

TOKMANNI



Remuneration Report

2022

Tokmanni's Remuneration Report 2022

Tokmanni's Remuneration Report for the governing bodies complies with applicable legislation and the Finnish Corporate Governance Code issued by the Securities Market Association, which entered into force on 1 January 2020. This Remuneration Report provides information on the remuneration of the members of Tokmanni's Board of Directors as well as Tokmanni's President and CEO and Deputy CEO in 2022.

Tokmanni's Remuneration Report for 2022 complies with the Remuneration Policy published on 17 February 2020. The Remuneration Policy was reviewed at the Annual General Meeting held on 7 May 2020, which resolved to adopt the proposed Remuneration Policy.

The Remuneration Policy is presented to the shareholders every four years. The Finance and Audit Committee regularly reviews the Remuneration Policy to ensure its compliance with Tokmanni's strategic goals and long-term financial targets before its presentation at the 2024 Annual General Meeting, unless the Board of Directors deems it necessary to make substantial changes to the Remuneration Policy before 2024, in which case it will be presented for advisory decision-making at an early General Meeting.

In accordance with the Remuneration Policy, Tokmanni's Board of Directors supervises the execution of the Remuneration Policy, ensuring that the remuneration of the company's governing bodies takes place within the framework of the Remuneration Policy proposed to the Annual General Meeting. Tokmanni's Annual General Meeting annually resolves on the remuneration of the members of the Board of Directors on the basis of a proposal prepared by the Shareholders' Nomination Committee.

Tokmanni's auditor, PricewaterhouseCoopers Oy, has audited the Remuneration Report to ensure that it provides the necessary information. The Remuneration Report will be discussed at Tokmanni's Annual General Meeting in 2023.

The purpose of the Remuneration Report is to describe how the Remuneration Policy has been applied in 2022 in terms of remuneration and to align remuneration with the successful implementation of the long-term strategy.

The Remuneration Policy and Remuneration Report are available on Tokmanni's website at <https://ir.tokmanni.fi/en/investors/corporate-governance/remuneration>.

Remuneration in short

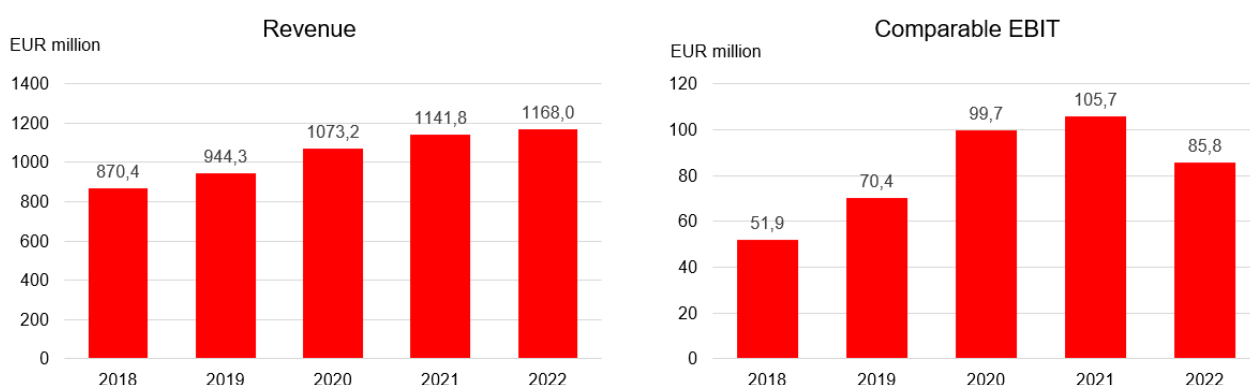
Remuneration at Tokmanni is not only compensation for the work contribution received by the company, but also a key incentive used to guide and motivate the persons belonging to Tokmanni's management bodies. Responsible remuneration is used to retain personnel in the company, supporting the continuity and long-term financial success of the business. Well-functioning and competitive remuneration is an essential tool for recruiting competent personnel to Tokmanni, retaining them in the company's service and motivating them to give their best efforts to help the company succeed.

The remuneration of the members of Tokmanni's Board of Directors is arranged separately from remuneration schemes applied to the President and CEO, Deputy CEO, the Executive Group or the personnel. No fringe benefits are paid to the members of the Board of Directors, and they are not covered by the performance bonus system or the incentive or share-based bonus schemes. The remuneration of the Board of Directors is determined by the General Meeting of the shareholders.

In accordance with Tokmanni's Remuneration Policy, the remuneration of the President and CEO and Deputy CEO largely follows the same principles that are applied to the rest of the personnel, taking into consideration the responsibility and demands of the President and CEO's and Deputy CEO's duties, which have an impact on their fixed salary and variable components as well as various fringe benefits and other benefits.

Remuneration in relation to Tokmanni's financial performance

In accordance with Tokmanni's Remuneration Policy, the remuneration of the President and CEO and the Deputy CEO consists of a fixed annual salary and performance-based bonuses. Since the targets of Tokmanni's short- and long-term incentive schemes are linked to the company's profitability targets and other financial targets, the development of the company's business operations is also reflected in the remuneration paid to the President and CEO and the Deputy CEO. Changes in the total remuneration have mostly been due to changes in realised performance- and share-based bonuses.



The comparable figure for 2020 has been adjusted. The figures concerning the comparable operating profit in 2018 and 2019 are not fully comparable, because they have not been adjusted as a result of a correction made to previous financial years. The correction concerns the method of recognising purchase rebates and adjustments to leases recognised under IFRS 16. The effect of the adjustment is EUR -0.4 million on the result for 2020.

Average remuneration (in euros)

	2018	2019	2020	2021	2022
Chairman of the Board	83,500	102,000	90,996	95,015	88,860
Other Board members, on average	36,500	44,000	40,781	46,332	50,934
President and CEO	969,977	444,966	668,490	910,123	873,014
Development of the remuneration of an average Tokmanni employee*	25,503	25,839	26,648	26,453	26,574

Data in the table on an accrual basis

* The development of the remuneration of an average Tokmanni employee is calculated by deducting other social security expenses from the total personnel expenses and dividing the resulting figure by the average number of personnel during the year.

During 2022, the Board of Directors of Tokmanni did not decide to defer, fail to pay, fully or in part, or claw back any variable remuneration components.

Remuneration and shareholding of the Board of Directors

The Nomination Committee of Tokmanni Group Corporation is responsible for preparing matters related to the election and remuneration of the members of the Board of Directors for the General Meeting. The Shareholders' Nomination Committee has been established to serve until further notice. It consists of representatives appointed by the company's four largest shareholders. The Chair of the company's Board of Directors is an expert member of the Board. Its members' term of office ends once a new Nomination Committee has been appointed.

During 2022, the Nomination Committee discussed the size, composition and diversity of the Board, as well as the areas of expertise that it considers to be the most beneficial for the company. The Board also examined the remuneration of the members of the Board of Directors.

On 23 March 2022, Tokmanni's Annual General Meeting confirmed the following annual fees for the members of the Board of Directors (in euros):

	2022
Chair	84,000
Members	30,000
Meeting fees	
Domicile in Finland	1,000
Domicile elsewhere in Europe	2,000
Domicile outside Europe	3,000

The Chair of the Finance and Audit Committee is paid a monthly fee of EUR 1,000.

Based on a resolution of the General Meeting of the shareholders, 40% of the annual fee of the Board were used to acquire Tokmanni shares, and the rest was paid in cash. Board members may not transfer shares acquired for them until three years have passed from the date of acquisition or before their retirement from the Board, depending on which comes earlier. The meeting fees of the Board members and the fee of the Chairman of the Finance and Audit Committee are paid in cash.

There are no share-based incentive schemes for the members of the Board of Directors, and they are not covered by the company's remuneration schemes or pension arrangements.

Fees received by the Board of Directors in 2022 (in euros)

Name	Annual fee*	Proportion of annual fee paid in shares	Proportion of annual fee paid in cash	Board of Directors' meeting fees	Finance and Audit Committee's meeting fees	Total
Seppo Saastamoinen	77,860	34,129	43,731	11,000		88,860
Juha Blomster	30,353	12,184	18,169	11,000	6,000	47,353
Thérèse Cedercreutz	30,307	12,184	18,123	11,000		41,307
Erkki Järvinen	41,340	12,184	29,156	11,000	6,000	58,340
Ulla Lettijeffer	30,317	12,184	18,133	11,000		41,317
Harri Sivula	35,353	12,184	23,169	25,000	6,000	66,353
Total	245,530	95,048	150,482	80,000	18,000	343,530

Data in the table on a cash basis

* The annual fee consists of a share component and a cash component.

Board of Directors' shareholding on 31 December 2022

	Number of shares
Juha Blomster	8 840
Thérèse Cedercreutz	6 380
Erkki Järvinen	4 279
Ulla Lettijeffer	2 325
Seppo Saastamoinen	111 987
Harri Sivula	214 574
Total	348 385

Remuneration and shareholding of the President and CEO and Deputy CEO

Mika Rautiainen served as the President and CEO of Tokmanni throughout the 2022 financial year. The CEO's deputies were Markku Pirskanen from 1 January until 12 August 2022, and Tapio Arimo as of 23 November 2022.

Total remuneration of the President and CEO and other members of the Executive Group in 2022 (in euros)

	Fixed annual salary*	Variable salary components				Total
		Performance-based bonus in cash	Performance-based bonus in pension contributions	Performance-based bonus in shares	Share-based commitment scheme	
President and CEO Mika Rautiainen	403,513	192,000	34,668	224,541	52,960	907,682
Deputy CEO Markku Pirskanen**	181,896	65,314	19,854	87,503		354,567
Deputy CEO Tapio Arimo***	8,727					8,727
Other members of the Executive Group	1,177,742	289,344	87,348	384,955		1,939,389

Data in the table on a cash basis

* The fixed annual salary includes taxable fringe benefits.

** until 12 August 2022

*** as of 23 November 2022

The Board of Directors prepares and approves the principles applicable to various remuneration systems and salary components, as well as deciding on the salaries, remuneration and the main terms of the President and CEO's and the Deputy CEO's service contracts within the framework of the Remuneration Policy for the governing bodies that is presented to the Annual General Meeting.

In accordance with Tokmanni's Remuneration Policy, the remuneration of the President and CEO consists of a fixed annual salary and variable remuneration components. The variable salary components, i.e., the short-term incentives (performance-based bonus in cash and performance-based bonus in pension contributions) and long-term incentives (performance-based bonus in shares) are a part of the President and CEO's remuneration. The targets of the incentive schemes are based on the annual development of the company's business.

In 2022, the fixed component of the President and CEO's annual salary represented 44.5% of the total remuneration, while the short-term and long-term bonuses paid represented 55.5%. The fixed component of the Deputy CEO's salary represented 52.5% and the incentive bonuses represented 47.5% of the remuneration.

The President and CEO and the Deputy CEO have valid health insurance that also covers treatment expenses and medication for accidents during leisure time. The President and CEO and the Deputy CEO also have a phone benefit and the option of a car benefit.

Short-term performance-based bonus in cash

The maximum amount of the cash bonus paid to the President and CEO under the short-term incentive scheme for 2021 and 2022 was set at 53.8% of his fixed annual salary. The bonus paid under the incentive scheme is based on targets related to revenue and profit. The weight of revenue-based targets is 30%, and the weight of profit-based targets is 70%.

The President and CEO's success rate in achieving the targets of the short-term incentive scheme was 92.8%, resulting in a bonus corresponding to 50.0% of the fixed salary for 2021. The bonus amount in cash was EUR 192,000 and it was paid in 2022.

In 2022, the President and CEO's success rate in achieving the targets of the short-term incentive scheme was 0.0%, resulting in a bonus corresponding to 0.0% of the fixed salary for 2022.

Pension contributions and short-term performance-based bonus in pension contributions

The pensions of key members of Tokmanni's management are determined in line with the general provisions applied in Finland to employee pensions (Employee Pensions Act). In 2022, contributions to a supplementary pension insurance for the President and CEO were paid as part of an incentive scheme. The President and CEO's statutory pension expenses amounted to EUR136,730.21 in 2022 (130,618.47). The company's pension cover is arranged by external pension insurance companies. Pension expenditure is recognised as an expense in the year in which it is accrued.

Based on the 2021 bonus scheme, the President and CEO was paid in 2022 pension contributions amounting to 7.4% of the fixed annual salary paid in 2021.

Based on the 2022 bonus scheme, the President and CEO will be paid pension contributions amounting to 0.0% of the fixed annual salary paid in 2022.

Long-term performance-based bonus in shares

The bonus paid to the President and CEO in 2022 under the share-based incentive scheme was based on the 2021 long-term incentive scheme, and the earning period for this scheme was the year 2021. The bonus was paid partly in shares of the company and partly in cash. The cash component covered the tax consequences of the bonus paid.

Under the terms and conditions of the 2021 share-based incentive scheme, the maximum bonus paid to the President and CEO was 63.2% of the fixed annual salary for the earning period. The performance indicators used in the scheme were the company's earnings per share, with a weight of 60%, and the price performance of the company's share, with a weight of 40%. The success rate in achieving the targets was 100% of the maximum bonus in 2021, resulting in a bonus of 68.8% of the fixed salary for 2021. Half of the bonus was paid in cash and half in shares in 2022. The number of shares were determined according to the

average closing price (EUR 19.73) on the last stock exchange trading day of the last four months of the year. The shares are subject to a lock-up period of two years after the year they are earned.

Under the terms and conditions of the 2022 share-based incentive scheme, the maximum bonus for the President and CEO was 63.2% of the fixed annual salary for the earning period. The performance indicators used in the scheme are the company's earnings per share, with a weight of 60%, the price performance of the company's share, with a weight of 30% and the reduction of emissions from own operations, with a weight of 10%. The success rate in achieving the targets was 10.0% of the maximum bonus in 2022, resulting in a bonus of 6.3% of the fixed annual salary for 2022. The bonus amounted to EUR 24,269, half of which will be paid in cash and half in shares in 2023. The number of shares will be determined according to the average closing price (EUR 12.19) on the last stock exchange trading day of quarters of 2022. The shares are subject to a lock-up period of two years after the year they are earned.

President and CEO's share-based commitment scheme

On 28 October 2020, Tokmanni's Board of Directors decided to specify the President and CEO's remuneration, in compliance with the company's Remuneration Policy, so that a maximum of 12,000 company shares will be transferred to the President and CEO without consideration during the remuneration period beginning on 1 November 2020 and ending on 31 October 2023. In accordance with the terms and conditions of the President and CEO's share-based commitment scheme, the President and CEO was paid a share-based bonus of 4,000 shares, half of which was paid in cash and half in shares in 2021 and 2022. Paid-up shares are freely transferable without any obligation to return them. 4,000 shares of the President and CEO's share-based commitment scheme remain unused.

President and CEO's and Executive Group's shareholding on 31 December 2022

	Number of shares
President and CEO Mika Rautiainen	174,915
Deputy CEO Tapio Arimo*	2,000
Other members of the Executive Group	258,099

* As of 23 November 2022

Benefits to be paid upon termination

If the company gives notice to the President and CEO, he will have the right to receive compensation corresponding to 12 months' total pay. Under corresponding circumstances, the other members of the Executive Group, including Deputy CEO, will have the right to compensation corresponding to a maximum of nine months' total pay.

Other financial benefits

No other financial benefits in addition to those described above were paid to the President and CEO and Deputy CEO in 2022.

More information on remuneration is available on Tokmanni's website at <https://ir.tokmanni.fi/en/investors/corporate-governance/remuneration>.