



LEADER OF THE REGENERATIVE SOCIETY

Remuneration Report 2021
Lassila & Tikanoja Plc



Remuneration Report

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 2021. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2022 Annual General Meeting of Lassila & Tikanoja plc ("L&T" or "the Company"). 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 2021, L&T complied with the Remuneration Policy presented to the Annual General Meeting.

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 above-mentioned 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 apply also to the remuneration of the members of the Board of Directors and the President and CEO. The chart below shows the development of the remuneration of the Board members and the President and CEO during the financial years 2017–2021 relative to the development of the average remuneration of employees and the Group's financial performance.

Fees paid to the Board for the financial year 2021

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 2022.

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

The Annual General Meeting held on 18 March 2021 resolved on the remuneration of the Board of Directors in 2021 as follows:

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

The fees shall 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 to be issued to Board members and, where necessary, acquired directly from the market on behalf of Board members within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting.

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 with 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.

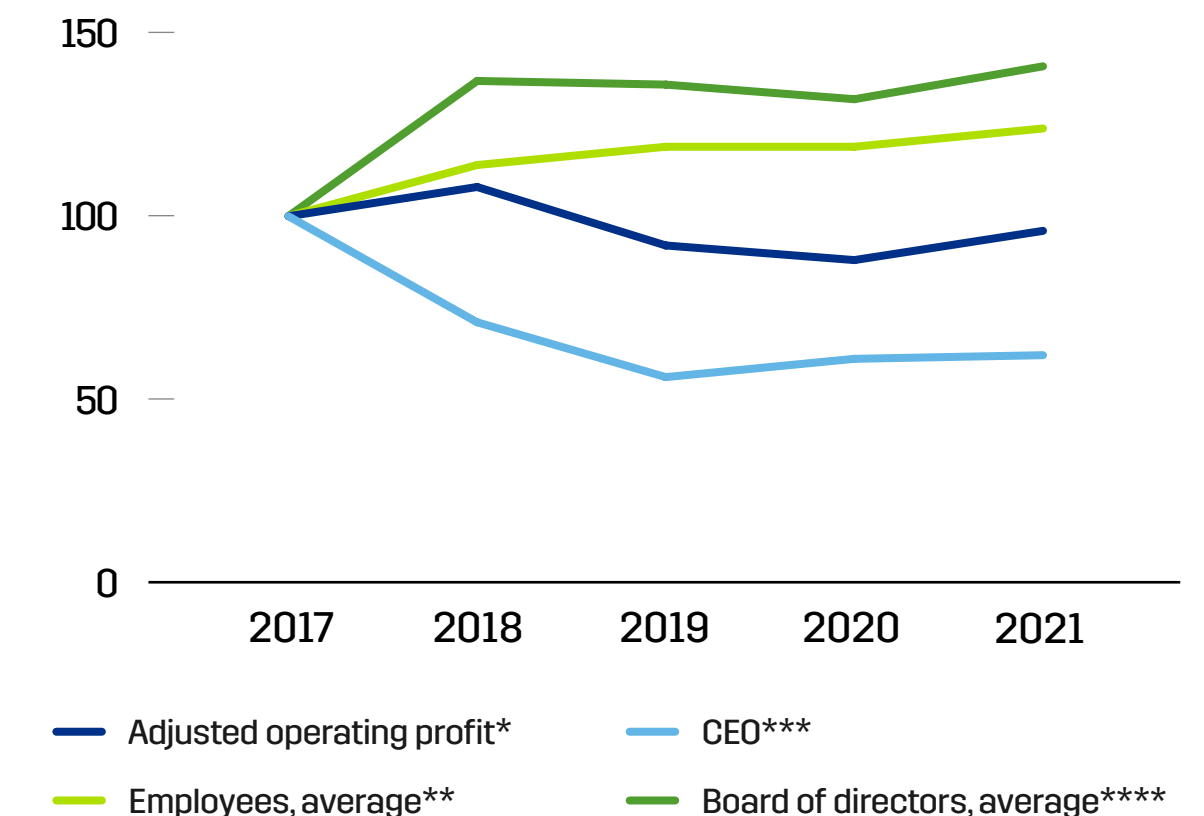
The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 7,193 shares held by the Company were transferred to the Board members on

26 March 2021 at a rate of EUR 13.89 per share in the following amounts: 1,727 shares to the Chairman, 1,151 shares to the Vice Chairman, and 863 shares to each member.

Remuneration of the President and CEO for the financial year 2021

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.

Development of business and remuneration, indexed, 2017=100



* Reported operating profit for 2017–2018, does not differ significantly from adjusted operating profit.

** Employee salaries relative to the total number of personnel, reported as full-time equivalents.

*** Total remuneration, with the incentive schemes being based on the preceding year's results.

**** Total remuneration. The annual fees of the Board of Directors were increased in 2018.

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 a 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.

Remuneration paid to the members of the Board of Directors

EUR	2021		
	Annual fee	Meeting fees	Total
Heikki Bergholm, Chairman	60,000	19,800	79,800
Sakari Lassila, Vice Chairman	40,000	16,800	56,800
Teemu Kangas-Kärki, member	30,000	12,000	42,000
Laura Lares, member	30,000	12,500	42,500
Jukka Leinonen, member*	30,000	9,000	39,000
Laura Tarkka, member	30,000	10,000	40,000
Pasi Tolppanen, member	30,000	10,000	40,000
Miikka Maijala, member**	-	3,000	3,000

* Member of the Board from 18 March 2021.

** Member of the Board until 18 March 2021.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2021 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (80% weight), employee recommendation (10% weight) and customer satisfaction (NPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponds to the financial year 2021, the incentive bonus was earned at 72% of the maximum amount. The President and CEO will be paid EUR 157,248 in the financial year 2022 for the earnings period that corresponds to the financial year 2021.

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 commitment scheme. The earnings period of the plan is one calendar year. 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 will be paid in February of the calendar year following the earnings period. The rewards are paid partly as shares and partly in cash. The cash component is intended to cover the taxes and tax-like payments incurred from the share-based reward. The reward corresponds to 12 months' salary at a maximum.

The precondition for payment is that the President and CEO is employed by the Company at the time. Any shares earned through the incentive scheme must be held for a minimum period of two years following payment (commitment period). After the two-year commitment 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 commitment period at their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2021 and 2020 as the earnings periods are described below:

- The share-based incentive scheme with the financial year 2020 as the earnings period. The reward was based on the Group's EVA result, and no reward was paid during the financial year 2021.
- The share-based incentive scheme with the financial year 2021 as the earnings period. The reward was based on the Group's EVA result with a weight of 90% and the carbon handprint target with a weight of 10%. The earnings criteria for the earnings period that corresponds to the financial year 2021 were achieved to such an extent that the reward to be paid will represent 69.9% of the maximum amount. In the financial year 2022, the President and CEO will be paid a total of EUR 265,132 under the long-term incentive scheme (corresponding to 10,974 L&T shares to be transferred and including the cash component) for the earnings period that corresponds to the financial year 2021, calculated at the average share price of EUR 12.08 on the day immediately following the publication of the financial statements.

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.

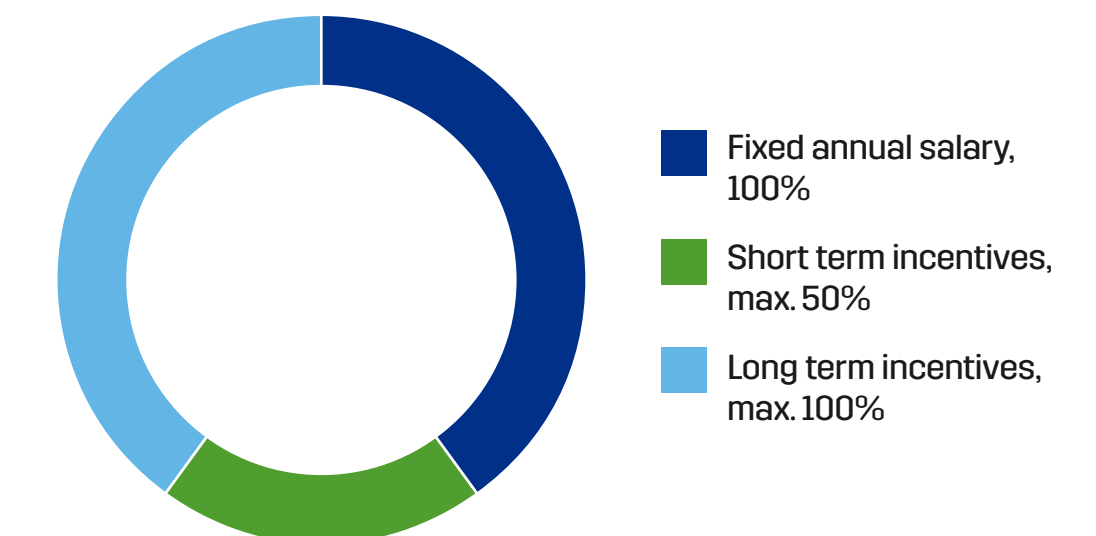
Remuneration paid to the President and CEO

No short-term or long-term incentive bonuses were paid to the President and CEO during the financial year 2021. No supplementary pension was paid.

The following table presents the remuneration paid to the President and CEO during the financial year 2021:

	2021
Annual salary (including salary and fringe benefits)	461,552.00
Incentive bonus	-
Share-based bonus	-
Fringe benefits (included in the annual salary)	17,635.32
Total	461,552.00

Remuneration of the President and CEO: maximum earning potential



Verification of the Remuneration Report

L&T's auditor KPMG Oy Ab has verified that this Remuneration Report includes the legally required disclosures.



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