



TOKMANNI

Remuneration Policy for Governing Bodies

Tokmanni's Remuneration Policy

The remuneration principles of Tokmanni Group Corporation (hereinafter also referred to as "Tokmanni" or the "Group") were previously part of the Group's Corporate Governance Statement. Due to changes in legislation, the Board of Directors presents to the Annual General Meeting for approval and adoption this Remuneration Policy for the Group's governing bodies, which will be applied by Tokmanni going forward and which has been drafted in accordance with the Finnish Corporate Governance Code 2020, which entered into force on 1 January 2020.

The remuneration policy to be presented to the General Meeting of Shareholders will be disclosed by a stock exchange release no later than three weeks prior to the General Meeting of Shareholders in which it is to be presented. The Remuneration Policy will be made available on Tokmanni's website for at least the period that it is applied, and in the same connection, information will be presented on the date of the General Meeting of Shareholders that handled the matter as well as on the voting result if a vote was held on the Remuneration Policy.

Introduction

This Tokmanni Remuneration Policy provides information on how remuneration has been arranged for the members of the Group's governing bodies, i.e. the members of the Board of Directors as well as the CEO and deputy CEO. At Tokmanni, remuneration is not only compensation for the work contribution received by the Group but also a key incentive used to guide and motivate the members of the Group's governing bodies. Sustainable remuneration is also used as a means to retain people in the Group and support the continuity of operations and long-term financial success. Well-functioning and competitive remuneration is an essential tool for engaging competent employees for the Group, retaining employees and motivating employees to contribute to the Group's success.

At Tokmanni, regular external market benchmarking is essential for ensuring a competitive level of remuneration for the CEO. It is also important that the CEO's remuneration is in line with the CEO's experience and background as well as the Group's business strategy and objectives. The remuneration of the CEO mostly corresponds to the principles applicable to the rest of the personnel, taking into account the level of complexity and the responsibilities of the CEO's duties and its effect on fixed and variable remuneration components and various fringe benefits and other benefits.

In the Group, the remuneration of the members of the Board of Directors is organised separately from the remuneration systems applicable to the Group's CEO, deputy CEO, the Executive Group and the personnel. The members of the Board of Directors do not receive fringe benefits and they are not included in the bonus schemes, incentive schemes or share-based bonus schemes. The remuneration of the Board of Directors is determined by the General Meeting of Shareholders.

Description of the decision-making process in the remuneration of Tokmanni's governing bodies

The Remuneration Policy is presented to the Annual General Meeting at least every four years and whenever substantial changes are made to it. Tokmanni's Board of Directors prepares and approves the Remuneration Policy for governing bodies and the Remuneration Report, which are presented to the Annual General Meeting. The Board of Directors reviews the Remuneration Policy annually and when a review is necessary due to changes in legislation, the job market or the Tokmanni organisation. The remuneration of Tokmanni's governing bodies takes place within the limits of the Remuneration Policy presented to the Annual General Meeting.

Tokmanni's Annual General Meeting makes decisions annually on the remuneration of the Board of Directors based on a proposal prepared by the Shareholders' Nomination Board. In addition, the Annual General Meeting — or the Board of Directors pursuant to an authorisation from the Annual General Meeting — makes decisions concerning the distribution of shares, options or other special rights entitling to shares as part of remuneration. The Board of Directors or the Board's committees prepare, and the Board of Directors approves, the principles concerning the various remuneration systems and remuneration components and decides on the CEO's and deputy CEO's salaries, bonuses (e.g. performance bonuses and the issuance of shares, options or other special rights entitling to shares) and the key terms and conditions of their service within the limits of the Remuneration Policy presented to the Annual General Meeting.

Potential conflicts of interest are also taken into consideration on a case-by-case basis in the approval, assessment and implementation of the Remuneration Policy.

Description of the remuneration of the Board of Directors

The General Meeting of Shareholders decides on the remuneration of the members of the Board of Directors one term of office at a time. Matters pertaining to the remuneration of the Board of Directors are prepared by the Shareholders' Nomination Board, which submits its proposal to the Group's Board of Directors annually before the General Meeting of Shareholders is convened. The Nomination Board may also use external experts in the preparations for the General Meeting of Shareholders. In accordance with its charter, the Nomination Board also presents its proposal to the Annual General Meeting and reports on its operations to the Annual General Meeting.

The Nomination Board consists of representatives appointed by the Group's four largest shareholders and the Chairman of the Group's Board of Directors as an expert member.

Description of the remuneration of the CEO and deputy CEO

The Board of Directors approves the principles concerning remuneration systems and decides on the CEO's and deputy CEO's salaries and bonuses and the key terms and conditions of their service within the limits of the Remuneration Policy presented to the Annual General Meeting.

The CEO's and deputy CEO's performance in executing the decisions of the Group's Board of Directors, the general organisation of the business operations, risk taking and, in particular, risk management is crucial to Tokmanni's profitability and risks. The responsibility that comes with the position is the justification for a high fixed salary and, compared to the other personnel, a higher proportion of variable remuneration relative to fixed pay. For this reason, the CEO and deputy CEO can, subject to a decision of the Board of Directors, be entitled to, for example, quarterly and annual performance bonuses and long-term share-based bonuses in accordance with the Group's remuneration practices valid at any given time and the decisions of the Board of Directors. The performance bonus and share-based incentive scheme included in the aforementioned variable remuneration components can correspond to 15 months' fixed salary at a maximum.

If necessary, the Board of Directors may decide on one-off remuneration components for the CEO and deputy CEO, such as a stay bonus or sign on bonus.

Fixed remuneration

The fixed remuneration of the CEO and deputy CEO consists of a monthly salary and fringe benefits. The basic salary is adjusted annually, as necessary, taking into consideration the Group's result, personal performance and the market conditions.

Health insurance or life insurance may be obtained for the CEO and deputy CEO and, as fringe benefits, they may be provided with benefits in accordance with the Group's remuneration practices valid at any given time (such as a car benefit, phone benefit and telecommunications benefit).

Variable remuneration

The terms of the performance-based bonus are determined annually by the Board of Directors. These short-term performance bonuses are typically paid quarterly and/or once a year. The bonuses are paid in cash or as additional pension contributions based on the achievement of the Group's profitability targets and other financial targets for the financial year.

Additionally, the Board of Directors may decide on a long-term share-based incentive scheme based on performance. The duration of the earning period of the share-based incentive scheme is typically one financial year and the restriction period starts from the date the incentive reward is earned and ends three years after the first day of the earning period. The aim of the incentive scheme is to align the objectives of the shareholders and the CEO and deputy CEO to increase the value of the Group in the long term, to engage the CEO's and deputy CEO's commitment to the implementation of the Group's strategy and to provide them with a competitive remuneration programme that is based on earning and accumulating the Group's shares. The programme is tied to the Group's earnings per share and the development of the share price. If the employment or service contract of the CEO or deputy CEO is terminated before a reward is due to be paid, the reward will not be paid.

The Group has no policy that requires ownership of Tokmanni shares.

Deferral, non-payment and possible clawback of variable remuneration components

In spite of the careful planning of the various remuneration mechanisms, there is a risk that the granted variable remuneration components subsequently prove to be flawed due to inappropriate risk taking or infringement of internal or external rules and regulations, or if the financial statements prove to be erroneous and need to be subsequently adjusted. In the event of such circumstances, Tokmanni's Board of Directors may decide to defer, decline to pay in full or partially, or initiate a clawback of variable remuneration components if the payment of the remuneration would compromise the continuity of the Group's operations and its long-term financial success.

Other key terms applicable to the service contract

Typically, the CEO's service contract specifies the retirement age. The CEO's service contract typically also specifies the notice periods, possible severance payments if the Group terminates the service contract and the validity of the service contract. The CEO's service contract may also include a non-competition clause. The more detailed terms of the service contract are set out in the CEO's service contract and they are also described in the Remuneration Report of the governing bodies published annually and on the Group's website. The Remuneration Report will be published for the first time for the year 2020.

Requirements for temporary deviation

The remuneration of Tokmanni's governing bodies takes place within the limits of the Remuneration Policy presented to the Annual General Meeting. Tokmanni has the possibility to temporarily deviate from the Remuneration Policy for governing bodies only in exceptional circumstances in which the Group's key operating preconditions would have changed after the General Meeting of Shareholders discussed this Tokmanni Remuneration Policy for governing bodies due to a change in regulations and taxation in such a way that remuneration pursuant to the Remuneration Policy would no longer be compliant with the regulations in question or, in the changed circumstances, in the Group's interests due to a change of CEO or deputy CEO or a corporate arrangement such as a merger or takeover bid, and the valid Remuneration Policy for governing bodies would no longer be sensible in these changed circumstances to ensure the Group's long-term interests.

In the aforementioned exceptional circumstances, Tokmanni's Board of Directors will assess the situation and make a decision on deviation to ensure the Group's long-term interests. The assessment of exceptional circumstances can take into account the Group's long-term financial success, competitiveness and shareholder value development.

If Tokmanni assesses that the deviation from the Remuneration Policy will continue to the point that it cannot be deemed temporary, the Group will prepare a new Remuneration Policy to be handled at the next possible Annual General Meeting. If presenting the new Remuneration Policy to the next Annual General Meeting is not possible, the Remuneration Policy will be presented to the General Meeting of Shareholders for which it can be properly prepared.

If the temporary deviation from the Remuneration Policy concerns the remuneration of a new CEO or deputy CEO or the policy has been deviated from due to a corporate arrangement or other corresponding exceptional situation, the new terms and conditions concerning remuneration will be valid as agreed regardless of the duration of the temporary deviation.

Any temporary deviations are reported in the annual Remuneration Report to be discussed at the next Annual General Meeting.