



Remuneration Report 2023
Lassila & Tikanoja plc

LEADER OF THE REGENERATIVE SOCIETY



Remuneration Report 2023

This Remuneration Report has been prepared in accordance with the applicable legislation and the Securities Market Association's Finnish Corporate Governance Code for Finnish listed companies, which entered into force on 1 January 2020. This report describes the remuneration of the Company's governing bodies, namely the Board of Directors and the President and CEO, for the financial year 2023. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2024 Annual General Meeting of Lassila & Tikanoja plc (hereinafter referred to as "L&T" or "the company"). The resolution of the Annual General Meeting concerning the Remuneration Report is advisory. The 2023 Annual General Meeting voted for the Remuneration Report for the financial year 2022 and affirmed it by an advisory resolution. This Remuneration Report, other information disclosed in accordance with the Corporate Governance Code, and information on the remuneration of the members of the Group Executive Board are available on the company's website.

Introduction

L&T's Personnel and Sustainability Committee has drafted and the Board of Directors has approved the Remuneration Policy, presented to the 2020 Annual General Meeting. The Remuneration Policy describes the remuneration principles concerning the company's governing bodies, namely the Board of Directors and the President and CEO. During the financial year 2023, L&T complied with the Remuneration Policy presented to the Annual General Meeting. An analysis of the total compensation of the key management is prepared annually by a consultant independent of the company. The analysis is reviewed by the Personnel and Sustainability Committee.

There were no deviations from the Remuneration Policy and no clawback of remuneration. In accordance with the Remuneration Policy, 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 to enhance the company's competitiveness, long-term financial success, and 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 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. The chart on the left shows the development of the remuneration of the Board members and the President and CEO during the financial years 2019–2023 relative to the development of the average remuneration of employees and the Group's financial performance.

Fees paid to the Board of Directors for the financial year 2023

The Annual General Meeting annually determines the annual fees and meeting fees payable to the members of the Board of Directors for Board and committee work. The Shareholders' Nomination Board prepares proposals on remuneration for the Annual General Meeting to be held in the spring 2024.

Annual fees, meeting fees for Board and committee meetings, and other financial benefits

The Annual General Meeting held on 23 March 2023 resolved on the remuneration of the Board of Directors in 2023 as follows:

- Chairman of the Board EUR 60,000
- Vice Chairman of the Board EUR 40,000
- members EUR 30,000

The fees are be paid so that 40% of the annual fee is paid in Lassila & Tikanoja plc shares held by the company or, if this is not feasible, shares acquired from the market, and 60% in cash.

Shares are issued to Board members and, where necessary, acquired directly from the market on behalf of Board members on the third trading day after the publication of the interim report for the first quarter of the year.

In addition, meeting fees were paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman, and EUR 500 to each member for each meeting. Meeting fees were also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

None of the members of the Board of the Directors is employed by the company or a company belonging to the same group of companies as the company or acts as the company's advisor, and thereby they receive no salary, pension benefits, other financial benefits associated with employment or service, or other emoluments or fees not associated with Board work from the company.

The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the

members of the Board of Directors, a total of 8,484 shares held by the company were transferred to the Board members on 8 May 2023 at a rate of EUR 10.37 per share in the following amounts: 2,314 shares to the Chairman, 1,542 shares to the Vice Chairman, and 1,157 shares to each member.

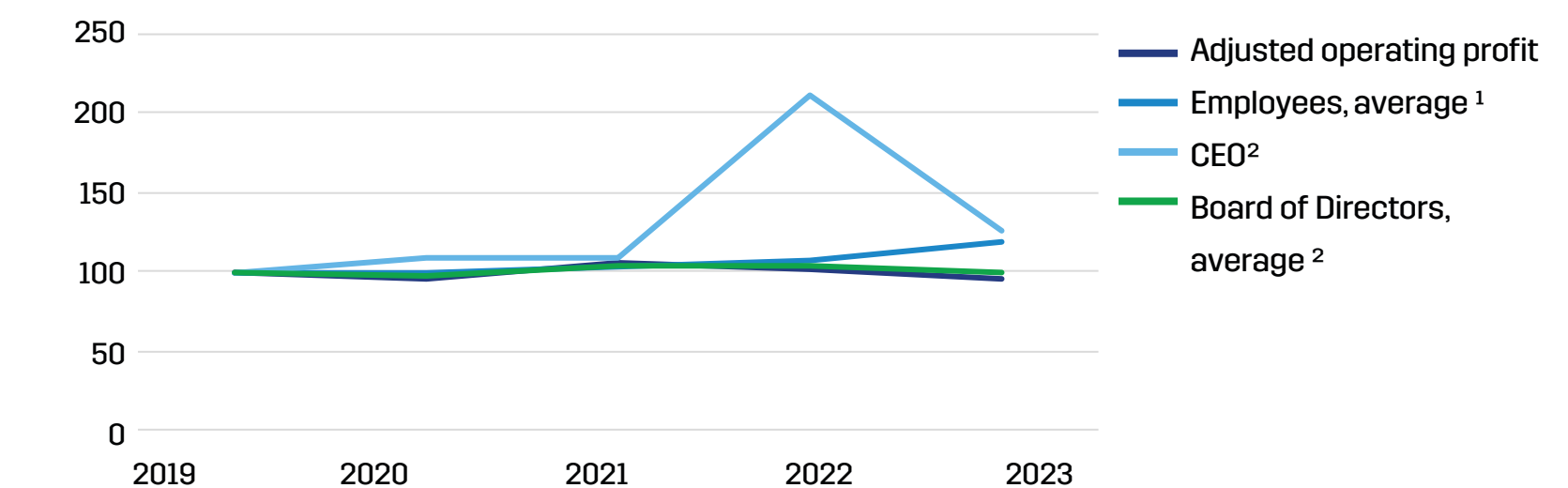
Fees paid to the members of the Board of Directors

EUR	Annual fee	Meeting fees	Total
Jukka Leinonen, Chairman	60,000	15,500	75,500
Sakari Lassila, Vice Chairman	40,000	11,900	51,900
Teemu Kangas-Kärki, member	30,000	8,500	38,500
Laura Lares, member	30,000	8,000	38,000
Anni Ronkainen, member ¹	30,000	6,500	36,500
Laura Tarkka, member ²		2,500	2,500
Pasi Tolppanen, member	30,000	8,500	38,500

¹ Member of the Board from 23 March 2023

² Member of the Board until 23 March 2023

Development of business and remuneration, indexed, 2019 = 100



¹ Employee salaries relative to the total number of personnel, converted to a full-time equivalent basis

² Total remuneration scheme

Remuneration of the President and CEO for the financial year 2023

The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO. Before decision-making by the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board. Eero Hautaniemi has served as the President and CEO since 1 January 2019. The company did not have a Deputy CEO.

Key remuneration principles

The remuneration of the President and CEO consists of a fixed monthly salary and benefits, and a separate annually decided short-term incentive. In addition, the President and CEO is included in the share-based incentive scheme, which serves as a long-term incentive scheme. The short-term incentive scheme and the share-based incentive scheme that serves as a long-term incentive scheme constitute the variable components of the President and CEO's remuneration.

Short-term incentive scheme

The short-term incentive bonus for the President and CEO corresponds to six months' salary at maximum. The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. Any incentives are usually paid in February of the year following the earnings period typically spanning a calendar year. The precondition for payment is that the President and CEO is employed by the company at the time.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2023 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (70% weight), improving working capital (20% weight) and the employee Net Promoter Score (eNPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponded to the financial year 2023, the incentive bonus was earned at 39.5% of the maximum amount. The President and CEO will be paid EUR 89,400 in the financial year 2024 for the earnings period that corresponds to the financial year 2023.

Long-term incentive scheme

The President and CEO's long-term incentive scheme is the company's share-based incentive scheme. The Board of Directors decides on the share-based incentive scheme as part of the overall incentive and retention scheme. As a rule, the earnings period of the plan is three calendar years. The Board of Directors decides on the earning criteria for each earnings period based on the Personnel and Sustainability Committee's proposal. The final numbers of shares issued based on meeting the earnings criteria are decided by the Board of Directors at the beginning of the year following the earnings period.

Rewards are paid in February of the calendar year following the earnings period. The rewards are paid partly as shares and partly in cash. The cash com-

ponent is intended to cover the taxes and tax-like payments incurred from the share-based reward. The reward corresponds to 12 months' salary at maximum.

The precondition for payment is that the President and CEO is employed by the company at the time. Any shares earned through the one-year incentive scheme must be held for a minimum period of two years following payment (retention period). After the two-year retention period, shares must continue to be held at a value corresponding to the President and CEO's gross salary for six months, as long as the President and CEO is employed by the company. If the President and CEO resigns during the retention period at their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2023 and 2022 as the earnings periods, and the three-year earnings period of 2023–2025, are described below:

- The share-based incentive scheme with the financial year 2022 as the earnings period. The reward was based on the Group's EVA result with a weight of 90 per cent and the carbon footprint target with a weight of 10 per cent. As the EVA earnings criteria for the earnings period corresponding to the financial year 2022 were not met, no long-term incentive bonuses were paid to the President and CEO in 2023 for that earnings period.
- The share-based incentive scheme with the financial year 2023 as the earnings period. The reward is based on the Group's return on capital employed (ROCE) with a weight of 80% and carbon footprint reduction with a weight of 20%. The earnings criteria for the earnings period that corresponds to the financial year 2023 were achieved to such an extent that the reward represented 51.3% of the maximum amount. In the financial year 2024, the President and CEO was paid a total of EUR 145,727 under the long-term incentive scheme (corresponding to 16,108 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2023, calculated at the average share price on 23 February, 2024.
- The share-based incentive scheme with the financial years 2023–2025 as the earnings period. The reward is based on the Group's average return on capital employed (ROCE) for 2023–2025 (50% weight), the total shareholder return (TSR) of the Lassila & Tikanoja plc share relative to the stock market index for the Helsinki Stock Exchange (30% weight), and carbon footprint reduction (20% weight). Payment of the rewards under the share-based incentive scheme in question will take place after the three-year earnings period, in 2026.

Other key terms and conditions

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate

the contract. In the event that the company terminates the contract, the President and CEO will be paid compensation amounting to twelve (12) months' salary. Separate rewards are not paid to the President and CEO for memberships of the Boards of Directors of the company's subsidiaries, and the President and CEO receives no remuneration from L&T Group companies other than the parent company. The President and CEO's pension is determined according to the Employees Pensions Act.

Remuneration paid to the President and CEO

Short-term and long-term incentive bonuses were paid to the President and CEO in the financial year 2023. Incentive bonuses amounting to EUR 89,400 will become due for payment for the financial year 2023. No supplementary pension was paid. The following table presents the remuneration paid to the President and CEO during the financial year 2023:

EUR	2023	Relative share of fixed and other incentives
Annual salary (including salary and fringe benefits)	466,815	88%
Incentive bonus	63,882	12 % ¹
Share-based bonus	-	0%
Fringe benefits (included in the annual salary)	19,620	
Total	530,697	

¹ The maximum amount of the incentive bonus for the CEO in 2023 was 50% of the annual salary



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