

The image features a red rectangular logo with the word 'TOKMANNI' in white, bold, sans-serif capital letters at the top center. The background is a photograph of a woman with dark hair, smiling and looking towards the camera. She is wearing a red polo shirt with a white name tag that says 'TOKMANNI' and 'CARINA'. In the background, other people are visible but out of focus, including a man in a dark jacket and a woman in a white shirt. The setting appears to be a retail or office environment with computer monitors and desks.

TOKMANNI

Corporate Governance Statement 2018

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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. 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).

Tokmanni prepares its consolidated financial statements, interim reports and business reviews in accordance with international financial reporting standards adopted 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 2018

Tokmanni Group's Annual General Meeting was held on 14 March 2018 in Mäntsälä. The general meeting approved the 2017 financial statements, including the consolidated financial statements, the report of the Board of Directors and the auditor's report and discharged the members of the Board of Directors and the company's CEOs during the financial period from liability.

The general meeting approved the proposal to pay a dividend EUR 0.41 per share for the accounting period that ended on 31 December 2017. The proposed dividend was paid to shareholders who are registered in the company's shareholders register, maintained by Euroclear Finland, on the record date of the payment of the dividend on 16 March 2018. The date for the payment of the dividend was 23 March 2018.

The general meeting decided the number of Board members to be six. The meeting elected Juha Blomster, Thérèse Cedercreutz, Kati Hagros, Erkki Järvinen, Seppo Saastamoinen and Harri Sivula as members of the Board of Directors. Seppo Saastamoinen was elected as Chairman of the Board of Directors.

The general meeting approved the proposal that the remuneration of the members of the Board of Directors remain the same as follows:

1. The Chairman of the Board of Directors will be paid EUR 7,000 as monthly remuneration;
2. A member of the Board of Directors will be paid EUR 2,500 as monthly remuneration;
3. In addition, the Chairman and the members of the Board of Directors will be paid an attendance fee per each meeting of the Board of Directors as follows:
 - EUR 1,000 for those members of the Board of Directors who are domiciled in Finland;
 - EUR 2,000 for those members of the Board of Directors who are domiciled elsewhere in Europe; and
 - EUR 3,000 for those members of the Board of Directors who are domiciled outside Europe.

The general meeting decided that the auditor is paid remuneration in accordance with a reasonable invoice. The authorized public accountants KPMG Oy Ab were reappointed as the company's auditor until the annual general meeting 2019.

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 repurchase may take place in one or more tranches. The shares shall be repurchased in a proportion other than the shareholders' current shareholdings in the company in public trading arranged by Nasdaq Helsinki Ltd at the trading price of the moment of repurchase. The shares shall be repurchased and paid in accordance with the rules of Nasdaq Helsinki Ltd. The company may repurchase the shares to execute its incentive program or corporate acquisitions or other business arrangements or investments related to the company's operations, to improve its capital structure, or to be otherwise further transferred, retained by the company or cancelled. The authorization includes the right for the Board of Directors to decide on all other matters related to the repurchase of shares. The authorization is effective until the annual general meeting held in 2019, yet no further than until 30 June 2019.

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.

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 Board 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 Board 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 2018.

Board of Directors in 2018

The Board of Directors consisted of six members during the period of 1 January to 14 March 2018. Harri Sivula acted as the Chairman of the Board and Thérèse Cedercreutz, Christian Gylling, Kati Hagros, Sven-Olof Kulldorff and Seppo Saastamoinen as members. The Secretary of the Board was lawyer Tiina Ashorn.

The Annual General Meeting held on 14 March 2018 confirmed the number of Board members to be six. The meeting elected Juha Blomster, Thérèse Cedercreutz, Kati Hagros, Erkki Järvinen, Seppo Saastamoinen and Harri Sivula as members of the Board of Directors. Seppo Saastamoinen was elected as Chairman of the Board of Directors. The Secretary of the Board is lawyer Jari Sonninen.

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 discount retailers Maxi-Makasiini and Maxi-Kodintukku and has served as founder and member of the Board of Directors of Tarjousmaxi, which is part of the Group. In addition, Saastamoinen has holdings in Takoa Invest Oy, which had a holding of 17.70% in Tokmanni on 31 December 2018.

Composition of the Board of Directors 31 December 2018

| Member | Member since | Born | Education | Main occupation | Shareholding Dec 31 2018 |
|---------------------|------------------------------------------|------|------------------------------------|--------------------------------------------|--------------------------|
| Seppo Saastamoinen* | Chairman since 2018 Member since 2013 | 1960 | Diploma in Business Administration | Board Professional | 0 |
| Juha Blomster | 2018 | 1957 | M.Sc. (Econ) | - | 2,000 |
| Thérèse Cedercreutz | 2016 | 1969 | M.Sc. (Econ) | We Are Inc, CEO | 640 |
| Kati Hagros | 2016 | 1970 | M.Sc. (Eng.), M.Sc. (Soc.) | Aalto University, Chief Digital Officer | 5,000 |
| Erkki Järvinen | 2018 | 1960 | M.Sc. (Econ) | Oy Snellman Ab, President and CEO | 0 |
| Harri Sivula | 2012 | 1962 | M.Sc. (Admin) | - | 460,000 |

* Founder, Chairman of the Board and CEO of Takoa Invest Oy, which owned 10,417,688 shares, representing 17.70% of Tokmanni shares in 31 December 2018.

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 14 times in 2018, with an average attendance rate of 86%.

Attendance in Board meetings 2018

| Member | Attendances/ number of meetings | Attendance rate |
|-------------------------------------------|------------------------------------|-----------------|
| Juha Blomster (since 14 March 2018) | 10/10 | 100% |
| Thérèse Cedercreutz | 13/14 | 93% |
| Kati Hagros | 14/14 | 100% |
| Erkki Järvinen (since 14 March 2018) | 10/10 | 100% |
| Seppo Saastamoinen | 13/14 | 93% |
| Harri Sivula | 14/14 | 100% |
| Christian Gylling (until 14 March 2018) | 0/4 | 0% |
| Sven-Olof Kulldorff (until 14 March 2018) | 4/4 | 100% |

Committees of the Board

Tokmanni's Board of Directors has one permanent committee: the Finance and Audit Committee. The Nomination Board was replaced by a Shareholder's Nomination Board at the Annual General Meeting 2017. The Board appoints the members and the chair of the Finance and Audit 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 of the company and the company's major shareholders 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 2018

At its constitutive meeting following the Annual General Meeting 2018, the Board resolved to elect as members of the Finance and Audit Committee: Juha Blomster, Kati Hagros and Harri Sivula. The committee convened 6 times in 2018, with an attendance rate of 100%.

Attendance in Finance and Audit Committee meetings 2018

| Member | Attendances/ number of meetings | Attendance rate |
|--------------------------------------------|------------------------------------|-----------------|
| Juha Blomster (since 14 March 2018) | 5/5 | 100% |
| Kati Hagros | 6/6 | 100% |
| Harri Sivula | 6/6 | 100% |
| Christian Gylling (until 14 March 2018) | 1/1 | 100% |

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. The members of the Shareholders' Nomination Board are not paid any meeting fees.

Shareholder's Nomination Board 2018

Until 31 August 2018, the Nomination Board consisted of Hanna Hiidenpalo, a representative nominated by Elo Mutual Pension Insurance Company, Marie Karlsson, a representative nominated by Nordea Funds Ltd. 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 as well as Harri Sivula as an expert member. Tokmanni's Nomination Board was chaired by Jari Sonninen. The Shareholder's Nomination Board convened 3 times in 2018.

Representatives of the four largest shareholders registered in Tokmanni Group's shareholder register as of 1 September 2018 were elected to the Shareholders' Nomination Board along with the Chairman of the Board of Directors, Seppo Saastamoinen, as an expert member.

The four largest shareholders nominated following members to Nomination Board:

- Jari Sonninen, Takoa Invest Oy;
- Hanna Hiidenpalo, Elo Mutual Pension Insurance Company;
- Hanna Kaskela, Varma Mutual Pension Insurance Company;
- Marie Karlsson, Nordea Funds Ltd.

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.

Members of the Executive Group 31 December 2018

| Member | Position at Tokmanni | Member since | Born | Education | Shareholding Dec 31 2018 |
|-------------------|--------------------------------------------------|--------------|------|-----------------------------|--------------------------|
| Mika Rautiainen | CEO | 1.6.2018 | 1962 | M.Sc. (Econ) | 143,500 |
| Markku Pirskanen | CFO and deputy CEO | 22.5.2017 | 1964 | M.Sc. (Econ) | 16,500 |
| Sirpa Huuskonen | HR Director | 1.5.2016 | 1961 | LL.M (trained on the bench) | 15,600 |
| Harri Koponen | Store Network and Concept Director | 1.2.2018 | 1964 | M.Sc. (Econ.), eMBA | 30,231 |
| Mathias Kivikoski | Sales and Marketing Director | 16.1.2017 | 1973 | M.Sc. (Econ) | 31,000 |
| Tuomas Hyvärinen | Purchasing Director | 21.5.2018 | 1957 | M.Sc. (Econ) | 40,000 |
| Timo Heimo | Information Management and Supply Chain Director | 1.12.2018 | 1967 | M.Sc. (Food Science) | 24,000 |

| | | | | | |
|---------------|-------------------------------|----------|------|--------------|--------|
| Janne Pihkala | Business Development Director | 1.4.2018 | 1983 | M.Sc. (Econ) | 37 316 |
|---------------|-------------------------------|----------|------|--------------|--------|

Previous members of the Executive Group

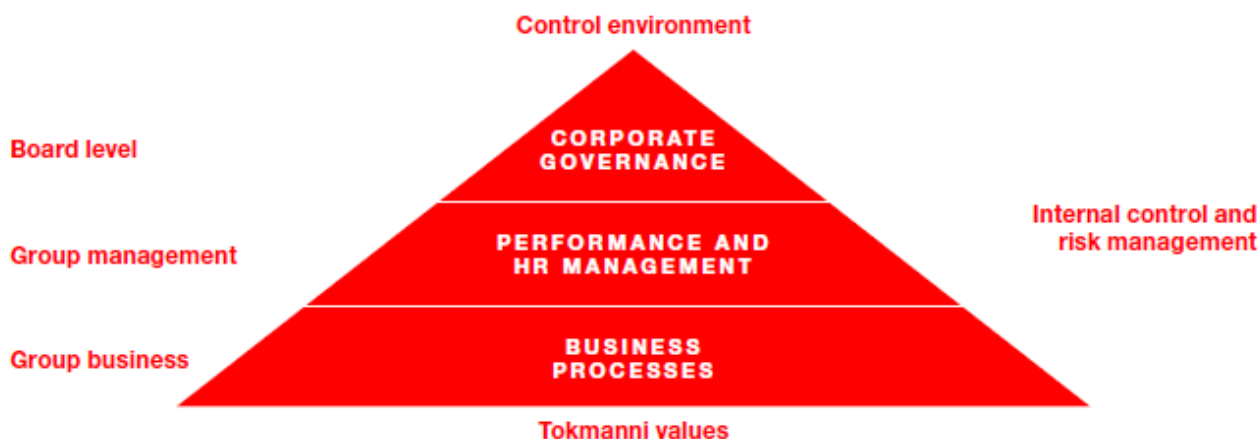
- Pasi Karhapää, Chief Information Officer until 15 February 2018i
- Hanna Nikoskelainen, Director, Business Development until 22 March 2018
- Karri Pulli, Sourcing Director until 16 May 2018
- Sami Vilkki, Director, Supply Chain, until 5 October 2018
- Tomi Hakanpää, Marketing Director until 10 December 2018

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 control structure and risk management



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, 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 management 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 authorized public accountants KPMG Oy Ab were reappointed as the company's auditor until the Annual General Meeting 2019.

Internal control related to financial reporting

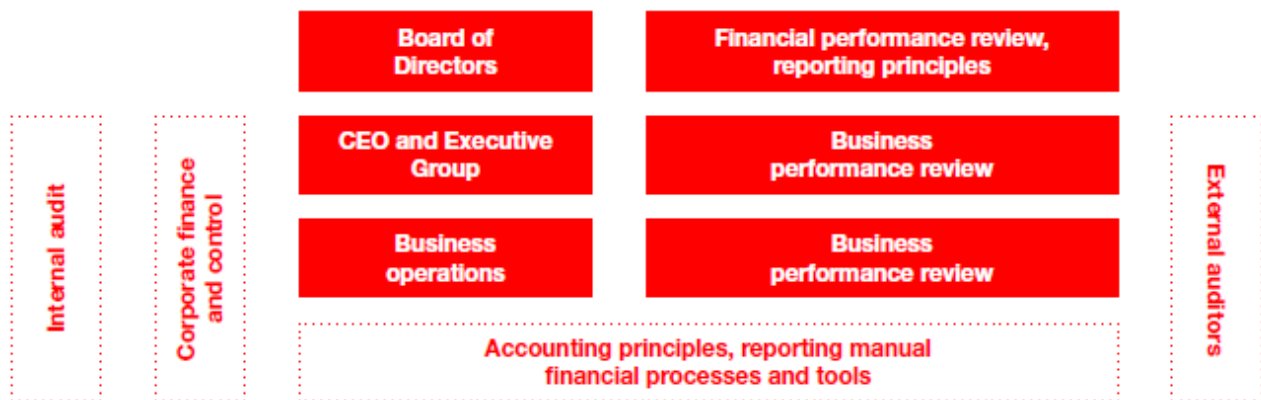
With regard to financial reporting, the purpose of internal control is to ensure that the reporting is reliable and complies with widely accepted accounting principles, as well as the applicable laws and regulations and internal reporting principles. Tokmanni's financial reporting framework is based 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 financial processes and monitors reporting platforms in a centralised manner. The financial department 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.

Internal control related to financial reporting



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. Possible 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 department 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 e.g. 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 2018 are described in detail in the 2018 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 department. Investor Relations at Tokmanni is responsible for the timely disclosure of business transactions carried out by executives and their related parties.

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 shareholders Nomination Board. The Board submits its proposal to the Board of Directors annually before the Board convenes the Annual General Meeting. When preparing matters, the Board 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 2018, the following monthly fees were paid to the members of the Board:

- The Chairman of the Board of Directors will be paid EUR 7,000.00 as monthly remuneration
- A member of the Board of Directors will be paid EUR 2,500.00 as monthly remuneration

In addition, the Chairman and the members of the Board of Directors will be paid an attendance fee per each meeting of the Board of Directors as follows:

- EUR 1,000.00 for those members of the Board of Directors who are domiciled in Finland;
- EUR 2,000.00 for those members of the Board of Directors who are domiciled elsewhere in Europe; and
- EUR 3,000.00 for those members of the Board of Directors who are domiciled outside Europe.

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 profitability targets for the financial year.

Based on the 2018 bonus system, the CEO will be paid 27.3% of the basic salary and the other members of the Executive Group 19.7% of the total salary. In addition, based on the bonus system, a pension contribution of 8.6% of the annual salary will be paid to the CEO in 2018 and 4.9% of the annual salary to other members of the Management 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 salary paid to the CEO in 2018 was EUR 780,588 including fringe benefits. The sum includes a one-off compensation of EUR 492,800.

Performance bonus

The performance bonus is based on conditions approved by the Board of Directors. In 2018, the maximum bonus were 58.3% of the annual basic salary. In 2018, 27.3% performance bonus will be paid to the CEO based on the 2018 program. In addition, under the terms of the 2018 program, the CEO is paid 8.6% of the paid basic salary.

Share-based performance bonus

The maximum bonus was 58.3% of the annual basic salary in 2018. The CEO earned 12.5% share-based bonus based the annual basic salary from the year of 2018. The share-based bonus will be reserved and released for use in accordance with the terms and conditions of the share-based incentive program in 2021.

Pension arrangement

In Tokmanni Group Corporation, the pensions of the key management personnel are determined in line with the general provisions applied in Finland to employee pensions (Employee Pensions Act). The CEO's age of retirement is determined in accordance with the Act.

Terms of notice

The CEO will be paid 12 months' salary if his employment is terminated by the company.

Short-term incentive plans

The company has quarterly and annual incentive plans in place. Annual incentive bonuses are determined in line with Tokmanni's financial targets. The amount of the incentive bonus varies from maximum two weeks' salary to five months' salary according to the incentive plan, 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.

The Board of Directors of Tokmanni Group Corporation resolved to continue its share-based incentive program directed to the key employees on 9 February 2018. 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 performance share program included the calendar year 2018. The potential reward of the program was based on the Company's Earnings per share on 31 December 2018 and on the market value development 1 January–31 December 2018.

The target group of the program includes the CEO, the members of the Executive Group as well as other key employees. The potential rewards, which by nature are taxable income, to be paid correspond to an approximate maximum total of 120,000 Tokmanni Group Corporation's shares based on the 31 December 2017 market value and will be paid in Tokmanni Group shares in 2021. The Board can decide to pay the reward partly in cash. The cash proportion covers taxes and tax-related costs arising from the reward to a key employee. As a rule, no reward will be paid, if a target group employee's employment or service ends before the reward payment.

Remuneration of the Board of Directors in 2018

| EUR | Annual remuneration | Board of Directors | Finance and Audit Committee | Total |
|----------------------------------------------|---------------------|--------------------|-----------------------------|----------------|
| Juha Blomster (since 14 March 2018) | 25,000 | 10,000 | 5,000 | 40,000 |
| Thérèse Cedercreutz | 30,000 | 13,000 | - | 43,000 |
| Kati Hagros | 30,000 | 14,000 | 6,000 | 50,000 |
| Erkki Järvinen (since 14 March 2018) | 25,000 | 10,000 | - | 35,000 |
| Seppo Saastamoinen | 70,500 | 13,000 | - | 83,500 |
| Harri Sivula | 43,500 | 14,000 | 6,000 | 63,500 |
| Christian Gylling (until 14 March 2018) | 7,500 | 0 | 1,000 | 8,500 |
| Sven-Olof Kulldorff (until 14 March 2018) | 7,500 | 8,000 | - | 15,500 |
| Total | 239 000 | 82 000 | 18 000 | 339 000 |

Remuneration of the CEO and other members of the Management Group in 2018

| EUR | Salary (including fringe benefits) | Performance bonus | Share-based performance bonus | Yhteensä |
|----------------------------------------------------|------------------------------------|-------------------|-------------------------------|------------------|
| CEO Mika Rautiainen (since 1 January 2018) | 780,588* | 1,820 | 0 | 782,408 |
| Interim CEO Harri Sivula (until 31 May 2018) | 187,569 | - | 0 | 187,569 |
| Other Executive Group members | 1,517,734 | 20,325 | 0 | 1,538,059 |

* includes a one-off compensation of EUR 492,800

| EUR | Salary | Benefits | Total |
|-------------------------------|------------------|---------------|------------------|
| CEO and Interim CEO | 968,157 | 1,820 | 969,977 |
| Other Executive Group members | 1,517,734 | 20,325 | 1,538,059 |
| Total | 2,485,891 | 22,145 | 2,508,036 |

Related Party Transactions

Tokmanni reports related party transactions in note to the financial statements. In addition, the Group evaluates and monitors transactions between the Group and its related parties in order to ensure that possible conflicts of interest are taken into account in decision making. Tokmanni has currently no related party transactions which would be material and in addition, in conflict with ordinary business or ordinary market terms.

Auditor's fees in 2018

| EUR | |
|----------------|----------------|
| Auditor's fees | 95,723 |
| Other fees | 25,696 |
| Tax advice | 5,095 |
| Total | 126,515 |

Insiders

Tokmanni no longer maintains public insider register but project-specific insider register. 30-day closed window applies to the managers defined by the company before publishing Half Year Financial Report, Business Reviews, Financial Statement Release and Financial Statements. Closed window ends following the publication day. Closed window also applies to the persons engaged in preparation of those reports. The managers subject to transaction notification obligations comprise of the Board of Directors, the CEO as well as members of the Executive Group. The company's financial department is responsible for insider management, training, and creation and maintenance of project and event specific insider lists, and monitoring of the same.

The CEO and Chief Financial Officer, two together, can decide, based on an evaluation of the conditions set out in the Market Abuse Regulation being met, to delay publication of insider information. When the company makes a decision on delay of disclosure, a project or event based insider register regarding the inside information will be established. Persons, to whom project or event specific inside information is disclosed, are entered into the project or event specific insider register.

Members of the Board of Directors



Seppo Saastamoinen

Chairman of the Board, Tokmanni Group Corporation

Chairman of the Board since 2018

Member of the Board since 2013

Not independent of the company or its major shareholders

b. 1960

Diploma in Business Administration

Primary work experience:

- Board Professional, 2007–
- Takoa Invest Oy, Founder and CEO, 1987–
- Tokmanni, Deputy CEO, 2006–2007
- Tarjousmaxi, Founder and Member of the Board, 2003–2006
- Maxi-Makasiini and Maxi-Kodintukku, Founder and CEO, 1978–2003

Other key positions of trust:

- Takoa Invest Oy, Chairman of the Board, 1987–



Juha Blomster

Member of the Board, Tokmanni Group Corporation

Member of the Board since 2018

Independent of the company and its major shareholders

b. 1957

M.Sc. (Econ)

Primary work experience:

- Aalto University, Executive in Residence, 2017–
- A-lehdet Oy, CEO, 2011–2017
- Talentum Oyj, CEO, 2006–2011
- Kauppalehti Group, CEO, 2000–2006
- Kustannus Oy Aamulehti, CEO and Marketing Director, 1996–2000

Other key positions of trust:

- Hallituspartnerit Helsinki ry, Member of the Board, 2019–
- Somic Oy, Chairman of the Board 2018–

**Erkki Järvinen**

Member of the Board, Tokmanni Group Corporation

Member of the Board since 2018

Independent of the company and its major shareholders

b. 1960

M.Sc. (Econ.)

Primary work experience:

- Oy Snellman Ab, President and CEO, 2018–
- Tikkurila Oyj, CEO, 2009–2017
- Rautakirja Oy, CEO, 2001–2008
- Rautakirja Oy, Kiosk Trade, Senior Vice President, 1997–2001

Other key positions of trust:

- Finnish Food and Drink Industries' Federation, Member of the Board, 2018–
- YIT Oyj, Member of the Board, 2013–

**Harri Sivula**

Member of the Board, Tokmanni Group Corporation

Member of the Board since 2012

Independent of the company and its major shareholders

b. 1962

M.Sc. (Admin)

Primary work experience:

- Tokmanni Group Corporation, Interim CEO, 2017–2018
- GS1 Finland Oy, CEO, 2015–2017
- Restel Oy, CEO, 2011–2014
- Onninen Oy, CEO, 2006–2010
- Kesko Oyj, Deputy Managing, Director Kesko Foods and Division Director, Kesko Foods, 1987–2006

Other key positions of trust:

- Kamux Corporation, Member of the Board, 2017–
- Dieta Oy, Member of the Board, 2016–
- GS1 Finland Oy, Member of the Board, 2016–
- Makua Foods Oy, Member of the Board, 2015–
- Leipurin Oy, Member of the Board, 2014–
- Atria Oyj, Member of the Board, 2009–

**Kati Hagros**

Member of the Board, Tokmanni Group Corporation

Member of the Board since 2016

Independent of the company and its major shareholders

b. 1970

M.Sc. (Eng.) and M.Sc. (Soc.)

Primary work experience:

- Aalto University, Chief Digital Officer, 2016–
- KONE Corporation, SVP, Digitalization Strategy, Service Business, 2015–2016
- KONE Corporation, SVP, Development, and CIO, 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, Finland and Asia-Pacific, various positions, 1997–2004

Other key positions of trust:

- Siili Solutions Oyj, Member of the Board, 2016–
- Nixu Oyj, Member of the Board, 2014–

**Thérèse Cedercreutz**

Member of the Board, Tokmanni Group Corporation

Member of the Board since 2016

Independent of the company and its major shareholders

b. 1969

M.Sc. (Econ.)

Primary work experience:

- We Are Inc, CEO, 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

Other key positions of trust:

- HappyOrNot, Member of the Board, 2016–

Members of the Executive Group



Mika Rautiainen
CEO

Chairman of the Executive Group
Employed by the Tokmanni Group since 2018

Born 1962, Finnish citizen
M.Sc. (Econ)

Primary work experience:

- Vice President, Store operations, Kesko Grocery Trade, Finland, 2013–2017
- Vice President, K-Supermarket, Kesko Grocery Trade, Finland, 2012–2013
- Vice President, K-Citymarket Food, Kesko Grocery Trade, Finland, 2007–2012
- Vice President, K-Market, Kesko Grocery Trade, Finland, 2005–2007
- Managing Director, Cassa Ltd., Kesko Grocery Trade, Finland, 2003–2005
- European Trade Director, AMS Marketing AG, Switzerland and the Netherlands, 1998–2003
- various management positions, K-Group, 1988–1998

Key positions of trust:

- Member of the Board, Finnish Grocery Trade Association (PTY), 2018–
- Chairman of the Board, Tokmanni – Europris (Shanghai) Trading Co. LTD, 2018–



Markku Pirskanen
CFO and Deputy CEO

Member of the Executive Group
Employed by the Tokmanni Group since 2017

Born 1964, Finnish citizen
M.Sc. (Econ)

Primary work experience:

- CFO, Hartela Group, 2016–2017
- CFO, Martela Corporation, 2011–2016
- CFO, Comptel Group, 2009–2011
- CFO, Finlayson, 2003–2009
- CFO, F-Secure Corporation, 1998–2003

**Timo Heimo**

Director, Information Management and Supply Chain

Member of the Executive Group

Employed by the Tokmanni Group since 2018

Born 1967, Finnish citizen

M.Sc. (Food Science)

Primary work experience:

- Senior Vice President, eCommerce, Digital Services, ICT, Kesko Oyj, 2017–2018
- Vice President, Supply Chain Management, ICT, PMO, eCommerce, Store roll-outs, Kesko Oyj, 2013–2017
- Director, Logistics and IT, Kesko Oyj, Ruokakesko, 2011–2013
- CIO, Kesko Oyj, Ruokakesko, 2007–2011

**Sirpa Huuskonen**

HR Director

Member of the Executive Group

Employed by the Tokmanni Group since 2016

Born 1961, Finnish citizen

LL.M (trained on the bench)

Primary work experience:

- HR Director, Member of Management Team, ISS Palvelut Oy, 2004–2016
- HR Manager, Engel Palvelut Oy, 2002–2004
- Administrative Manager, Helsinki Metropolitan Area Council, 1997–2002
- Legal Counsel, UL Oikeuspalvelu Oy, Finnish Foreign Trade Law Office Ltd., 1995–1997

Key positions of trust:

- Member of the Board, Mäntsälän Yrityskehitys Oy (Invest in Mäntsälä), 2017–
- Member of the Board, Helsinki Regional Chamber of Commerce, 2019–
- Chairman of the Education and Labour Committee, Helsinki Regional Chamber of Commerce, 2009–
- Member of the Awards Board, Helsinki Regional Chamber of Commerce, 2015–
- Member of the Committee on Education, Competence and Working life, Finland Chamber of Commerce, 2018–
- Member of the Employment Affairs Committee, Finnish Commerce Federation, 2019–
- Member of the Education Committee, Finnish Commerce Federation, 2016–2018



Tuomas Hyvärinen
Purchasing Director

Member of the Executive Group
Employed by the Tokmanni Group since 2018

Born 1957, Finnish citizen
M.Sc. (Econ)

Primary work experience:

- Independent Import Agent, 2012–2018
- Sourcing Group Manager / Chief of Imports, Pick Import Finland Oy Ltd (100% Tokmanni-owned since 2008), 1996–2011



Mathias Kivikoski
Sales and Marketing Director

Member of the Executive Group
Employed by the Tokmanni Group since 2017

Born 1973, Finnish citizen
M.Sc. (Econ.)

Primary work experience:

- Sales Director, Tokmanni, 2017–2018
- CEO, Hong Kong Group, 2014–2016
- Director of Properties and Development, Lidl Finland, 2009–2014
- Managing Director, Lidl Sweden (Lidl Sverige KB), 2006–2009
- various managerial positions, Lidl Finland, 2002–2006

Key positions of trust:

- Member of the Retail Group, Finnish Grocery Trade Association (PTY), 2018–



Harri Koponen

Store Network and Concept Director

Member of the Executive Group

Employed by the Tokmanni Group since 2016

Born 1964, Finnish citizen

M.Sc. (Econ.), eMBA

Primary work experience:

- Store Network Development Manager, Tokmanni, 2016–2018
- CEO, Turun Osuuskauppa (Co-op Turku), 2003–2013
- Executive Director, Osuuskauppa Hämeenmaa (Co-op Hämeenmaa), 1997–2003
- Prisma Director, Co-op Hämeenmaa, 1995–1996
- various managerial positions, S Group, 1990–1995

Key positions of trust:

- Member of the Board, SOK, 2009–2013
- Chairman of the Board, Kauppakeskus Mylly (Shopping Centre Mylly), 2003–2013
- Member of the Board, Turku Chamber of Commerce, 2012–2013
- Member of the Supervisory Board, Eläke-Tapiola, 2005–2013
- Chairman of the Board, Turun Osuuskauppa (Co-op Turku), 2003–2013
- Member of the Board, Meira Nova Oy, 2005–2012
- Member of the Board, Turun messu- ja kongressikeskus Oy (Turku Fair and Congress Center), 2007–2010



Janne Pihkala

Director, Business Development

Member of the Executive Group

Employed by the Tokmanni Group since 2018

Born 1983, Finnish citizen

M.Sc. (Econ)

Primary work experience:

- Investment Manager, Takoa Invest Ltd., 2016–2018
- Manager, Deloitte, 2016–2016
- Manager, BearingPoint Finland, 2011–2015

Key positions of trust:

- Member of the Board, 2ndchain Oy, 2017–