

Remuneration Policy for Governing Bodies 2024

The Remuneration Policy for Governing Bodies of Vaisala Corporation has been prepared under the Finnish Corporate Governance Code 2020. The Corporate Governance Code is publicly available on the website of the Securities Market Association at www.cgfinland.fi.

Vaisala's Remuneration Policy includes the description of the decision-making procedure and main principles concerning the remuneration of the members of the Board of Directors ("Board"), President & CEO ("CEO"), and all employees.

The Remuneration Policy is designed to enhance both short- and long-term company performance, foster financial growth, and cultivate the development of shareholder value. It aims to offer a fair and competitive total remuneration to all Vaisala personnel while adhering to relevant market practices simply and transparently.

To ensure that our remuneration practices stay aligned with the evolving market practices and industry trends, Vaisala continuously reviews and enhances the remuneration practices. As part of this ongoing process, we've introduced adjustments to our compensation structure. These adjustments will be gradually implemented for the CEO and Leadership Team members, starting in 2024. The main focus of these changes is to optimize the balance between fixed and variable pay components in the overall compensation of our executives, enabling us to achieve a higher level of competitiveness and ensuring our agility in responding to market dynamics.

Moreover, acknowledging the pivotal impact of climate change on our planet and the role of sustainability in Vaisala's success, we are integrating social and environmental sustainability targets into our incentive plans. From 2024, in each performance cycle, the Board will consider sustainability targets for both short and long-term incentive plans. While recognizing unique circumstances may arise where sustainability targets are not applicable, the Board will review such cases and make considered exceptions to the policy.

Key remuneration principles

- Market competitiveness

In determining the total remuneration of the CEO and Leadership Team, we strongly emphasize market competitiveness within the Nordic region, with a primary focus on high-growth technology companies. This approach allows us to benchmark our remuneration against companies of similar industry and influence, ensuring that our executive remuneration remains competitive in the market.

While our primary focus is on the Nordic market, we recognize the significance of global perspectives. Therefore, for other Vaisala personnel, determining total remuneration considers market practices prevalent in comparable companies within the relevant local markets. We aim to ensure that our compensation packages remain competitive and aligned with industry standards.

- Performance-driven incentives

At all levels of the organization, including the CEO and Leadership Team, incentives are directly tied to individual, team, and/or company-wide performance metrics. This performance-based approach

fosters a clear connection between employee contributions and compensation, promoting a culture of engagement and excellence.

- Equitable pay practices

Equity and fairness lie at the core of our compensation philosophy. Our commitment is to compensate all employees fairly and competitively based on their skills, experience, and contributions to the organization, regardless of gender, gender identity, sexual orientation, race, ethnicity, age, neurodiversity, family status or any other characteristic.

The remuneration principles apply to all employees across all countries and business units. They serve as guiding principles in developing our remuneration policies and related practices.

Description of the decision-making process

The general meeting of the company decides, at intervals prescribed by law, on the remuneration policy for governing bodies based on a proposal prepared by the board of directors. The remuneration of governing bodies must take place within the limits of the approved remuneration policy, and the remuneration report describing the implementation of the remuneration shall be presented at the annual general meeting. The general meeting decides each year on the remuneration of the members of the Board and the Board committees based on a proposal prepared by the Board of Directors. The Board decides on the remuneration as well as on the key terms and conditions of the CEO's service relationship based on a proposal made by the People and Sustainability Committee. Remuneration is reviewed annually. The general meeting decides on the use of the company's shares for share-based incentives based on the proposal by the Board. The general meeting may authorize the Board to decide on the issue of shares and special rights entitling to shares (e.g., option rights).

Remuneration of the Board

The remuneration of the Board can consist of one or more components, such as an annual fee and meeting fees. The fees can be paid in cash or partially in cash and company shares. The members of the Board do not participate in incentive or retirement plans of the company.

Remuneration of the CEO

The CEO's remuneration consists of fixed and variable components. The total remuneration is set at a market-competitive level. Our long-term vision is to cultivate a compensation structure rooted in incentives, where the CEO's fixed pay constitutes 1/3 of the total remuneration, with the remaining 2/3 represented by variable pay. This approach not only assures competitiveness but also effectively aligns incentives with performance and the company's long-term growth.

- **Fixed pay:**

The base salary and fringe benefits form the fixed salary of the CEO. These components provide stability and recognition for the CEO's ongoing contributions to the company.

- **Variable pay:**

The CEO's variable components are divided into two parts:

Short-Term Incentive (STI):

The CEO can participate in the company's short-term incentive plan under the terms and conditions applicable at any given time. Beginning in 2024, the maximum earning opportunity through the STI is capped at 100% of the annual base salary. Each year, the Board determines the annual performance criteria based on the reward. The performance criteria may include a combination of key financial and non-financial metrics and personal targets aligned with the company's strategic objectives. The Board evaluates the achievement of the CEO's performance targets annually through the preparation of the People and Sustainability Committee.

Long-term Incentive Plans (LTI):

In addition to the STI, the CEO is also eligible to participate in the company's long-term incentive plans by the terms and conditions in force at any given time. The long-term incentive at the time it is determined may not exceed 200% of the annual base salary at the target level. Each year, the Board determines the terms and conditions of the plan and the long-term performance criteria based on strategic objectives. The total earning period in the LTI shall be a minimum of three years. Within each earning period, one or several performance metrics may be established, each having a performance period of one to three years, as assessed most effective of each metric by the Board. At the end of the earning period, the Board will evaluate the achievement of performance targets through the preparation of the People and Sustainability committee. The terms and conditions of the plan may include a restriction period, in which case the reward will be paid only after the end of the restriction period following the earning period.

Other key terms applicable to the service contract

The applicable term of notice and severance pay may be agreed upon in the CEO's service contract, which shall be consistent with general market practice in the country of employment at the time of the agreement. The CEO's retirement age may be lower than the statutory pension plan stipulates. In addition to the statutory pension plan, the CEO may be covered by a supplementary defined contribution pension plan. The CEO's service contract may include possible special awards related to its entry into force. Vaisala applies a shareholding requirement to the CEO, which requires the CEO to build up and maintain the holding of the shares at least up to a level where the value of the company's shares corresponds to the annual gross salary.

Terms for possible clawback of remuneration

The Board may decide to modify, cancel, or claw back paid rewards if the CEO has acted against the law or company's ethical guidelines or otherwise unethically, or the reward is only afterward found to be based on materially inaccurate information and does not reasonably reflect the earnings criteria.

Requirements for temporary deviation

In order to ensure the company's long-term interests, the remuneration policy may be temporarily deviated from as a result of material changes in the company's operating environment, for example, due to changes in the CEO, corporate arrangements, or changes in regulations. The deviation may apply to the CEO's remuneration as defined in the remuneration policy. The Board shall decide on the deviation.

Remuneration of Leadership Team and director roles

The Leadership Team and director roles play a crucial role in driving the company's success, and their total remuneration reflects their contribution to the organization and market competitiveness.

The Leadership Team's total remuneration consists of fixed and variable components. Fixed pay includes base pay and fringe benefits, while variable pay comprises short- and long-term incentives. Commencing in 2024, the maximum earning opportunity for the Leadership Team's through the STI is capped from 60% to 80% of the annual base salary based on the positions.

As for director positions, the total remuneration is structured with fixed and variable components and the long-term incentive is tied to the base pay.

Remuneration of employees

The remuneration of personnel at Vaisala combines several elements and is based on local market practices. To ensure market competitiveness, the Total Target Cash is defined and benchmarked against similar responsibilities within the technology industry of the country where the role is located. The target position falls within the range of 90–110% of the local market, considering the company's economic conditions and industry standards.

A well-defined compensation principle, aligned with market competitiveness and performance-driven incentives, is essential for attracting, retaining, and motivating a highly skilled and diverse workforce that drives our growth and success in the dynamic technology industry.