

LEADER OF THE REGENERATIVE SOCIETY



Remuneration Report 2022
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 2022. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2023 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 2022 Annual General Meeting voted for the Remuneration Report for the financial year 2021 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 2022, 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 from 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 apply also to the remuneration of the members of the Board of Directors and the President and CEO. The chart shows the development of the remuneration of the Board members and the President and CEO during the financial years 2018–2022 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 2022

The Annual General Meeting annually determines the annual fees and the 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 2023.

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

The Annual General Meeting held on 17 March 2022 resolved on the remuneration of the Board of Directors in

2022 as follows:

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

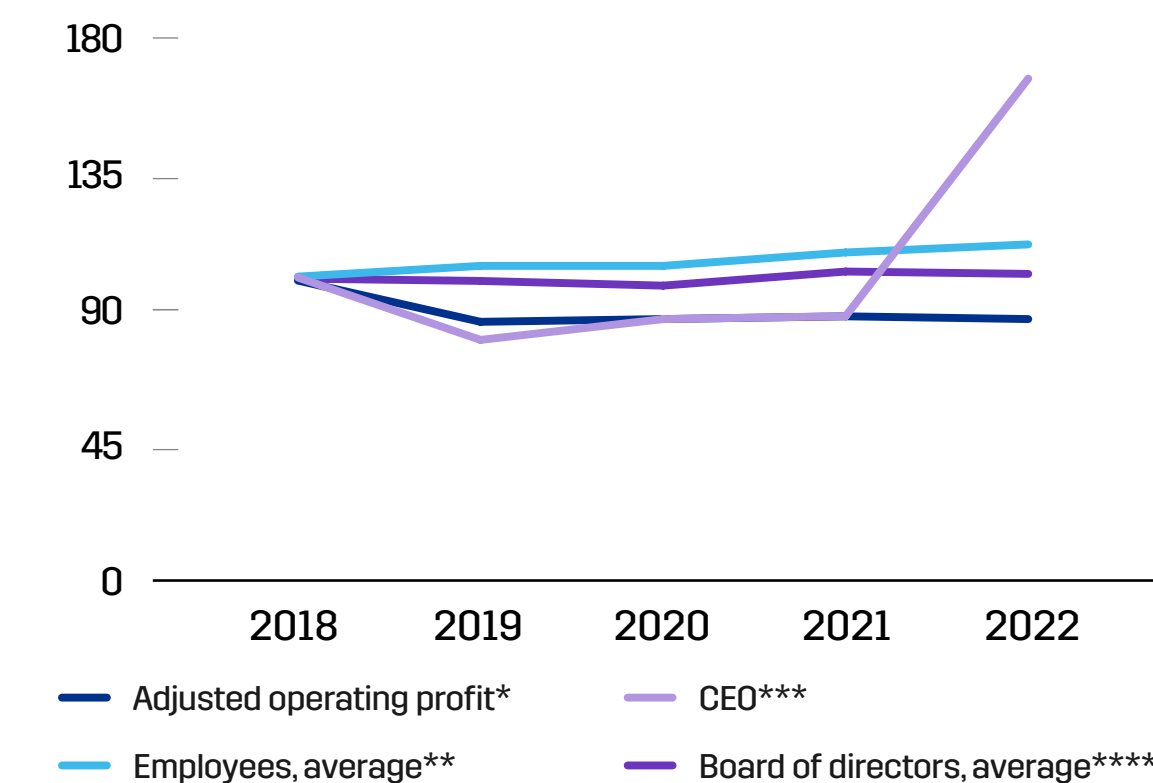
The fees shall be paid so that 40% of the annual fee is paid in Lassila & Tikanoja plc shares held by the Company or, if this is not feasible, shares acquired from the market, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the market on behalf of Board members 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 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 8,618 shares held by the Company were transferred to the Board members on 2 May 2022 at a rate of EUR 10.205 per share in the following amounts: 2,351 shares to the Chairman, 1,567 shares to the Vice Chairman, and 1,175 shares to each member.

Development of business and remuneration, indexed, 2018=100



* Reported operating profit for 2018 does not differ significantly from the adjusted operating profit

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

*** Total remuneration, with the incentive schemes being based on the preceding year's results (based on the achievement of the performance criteria for the earnings period that corresponded to the financial year 2021, the incentive bonus was earned at 72% of the maximum amount for the short-term incentive scheme and at 69.9% of the maximum amount for the long-term incentive scheme)

**** Total remuneration

Fees paid to the members of the Board of Directors

EUR	2022		Total
	Annual fee	Meeting fees	
Jukka Leinonen, Chairman*)	60,000	13,400	73,400
Heikki Bergholm, Chairman**)		4,400	4,400
Sakari Lassila, Vice Chairman	40,000	12,600	52,600
Teemu Kangas-Kärki, member	30,000	9,000	39,000
Laura Lares, member	30,000	9,000	39,000
Laura Tarkka, member	30,000	7,500	37,500
Pasi Tolppanen, member	30,000	8,500	38,500

*) Chairman of the Board from 17 March 2022, member of the Board until that date.

***) Chairman of the Board until 17 March 2022.

Remuneration of the President and CEO for the financial year 2022

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 a maximum. The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. Any incentives are usually paid in

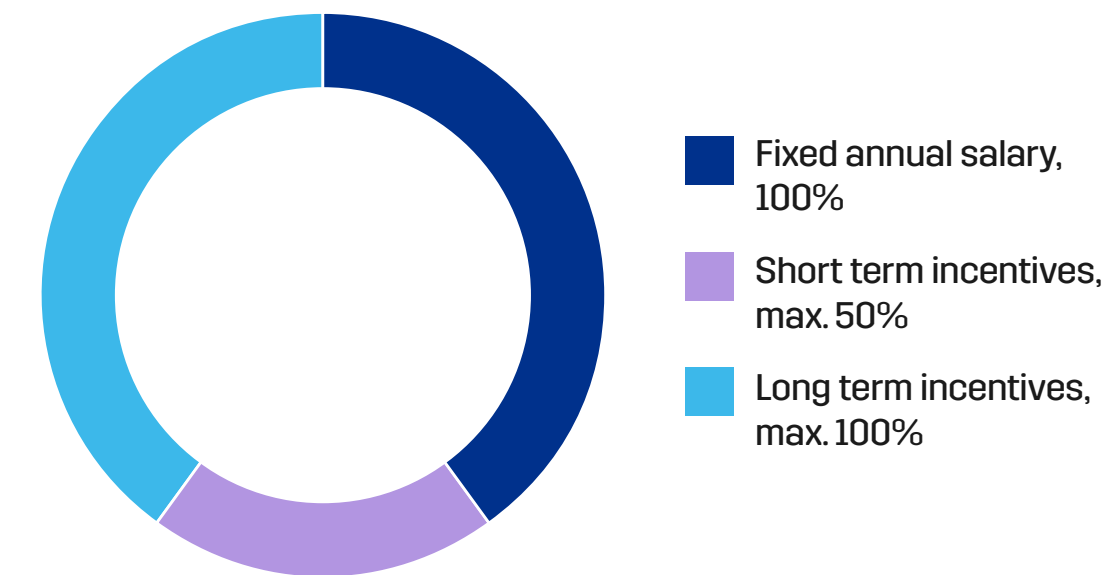
February of the year following the earnings period typically spanning a calendar year. The precondition for payment is that the President and CEO is employed by the Company at the time.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2022 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (70% weight), employee Net Promoter Score (eNPS, 10% weight) and customer satisfaction (NPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponded to the financial year 2022, the incentive bonus was earned at 29% of the maximum amount. The President and CEO will be paid EUR 63,882 in the financial year 2023 for the earnings period that corresponds to the financial year 2022.

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

Remuneration of the President and CEO: maximum earning potential

their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2022 and 2021 as the earnings periods are described below:

- 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 was 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 corresponded to the financial year 2021, calculated at the average share price on the day immediately following the publication of the financial statements.
- 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% and the carbon footprint target with a

weight of 10%. As the EVA earnings criteria for the earnings period corresponding to the financial year 2022 were not met, no long-term incentive bonuses will be paid to the President and CEO in 2023 for that earnings period.

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 2022. Incentive bonuses amounting to EUR 63,882 will become due for payment for the financial year 2022. No supplementary pension was paid.

The following table presents the remuneration paid to the President and CEO during the financial year 2022:

EUR	2022
Annual salary (including salary and fringe benefits)	458,640
Incentive bonus	157,248
Share-based bonus	265,132
Fringe benefits (included in the annual salary)	19,260
Total	881,020



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