PONSSE PLC'S REMUNERATION POLICY

1. INTRODUCTION

This Remuneration Policy for the governing bodies of Ponsse Plc sets out the remuneration principles for the Board of Directors and the CEO (and a potential deputy CEO).

This Remuneration Policy will be submitted to the Annual General Meeting 2024 for an advisory vote and will replace the Remuneration Policy submitted in 2020. The Remuneration Policy will be in force for a period of four years unless submitted to the General Meeting of Shareholders earlier for approval of changes.

This Remuneration Policy has been prepared in accordance with the Finnish Limited Liability Companies Act, the Securities Markets Act, the Ministry of Finance's decree, and the Finnish Corporate Governance Code 2020.

2. REMUNERATION PRINCIPLES

The purpose of the Remuneration Policy is to align the objectives of the shareholders, the Board of Directors, the CEO, and Ponsse's employees to increase shareholder value in the long term. In preparing this Remuneration Policy, the Board of Directors has considered the shareholder feedback and the company's needs to attract, engage and motivate senior management to implement Ponsse's business strategy. The Board of Directors regularly monitors the effectiveness of the performance metrics used in remuneration to ensure that they support Ponsse's strategy.

This Remuneration Policy is based on the following key principles:

- Aligning the interests of shareholders, the Board of Directors, the CEO, and employees
- Remuneration is based on performance and transparency
- Remuneration is attractive and commits to the company
- Remuneration is linked to sustainability which is part of Ponsse's strategy

The remuneration principles and practices applied to Ponsse's employees are also applied to the CEO. However, remuneration of the CEO is quantitatively different due to the demanding responsibilities related to the position.

This Remuneration Policy, in particular the remuneration criteria, has been updated based on the shareholder feedback. The main changes to the 2024 Remuneration Policy compared to the 2020 Remuneration Policy are as follows:

- Updates to the remuneration key principles
- Detailed description of the potential components of board remuneration
- Detailed description of the performance metrics for short and long-term incentive plans
- Detailed description of the main terms and conditions of CEO's contract
- New section on remuneration practices related to CEO recruitment
- Detailed description of the situations of temporary deviation
- The structure and font have been updated and other clarifications made to improve the readability of the policy

3. DESCRIPTION OF THE DECISION-MAKING PROCESS

The discussion and decision-making on remuneration in Ponsse takes place at the General Meeting of Shareholders and among the Board of Directors as set out below. The largest shareholders prepare the proposal for the election and remuneration of members of the Board of Directors for the General Meeting.

General Meeting of Shareholders

- Adopts by advisory vote the Remuneration Policy every four years
- Adopts by advisory vote the Remuneration Report annually
- Approves the remuneration of the members of the Board of Directors annually
- Decides on authorising the Board of Directors to decide on the issuance of shares, options or other special rights entitling to shares that may be used in the remuneration

Board of Directors

- Prepares and submits the Remuneration Policy to the General Meeting at least every four years
- Submits a proposal for remuneration of the Board of Directors to the General Meeting as recommended by the largest shareholders
- Approves the remuneration of the CEO in accordance with the Remuneration Policy
- Prepares and submits to the General Meeting a proposal authorising the Board of Directors to decide on the issuance of shares, options or other special rights entitling to shares that may be used in the remuneration
- Prepares and submits the Remuneration Report to the General Meeting annually

Shareholders representing more than 50% of the shares and votes in the company

- Prepare for submitting to the General Meeting a proposal for the remuneration of the Board of Directors in accordance with the Remuneration Policy

Shareholders may not propose changes to the Remuneration Policy submitted to the General Meeting. If a majority of the shareholders present at the General Meeting does not support the Remuneration Policy, a revised Remuneration Policy will be submitted to the next Annual General Meeting at the latest. Meanwhile the remuneration of the Board of Directors and the CEO will be based on the Remuneration Policy submitted to the General Meeting.

Conflict of interest

Due to the ownership structure of the company, some members of the Board of Directors may from time to time be employed by the company on separate terms of employment or service. To avoid a conflict of interest, such members of the Board of Directors do not participate in preparation or decision-making on their employment or service terms. Instead, the decisions are made by the members who have no conflict of interest in the matter.

4. DESCRIPTION OF THE REMUNERATION OF THE BOARD OF DIRECTORS

The General Meeting of Shareholders decides on the remuneration of the Board of Directors. The remuneration may consist of a fixed monthly or annual fee, meeting fees and other fees decided by the General Meeting. The annual fee may be paid either in cash and/or in Ponsse's shares. If the remuneration is paid in shares (in whole or in part), the General Meeting may impose restrictions or give recommendations on the transfer of shares. Meeting fees are paid in cash. The company will also reimburse reasonable travel expenses to the members of the Board of Directors in accordance with the company's travel policy.

5. DESCRIPTION OF THE CEO'S REMUNERATION

5.1 Components of remuneration

The remuneration of the CEO typically consists of a fixed base salary, fringe benefits and other financial benefits, variable remuneration such as short-term performance bonus and long-term incentive plan, and a supplementary pension plan.

a) Base salary

The fixed base salary is intended to be a competitive remuneration matching the responsibilities of the position as well as the skills, knowledge, and experience of the CEO. The base salary is not subject to specific target setting. The base salary is generally reviewed annually, and it reflects a number of factors, such as the CEO's personal performance, the company's operating results, remuneration of an external peer group and potential changes in responsibilities.

b) Short-term performance bonus

Short-term performance bonuses are designed to encourage and reward the achievement of annual business strategy targets and, on a one-off basis, other particularly good performance.

Each year, the Board of Directors sets performance metrics for the CEO, together with their respective weightings and targets, to ensure that they support the implementation of Posse's business strategy. They may include financial (e.g. growth and profitability) and strategic targets (e.g. sustainability or customer satisfaction, or joint management team targets or individual targets). A significant part of the bonus is based on financial and sustainability metrics. Performance metrics vary from year to year.

At the end of each year, the Board of Directors will review the performance and determine the extent to which the targets for the annual performance bonus have been met. The final payout level will be determined accordingly. The performance bonus (if any) will be paid in cash. The maximum pre-tax amount of the performance bonus is determined annually by the Board of Directors. The maximum amount applied each year is set out in the Remuneration Report.

The performance metrics, their respective targets (if not considered commercially sensitive) and the confirmed achievement level of each metric will be published retrospectively in the Remuneration Report.

c) Long-term incentive plans

The long-term incentive plan is usually a performance-based share reward. Its purpose is to align the objectives of the shareholders and the CEO to increase the long-term value of the company, to retain the CEO in the company and to provide the CEO with a competitive remuneration plan based on earning and accumulating the company's shares.

Each year, the Board of Directors determines the performance metrics, their respective weightings, and targets to ensure that they support Ponsse's long-term strategy, financial success, and growth of shareholder value. Performance metrics are typically related to financial performance indicators, share price, strategy execution or sustainability. A significant part of the reward is based on financial and sustainability metrics. The performance period is typically three years and may include a restriction period of one to three years during which the shares of the incentive plan may not be transferred.

Share-based incentive plan may also be an investment-based incentive plan. The Board of Directors may decide that participation in the performance period and payment of a share reward is conditional on the CEO acquiring shares of the company at commencement of the performance period in the amount required by the Board of Directors.

At the end of the performance period, the Board of Directors will review the performance and determine the extent to which the targets have been met. The final amount of the share reward will be determined based on the review and the number of shares acquired by the CEO. The maximum amount of the shares is confirmed by the Board of Directors and reported annually in the Remuneration Report.

The performance metrics, their respective targets (if not considered commercially sensitive) and the confirmed achievement will be published retrospectively in the Remuneration Report.

d) Supplementary pension

The purpose of a supplementary pension benefit is to complement the statutory pension in line with market practice. The CEO may participate in the pension plan offered to the other management of the company. Information on the pension plan implemented is reported retrospectively in the Remuneration Report.

e) Other benefits and plans

Fringe benefits and other financial allowances are designed to provide competitive benefit package, to support retention and to enhance personal well-being. The level of benefits offered is in line with market practice and may vary from year to year. Typical benefits include a phone and car allowance, a housing allowance, an insurance, as well as other benefits available to the employees of the company.

5.2 Other essential terms and conditions applicable to the employment relationship

The Board of Directors approves the terms and conditions of the CEO's service contract. The CEO's contract is typically in force until further notice, however, the Board of Directors may also offer a fixed-term contract. A notice period, the CEO’s salary during the notice period and a severance pay are determined in accordance with market practice at the time the contract is concluded.

If the CEO’s service contract is terminated before the payment of an annual performance bonus or before the expiry of a performance period or a restriction period as provided in the terms of the long-term incentive plan, the Board of Directors may, at its discretion, decide whether the CEO will be paid the reward (if any) under annual performance bonus plan and/or the long-term incentive plan. The Board of Directors may also decide whether the CEO is entitled to some, or all the shares received under the share-based incentive plan. The Board of Directors may also impose other conditions on payment of the incentive rewards.

5.3 Malus and clawback provisions

The purpose of the malus and clawback provisions is to ensure that rewards are based on actual performance. The Board of Directors may, at its discretion, apply malus provision (adjustment before payment) or clawback provision (recovery after payment) in case of significant errors, misconduct, reputational damage, health or safety problems and other situations as determined by the Board of Directors.

5.4 Remuneration practices for recruitment and promotion

The objective of Ponsse's remuneration practice is to provide a remuneration package that is adequate to attract, retain and motivate the individual with the right skills for the role. The Board of Directors will seek to align any special arrangements relating to remuneration and recruitment of a new CEO with the Remuneration Policy in force at the time. In certain cases, Ponsse may pay one-off fees to compensate the new CEO for a potential financial loss related to the change of role or to encourage an individual to join Ponsse. Such potential fees are set out in the Remuneration Report.

6. CONDITIONS FOR TEMPORARY DEVIATION

The Board of Directors may, at its discretion, temporarily deviate from the Remuneration Policy in any of the following circumstances:

- Change of CEO
- Appointment of an interim CEO
- Significant changes in the company's structure, organisation, business, and ownership (e.g. a public takeover bid, share takeover, acquisition or sale, merger, demerger) that may warrant a review of short- and long-term incentive plans and other components of remuneration to ensure the continuity of management
- Significant changes in Ponsse group’s financial position or strategy
- Significant changes in laws, rules, or regulations (including taxation)
- Any other circumstance where a deviation is necessary to safeguard the long-term interests of the company

The discrepancy will be reported in the Remuneration Report. If a deviation is no longer considered temporary, the Board of Directors will submit a revised Remuneration Policy to the next Annual General Meeting.