

PONSSE PLC

REMUNERATION REPORT

In its decision-making and administration, the company observes the Finnish Limited Liability Companies Act, other regulations governing publicly listed companies and the company's Articles of Association. The Board of Directors has confirmed the company's corporate governance code which follows the Corporate Governance Code of Finnish listed companies approved by the Security Market Association in 2020. The Corporate Governance Code is publicly available, for example, from the Security Market Association's website at www.cgfinland.fi.

Ponsse's Annual General Meeting made an advisory decision to approve the Company's remuneration policy in 2020. The purpose of the elements of remuneration defined in the policy is to harmonise the objectives of the shareholders, Board members, and the President and CEO and personnel to grow the company's value and implement the business strategy over the long term. No deviations to the remuneration policy were made during the 2020 financial period, and there was no need to recover paid compensation.

The objective of the remuneration policy is to promote the company's long-term financial performance and sustainable creation of shareholder value by hiring, committing and motivating the senior management and personnel to implement Ponsse's strategy.

The remuneration policy is based on the following key principles:

- Remuneration overall is found to be competitive
- Remuneration is attractive and commits employees to the company
- Remuneration is fair, equal and comprehensible

DEVELOPMENT OF REMUNERATION AND FINANCIAL DEVELOPMENT OVER THE LAST FIVE YEARS

(1 000 EUR)	2020	2019	2018	2017	2016
Board of directors, meeting fee	264	245	241	227	236
President and CEO, taxable income	802	702	966	494	522
Average taxable income of personnel					
Parent company	46	51	50	51	48
Subsidiaries	31	33	32	34	32
Financial development:					
Net sales, EUR million	636.6	667.4	612.4	576.6	517.4
Operating result, as % of net sales	9.0	10.1	10.1	11.7	10.7

REMUNERATION OF THE MEMBERS OF THE BOARD

Ponsse Plc's Annual General Meeting decides on the remuneration payable to members of the Ponsse Plc Board of Directors. The Annual General Meeting decided on 27 May 2020 that the annual fee of the Chairman of the Board would be EUR 48,000, the fee payable to the Vice Chairman would be EUR 45,000, and the annual fee of the other Members of the Board would be EUR 38,000. Travel expenses are also compensated for.

EUR	Period	Meeting fee	Other remuneration	Total
Kaario Mammu	1.1. - 31.12.2020	45,000.00		45,000.00
Kylävainio Matti	1.1. - 31.12.2020	38,000.00		38,000.00
Vanhainen Juha	1.1. - 31.12.2020	38,000.00		38,000.00
Vidgrén Janne	1.1. - 31.12.2020	38,000.00	60.00	38,060.00
Vidgrén Jarmo, Chairman of the Board starting from 27 May 2020	27.5. - 31.12.2020	28,000.00	32,740.00	60,740.00
Vidgrén Juha, Chairman of the Board until 27 May 2020	1.1. - 31.12.2020	39,000.00	27,833.00	66,833.00
Vidgrén Jukka Tuomas	1.1. - 31.12.2020	38,000.00		38,000.00
Total		264,000.00	60,633.00	324,633.00

REMUNERATION OF THE PRESIDENT AND CEO

As a rule, the same remuneration principles and practices (with regard to employee benefits, for example) are applied to the remuneration of the President and CEO as to that of the other employees. However, considering the special status and demanding nature of the President and CEO position as well as the responsibilities inherent to the role of the President and CEO, certain benefits that deviate from those offered to the rest of personnel (such as the pension benefit) may be offered to the President and CEO.

Compensation paid to the President and CEO consists of a fixed monthly salary and a performance bonus. The performance bonus is based on annual operational and profit targets set by the Board of Directors. Ponsse Plc's Board of Directors decides on the President and CEO's salary, the content and targets of the performance bonus, and ultimately, the payments of the compensation. The annual performance bonus of the President and CEO cannot exceed 50% of their salary in the previous year. Earning criteria for short-term incentives (performance bonus) are the operating profit rate, cash flow from business operations and the working capital rate. In 2020, EUR 145,805 were paid in performance bonuses.

Juho Nummela has been President and CEO since 1 June 2008. Under the contract of service concluded between the Company and its President and CEO, both parties may terminate the agreement by giving twelve (12) months' 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 and is entitled to an earnings-related pension in accordance with the Employees Pensions Act. The President and CEO's additional pension benefit will be determined in accordance with practices decided on by the Company's Board of Directors and valid at the time. When the President and CEO's contract of service ends, the additional pension benefit will also accrue during the period of notice in accordance with practices valid at the time.

EUR	Period	Base salary	Benefits	Short-term incentives	Long-term incentives	Paid remunerations total
Nummela Juho	1.1.-31.12.2020	484,800.00	15,600.00	375,356.93	0.00	875,756.93
Share of remuneration element		55 %	2 %	43 %	0 %	100 %

INCENTIVE SCHEMES

The President and CEO's long-term compensation plan consists of a share-based incentive scheme established for key personnel in 2018. The scheme's restriction period ends on 12 December 2021. Long-term incentives issued before 2021 have not included any earning criteria. Long-term incentives have included a vesting period and, therefore, are engaging incentives. Participation in the scheme required that the President and CEO owned a certain number of shares determined by the Board or acquired them from the market or via a special issue of shares. Receiving the compensation was also tied to the President and CEO's existing service contract at the time of payment.

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

If the President and CEO's service contract ends during the restriction period, they will be obligated to return the shares given as a bonus in full or in part to the company, without any compensation.

In addition, the President and CEO has participated in a separate matching arrangement, in which the company committed to carrying out a 50 per cent matching arrangement against shares acquired by the CEO. The short-term incentive scheme included EUR 228,352 of fees related to the share-based incentive scheme.

The company also uses another long-term incentive scheme, a group pension insurance plan. The company pays an annual premium to the President and CEO amounting to 45 per cent of the annual earnings of the policyholder on which their statutory pension is based. The additional premium expenses for the group pension insurance agreement amounted to EUR 315,336. The lowest possible retirement age under the group pension insurance plan is 60 years. The arrangement allows for the company to determine its payment plan and duration.