

Remuneration Policy

1) INTRODUCTION

This remuneration policy of Lassila & Tikanoja plc (“the Company”) is the remuneration policy referred to in the legislation and the Corporate Governance Code. It defines the principles for the remuneration of the Board of Directors, the President and CEO and possible deputy managing director registered in the Finnish Trade Register. In accordance with the applicable provisions, the policy is presented to the Annual General Meeting 2020.

The Company will present on its website information on the principles of remuneration for the Board of Directors, the President and CEO, and the Group Executive Board, and currently existing remuneration schemes, and information on the remuneration of Group Executive Board on an overall level.

The aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to the positive development of shareholder value as well as enhance the Company’s competitiveness, long-term financial success and the fulfilment of the strategy and goals set by the Company.

The key principle of the Remuneration Policy is that remuneration of the Board of Directors and the President and CEO shall contribute to the achievement of the abovementioned goals and to provide – in terms of both level and structure – a fair and competitive package that promotes commitment and retention and is in line with market practices.

The aim of all remuneration throughout Lassila & Tikanoja Group is to promote good performance and to motivate personnel to engage in long-term efforts to promote the achievement of the Company’s goals. Remuneration is one factor through which the Company strives to ensure the availability of skilled and motivated persons for all positions at all levels of the organisation. These principles also apply to the remuneration of the members of the Board of Directors and the President and CEO.

Decision-making regarding remuneration is described below separately as regards the Board members and the President and CEO. The disqualification provisions of the Finnish Companies Act regarding Board members and the President and CEO shall be complied with in the decision-making.

2) DESCRIPTION OF THE DECISION-MAKING PROCESS

2.1 Preparation and approval

The Remuneration Policy, and possible substantial amendments thereto, will be prepared by the Personnel and Sustainability Committee of the Board of Directors or a similar governing body to which the preparation of remuneration has been assigned to. The Board of Directors discusses and approves the Remuneration Policy and major amendments thereto, which will be presented to the General Meeting. The General Meeting makes a consultative decision as to whether it supports the Remuneration Policy presented to the General Meeting. The shareholders may not propose changes to the Remuneration Policy that is presented to it. If the majority of the General Meeting does not support the presented policy, a revised Remuneration Policy will be presented to the following Annual General Meeting at the latest. In such a case, the decision on the remuneration of the Board

of Directors and the President and CEO shall be based on the Remuneration Policy that has been presented earlier to the General Meeting, until the revised remuneration policy has been discussed at a subsequent General Meeting.

2.2 Follow-up

The Personnel and Sustainability Committee of the Board of Directors shall observe the implementation of the Remuneration Policy annually and, when necessary, present to the Board of Directors its proposals for actions in order to ensure the appropriate fulfilment of the Remuneration Policy. The Board of Directors shall present the Remuneration Policy to the General Meeting for discussion when necessary and, in any case, within four (4) year intervals.

In addition, the Board of Directors shall annually present a Remuneration Report to the Annual General Meeting, thus allowing the shareholders to evaluate the fulfilment of the Remuneration Policy in the Company. The General Meeting shall decide on the approval of the Remuneration Report. The decision of the General Meeting on the Remuneration Report is of a consultative nature.

2.3 Implementation

The Annual General Meeting of Lassila & Tikanoja plc shall decide on the remuneration of the members of the Board of Directors annually, based on a proposal prepared by major shareholders. The decision on the remuneration of the Board of Directors shall be based on the Remuneration Policy that has been presented to the General Meeting.

The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO in accordance with the Remuneration Policy. The Personnel and Sustainability Committee of the Board of Directors shall prepare matters pertaining to remuneration, utilising the assistance of independent external experts when necessary.

3) DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

The General Meeting decides annually on the remuneration to be paid to the Board members for their Board and Committee work. A proposal concerning remuneration to the Annual General Meeting is made by the Shareholders' Nomination Board.

The remuneration of the Board of Directors may consist of one or more components. Members of the Board of Directors may, for example, be paid an annual or monthly fee and attendance fees for meetings of the Board of Directors, its committees or other governing bodies. Fees may be paid in cash and/or partially or fully as shares or other financial instruments.

4) DESCRIPTION OF THE REMUNERATION OF THE PRESIDENT AND CEO

The Board of Directors decides annually on the remuneration and financial benefits payable to the President and CEO. Prior to the decision-making of the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board of Directors. The President and CEO is not a member of the Personnel and Sustainability Committee and is not involved in the decision-making process regarding his/her remuneration.

4.1 The components of remuneration used in the remuneration and their relative proportions

The incentive scheme of the President and CEO consists of a fixed monthly salary with benefits in kind and variable remuneration components that will be decided each year, which may include, for example, a short-term performance-based incentive scheme and a long-term share-based incentive scheme or other long-term incentive scheme.

The relative proportions of the components of remuneration may vary according to the objectives set by the Board of Directors and their achievement.

4.2 Components of possible variable remuneration and their basis

The variable remuneration components are based on targets set by the Board of Directors. The goals are set in such a way that they support the realisation of the Company's strategy and long-term and short-term financial success. In addition to financial criteria, the targets may also include other criteria.

Short-term incentive scheme

Any short-term incentive payable to the President and CEO may be based on the result of the Group or other criteria decided by the Board of Directors. As a rule, the objectives of the short-term incentive scheme are set – and their achievement assessed – annually. The payment is subject to the President and CEO's service being in effect at the time of payment, unless otherwise decided by the Board of Directors in an individual case.

Long-term incentive scheme

A long-term incentive for the President and CEO may be a share-based incentive scheme or other similar arrangement. The Board of Directors of the Company decides on share-based or other long-term incentive schemes, the earnings period of which is generally three calendar years. The Board of Directors will decide on the earnings criteria for the earning period and the maximum amount of the share bonus on the proposal of the Personnel and Sustainability Committee. The reward may be paid partly in shares and partly in cash.

The payment is subject to the President and CEO's service being in effect at the time of payment, unless otherwise decided by the Board of Directors in an individual case. Shares earned on the basis of the incentive scheme may be subject to transfer restrictions or an obligation to return the payment in circumstances specifically determined by the Board of Directors. In addition, the President and CEO may be required to hold a certain number of shares during his/her service.

4.3 Other key terms applicable to the contract of service

The terms and conditions applicable to the service of the President and CEO are set out in his/her contract of service approved by the Board of Directors, the main terms of which (including the notice period and potential compensation for termination) are described on the Company's website. In the determination of the terms of service of the President and CEO the underlying principle is that the terms and conditions provide the President and CEO with remuneration that is, as a whole and both from the level and structure viewpoint, competitive and in line with market practice.

4.4 Terms and conditions concerning the deferral and possible clawback of remuneration

The Company's possibilities to defer remuneration and to claw back previously paid variable compensation are determined by the terms of the incentive schemes and the applicable Finnish legislation.

5) DEVIATION FROM THE REMUNERATION POLICY AND AMENDMENTS TO THE REMUNERATION POLICY

The Company may temporarily deviate from the Remuneration Policy presented to the General Meeting if such deviation is necessary to ensure the long-term interests of the Company and the current Remuneration Policy would no longer be appropriate in the changed circumstances. Such situations include, for example, changes in the Board of Directors or change of the President and CEO, major changes in the Company's strategy, changes in the Company's decision-making process concerning remuneration, corporate restructuring, such as mergers and acquisitions or a public takeover, or changes in tax or other regulations or legal praxis. Such deviation may apply to all aspects of the remuneration. The Board of Directors shall decide on deviations that concern the President and CEO.

Material changes to the Remuneration Policy shall be prepared and presented to the General Meeting in accordance with the decision-making process described in section 2. In addition, the Company may make non-material amendments to the Remuneration Policy without presenting the amended policy to the General Meeting. Such permissible non-material amendments include, for example, technical amendments to the decision-making process concerning remuneration or reward terminology. Changes in legislation may also justify non-material amendments to the Remuneration Policy of the governing bodies.

The Board of Directors assesses the need for changes in the remuneration policy. The Company shall consider in which respect and to which extent the decision of the General Meeting on the previous Remuneration Policy, or statements on the Remuneration Reports that are published after the adoption of the previous Remuneration Policy, are relevant in the preparation of a new Remuneration Policy.

When amending the Remuneration Policy, the introduction of the Remuneration Policy shall explain:

- significant changes to the existing Remuneration Policy;
- how the new remuneration policy reflects the decision of the Annual General Meeting on the previous remuneration policy; and
- how the new remuneration policy reflects the shareholders' statements that have been presented at the General Meetings in connection with discussion of the Remuneration Reports published after the adoption of the previous Remuneration Policy.

6) OTHER INFORMATION

What is stated about the President and CEO in this Remuneration Policy also applies to a potential deputy managing director registered in the Finnish Trade Register. However, with respect to the level and structure of the remuneration, the Board of Directors is not bound by the remuneration of the President and CEO when deciding on the remuneration of the deputy managing director.