OF THE PRESIDENT AND CEO IN 2021

#### **The President and CEO's contract and remuneration principles**

As a rule, the same remuneration principles and practices regarding fringe benefits, for example, apply to the President and CEO, as well as to other employees. Considering the specific complexity and responsibility related to the position, certain other benefits, such as pension benefits, can be offered to the President and CEO. The company's Board of Directors decides on the remuneration paid to the President and CEO, the content and targets of the performance bonus and ultimately the payment of the remuneration.

The President and CEO's annual remuneration consists of a fixed monthly salary, fringe benefits and short-term incentives (i.e. the performance bonus). The short-term performance bonus is paid annually, and it is based on targets relating to operations and results set annually by the Board of Directors. In addition, the President and CEO participates in the company's long-term share-based incentive scheme and other long-term incentive schemes. The elements of remuneration are presented below.

Juho Nummela has been the company's President and CEO since 1 June 2008. Under the contract signed between the company and the President and CEO, both parties may terminate the contract with a period of notice of six months. If the company terminates the contract, the company will pay a remuneration equalling 12 months' salary in addition to the salary and other benefits that have been determined for the period of notice. The contract will end without any period of notice when the President and CEO retires.

The President and CEO can retire at the age of 60 years, with the pension being determined according to the Employees Pensions Act. The President and CEO's additional pension benefit is determined in accordance with the valid policy decided on by the company's Board of Directors. When the President and CEO's contract ends, the additional pension benefit will accrue in accordance with the policy valid at the time, also during the period of notice.

#### **The President and CEO's fixed remuneration and short-term incentives**

During the 2021 financial period, the remuneration paid to Juho Nummela, Ponsse's President and CEO, consisted of a fixed basic salary, fringe benefits and a performance bonus linked to the

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<sup>4</sup> Other remuneration is related to personnel and social relations.

achievement of business targets. As a rule, the President and CEO belongs to the general annual bonus scheme of Ponsse's Management Team, and no personal targets deviating from the Management Team's performance targets have been set for the President and CEO.

During the 2021 financial period, the President and CEO was paid a performance bonus for the achievement of the targets set for 2020 in accordance with the Board of Directors' assessment and decision. The targets set for the performance bonus paid to the President and CEO based on the 2020 financial period were based on indicators related to the efficiency of working capital (weighted value 70%) and the company's profitability (weighted value 30%). The annual performance bonus cannot exceed 50% of the salary paid in the previous year. In 2021, a total performance bonus of EUR 93,303.00 was paid based on the achievement of the targets of the 2020 bonus scheme, representing 39% of the maximum amount of the performance bonus.

Correspondingly, the President and CEO belonged to the general bonus scheme of Ponsse's Management Team during the 2021 financial period, in which the targets set for the performance bonus were based on indicators related to the efficiency of working capital (weighted value 70%) and the company's profitability (weighted value 30%), as in the previous year. The annual performance bonus cannot exceed 50% of the salary paid in the previous year. The performance bonus to be paid on the basis of the 2021 financial period is based on the Board of Directors' assessment and decision regarding the achievement of the targets set for 2021, and it is expected to be paid to the President and CEO in March 2022. Based on the 2021 performance bonus scheme, a total bonus of EUR 205,312 will be paid to the President and CEO, representing 87% of the maximum amount of the performance bonus.

### **Long-term remuneration of the President and CEO**

During the 2021 financial period, the long-term remuneration of the President and CEO consisted of the share-based incentive scheme established in 2018 for the Group's key employees, and its restriction period ended on 12 December 2021. Long-term incentives issued before 2021 have not included any earning criteria. They have included a restriction period, meaning that they have been engaging incentives. Participation in the scheme required that the President and CEO owned a certain number of shares as determined by the Board of Directors or acquired them from the market or through the company's directed share issue. Receiving the remuneration was linked to an existing employment relationship at the time of payment.

In December 2018, the scheme's remuneration was paid partly in company shares and partly in cash. The monetary component covered taxes and tax-like fees arising from the bonuses for the President and CEO. The shares given as bonuses could not be transferred during the restriction period ended on 12 December 2021.

Ponsse Plc's Board of Directors has decided on a new performance-based shareholding scheme for the President and CEO. However, it was not implemented during the financial period due to the company's ongoing business arrangements and the resulting insider restrictions.

The company has a group pension insurance arrangement, which is a long-term incentive scheme. The company pays an annual premium to the President and CEO, amounting to 45% of the annual earnings of the policyholder on which their statutory pension is based. The additional payment-based pension cost of the group pension insurance arrangement was EUR 257,986. The lowest possible retirement age under the group pension insurance arrangement is 60 years. The arrangement allows for the company to determine its payment plan and validity.

## Remuneration paid to the President and CEO during the 2021 financial period

	Period	Salary EUR	Fringe benefits <sup>5</sup> EUR	Short- term incentive schemes (performa nce bonuses) EUR	Long- term incentiv es scheme s <sup>6</sup> EUR	Other benefits <sup>7</sup>	Total remunerati on paid EUR
Juho Nummela, President and CEO	1 January – 31 December 2021	505,200.00	12,720.00	93,303.00	0	257,986.00	869,209.00
Remuneration percentage		58%	1%	11%	0%	0%	100%

The fixed annual salary paid to the President and CEO in 2021 accounted for 58% of total remuneration, while the short- and long-term incentives made up 11%.

<sup>5</sup> Car and telephone benefits

<sup>6</sup> Including remuneration under the matching arrangement

<sup>7</sup> Additional pension premiums