

REMUNERATION REPORT 2023

PONSSE PLC

1. INTRODUCTION

Remuneration reporting

The remuneration report sets out the remuneration of the Board of Directors and the President and CEO of Ponsse Plc (“Ponsse” or “the company”) in 2023. The report has been prepared by the Board of Directors of Ponsse. The purpose of the report is to describe the implementation of the company’s remuneration policy clearly and comprehensively. The remuneration policy was adopted by the Annual General Meeting with an advisory resolution in 2020.

This report is based on the requirements outlined in the EU Shareholder Rights Directive and the Corporate Governance Code 2020 issued by the Securities Market Association. The remuneration report is presented annually at the company’s Annual General Meeting for an advisory vote. The company evaluates and develops its remuneration reporting annually based on feedback from shareholders, for example. The indicators of the President and CEO’s short-term performance bonus programme and their weights have been further specified for the report for 2023.

Remuneration principles in 2023

The remuneration of Ponsse’s governing bodies is based on the remuneration policy. The elements of remuneration defined in the remuneration policy aim to harmonise the goals of shareholders, Board members, the President and CEO and the personnel to increase the company’s value and to implement the business strategy in the long term. The goal of the remuneration policy is to advance the company’s long-term financial performance and to create sustainable shareholder value by recruiting, engaging, and motivating senior managers and employees to fulfil Ponsse’s strategy.

The remuneration policy is based on the following key principles:

- 1) Remuneration is provenly competitive as a whole**
- 2) Remuneration attracts and commits employees to the company**
- 3) Remuneration is fair, equal, and easy to understand**

The purpose of remuneration is to encourage the achievement of the strategic goals confirmed by the Board of Directors both in the short term (short-term incentives) and in the long term (long-term incentives). Short-term incentives typically mean bonuses based on personal performance and the company’s results or other criteria, or other one-off and non-recurring fees related to excellent performance. Group-level incentives that measure the company’s short-term success have been in use since 2009. Long-term incentive schemes typically mean remuneration based on the company’s shares (e.g. share-based incentives).

No deviation from the remuneration policy was made during the 2023 financial year, and there were no situations in which it would have been necessary to recover any fees or either postpone or not make any payments.

Remuneration and Ponsse's financial performance during the last five years

The table sets out the paid compensation for the last five years for the members of the Board of Directors, the President and CEO, and the average Ponsse employee, as well as the company's financial performance during the same period. The development is presented in accordance with the average trend of key figures.

	2023	2022	2021	2020	2019
Board of Directors, taxable annual fee (EUR thousand)	296	311	283	264	245
Change from the previous year (%)	-4.8%	+9.9%	+7.2%	+7.8%	
President and CEO, taxable income (EUR thousand)	772	628	517	802	702
Change from the previous year (%)	+22.9%	+21.5%	-35.5%	+14.2%	
Personnel's average taxable income (EUR thousand)¹:					
Parent company	53	53	53	46	51
Change from the previous year (%)	+0.0%	+0.0%	+15.2%	-9.8%	
Subsidiaries	35	33	33	27	33
Change from the previous year (%)	+6.1%	+0.0%	+22.2%	-18.2%	
Ponsse Group's financial development:					
Net sales, MEUR²	821.8	755.1	608.3	561.4	667.4
Change from the previous year (%)	+8.8%	+24.1%	+8.4%	-15.9%	
Operating result, % of net sales	5.7	6.2	8.2	8.1	10.1
Operating result, EUR million³	47.2	46.6	50.0	45.4	67.3
Change from the previous year (%)	+1.3%	-6.8%	+10.1%	-32.5%	

¹ Remuneration paid to the personnel is presented by indicating the total remuneration amount paid by the company.

² Information about 2023–2020 covers continuing operations. Figures for 2019 have not been adjusted.

³ Information about 2023–2020 covers continuing operations. Figures for 2019 have not been adjusted.

2. REMUNERATION OF MEMBERS OF THE BOARD IN 2023

The Annual General Meeting decides on the board remuneration. The shareholders of Ponsse, representing in total more than 50% of the company's shares and votes, made a proposal to the Annual General Meeting held on 12 April 2023 regarding the remuneration of the Board of Directors. The Annual General Meeting decided on 12 April 2023 that the annual remuneration of the Chair of the Board would be EUR 48,000, that of the Vice Chair of the Board EUR 45,000, and that of the other members of the Board EUR 38,000. Reasonable travel expenses of the members of the Board are compensated.

	Time	Annual remuneration EUR
Mammu Kaario, Vice Chair of the Board	1 January to 31 December 2023	45,000.00
Terhi Koipijärvi	12 April to 31 December 2023	27,620.28
Matti Kylävainio	1 January to 31 December 2023	38,000.00
Ilpo Marjamaa	1 January to 31 December 2023	38,000.00
Juha Vanhainen	1 January to 31 December 2023	38,000.00
Janne Vidgren	1 January to 12 April 2023	11,868.85
Jarmo Vidgren, Chair of the Board	1 January to 31 December 2023	48,000.00
Juha Vidgren	1 January to 12 April 2023	11,868.85
Jukka Tuomas Vidgren	1 January to 31 December 2023	38,000.00
Total		296,357.98

In 2023, Jarmo Vidgren was paid EUR 61,980.84 for consulting tasks related to sales and marketing, and Juha Vidgren was paid EUR 6,922.60 for consulting tasks related to the management of HR and public affairs.

3. REMUNERATION OF THE PRESIDENT AND CEO IN 2023

The President and CEO's remuneration principles

The remuneration policy provides a remuneration structure that aligns the remuneration for the President and CEO to promote long-term financial performance and to create sustainable shareholder value.

The President and CEO's remuneration consists of:

- A fixed monthly salary (including fringe benefits) based on the requirements of the role and the person's experience.
- A short-term performance bonus which is based on targets related to operations and results set annually by the Board of Directors (paid annually).
- A long-term performance bonus which is based on growth in shareholder value and is typically paid in shares.
- A supplementary pension benefit which is paid in addition to the statutory pension to support the recruitment and retention of the President and CEO.

Juho Nummela has been the company's President and CEO since 1 June 2008. Under the contract signed between the company and the President and CEO, both parties may terminate the contract with a six-month notice period. If the company terminates the contract, the company pays a remuneration equalling 12 months' salary in addition to the salary and other benefits that have been determined for the period of notice. The contract ends without any period of notice when the President and CEO retires.

The President and CEO may retire at the age of 60, with the pension determined in accordance with the Employees Pensions Act.

The President and CEO's remuneration in 2023

	Salary EUR	Fringe benefits EUR	Short-term incentive schemes (performance bonuses) EUR	Long-term incentive schemes EUR	Supplementary pension	Total remuneration paid EUR
President and CEO	532,718.16	14,280.00	121,920.00	225,793.16	282,694.00	1,177,405.32
Remuneration percentage	46%	1%	10%	19%	24%	100%

In 2023, the President and CEO's fixed monthly salary was EUR 41,910.00 from 1 January to 31 March 2023, and EUR 43,377.00 from 1 April to 31 December 2023. Telephone, car, and bicycle benefits were included in the salary as fringe benefits, along with other one-off personnel benefits of negligible value.

The fixed annual salary paid to the President and CEO in 2023 accounted for 46% of total remuneration, while the short- and long-term performance bonuses constituted 29%. The supplementary pension benefit paid to the President and CEO accounted for approximately 24% of total remuneration. No other remuneration was paid to the President and CEO in 2023.

Performance

Short-term remuneration of the President and CEO

During the 2023 financial year, the President and CEO was paid a performance bonus for the achievement of the targets set for 2022 in accordance with the Board of Directors' assessment and decision. The targets set for the performance bonus were based on indicators related to the efficiency of the working capital (WoCa-%, with a weighted value of 30% and cash flow from operating activities (EUR), with a weighted value of 40%, in total a weighted value of 70%) and the company's profitability (EBIT-%, with a weighted value of 30%). The annual performance bonus cannot exceed 50% of the salary paid in the previous year.

In 2023, a total performance bonus of EUR 121,920.00 was paid based on the achievement of the targets of the 2022 performance bonus, representing 47.5% of the maximum amount of the performance bonus.

During the 2023 financial year, the President and CEO continued to be covered by the short-term incentive scheme, in which the targets set for the performance bonus were based on indicators related to the efficiency of working capital (WoCa-%, with a weighted value of 30% and cash flow from operating activities (EUR), with a weighted value of 30%, in total a weighted value of 60%), the company's profitability (EBIT-%, with a weighted value of 30%), and personnel satisfaction (eNPS, with a weighted value of 10%). The annual performance bonus cannot exceed 50% of the salary paid in the previous year.

The performance bonus to be paid based on the 2023 financial year is based on the Board of Directors' assessment and decision regarding the achievement of the targets set for 2023. The performance bonus is expected to be paid to the President and CEO in March 2024.

Long-term remuneration of the President and CEO

The company's Board of Directors has decided on a performance-based shareholding plan for the President and CEO for 2023–2027. The aim of the new plan is to align the objectives of the shareholders and the President and CEO to increase the company's long-term value, to retain the President and CEO at the company, and to offer them a competitive incentive scheme based on earning and accumulating shares in the company. The new plan replaced the President and CEO's performance-based shareholding plan for 2021–2025, based on which EUR 225.8 thousand was paid in 2023.

The President and CEO's shareholding scheme consists of five earning periods: the calendar years 2023, 2023–2024, 2023–2025, 2024–2026 and 2025–2027. The 2023 and 2023–2024 earning periods include a restriction period, starting from the payment of remuneration, and ending on 31 December 2025. The conditional remuneration will be paid by the end of May 2024, 2025, and 2026. Shares received as conditional remuneration may not be transferred during the restriction period ending on 31 December 2025, 31 December 2026, and 31 December 2027. The performance-based remuneration will be paid by the end of May following the end of each earning period. Shares received as remuneration for the 2023 and 2023–2024 earning periods may not be transferred during the restriction period; that is, before 31 December 2025.

The earning criteria for the earning periods beginning in 2023 are Ponsse Group's operating result, growth of net sales, and personnel satisfaction. The portion of the maximum reward to be paid to the President and CEO is determined based on the achievement of the targets set for the earning criteria in relation to the investment made by the President and CEO.

The remuneration to be paid for earning periods starting in 2023 is estimated to correspond to a total value of at most 75,000 Ponsse Plc shares, including the component paid in cash (gross remuneration).