

PONSSE PLC'S REMUNERATION POLICY

Ponsse Plc's remuneration policy ("remuneration policy") includes the general guidelines and principles of the remuneration of Ponsse Plc's ("Ponsse" or "the company") Board members and President and CEO. The procedures concerning the President and CEO also apply to any deputy to the President and CEO.

The remuneration policy of Ponsse's administrative bodies has been prepared in accordance with the Limited Liability Companies Act (624/2006, including the amendments), Securities Markets Act (746/2012, including the amendments), Decree 608/2019 of the Ministry of Finance, and the Finnish Corporate Governance Code for Listed Companies that became effective on 1 January 2020.

1. INTRODUCTION

The purpose of Ponsse's remuneration policy and the elements of remuneration defined in the policy is to harmonise the objectives of the shareholders, Board members, President and CEO and personnel in order to grow the company's value and to implement the business strategy over the long term.

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

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.

2. DESCRIPTION OF THE DECISION-MAKING PROCESS

Preparation and approval

The remuneration policy and any essential changes thereto are prepared by Ponsse's Board of Directors. Ponsse's Board of Directors discusses and presents the remuneration policy and the essential changes thereto to Ponsse's Annual General Meeting, when necessary, however at a minimum every four years. The Annual General Meeting prepares an advisory decision on whether it is in favour of the remuneration policy. Shareholders cannot propose changes to the remuneration policy presented to the Annual General Meeting. If the majority of the Annual General Meeting attendees is not in favour of the proposed remuneration policy, a revised remuneration policy will be presented to the next Annual General Meeting, at the latest. In that case, the decision on the remuneration of the Board of Directors and the President and CEO is based on the remuneration policy presented to the Annual General Meeting until a revised remuneration policy has been discussed at the Annual General Meeting.

In addition, Ponsse may make non-essential changes to the remuneration policy without presenting an amended policy to the Annual General Meeting. Such allowed non-essential changes include changes of a technical nature to the decision-making process concerning remuneration or to terminology concerning remuneration. A change in legislation may also constitute grounds for making non-essential changes to the remuneration policy of the administrative bodies.

Monitoring

Ponsse's Board of Directors annually monitors and verifies the realisation of the remuneration policy. The Board of Directors presents a remuneration statement to the Annual General Meeting annually. The statement enables the shareholders to assess the realisation of the remuneration policy at Ponsse. The Annual General Meeting decides on the approval of the remuneration statement. The decision made by the Annual General Meeting on the remuneration report is advisory.

Execution

Shareholders who represent more than 50% of the votes in the company have usually made a proposal concerning the annual compensation of all members of the Board of Directors. Ponsse's Annual General Meeting decides on the compensation and other financial benefits of the Board of Directors.

Ponsse's Board of Directors decides on the salary and other financial benefits of the President and CEO as well as the basis of the performance and share-based incentive systems concerning the President and CEO.

In share-based incentive systems, the issuance of shares, options or special rights entitling to shares is based on a decision made by the Annual General Meeting or the company's Board of Directors by the authorisation of the Annual General Meeting.

The decisions concerning the remuneration of the members of the Board of Directors and the President and CEO are based on the remuneration policy presented to the Annual General Meeting.

Personnel remuneration is also assessed annually. The objective is for the compensation to comply with the company's remuneration policy and employment legislation, collective labour agreements and other compelling regulations. The competitiveness of remuneration is ensured by comparing remuneration with the remuneration practice applied in the sector.

Conflicts of interest

The company's President and CEO does not participate in the processing of matters related to their remuneration or the decision-making concerning it.

Due to the ownership structure of the company, the Board of Directors may decide that some of the members of the Board are also employees of the company under separate terms and conditions of employment, which comply with the company's general principles of employment. The remuneration related to the employment relationships of the aforementioned members of the Board is based on separate employment terms and conditions and may consist of a fixed basic salary including employee benefits as well as of annual bonuses based on the company's profitability and/or long-term objectives in accordance with the principles approved by the Board of Directors. The terms and conditions of these members of the Board have been defined in their written employment contracts. In order to avoid conflicts of interest, the Board members with separate employment terms and conditions do not participate in the decision-making concerning and preparation of the employment terms and conditions. These decisions are made by members of the Board of Directors who are not involved in the matter.

3. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

The compensation paid to the members of the Board may consist of a fixed monthly or annual salary, meeting fees and other elements decided on by the Annual General Meeting. In addition to paying the meeting fees, the company also compensates the Board members for reasonable travel expenses.

If a Board member has an employment or service relationship with the company, they will be paid a salary in accordance with their employment or service contract as well as compensation for their work on the Board, based on this remuneration policy and in accordance with the decision made by the Annual General Meeting.

4. DESCRIPTION OF THE REMUNERATION OF THE PRESIDENT AND CEO

- **Applicable elements of remuneration and the basis of determining the variable elements of remuneration**

The remuneration of Ponsse's President and CEO consists of a fixed annual salary, short-term and long-term incentive systems, employee benefits, other financial benefits, as well as pension schemes. Any remuneration of the deputy to the President and CEO is subject to the same remuneration principles as the remuneration of the President and CEO.

a) Fixed compensation

Fixed compensation consists of the monthly basic salary. In addition, it includes the employee benefits in accordance with the company's valid practice (such as the telephone, lunch and exercise benefits as well as

travel, accident and medical expenses insurance). In addition, the President and CEO may also be offered other employment benefits, such as a company housing or car benefit or various types of insurance.

b) Variable compensation

The purpose of variable compensation is to encourage the President and CEO to manage the company in a manner that enables the company to meet the strategic objectives confirmed by the Board of Directors in both the short term (short-term incentives) and long term (long-term incentives). Variable compensation consists of short-term and/or long-term incentives. Typically, short-term incentives refer to bonuses based on the person's performance and the company's profit or other criteria or other extraordinary and non-recurring rewards associated with particularly good performance. Long-term incentive systems typically refer to compensation based on the company's shares (for example, a share-based incentive).

The Board of Directors defines the fixed and variable compensation so that they are appropriately proportioned to each other in the prevailing circumstances and considering the company's remuneration principles. The portion of the long-term variable compensation in the overall remuneration may be quite considerable, but it must always be in proportion to the increase in shareholder value. Variable compensation is tied to the company's strategic and financial objectives, share performance, realisation of certain projects, or other equivalent criteria. The criteria may also be non-financial or qualitative, such as criteria related to corporate responsibility.

The performance period for short-term incentives is typically one calendar year, and the performance criteria are defined annually.

The performance period for long-term incentives is usually a minimum of three years. Any performance criteria are defined at the beginning of the performance period and can be revised during the performance period, if necessary. In long-term incentives, in particular, the performance period may be followed by a commitment period. The commitment period is typically 1–3 years, during which the shares obtained through the programme may not be assigned. The fulfilment of the remuneration criteria is verified by comparing the targeted level of the remuneration criteria to the realised level. In the case of a qualitative and/or non-financial target, the assessment is based on the objective review of the Board of Directors. The assessment takes into consideration the type of the criteria applied.

In the short-term and long-term incentive systems, the target level of the incentives can usually be higher than the fixed salary. In share-based incentive systems, the incentive levels are defined at the beginning of the performance period. The realised compensation depends on the meeting of the performance criteria. The value of the compensation to be paid may increase or decrease as the share value changes.

- **Other key terms and conditions applicable to a service contract**

Ponsse's Board of Directors decides on the other terms and conditions of the service contract of the President and CEO. The President and CEO's term of notice and the amount of the severance pay have been agreed in a written President and CEO contract, and the principles and amounts thereof are subject to the typical terms of notice and other terms and conditions of termination applicable to President and CEO positions in terms of the severance pay, among other things.

- **Terms and conditions concerning the postponement of remuneration and potential claim for recovery**

Ponsse's Board of Directors may decide to postpone the President and CEO's remuneration or to claim it for recovery if the service contract between the President and CEO and Ponsse has ended before the end of the performance period or a subsequent period of time agreed in advance. In addition, the Board of Directors has, for a weighty reason, the right to reduce, cancel or claim for recovery paid compensation if the situation involves a considerable misconduct affecting the financial reporting or remuneration otherwise.

5. GROUNDS FOR TEMPORARY DEVIATIONS

Temporary deviations to the remuneration policy are possible when the reason for the deviation is to secure the company's long-term interests. Such situations may arise in connection of the change of the President and CEO, considerable corporate restructuring as well as significant strategy changes resulting from internal or external factors, for example. The remuneration policy can also be deviated from due to regulatory changes concerning taxation, for example.

In the case of a deviation, Ponsse's Board of Directors decides on the changes to all compensation with the exception of that of the members of the Board of Directors. The decisions on deviations to the remuneration of the Board of Directors are made by the Annual General Meeting. In a situation involving a deviation, the Board of Directors introduces the deviations and the grounds thereof to the next Annual General Meeting. They will also be included in the next remuneration statement.

If deviations to the remuneration policy are deemed to continue on a more permanent basis, the company prepares a new remuneration policy, which will be discussed in the next Annual General Meeting.