



REMUNERATION POLICY AND REPORT

Remuneration Policy 2024

Introduction

This Remuneration Policy describes the main principles of the remuneration of VR Group's Board of Directors, Supervisory Board, President and CEO and the Leadership Team as well as the related decision-making procedure. This Remuneration Policy adheres to the Government Resolution on Ownership Steering Policy and has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive.

DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

The governing bodies involved in decision-making concerning VR's remuneration are the General Meeting, the Board of Directors and the People and Culture Committee of the Board of Directors. No governing body participating in decision-making shall decide on its own remuneration or participate in decision-making where a conflict of interest otherwise exists involving the governing body or a member thereof. Predetermined processes are used to avoid conflicts of interest in decision-making concerning remuneration and to ensure the fairness and impartiality of decisions concerning remuneration.

The People and Culture Committee prepares the Remuneration Policy and Remuneration Report. The Board of Directors approves the Remuneration Policy and Remuneration Report based on the People and Culture Committee's preparatory work and presents them to the Annual General Meeting annually. The resolution of the General Meeting is advisory, but remuneration must adhere to the Remuneration Policy presented to the General Meeting. This Remuneration Policy shall remain in effect until the Annual General Meeting of the following year unless the Board of Directors deems it necessary to make significant amendments before that time,

in which case such amendments shall be presented to the Annual General Meeting. The Remuneration Policy is made available on the company's website.

The People and Culture Committee of the Board of Directors prepares the remuneration systems for the President and CEO and the members of VR Group's Leadership Team and the company's remuneration principles for the Board of Directors to decide on. The Board of Directors decides on the remuneration of the President and CEO and annually approves the structures of the short-term and long-term incentive schemes of the President and CEO and the Leadership Team as well as the remuneration criteria and their target values and other governance rules within the framework of the Remuneration Policy. The General Meeting decides on the annual remuneration of the Board of Directors and the members of its committees.

Remuneration principles

VR Group adheres to the policies and guidelines concerning management remuneration and pension benefits in state-owned companies. VR Group's remuneration aims to take the prevailing market practices into account and reward the management for achieving sustainable results.

The objective of the company's remuneration system is to promote the implementation of the company's strategy, business goals and long-term profitability. Remuneration incentivises the personnel to act consistently with the company's strategic business objectives and sustainability goals, engages the commitment of the personnel and motivates the personnel to perform at a high level.

Sustainability is an essential aspect of VR's strategy. It is integrated into day-to-day business operations and related projects are compiled into a sustainability programme. The company's Leadership Team directs and monitors the development of the sustainability programme. The achievement of the objectives in the areas of sustainability is monitored regularly and factored into remuneration.

Maintaining a high level of safety in the Group's own operations is one of the key criteria in remuneration. At its discretion, the Board of Directors may deny the payment of incentive bonuses under the short-term incentive scheme

either partially or fully due to a serious safety deviation.

This discretion shall apply, for example, in the event of the accidental death of an employee or customer or some other very serious or far-reaching safety deviation attributable to the company.

VR aims for transparency and consistency in remuneration. Remuneration as a whole is regularly assessed to ensure that it is fair, reasonable and competitive. These principles govern remuneration throughout the organisation.

Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors includes a fixed annual fee paid in cash. Members of the Board of Directors may be paid an increased annual fee based on their duties or position on the Board of Directors, such as in the case of the Chair and Vice Chair of the Board of Directors. The members of the Board of Directors are paid a separate meeting fee for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are entitled to compensation for travel expenses based on their attendance at meetings. They may also be provided with a free VR rail pass benefit.

The members of the Board of Directors are not in an employment or service relationship with the company and they are not included in the company's other remuneration systems or variable incentive schemes.

Remuneration of the Supervisory Board

The members of the Supervisory Board are paid a meeting fee and compensation for travel expenses for attending meetings. The size of the fee or compensation is determined by the member's role or position. They may also be provided with a free VR rail pass benefit.

The members of the Supervisory Board are not in an employment or service relationship with the company and they are not included in the company's other remuneration systems or variable incentive schemes.

Remuneration of the President and CEO and the Leadership Team

The remuneration of the President and CEO and the Leadership Team adheres to the company's remuneration principles and supports the company's strategic, commercial and sustainability-related goals. The remuneration of the senior management promotes the retention of key personnel in the company and aligns their interests with the interests of the company's owner.

Decisions on the remuneration of the President and CEO and the Leadership Team are made by the Board of Directors. The remuneration of the President and CEO and the Leadership Team consists of a total salary, which includes the cash salary and fringe benefits in accordance with the company's remuneration practices (such as car, meal and mobile phone benefits).

The President and CEO and the Leadership Team are included in the short-term incentive schemes (STI) and long-term incentive schemes (LTI). The Board of Directors decides on the commencement of potential new earning periods under the incentive schemes (STI and LTI) annually.

The remuneration of the President and CEO and the Leadership Team adheres to the guidelines on the remuneration of senior management in state-owned companies valid at any given time. The guidelines state that the annual total amount of variable remuneration based on targets shall not exceed 50 per cent of the recipient's fixed annual salary. If the performance of the company and the recipient of the bonus is exceptionally good, the annual total amount of bonuses can be up to 120 per cent of the fixed annual salary.

The President and CEO and the members of the Leadership Team do not receive supplementary pension benefits.

SHORT-TERM INCENTIVE SCHEME (STI)

The short-term incentive scheme (STI) is a cash-based incentive scheme in which the time frame is the calendar year. The short-term incentive scheme provides rewards for achievements relating to the company's strategic priorities and short-term business plan. The targets for the President and CEO and the members of the Leadership Team are based on the company's financial and strategic targets and also include

business-specific targets. The maximum earning opportunity under the scheme is 50 per cent of the annual salary for the President and CEO and 40 per cent of the annual salary for the other members of the Leadership Team.

The structure, earning criteria and target values of the short-term incentive scheme for the President and CEO and the Leadership Team are decided annually by the company's Board of Directors. Short-term bonuses are paid after the end of the financial year, following the approval of the financial statements. Payment of the bonuses is conditional on the recipient being employed by the company at the time of payment. The Board of Directors makes the final decision on the payment of the bonuses and it also has the right to decide on the cancellation, deferral or adjustment of the payment of bonuses.

LONG-TERM INCENTIVE SCHEME (LTI)

The long-term incentive scheme (LTI) supports the company's long-term success and increase in value. The long-term incentive scheme is a cash-based incentive scheme that is based on the company's performance. The purpose of the incentive scheme is to incentivise and reward key personnel for the achievement of the company's long-term targets, provide a competitive remuneration package and engage the commitment of key personnel to the company.

Since 2021, the company has gradually shifted the weight of the senior management's variable remuneration from short-term incentives (STI) to long-term incentives (LTI). The remuneration levels have been gradually adjusted so as to reduce the STI scheme's proportion of total remuneration and gradually increase the LTI scheme's proportion in such a way as to not reduce the targeted total amount of remuneration paid annually. The target levels for the weights of the short-term and long-term incentive schemes were achieved in the total remuneration of the President and CEO and the Leadership Team in the incentive schemes that start in 2024.

In 2022 and 2023, two-year LTI schemes commenced to enable the gradual shift in the weighting. Incentive schemes with a duration of three financial years commenced in 2023.

The maximum earning opportunity under the LTI 2022–2023 scheme is 40 per cent for the President and CEO and 20 per cent for the other members of the Leadership Team. The maximum earning opportunity under the LTI 2023–2024

scheme is 50 per cent of the annual salary for the President and CEO and 20 per cent of the annual salary for the other members of the Leadership Team. The maximum earning opportunity under the three-year LTI schemes that commenced in 2023 and 2024 (LTI 2023–2025 and LTI 2024–2026) is 70 per cent for the President and CEO and 40 per cent for the other members of the Leadership Team.

The structure, earning criteria and target values of the long-term incentive scheme for the President and CEO and the Leadership Team are decided annually by the company's Board of Directors. Potential variable remuneration components are paid based on the achievement of the targets in the spring of the year following the earning period when the financial statement figures have been confirmed. Payment of the bonuses is conditional on the recipient being employed by the company at the time of payment. The Board of Directors makes the final decision on the payment of incentive bonuses and it also has the right to decide on the cancellation, deferral or adjustment of the payment of incentive bonuses.

The payment of incentive bonuses in the event of the termination of a person's employment or service relationship in the middle of an earning period is addressed in the terms of the incentive scheme.

THE PRESIDENT AND CEO'S PENSION AND OTHER KEY TERMS

The retirement age and pension for the President and CEO are in accordance with the Employees' Pensions Act, and no supplementary pensions are paid.

The President and CEO's service contract includes provisions concerning key terms of service, such as the period of notice and severance package. The President and CEO's salary for the period of notice and the severance package combined shall not exceed their 12-month fixed pay.

The share of the maximum amount of variable remuneration of the total remuneration of the President and CEO and the Leadership Team relative to fixed annual pay for incentive schemes commencing in or after 2023

	STI	LTI	Total
President and CEO	50%	70%	120%
Leadership Team	40%	40%	80%

Purpose and description of the remuneration components of the President and CEO and the Leadership Team

Remuneration component	Purpose and link to strategy	Description and practice
Fixed basic pay and fringe benefits	Competitive but reasonable compensation for the duties associated with the position, based on the individual's competence and experience. Offer competitive benefits that support recruitment as well as personnel well-being and retention.	The factors taken into account in determining basic pay include the value of the individual's competence, experience and contribution to the business, the company's internal pay structure as well as the external market level. The benefits currently in use include typical benefits such as phone benefit, car benefit and medical expense insurance. The level of granted benefits is based on the local market practice of the country in which the person works.
Pension	The retirement age of the President and CEO and the members of the Leadership Team is based on the employment pension legislation valid at any given time. Supplementary pension benefits are not used in remuneration.	
Short-term incentive	Support the achievement of the company's short-term commercial and sustainability targets.	Bonuses under the short-term incentive scheme are paid in cash. The earning period is one year. The final level of the bonuses is determined when the Board of Directors confirms the achievement of the targets when the earning period has ended.
Long-term incentive	Support the achievement of the company's long-term commercial and sustainability targets sustainably, align the interests of the management and the owner and promote the retention of key personnel.	Bonuses under the long-term incentive scheme are paid in cash. No share-based schemes are in use. As a rule, the earning period is three years. Two-year earning periods were used during the transition period in 2021-2023. The final level of the bonuses is determined when the Board of Directors confirms the degree to which the targets were achieved when the earning period has ended.
Clawback and deferral of remuneration	Ensures that remuneration is based on actual achievements.	Remuneration may be cancelled, deferred or adjusted as necessary by a unilateral decision of the Board of Directors.

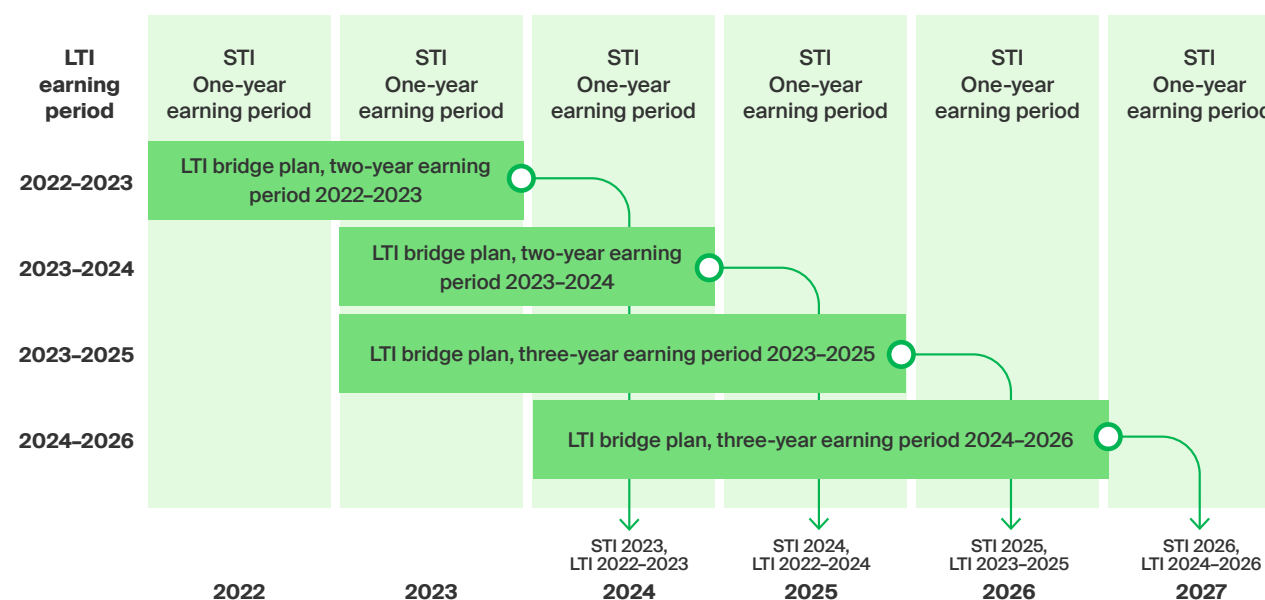
All of the company's personnel (excluding the President and CEO) are within the scope of one-off remuneration. Members of the Leadership Team may be rewarded for excellent performance. Such bonuses are discretionary, limited to at most two months' pay and decisions on their payment are made by the Chair of the Board of Directors on the President and CEO's proposal.

DEVIATION FROM THE REMUNERATION POLICY

On the recommendation of the People and Culture Committee, the Board of Directors may temporarily deviate from a provision of the Remuneration Policy based on its discretion in the following circumstances:

- A change of the President and CEO or other member of the Leadership Team
- A change in the applicable legislation or state ownership steering policy
- A significant change in the Group's structure
- Other circumstances requiring deviation from the remuneration policy to ensure the VR Group's long-term interests and responsibility or to ensure its operating capacity.

STI and LTI accrual of the variable remuneration components of the President and CEO and the Leadership Team



Remuneration Report 2023

Introduction

This Remuneration Report describes the remuneration of VR Group's Board of Directors, Supervisory Board, President and CEO and the Leadership Team in the financial year 2023. Remuneration in the company adheres to the Government Resolution on Ownership Steering Policy. This Remuneration Report has been drawn up in accordance with the Corporate Governance Code 2020 and the EU Shareholder Rights Directive, where applicable.

REMUNERATION PRINCIPLES IN ACCORDANCE WITH THE REMUNERATION POLICY IN 2023

VR's remuneration systems are aimed at incentivising individuals and the organisation to work together towards the company's strategic goals. Remuneration is also geared towards engaging the personnel's commitment to the company and incentivise the personnel to perform at a high level and reward them for achieving set targets.

The remuneration of the company's Board of Directors, President and CEO and Leadership Team has been in line with the Remuneration Policy in place for 2023.

The table below shows the remuneration of the company's Board of Directors, President and CEO and personnel and the company's financial performance during the period 2019–2023. The remuneration of the President and CEO consists of basic pay, fringe benefits and variable remuneration components based on the previous year's commercial and other targets.

Development by year	2019	2020	2021	2022	2023
Remuneration of the Board of Directors ¹					
Annual fees decided upon	0%	0%	0%	0%	0%
Fees paid	+14.1%	-5.5%	+7%	+13.5%	-10.9%
Remuneration of the President and CEO ²	-3.3%	-13.0%	-6.6%	-9.1%	-51.8%
Johtoryhmän palkitseminen ³	-29.8%	-8.2%	-19.3%	-1.5%	+ 26.9%
Remuneration of the personnel (average) ⁴	-1.4%	-0.1%	+5%	+5.3%	+6.70%
The company's financial performance					
Net sales	+1.2%	-19.3%	+5.9%	+32.1%	+10.6%
Comparable operating result	+28.8%	-124.8%	+46.0%	+142.6%	+898.3%

1) The development of the remuneration of the Board of Directors is calculated as the percentage change in annual fees decided upon and total fees paid.

2) The change in the remuneration of the President and CEO is related to the costs arising from the change of the President and CEO (e.g. severance package).

3) In 2022, the STI (Short-Term Incentive) did not materialize, and the number of members of the Leadership Team eligible for compensation increased.

4) Personnel expenses as per the financial statements divided by man-years on average.

Remuneration of the Board of Directors in 2023

The Board of Directors is in charge of the company's management and the appropriate organisation of its activities. The remuneration of the Board of Directors is decided annually by the Annual General Meeting. The remuneration of the members of the Board of Directors consists of a fixed annual fee, which depends on the individual's position on the Board of Directors, and fees for attending meetings of the Board of Directors and its committees. The members of the Board of Directors are not within the scope of the company's other remuneration systems.

The remuneration of the Board of Directors in 2023, as decided by the Annual General Meeting of 30 March 2023

Chair of the Board	EUR 54,750/year
Vice Chair of the Board	EUR 25,800/year
Member of the Board	EUR 22,800/year

In addition, the members of the Board of Directors are paid a fee of EUR 600 for each Board and Committee meeting.

The size of the annual and total remuneration decided on by the General Meeting did not change from the previous year. The fees paid to the Board of Directors in 2023 totalled EUR 320,697.

The table below shows the fees paid to the Chair, Vice Chair and members of the Board of Directors in 2023. In addition to the fees, the members of the Board of Directors are entitled to a free VR rail pass.

The remuneration of the Board of Directors in 2023

	Annual fees	Meetings of the Board of Directors	Committee meetings	Total
Chair				
Kjell Forsén (until 30 March 2023)	€13,687	€1,800	€600	€16,087
Esa Rautalinko (from 30 March 2023)	€41,210	€9,000	€1,800	€52,010
Varapuheenjohtaja				
Sari Pohjonen	€25,800	€10,800	€3,000	€39,600
Members				
Pekka Hurtola	€22,800	€10,800	€2,400	€36,000
Nermin Hairedin	€22,800	€10,200	€2,400	€35,400
Virve Laitinen	€22,800	€10,200	€2,400	€35,400
Jaakko Kiander	€22,800	€10,800	€3,000	€36,600
Markus Holm	€22,800	€10,800	€3,000	€36,600
Turkka Kuusisto	€22,800	€7,800	€2,400	€33,000

Remuneration of the Supervisory Board in 2023

The remuneration of the Supervisory Board is decided annually by the Annual General Meeting. In 2023, the members of the Supervisory Board were paid the following meeting fees resolved on by the Annual General Meeting on 30 March 2023:

Chair of the Supervisory Board	EUR 800/meeting
Vice Chair of the Supervisory Board	EUR 600/meeting
Member of the Supervisory Board	EUR 500/meeting

The fees paid to the Supervisory Board in 2023 totalled EUR 12,800. This amount includes the fees paid to the Chair, Vice Chair and ordinary members of the Supervisory Board as well as the fees paid to the representatives of personnel organisations. In addition to the fees, the members of the Supervisory Board also received a free VR rail pass.

The fees paid to the Supervisory Board in 2023

Chair	
Vilhelm Junnila (until 17 August 2023)	€800
Markku Eestilä (from 17 August 2023)	€800
Vice Chair	
Raimo Piirainen	€600
Vilhelm Junnila (from 29 August 2023)	€600
Members	
Anders Adlercreutz (until 22 June 2023)	€500
Sanna Antikainen (until 17 August 2023)	€500
Seppo Eskelinen (until 17 August 2023)	€500
Hanna Holopainen	€1,000
Mai Kivelä (until 17 August 2023)	€500
Jouni Kotiaho (until 17 August 2023)	€500
Matias Marttinen (until 17 August 2023)	€500
Arto Pirttilahti (until 17 August 2023)	€500
Ruut Sjöblom (until 17 August 2023)	€500
Katja Taimela (until 17 August 2023)	€500
Pekka Lehtonen (until 17 August 2023)	€0
Aura Salla (from 17 August 2023)	€500
Teemu Kinnari (from 17 August 2023)	€500
Kaisa Garedeu (from 17 August 2023)	€500
Arto Luukkanen (from 17 August 2023)	€500
Niina Malm (from 17 August 2023)	€500
Lauri Lyly (from 17 August 2023)	€500
Juha Viitala (from 17 August 2023)	€500
Tuomas Kettunen (from 17 August 2023)	€500
Anna Mäkipää (from 17 August 2023)	€500

Remuneration of the President and CEO in 2023

The fixed remuneration of the President and CEO consists of a fixed salary with fringe benefits and variable pay components (STI and LTI incentive schemes).

The maximum amount of variable remuneration relative to the fixed salary is determined in accordance with the state's ownership steering guidelines. The Board of Directors takes into account the company's strategy and long-term objectives when determining the performance indicators and targets for the short-term (STI) and long-term (LTI) incentive schemes. The purpose of the incentive schemes is to direct the President and CEO's actions towards to the implementation of the company's strategy and increasing the company's value in the long term. The performance indicators are based on financial, strategic and operational criteria and are aligned with the remuneration criteria for the rest of the senior management and the organisation.

Elisa Markula was the President and CEO during the period 1 January–31 December 2023. The President and CEO was not within the scope of short-term incentives for the earning period 2022. The total variable remuneration components paid to President and CEO Elisa Markula represented 14% of her total remuneration in 2023.

Remuneration paid to the President and CEO in 2023

President and CEO Markula	EUR	Fixed and variable remuneration components
Basic pay (including fringe benefits)	373,866	
Short-term incentive scheme (STI), earning period 2022	-	
Long-term incentive scheme (LTI), earning period 2021–2022	5,311	
President and CEO total	379,177	98.6% / 1.4%

Remuneration of the Leadership Team in 2023

The remuneration of the Leadership Team in 2023 consisted of fixed basic pay, fringe benefits and variable remuneration components (STI, LTI). The remuneration of the Leadership Team and the setting of the performance indicators and criteria for the incentive schemes are decided annually by the Board of Directors. The criteria for the remuneration of the Leadership Team are aligned with the criteria for the President and CEO's remuneration. The company's Leadership Team had 10 members in 2023.

Remuneration paid to the Leadership Team in 2023

Leadership Team	EUR	Fixed and variable remuneration components
Basic pay (including fringe benefits, holiday compensation)	1,940,335	
Short-term incentive scheme (STI), earning period 2022	252,758	
Long-term incentive scheme (LTI), earning period 2021–2022	50,910	
Total	2,244,003	86.5% / 13.5%



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