

**TOKMANNI**

A close-up photograph of a woman with blonde hair, wearing a red sweater with white polka dots on the shoulder. She is looking down at her hands, which are holding a silver smartphone. Her fingernails are painted dark. The background is blurred, showing a blue surface and a white wall.

# Corporate Governance Statement

## 2017

# Corporate Governance Statement 2017

## General

Governance at Tokmanni Group (hereinafter also referred to as "Tokmanni" or the "Group") is based on the Articles of Association approved by the General Meeting of Shareholders, the Finnish Limited Liability Companies Act and the rules and regulations issued by Nasdaq Helsinki Ltd. with regard to listed companies. Tokmanni complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2015. The code is available at [www.cgfinland.fi](http://www.cgfinland.fi). This report has been prepared separately from the Board of Directors' report.

The Finance and Audit Committee of Tokmanni's Board of Directors has reviewed the Corporate Governance Statement.

## Regulatory framework

The duties of Tokmanni's governing bodies are based on Finnish law. In addition to the Finnish Corporate Governance Code for listed companies, Tokmanni complies with the corporate governance principles defined by its Board of Directors. The corporate governance principles are based on the Limited Liability Companies Act and the Securities Markets Act. In addition, Tokmanni observes other laws and decrees, its Articles of Association and the Guidelines for Insiders issued by Nasdaq Helsinki Ltd. (Helsinki Stock Exchange). The Board of Directors' report, which is included in Tokmanni's financial statements, is prepared in accordance with the Accounting Act and the guidelines and statements of the Accounting Standards Board.

ed in Europe (International Financial Reporting Standards, IFRS), the Securities Markets Act, applicable regulations and guidelines of the Financial Supervisory Authority and the rules of Nasdaq Ltd. (Helsinki Stock Exchange). The Board of Directors' report, which is included in Tokmanni's financial statements, is prepared in accordance with the Accounting Act and the guidelines and statements of the Accounting Standards Board.

## Governing Bodies

In accordance with Tokmanni's single-level governance model, its management falls within the responsibility of the General Meeting of Shareholders, the Board of Directors and the CEO, whose duties are primarily

determined in line with the Finnish Limited Liability Companies Act. The Annual General Meeting elects the members of the Board of Directors and appoints the auditors. The Board of Directors is responsible for the company's strategic management. The Board of Directors appoints the CEO, who is responsible for the company's day-to-day management. The Executive Group supports the CEO in managing the Group.

## General meeting of shareholders

In accordance with the Finnish Limited Liability Companies Act and the Articles of Association, the General Meeting of Shareholders is Tokmanni's highest decision-making body. If necessary, the company may also hold Extraordinary General Meetings. According to the Articles of Association, the Annual General Meeting must be held within six (6) months of the end of the financial period. The Annual General Meeting decides on issues that fall within its responsibility in accordance with the Limited Liability Companies Act and the Articles of Association. These include adopting the financial statements, distributing the profits on the balance sheet, discharging the members of the Board of Directors and the CEO from liability, determining the number of members of the Board of Directors, and electing the Chair of the Board, the members of the Board and the auditor and determining the fees paid to them.

The invitation to the Annual General Meeting must be published on the company's website and in one or more widely circulated daily newspapers no sooner than three months and no later than three weeks before the meeting, but at least nine days before the record date of the meeting. In addition, Tokmanni publishes the invitation to the meeting by means of a stock exchange release immediately after

the Board of Directors has decided to convene a General Meeting of Shareholders.

The agenda for the meeting and the proposed decisions concerning the composition of the Board of Directors, the auditors and the fees paid to the members of the Board of Directors, among other aspects, as well as other documents related to the meetings, must be published on the company's website no later than three weeks before the General Meeting of Shareholders. As a rule, the Chair of the Board, the members of the Board, the CEO and the company's auditor must attend each Annual General Meeting, as must the proposed Board members.

To be entitled to attend an Annual General Meeting, a shareholder must respond to the company no later than the date specified in the invitation to the meeting. This date may not be sooner than ten days before the meeting.

A shareholder has the right to have a matter processed by an Annual General Meeting that falls within the responsibility of an Annual General Meeting. With regard to such matters, the demand must be presented to the Board of Directors in writing in a timely manner to allow sufficient time to have the matter included in the invitation to the meeting. Before the end of the financial period immediately preceding the Annual General Meeting, the company publishes on its website a date by which a shareholder must announce their demand, as well as a postal address or email address to which the demand must be sent.

All of the documents related to a General Meeting of Shareholders must be published on the company's website no later than two weeks after the meeting and kept available on the website for at least five years after the meeting.

**Annual General Meeting 2017**  
Tokmanni Group's Annual General

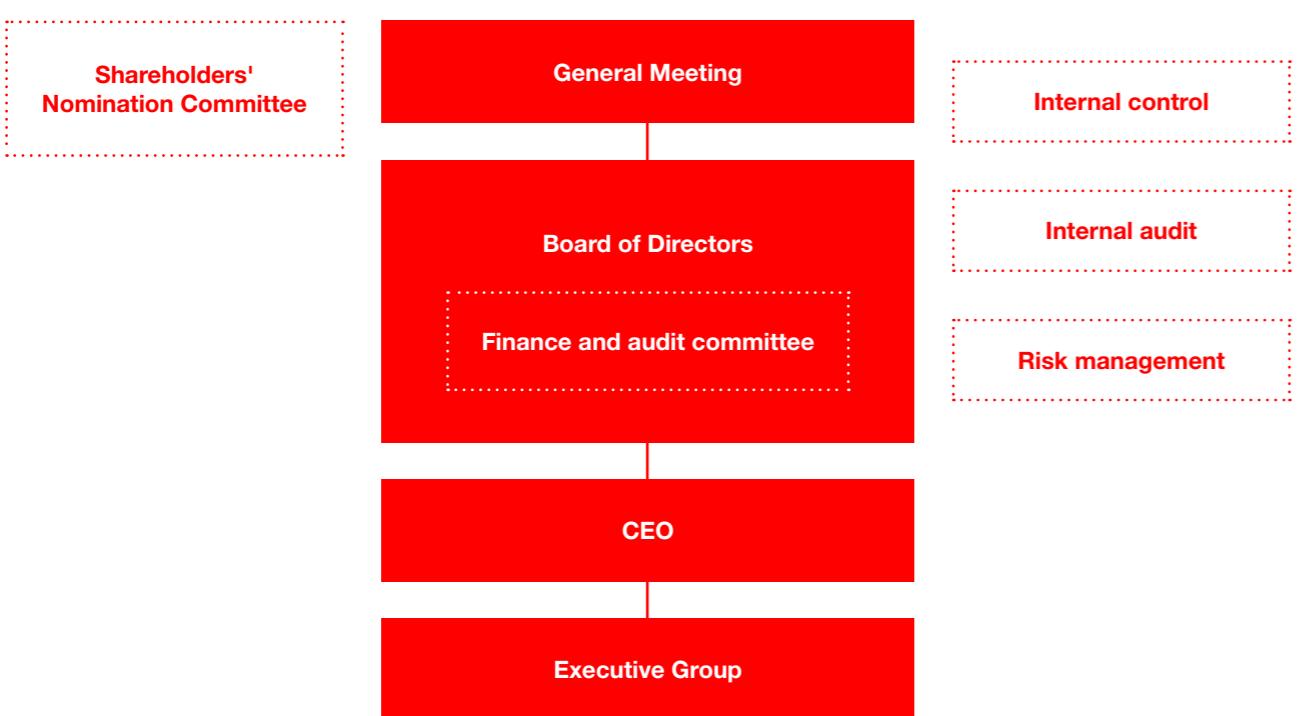
Meeting was held in Mäntsälä on 24 March 2017. The meeting adopted the financial statements and discharged the members of the Board of Directors and the company's CEO from liability for the financial year 2016. In addition, the meeting approved the proposal to pay a dividend of EUR 0.51 per share, for the accounting period that ended on 31 December 2016. The dividend was paid 4 April 2017.

The general meeting authorized the Board of Directors to decide on repurchase or accepting as pledge, using the company's non-restricted equity, a maximum of 2,943,000 own shares, which corresponds to approximately 5 per cent of the company's total shares at the time of convening the meeting. The authorization is effective until the annual general meeting held in 2018. The authorization was not exercised during the review period.

The general meeting authorized the Board of Directors to decide on the issuance of at most 2,943,000 new shares or shares held by the company in one or more tranches through a share issue and/or by issuing options or other special rights entitling to shares as referred to in Chapter 10 Section 1 of the Limited Liability Companies Act. The authorization may be used for the implementation of the company's incentive program or for the execution of any acquisitions or other arrangements or investment relating to the company's business or for other purposes subject to the decision of the Board of Directors. The authorization is effective until 23 March 2022. The authorization to issue shares granted by the extraordinary general meeting to the Board of Directors on 12 April 2016 ended on 31 December 2016.

The authorization was not exercised during the review period.

The general meeting resolved to establish a Shareholders' Nomination Board to prepare future proposals concerning the election and remu-



eration of the members of the Board of Directors to the general meetings. The Shareholders' Nomination Board replaces the Nomination Committee nominated by the Board of Directors.

All resolutions were taken without voting. The minutes of the meeting and other related documents can be found on Tokmanni's website [ir.tokmanni.fi](http://ir.tokmanni.fi).

## Board of Directors

### Composition

According to Tokmanni's Articles of Association, the company's Board of Directors consists of three (3) to eight (8) members. Their term of office runs until the end of the Annual General Meeting immediately following the meeting in which they were elected. The Annual General Meeting elects the Chair and other members of the Board.

According to Recommendation 10 of the Finnish Corporate Governance Code, the majority of the members of the Board must be independent of the company and at least two of the members who are independent of the company must also be independent of its major shareholders. The Board assesses the independence of its members annually and updates its assessments according to need.

The Nomination Committee prepares proposals for the nomination and remuneration of Board members for the Annual General Meeting. In addition to the candidates' competence and personal qualities, the Board assesses their cooperation abilities and ability to proactively support and challenge the executive management in a constructive manner.

The invitation to the Annual General Meeting includes a suggestion for the composition of the Board. In addition, a proposal for the composition of the Board submitted by shareholders who represent at least 10%

of the votes provided by the shares in the company is included in the invitation, provided that the suggested candidates have given their consent and the proposal is submitted to the company in a timely manner in order to be included in the invitation.

After the invitation to the meeting has been published, the candidates are announced separately in a similar manner. Tokmanni publishes information about the candidates on its website in conjunction with publishing the invitation to the meeting.

### Principles concerning diversity

The composition of the Board of Directors should reflect the company's operations and the markets in which it operates. In order for the Board to work as effectively as possible, its members must have excellent qualifications and sufficiently diverse backgrounds. Tokmanni's principles concerning the diversity of the Board consider experience, broad-based education and competence, as well as gender balance. To achieve the determined targets, the Nomination Committee carefully considers the diversity principles when preparing a proposal for the composition of the Board. The targets determined in the diversity principles are estimated to have been achieved to a sufficient degree in 2016.

### Board of Directors in 2017

The general meeting decided the number of Board members to be six. The meeting elected Harri Sivula, Thérèse Cedercreutz, Christian Gylling, Kati Hagros, Sven-Olof Kulldorff ja Seppo Saastamoinen as members of the Board of Directors. Harri Sivula was re-elected as Chairman of the Board of Directors.

Of the members of Tokmanni's Board of Directors, Seppo Saastamoinen is not independent of the company or its major shareholders. Saastamoinen served as the deputy CEO of Tokmanni from

2003 to 2006. He also founded Maxi-Makasiini and Maxi-Kodintukku and has served as Chairman of the Board of Directors of Tarjousmaxi, which is part of the Group. In addition, Saastamoinen has indirect holdings in Rockers Tukku Oy, which had a holding of 17.00% in Tokmanni on 31 December 2017.

### Operations

The general objective of the Board of Directors is to direct the company's business operations and strategy in a manner that ensures a continuous and significant increase in shareholder value. The Board of Directors processes all matters that fall within its responsibility in accordance with the law, other regulations and the company's Articles of Association. In addition, the Board of Directors is responsible for the organisation of the company's management and operations, and it is obligated to act always in the best interests of the company. The Board of Directors prepares matters for the Annual General Meeting, decides on convening the Annual General Meeting and ensures that the decisions of the Annual General Meeting are executed. In addition, the Board appoints the CEO and the deputy CEO, participates in decision-making concerning the appointment and dismissal of the other members of the Executive Group, approves the principles of the remuneration systems and makes decisions concerning the remuneration of the management. The Board is also responsible for ensuring that the company has sufficient resources for planning and for information and control systems with regard to operational risk management and performance control.

In addition, the Board is responsible for matters that cannot be considered to be part of the Group's day-to-day administration. These include approving the Group's strategic plan and long-term targets; approving the Group's annual business plan and

budget; making decisions concerning investments, acquisitions and divestments that are significant or deviate from the Group's strategy; approving strategic development projects; and making decisions concerning significant financial arrangements.

In its rules of procedure, the Board has defined in more detail its duties as a whole, the duties of its Chair and other members and its practical ways of working. The Board prepares an annual assessment of its operations and ways of working. The purpose of the assessment is to determine how the Board has succeeded in performing its duties over the year and to provide a foundation for evaluating the Board's operations.

The Board convened 18 times in 2017, with an average attendance rate of 97%.

### Remuneration of the Board

The remuneration of the Board of Directors is described under "Salary and remuneration report".

Board Member	Meeting attendance
Harri Sivula	18/18
Robert Furuhjelm*	3/3
Christian Gylling	17/18
Sven-Olof Kulldorff	17/18
Seppo Saastamoinen	18/18
Thérèse Cedercreutz	18/18
Kati Hagros	17/18

\* Member of the Board until 24 March, 2017.

## Committees of the board

Tokmanni's Board of Directors has one permanent committee: the Finance and Audit Committee. The Nomination Committee was replaced by a Shareholder's Nomination Board at the AGM 2017. The Board appoints the members and the chair of the committee. The committee members' term of office is the same as that of the members of the Board. The committee's practical ways of working are defined in more detail in its rules of procedure, which are

approved by the Board. The committee prepares matters for the Board and have no decision-making power of its own.

### Finance and Audit Committee

Tokmanni's Finance and Audit Committee monitors the company's financial reporting and prepares matters for the Board that concern Tokmanni's financial standing, financial reporting, auditing and risk management. The Finance and Audit Committee consists of three members of the Board. The majority of the members of the Finance and Audit Committee must be independent of the company, and at least one of its members must be independent of the company's major shareholders.

The members of the committee appoint the Chair of the committee from among themselves. The members of the committee must have the qualifications required for their duties, and at least one of the members must be independent and have expertise related to accounting or auditing in particular.

The Board determines the duties of the Finance and Audit Committee in the rules of procedure that it confirms. The Finance and Audit Committee has the following key duties:

- Monitoring the statutory auditing of financial statements and consolidated financial statements;
- Preparing a proposal for the selection of the auditor;
- Monitoring the company's reporting process and principles and accounting principles for financial statements;
- Monitoring the effectiveness and compliance of the company's internal control, internal auditing and risk management systems;
- Preparing and executing the Board's special assignments.

### Finance and Audit Committee 2017

At its constitutive meeting following the annual general meeting, the

Board resolved to elect as members of the Finance and Audit Committee: Christian Gylling, Kati Hagros and Harri Sivula. The committee convened 7 times in 2017, with an attendance rate of 100%

Finance and Audit Committee members	Meeting attendance
Christian Gylling, Chairman	7/7
Robert Furuhjelm*	2/2
Kati Hagros	7/7
Harri Sivula	7/7

\* Member of the Finance and Audit Committee until 24 March, 2017

## Shareholders' Nomination Board

The Shareholders' Nomination Board prepares future proposals concerning the election and remuneration of the members of the Board of Directors to the general meetings.

The Nomination Board comprises of representatives nominated by the four largest shareholders of the company and the Chairman of the Board of Directors as an expert member. The right to nominate representatives shall be vested with the four shareholders of the company having the largest share of the votes represented by all the shares in the company annually on the first workday of September based on the company's shareholders' register held by Euroclear Finland Ltd. However, if a shareholder who has distributed his/her holdings e.g. into several funds and has an obligation under the Finnish Securities Markets Act to take these holdings into account when disclosing changes in share of ownership, makes a written request to such effect to the Chairman of the Board of Directors no later than on 31 August, such shareholder's holdings in several funds or registers will be combined when calculating the share of votes which determines the nomination right. Should a shareholder not wish to exercise his/her

nomination right, the right shall be transferred to the next largest shareholder who otherwise would not be entitled to nominate a member.

The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board and the Nomination Board shall elect a Chairman from among its members. The Nomination Board shall give its proposal to the Board of Directors annually no later than on 31 January preceding the next annual general meeting. The term of office of the members of the Nomination Board expires annually after the new Nomination Board has been nominated.

## Shareholder's Nomination Board 2017

In 2017, the Nomination Board consisted of Hanna Hiidenpalo, a representative nominated by Elo Mutual Pension Insurance Company, Marie Karlsson, a representative nominated by Nordea Funds and Henrika Vikman as her deputy, Timo Sallinen, a representative nominated by Varma Mutual Pension Insurance Company, and Jari Sonninen, a representative nominated by Takoa Invest Oy (Rockers Tukku Oy merged into Takoa Invest Oy on 31 December 2017) as well as Harri Sivula as an expert member. Tokmanni's Nomination Board was chaired by Jari Sonninen.

## CEO and deputy CEO

The company's CEO and deputy CEO are selected by the Board of Directors. The CEO's terms of employment are presented in writing in his employment contract. The CEO is responsible for managing the company's business operations and administration in accordance with the Articles of Association, the Limited Liability Companies Act and the instructions provided by the Board. The Executive Group assists the CEO with his work.

The CEO is responsible for the day-to-day management and governance of the company's business operations, with the aim of ensuring a significant and continuous increase in shareholder value. The CEO prepares matters for the Board to decide on, develops the company in line with the targets agreed upon with the Board and ensures that the Board's decisions are executed appropriately. The CEO is obligated to ensure that the company's operations comply with the applicable laws and regulations as they stand at any given time. The CEO cannot be elected as Chairman of the Board.

The deputy CEO takes care of the CEO's duties if the CEO is prevented from attending to their duties.

## Executive group

The Executive Group is responsible for the management of the Group's business operations as a whole. The members of the Executive Group have specific authorisations in their respective areas of responsibility, and they are obligated to develop the Group's operations in line with the targets set by the Board and the CEO. The Board participates in electing the members of the Executive Group and in determining their terms of employment.

In 2017, Tokmanni's Executive Group consisted of Heikki Väänänen (CEO until 15 June 2017), Harri Sivula (interim CEO from 15 June 2017), Markku Pirsakanen (CFO and Deputy CEO from June 2017, succeeding Sixten Hjort who retired in June 2017), Mathias Kivikoski (Sales Director from 16 January 2017) Karri Pulli (Sourcing Director), Tomi Hakanpää (Marketing Director), Hanna Nikoskelianen (Business Development Director from 31 January 2017), Sami Vilkki (Supply Chain Director), Sirpa Huuskonen (HR) and Pasi Karhupää (CIO).

Information about the members of the Executive Group and their areas of responsibility is presented below under "Management and owner-

ship". The decision-making process and key principles concerning the remuneration of the members of the Executive Group is described under "Statement of salaries and fees".

## Control system

The general governance principles lay the foundation for Tokmanni's business operations. To guarantee the appropriate operation of the governance model, Tokmanni's Board of Directors has defined a set of principles for internal control. The company's internal control system is based on these principles. The purpose of the internal control system is to ensure that the company's operations are appropriate and efficient, that its financial and operational reporting is reliable and that regulations and the Code of Conduct are followed.

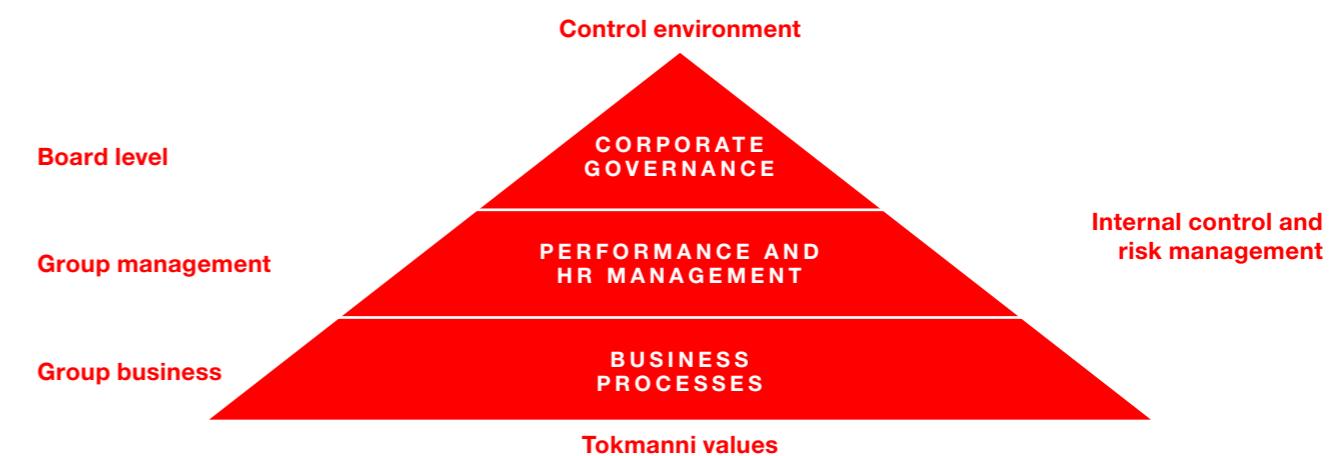
Internal control covers all organisational levels and is an essential part of all of Tokmanni's business operations. Tokmanni's values, Code of Conduct, Group-level policies, accounting principles, operating guidelines, processes, practices and organisational structures help the management and ultimately the Board of Directors ensure that Tokmanni achieves its targets, that its business operations are managed ethically and in compliance with all applicable laws and regulations, that its assets are managed responsibly and that its financial reporting is appropriate.

## Internal auditing

Internal auditing is an essential part of corporate governance at Tokmanni. Tokmanni's internal audit unit is responsible for internal auditing within the Group. Administratively, the unit reports to the CFO. However, in matters related to internal auditing, the unit reports to the Finance and Audit Committee.

The purpose of internal auditing is to monitor and ensure that the company's business operations are efficiently managed and profitable,

## Internal control structure and risk management



that its risk management is at a sufficient level and that its internal and external reporting is accurate and appropriate.

Internal auditing helps Tokmanni comply with good governance practices, provides the company's management with an independent perspective on examining its operations and helps the company achieve its targets by providing a systematic and disciplined approach to assessing and enhancing the efficiency of risk management, monitoring and governance processes.

The operating principles and key procedures for internal auditing are defined in the operating guidelines confirmed by the Finance and Audit Committee. The internal audit unit prepares a three-year plan that is implemented in line with a separately approved annual plan. In accordance with the plan, the internal audit unit also independently carries out audits on different parts of the company. In addition, it may conduct special audits and stipulated audits in cooperation with auditors and external experts.

## Auditing

The company has one auditor. The auditor must be an auditing firm authorised by the Finland Chamber

of Commerce. The Annual General Meeting appoints the auditor for the financial year in progress at the time. The auditor's term of office runs until the end of the Annual General Meeting immediately following the meeting during which they were appointed.

The auditor is responsible for auditing the consolidated financial statements and the parent company's financial statements, accounting and governance. The auditor submits a statutory auditor's report on the financial statements to the company's shareholders. In addition, the auditor regularly reports to the Board of Directors.

In addition to general qualification requirements, the auditor must meet specific statutory requirements concerning independence in order to ensure reliable and independent auditing.

The 2017 Annual General Meeting appointed KPMG Oy as Tokmanni's auditor, with APA Ari Eskelinen as the principal auditor. The auditing-related fees paid to KPMG totalled EUR 93,451,83 in 2017. In addition, EUR 40,114,44 was paid in fees for other services.

## Internal control related to financial reporting

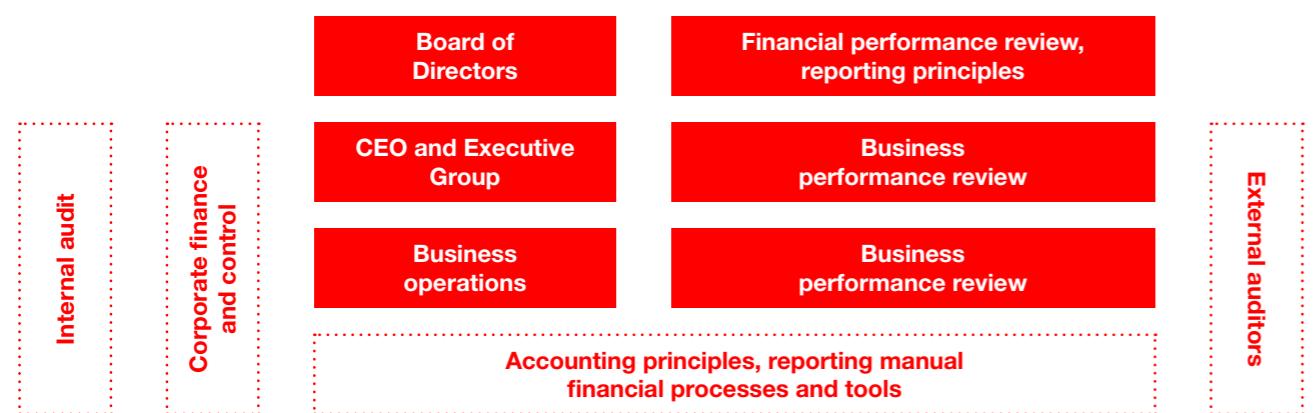
With regard to financial reporting, the

purpose of internal control is to ensure that the reporting is reliable and complies with widely accepted accounting principles, as well as the applicable laws and regulations and internal reporting principles. Tokmanni's financial reporting framework is based on Group-level guidelines and financial processes and on a common reporting platform. This framework is supported by Tokmanni's values, integrity and high ethical principles, as well as regular training and the exchange of information at meetings concerning financial processes.

The overall responsibility for the internal control of financial reporting rests with the Board of Directors. The Board evaluates business performance. The Board has appointed a Finance and Audit Committee, which regularly monitors compliance with the principles of financial reporting, as well as the accuracy of the financial reporting, as part of its duties. On a monthly basis, the CEO and the members of the Executive Group report on financial development and outlook for the period in progress.

The internal audit unit has a systematic plan for auditing financial reporting. The financial function maintains common guidelines for financial reporting, serves as the owner of

## Internal control related to financial reporting



financial processes and monitors reporting platforms in a centralised manner. The financial function is responsible for the application and interpretation of the accounting principles concerning financial statements. These principles are recorded in Tokmanni's accounting manual.

In addition to financial information, the reporting covers key financial indicators in terms of the Group's business operations. The Group's financial result and future outlook are evaluated on a monthly basis.

### Communications

To ensure an efficient and well-functioning internal control environment, Tokmanni seeks to ensure the openness, transparency, accuracy and timeliness of its internal and external communications. Information about internal tools for financial reporting – such as the accounting principles and the guidelines and disclosure policy concerning financial reporting – is available on Tokmanni's intranet. Tokmanni provides its employees with the necessary training on matters related to internal control and the use of internal control tools. In so doing, Tokmanni clearly communicates to its employees that the responsibilities related to internal control are taken seriously. Tokmanni's CFO and the person

in charge of internal auditing regularly report to the Finance and Audit Committee on the results of the work related to internal control. Observations, recommendations and proposed decisions and measures arising from the work of the Finance and Audit Committee are reported to the Board of Directors after each committee meeting.

### Monitoring

The functionality of internal control, risk management and reporting systems is monitored continuously as part of the company's day-to-day management. The Group's financial administration monitors the functionality and reliability of the reporting processes across the Group. The financial reporting processes also fall within the internal audit unit's sphere of monitoring.

### Risks and risk management

Risk management is part of Tokmanni's management system and internal control. The purpose of Tokmanni's risk management is to support the company's values and strategy and the continuity of its business operations by anticipating and managing any risks associated with its operations. The goal is to assess

risks systematically to promote thorough planning and decision-making. Risk management at Tokmanni has the following targets:

- Stressing the importance of risk awareness and proactive risk management;
- Maintaining the company's competitiveness and gaining a competitive edge;
- Ensuring sufficient risk management at Group level in line with Tokmanni's risk tolerance and risk appetite;
- Managing risks as part of business operations, planning and decision-making in line with predetermined duties and responsibilities.

Risk management includes all parts of the organisation and all risk types, from strategic to operational. Risk management supports the management and the Board in order to ensure that the company can implement its strategy efficiently. Tokmanni operates in line with the risk management profile approved by the Board of Directors.

Risks are assessed regularly and reported to the CEO, the Executive Group, the Financial and Audit Committee and the Board of Directors in accordance with Tokmanni's risk management policy.

Risks that may affect Tokmanni are divided into strategic, operational, financial and hazard risks.

- **Strategic risks** threaten the Group's achievement of its strategic targets. These risks are typically related to changes in the operating environment, competitors' actions and the planning and organisation of the Group's business operations.
- **Operational risks** are related to losses arising from the deficiency or failure of internal processes, personnel resources or systems. These risks typically concern operational decision-making, the allocation of resources, the quality of operational processes or products, the functionality of information systems, agreements and compliance with laws and regulations, as well as employees' knowledge and skills.

- **Financial risks** include liquidity and credit risks and market risks, which include currency and interest rate risks, for example.
- **Hazard risks** cause damage to people, property or the environment. They arise from external or internal events, such as accidents, safety failures or natural phenomena.

Risks and uncertainty factors that were considered to be significant in 2017 are described in detail in the 2017 Financial Statement.

### Key procedures related to insider management

Tokmanni complies with laws governing the securities markets. These

include the Market Abuse Regulation of the European Union and the Finnish Securities Markets Act, as well as the orders given by the European Securities and Markets Authority (ESMA) and the Finnish Financial Supervisory Authority (Fiva). In addition, Tokmanni complies with the Guidelines for Insiders published by Nasdaq Helsinki in 2016.

Tokmanni has deemed the following people to be executives obligated to disclose their business transactions that involve Tokmanni's financial instruments: members of the Board of Directors, CEO, deputy CEO and CFO of Tokmanni Group. The people listed above must also determine their related parties (individuals and companies) who are subject to a similar disclosure obligation.

The executives listed above may not trade in Tokmanni's securities during the closed window, which begins 30 days before the publication of each business or interim report or financial statements release, or preliminary information related to these, and ends on the day immediately following the disclosure of this information. If a business or interim report or financial statements release is published more than 30 days after the end of the review period or financial year, the closed window begins at the end of the review period or financial year.

In addition, Tokmanni's Insider Policy recommends that insiders may trade in Tokmanni's securities and

perform other measures related to these securities during the "21-day period" (open window) that begins on the day immediately following the disclosure of the result for the period or the disclosure of a business or interim report by means of a financial statements release, provided that the insider does not have other undisclosed insider information and that the insider is not included in a project-specific insider register during that time. Trading may also be possible outside the open window with permission from Tokmanni's CFO (the person in charge of insider issues). Trading is permitted outside the open window only if the person in charge of insider issues provides the insider in question with a written estimate stating that there are no obstacles to trading. The estimate will be valid for seven days, and the transaction must be completed during that time.

In conjunction with the preparation of significant projects, the company also maintains a project-specific insider register. Insiders will be informed in writing about their inclusion in the insider register. They will also be provided with instructions concerning insider obligations.

Tokmanni Group's insider register is maintained by the company's financial management unit. Investor Relations at Tokmanni is responsible for the timely disclosure of business transactions carried out by executives and their related parties.

## Management's shareholdings on 31 December 2017

Name	Holding
Harri Sivula	450,000
Thérèse Cedercreutz	640
Christian Gylling	0
Kati Hagros	5,000
Sven-Olof Kulldorff	0
Seppo Saastamoinen	0
Markku Pirskanen	1,500

# Salary and remuneration report

## Decision-making process and key remuneration principles

### Board of Directors

The Annual General Meeting decides on the fees paid to the members of the Board of Directors for one term of office at a time. Matters related to the Board of Directors' fees are prepared by Tokmanni's Nomination Committee. The committee submits its proposal to the Board of Directors annually before the Board convenes the Annual General Meeting. When preparing matters, the committee may use external experts. In line with its rules of procedure, the committee also presents its proposal and reports on its operations to the Annual General Meeting.

### The CEO and other members of the Executive Group

The Board of Directors decides on the CEO's salary, fees and terms of employment and participates in

decision-making concerning the salaries, fees and terms of employment of the other members of the Executive Group. In addition, the Board decides on matters related to the company's remuneration systems and incentive plans.

### Key remuneration principles

#### Board of Directors

The Annual General Meeting decides on the fees paid to the members of the Board of Directors for one term of office at a time.

In line with the resolution of the Annual General Meeting in 2017, the following monthly fees were paid to the members of the Board:

- EUR 7,000 to the Chairman
- EUR 2,500 to the other members.

In addition, the following meeting fees are paid for each meeting of the Board and the committees:

- EUR 1,000 to members residing in Finland;

- EUR 2,000 to members residing in other European countries.

The annual fee and meeting fees are paid in cash. Travel expenses are compensated for in accordance with Tokmanni's Travel Policy. The members of the Board are not included in the company's share-based incentive system or bonus system.

### The CEO and other members of the Executive Group

The remuneration paid to the CEO and other members of the Executive Group, and the principles underlying it, are determined by the Board of Directors. The remuneration paid to the CEO and to the other members of the Executive Group consists of a monthly salary and a short-term bonus. The Board of Directors determines on a yearly basis the terms for the bonus payment. The bonus payments for the Executive Group are paid based on the achievement of the company's growth and profitabil-

bility targets for the financial year. In 2017, the variable short term was at most 30% of the maximum total annual salary for the Executive Group.

In addition, the Group has a long-term share-based incentive program directed to the CEO, the Executive Group and key employees. The aim of the program is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement the Company's strategy, and to offer them a competitive reward program based on earning and accumulating the Company's shares. The program is tied to the company's earnings per share and the development of the company's share price.

### The CEO's terms of employment and fringe benefits

#### Basic salary

The total salary paid to the CEO in 2017 was EUR 361,512, including fringe benefits.

#### Performance bonus

The performance bonus is based on conditions approved by the Board of Directors. Based on the 2016

program EUR 25,053 was paid in 2017. In 2017, the maximum short term bonus was 40% of the annual basic salary. No performance bonus will be paid to the CEO based on the 2017 program.

### Share-based performance bonus

In 2017, the maximum short term bonus was 60% of the annual basic salary. No share based bonus was earned for the period.

### Pension arrangement

The Employees Pensions Act provides pension security based on service time and earnings. The CEO's age of retirement is determined in accordance with the Act.

### Terms of notice

The CEO has a mutual notice period of six months. The CEO will be paid 12 months' salary if his employment is terminated by the company.

### Short-term incentive plans

Annual incentive bonuses are determined in line with Tokmanni's financial targets and the agreed-upon personal targets. The amount of the annual incentive bonus varies from two weeks' salary to five months' salary according to the requirements

of the work or the employee's position, based on their annual salary. All of Tokmanni's employees are included in the incentive bonus system, with the exception of logistics employees. In addition to a monthly basic salary, an efficiency-based personal production bonus is paid to logistics employees.

### Long-term incentive plans

The long-term share-based incentive program is directed to the CEO, the Executive Group and key employees. The aim of the program is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement the Company's strategy, and to offer them a competitive reward program based on earning and accumulating the Company's shares. The program is tied to the company's earnings per share and the development of the company's share price. Approximately 50 employees are covered by the scheme.

## Fees paid to Board members in 2017, EUR

Sivula Harri*, Chairman	70,000
Cedercreutz Thérèse	43,000
Furuhjelm Robert**	19,000
Gylling Christian	51,000
Hagros Kati	49,000
Kulldorff Sven-Olof	54,000
Saastamoinen Seppo	45,000
<b>Total</b>	<b>331,000</b>

\* Harri Sivula's fees have partially been paid in 2018.

\*\* member of the Board until 24 March, 2017.

## Fees paid to the CEO and other members of the Executive Group in 2017

	Salary (including fringe benefits), EUR	Performance bonus, EUR	Share-based performance bonus, EUR	Total in 2017, EUR
CEO Heikki Väänänen (until 15 June 2017)	361,512	25,053	-	386,565
Interim CEO Harri Sivula (from 15 June 2017)	70,000		-	70,000
<b>Other members of the Executive Group, total</b>	<b>1,192,667</b>	<b>22,926</b>	<b>-</b>	<b>1,215,593</b>

# Members of the Board of Directors



**HARRI SIVULA**  
Chairman of the Board, interim  
CEO since 15 June 2017  
Member of the Board since 2012,  
Chairman since 2012, born 1962,  
**M.Sc. (Admin.)**  
Independent of the company  
and its major shareholders

**Key work experience:**  
GS1, CEO 2015–2017  
Restel Oy, CEO 2011–2014  
Onninen Oy, CEO 2006–2010,  
Kesko Oyj, Ruoka-Kesko, Deputy  
Managing Director, Ruoka-Kesko,  
Division Director 1987–2006  
*Holdings in Tokmanni Group*  
*Corporation on 31 December 2017:*  
450,000 shares

**KATI HAGROS**  
Member of the Board since 2016,  
born 1970, **M.Sc. (Eng.), M.Sc. (Soc.)**  
Independent of the company  
and its major shareholders

**Key work experience:**  
Aalto University, Chief Digital  
Officer since 2016,  
KONE Corporation, SVP,  
Digitalization Strategy, Service  
Business 2015–2016,  
KONE Corporation, SVP,  
Global Development, and CIO  
and Head of Global  
Development 2010–2015, Nokia  
Corporation, Vice President, IT,  
Finland and the UK 2007–2009,  
Nokia Corporation, Vice President,  
Quality, Finland and the UK  
2004–2007,  
Nokia Mobile Phones, Asia-Pacific,  
various positions 1997–2004  
*Holdings in Tokmanni Group*  
*Corporation on 31 December 2017:*  
5,000 shares

**THÉRÈSE CEDERCREUTZ**  
Member of the Board since 2016,  
born 1969, **M.Sc. (Econ.)**  
Independent of the company  
and its major shareholders

**Key work experience:**  
Barmer-Cedercreutz,  
CEO since 2016,  
358 Creative Agency,  
Managing Director 2015–2016,  
358 Creative Agency,  
COO 2013–2014,  
Spoiled Milk Creative Agency, VP,  
Business Development 2011–2013,  
F-Secure Oyj, Director, Global  
Consumer Business and Marketing  
2010–2011,  
THQ Wireless, VP, Sales and  
Business Development, EMEA  
2003–2009  
*Holdings in Tokmanni Group*  
*Corporation on 31 December 2017:*  
640 shares

**SVEN-OLOF KULLDORFF**  
Member of the Board since 2012,  
born 1954, **M.Sc. (Eng.)**  
Independent of the company  
and its major shareholders

**Key work experience:**  
Företagsledare REGO,  
CEO since 2007,  
ICA Group, EVP (Supply) and  
deputy CEO 2004–2007,  
IKEA, CPO of Ikea Group and CEO  
of Ikea Netherlands, among other  
positions 1978–2004  
*Holdings in Tokmanni Group*  
*Corporation on 31 December 2017:*  
0 shares  
*Kulldorff is a shareholder in REGO  
AB, which owned 300,000 shares  
in Tokmanni Group Corporation on  
31 December 2017.*

**CHRISTIAN GYLING**  
Member of the Board since 2012,  
born 1979, **M.Sc. (Econ.)**  
Independent of the company and its  
major shareholders (on 31 December  
2017)

**Key work experience:**  
Nordic Capital, Principal since 2008,  
Apax Partners Holdings Ltd.,  
Senior Associate 2005–2008,  
Goldman Sachs London, Investment  
Banking Division, Analyst 2003–2005  
*Holdings in Tokmanni Group  
Corporation on 31 December 2017:*  
0 shares

**SEppo SAASTAMOINEN**  
Member of the Board since 2013,  
born 1960, **Diploma in Business  
Administration**  
Not independent of the company  
or its major shareholders

**Key work experience:**  
Tokmanni, Deputy CEO 2006–2007,  
Tarjousmaxi, Founder and Board  
member 2003–2006,  
Maxi-Makasiini and  
Maxi-Kodintukku, Founder and  
CEO 1978–2003  
*Holdings in Tokmanni Group*  
*Corporation on 31 December 2017:*  
0 shares  
*Saastamoinen has indirect holdings  
in Rockers Tukku Oy, which owned  
10,007, 688 shares in Tokmanni  
Group Corporation.*

# Members of the Executive Group



## HARRI SIVULA

Interim CEO (for details see Board of Directors)

## SIRPA HUUSKONEN

HR Director since 2016, Member of the Executive Group since 2016, born in 1961, LLM (trained on the bench), joined the company in 2016

### Key work experience:

ISS Palvelut Oy, HR Director, Member of Management Team 2004–2016,

Engel Palvelut Oy, HR Manager 2002–2004,

Helsinki Metropolitan Area Council, Administrative Manager 1997–2002, UL Oikeuspalvelu Oy, Finnish Foreign Trade Law Office Ltd., Legal Counsel 1995–1997

### Positions of trust:

Helsinki Regional Chamber of Commerce, Chair of the Education and Labour Committee since 2009,

Helsinki Regional Chamber of

Commerce, Member of the Merit Board since 2015, Member of the Board of Mäntsälän Yrityskehitys Ltd. since 2017

*Holdings in Tokmanni Group Corporation on 31 December 2017: 600 shares*

## KARRI PULLI

Sourcing Director since 2013, Member of the Executive Group since 2013, born in 1963, M.Sc (Econ.), joined the company in 2013

### Key work experience:

Best Friend Group Oy,

Managing Director 2011–2013,

Best Friend Group Oy,

Director of Operations 2010–2011,

Best Friend Group Oy,

Commercial Director 2008–2010,

Kesko, various managerial positions

1992–2007

*Holdings in Tokmanni Group Corporation on 31 December 2017: 1,000 shares*

CEO Heikki Vääränen left the company in June 2017. CFO and Deputy to the CEO Sixten Hjort retired in June 2017. Sales Director Panu Porkka left the company in January 2017.

## MARKKU PIRSKANEN

CFO and Deputy CEO since June 2017, Member of the Executive Group since 2017, born in 1964, M.Sc (Econ.), joined the company in 2017

### Key work experience:

Hartela-Group, CFO 2016–2017

Martela Oyj, CFO 2011–2016

Comptel Group, CFO 2009–2011

*Holdings in Tokmanni Group Corporation on 31 December 2017: 1,500 shares*

## PASI KARHAPÄÄ

Chief Information Officer since 2007, Member of the Executive Group since 2009, born in 1970, B.Sc (Tech.), joined the company in 2007

### Key work experience:

Bauhaus & Co.,

ICT Manager 2005–2007,

Data-Info Vantaa,

Business Director 2000–2004

### Positions of trust:

A.I.D. Advanced Internet Design,

Chairman of the Board since 1998

*Holdings in Tokmanni Group Corporation on 31 December 2017: 78,750 shares*

## HANNA NIKOSKELAINEN

Director, Business Development since 2017, Member of the Executive Group since 2017, born in 1978, M.Sc (Econ.), joined the company in 2017

### Key work experience:

Strategy& / PwC Finland,

Retail & Consumer Leader 2016–2017

Booz & Company, Manager 2008–2017

Capgemini Consulting,

Senior Consultant 2006–2008

LU Finland / Danone, Brand Manager

2002–2006

*Holdings in Tokmanni Group Corporation on 31 December 2017: 0 shares*

## TOMI HAKANPÄÄ

Marketing Director since 2015, Member of the Executive Group since 2015, born in 1971, M.Sc (Econ.), joined the company in 2015

### Key work experience:

DDB Helsinki, Strategy Director 2004–2015,

Cloetta Fazer AB, Category Director 2002–2004,

Fazer Confectionery Ltd.,

Marketing Manager 1999–2002,

Fazer Confectionery Ltd.,

Product Group Manager 1997–1999

*Holdings in Tokmanni Group Corporation on 31 December 2017: 50,000 shares*

## MATHIAS KIVIKOSKI

Sales Director since 2017, Member of the Executive Group since 2017, born in 1973, M.Sc. (Econ.), joined the company in 2017

### Key work experience:

Hong Kong Group, CEO 2014–2016

Lidl Finland, Director of Properties and Development 2009–2014

Lidl Sweden, Managing Director 2006–2009

Lidl Finland, various managerial positions 2002–2006

*Holdings in Tokmanni Group Corporation on 31 December 2017: 0 shares*

## SAMI VILKKI

Supply Chain Director since 2015, Member of the Executive Group since 2010, born in 1970, B.Sc. (Tech.), joined the company in 2006

### Key work experience:

Tokmanni, Logistics Manager 2006–2015,

Valio Oy, Logistics Manager 2005–2006,

Valio Oy, Warehouse Manager 2000–2004

*Holdings in Tokmanni Group Corporation on 31 December 2017: 63,000 shares*



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