



Remuneration Report

2023

Tokmanni Group Corporation Remuneration Report 2023

Tokmanni Group Corporation (hereinafter also Tokmanni Group, company or Group) 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 Group's Board of Directors as well as Tokmanni's President and CEO and Deputy CEO in 2023.

Tokmanni Group's Remuneration Report for 2023 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 Board of Directors decided to update the Tokmanni Group's Remuneration Policy in 2024, and an updated version was published on 22 March 2024. The numerical limits on the variable remuneration of the President and CEO were removed in the update. In addition, the specifications of the long-term incentive scheme and the pension benefits were revised and a recommendation on shareholding was added. The changes were made to allow the Board of Directors sufficient discretion and flexibility to consider changes in the company's operating and competitive environment and in the remuneration policies of relevant peer companies in the best interests of the company when deciding on the remuneration package and details of executive remuneration. The updated Remuneration Policy will be presented to the Annual General Meeting on 23 April 2024.

In accordance with the Remuneration Policy, Tokmanni Group Corporation's People and Sustainability Committee is responsible for preparing and drafting the Remuneration Policy. Tokmanni Group's Board of Directors approves the Remuneration Policy for the company's governing bodies and the Remuneration Report, which are presented to the Annual General Meeting. Tokmanni Group's 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 Board. The company's governing bodies are remunerated within the limits of the Remuneration Policy presented to the Annual General Meeting.

Tokmanni Group Corporation's auditor, PricewaterhouseCoopers Oy, has audited this Remuneration Report to ensure that it provides the necessary information.

The Remuneration Policy and Report are available on Tokmanni's website.

The key principles of remuneration

At Tokmanni Group, remuneration is not only compensation for the input received by the company but also a key incentive used to guide and motivate the company's employees. Responsible remuneration is used to engage personnel with 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 employees to the company, retaining them and motivating them to contribute to the Group's success.

The earning potential based on the variable remuneration, including long-term remuneration, of the President and CEO and the Deputy CEO's is set at a competitive level in line with the market. In line with prevailing market practice, the higher a person's position in the organisation, the greater the proportion of variable compensation of the total earning potential under the company's policy of variable remuneration. This follows the principle of performance-based pay, where incentive schemes, including short-term remuneration, do not include any guaranteed minimum bonus. If performance is good or excellent according to incentive scheme indicators, incentive bonuses can play a significant role in the overall compensation of the President and CEO and the Executive Group. Earning potential based on the short-term incentive scheme may be limited to a maximum amount set by the Board.

The remuneration paid to Board members must be sufficiently competitive to enable the recruitment of competent members to the Board of Directors of Tokmanni Group. In the company, the remuneration of the members of the Board of Directors is organised separately from the remuneration systems applicable to the Group's President and CEO, Deputy CEO, Executive Group and personnel. Tokmanni Group's General Meeting resolves on the remuneration of the Chair and members of the Board of Directors and of the Board committees annually on the basis of 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 possible distribution of shares, options or other special rights entitling to shares as part of remuneration.

Short-term remuneration

The Board of Directors determines the terms of the performance-related bonus each year. 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 company's profitability targets and other financial objectives for the financial year, thereby supporting the achievement of strategic goals. Criteria can also be non-economic or qualitative, such as sustainability criteria. As the recommended indicators are measurable, the Board will be able to assess objectively the results at the end of the performance period. The Board of Directors may also decide on individual short-term bonuses at its discretion.

Quarterly cash-based short-term incentive scheme

The target levels for the 2023 quarterly short-term incentive scheme were determined on a quarterly basis due to their high volatility. The bonus was based on comparable sales performance depending on the person's role (store or region-specific, or Group). The payment of the bonus was conditional on the cash margin not falling in the unit under review. The bonus was calculated using the percentage of the person's gross salary for the relevant earning period as shown in a specified table. All Tokmanni Group employees are covered by the incentive scheme, with the exception of logistics personnel. Tokmanni Group's logistics employees are paid a personal productivity bonus based on their monthly performance, on top of their monthly basic salary.

Annual cash-based short-term performance bonus

For the 2023 annual short-term performance-based incentive scheme, the bonus was typically based on revenue and performance targets. In addition, other sources of success associated with strategic and key objectives were used as indicators. The details of each new incentive scheme were decided separately. The bonus was paid after the financial statements for the year in question were finalised. The short-term cash-based performance bonus was for the Group's key employees. If the comparable EBIT was below a certain threshold, no annual short-term bonus was paid.

Individual bonus

If necessary, the Board of Directors may decide on one-off remuneration components for the President and CEO, Deputy CEO and other key personnel for successful execution of key or strategic projects that are important for the company, for example. Such projects can be, for example, acquisitions and large-scale construction projects.

Long-term remuneration

Share-based long-term incentive schemes are part of the company's remuneration scheme for key employees. The purpose of this arrangement is to unite the targets of the owners and key employees in order to raise the value of the company over the long term and to commit the key employees to the implementation of the company's strategy. In addition, the scheme aims to provide key employees with a competitive remuneration system based on the earning and accumulation of the company's shares.

The 2022 share bonus scheme

The earning period for the share bonus scheme was the 2022 calendar year. The potential bonus from the scheme was based on the Group's earnings per share (EPS), development of its market capitalisation and the reduction of emissions from its operations between 1 January and 31 December 2022. The persons eligible for the scheme were the President and CEO, the members of the Executive Group and other key persons of the company. The shares earned were transferred to the beneficiary's book-entry account in 2023 and will be released from restrictions in January 2025. If the employment or manager's contract of an eligible person is terminated before the restrictions on the shares expire, the shares will be returned to the company.

The 2023 share bonus scheme

The earning period for the share-based bonus scheme was the 2023 calendar year. The bonus from the scheme is based on the Group's earnings per share (EPS), Tokmanni Group Corporation's total shareholder return compared to peer companies for the period 1 January–31 December 2023 and the customers' perception of the Group's sustainability. The persons eligible for the scheme are the President and CEO, the members of the Executive Group and other key persons of the company. The shares earned will be transferred to the beneficiary's book-entry account in 2024 and will be released from restrictions in January 2026. If the employment or manager's contract of an eligible person is terminated before the restrictions on the shares expire, the shares will be returned to the company.

Remuneration in relation to Tokmanni Group's financial performance

In accordance with the Tokmanni Group'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 the Tokmanni Group's short- and long-term incentive schemes are linked to achievement of the company's profitability targets and other financial targets, the development of the company's business operations is reflected in the remuneration paid to the President and CEO. Changes in the total remuneration have mostly been due to changes in realised performance- and share-based bonuses.

The Deputy CEO's primary role is to act as the Group's Chief Financial and Information Officer. As the role of Deputy CEO is secondary, the company does not pay a separate remuneration for the performance of the Deputy CEO's duties. The Deputy CEO has not performed the President and CEO's duties between 2018 and 2023. The President and CEO's deputies were Markku Pirskanen until 12 August 2022, and Tapio Arimo as of 23 November 2022.



The comparable EBIT for 2020 has been adjusted. The figures concerning the comparable EBIT in 2018–2019 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 lease agreements recognised under IFRS 16. The effect of the adjustment on the 2020 profit is EUR -0.4 million.

Average remuneration (in euros)

	2019	2020	2021	2022	2023
Chair of the Board	102,000	90,996	95,015	95,860	96,034
Other Board members, on average	44,000	40,781	46,332	46,234	40,609
President and CEO	444,966	668,490	910,123	873,014	602,213
Average employee remuneration*	34,683	35,699	35,078	35,743	38,050
Personnel in full-time equivalents (FTE), average**	2,717	2,891	3,090	3,125	3,704

Data in the table is accrual-based.

* The average employee remuneration is calculated by deducting other social security expenses from the total personnel expenses and dividing the difference by the average number of full-time equivalent personnel during the year. The figures take into account salaries, fees and bonuses, excluding pension costs and other social security expenses. The total remuneration of the President and CEO is not included.

** Does not include the President and CEO.

Remuneration and shareholding of the Board of Directors

In accordance with the remuneration policy, the Annual General Meeting 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 members are prepared by the Shareholders' Nomination Board, which submits its proposal to the Group's Board of Directors annually before the Annual General Meeting or a possible extraordinary general meeting is convened.

The Shareholders' Nomination Board 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 Board has been appointed.

According to the Tokmanni Group Corporation's list of shareholders on 1 September 2022, the largest shareholders were Takoa Invest Oy, Elo Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company. The Shareholders' Nomination Board announced its proposal for the remuneration of the Board of Directors for the Notice of the Annual General Meeting on 20 January 2023. The Annual General Meeting held on 22 March 2023 approved the Board's proposal.

During 2023, the Nomination Board 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 Nomination Board also reviewed the remuneration of the members of the Board of Directors.

On 22 March 2023, the Tokmanni Group's Annual General Meeting confirmed the annual remuneration of the members of the Board of Directors (in euros) as follows:

	2023
Chair	84,000
Members	30,000
<u>Meeting fees</u>	
Domicile in Finland	1,000
Domicile elsewhere in Europe	2,000
Domicile outside Europe	3,000

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

Based on a resolution of the Annual General Meeting, 40% of the annual remuneration of the Board was used to acquire Tokmanni Group Corporation shares and the rest was paid in cash. Shares purchased for Board members may not be transferred until three years have passed from the date of purchase or before their membership in the Board has ended, depending on which is 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.

The Board of Directors of Tokmanni Group Corporation decided on 26 October 2023 to establish a new Board committee to prepare matters pertaining to sustainability and personnel. As proposed by the Shareholders' Nomination Board, the Chair of the People and Sustainability Committee will be paid a monthly fee of EUR 1,000. No meeting fees were paid to the People and Sustainability Committee in the financial year 2023.

Fees received by the Board of Directors in 2023 (in euros)

Name	Annual fee*	Share component of annual fee	Cash component of annual fee	Tax compensation of the share component	Board of Directors' meeting fees	People and Sustainability Committee's meeting fees	Finance and Audit Committee's meeting fees	Total
Saastamoinen Seppo	84,000	34,133	49,867	1,034	11,000			96,034
Bergman Mikko	25,000	12,188	12,812	331	9,000		4,000	38,331
Blomster Juha	7,500		7,500		2,000		1,000	10,500
Cedercreutz Therese	30,000	12,188	17,812	310	11,000	1,000		42,310
Järvinen Erkki	30,000	12,188	17,812	343	11,000	1,000	17,000	59,343
Sivula Harri	30,000	12,188	17,812	349	11,000		5,000	46,349
Serlenius Ulla	30,000	12,188	17,812	320	11,000	1,000		42,320
Total	236 500	95,073	141,427	2,687	66,000	3,000	27,000	335,187

Data in the table is accrual-based.

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

Board of Directors' shareholding on 31 December 2023

	Number of shares
Mikko Bergman*	998
Thérèse Cedercreutz	7,378
Erkki Järvinen	5,277
Ulla Serlenius	3,323
Seppo Saastamoinen**	114,782
Harri Sivula	215,572
Total	347,330

* Mikko Bergman is a member of the Board of Directors of Sompa Capital Oy. Sompa Capital Oy owned 40,000 shares, or 0.07% of Tokmanni Group Corporation's shares, at the end of 2023.

** Seppo Saastamoinen is one of the founders, Chairman of the Board and CEO of Takoa Invest Oy. Takoa Invest Oy owned 10,844,688 shares, or 18.42% of Tokmanni Group Corporation's shares, at the end of 2023. In addition, Jukka Saastamoinen Oy owned 274,000 shares in Tokmanni Group Corporation, or 0.47%, and Seppo Saastamoinen owns 30% of the shares of Jukka Saastamoinen Oy.

Remuneration and shareholdings of the President and CEO and Deputy CEO

In accordance with the Remuneration Policy, the People and Sustainability Committee prepares, and the Board of Directors approves the principles concerning remuneration systems and decides on the President and CEO's and Deputy CEO's salaries and bonuses and the key terms and conditions of their service contract. The remuneration of the President and CEO and the Deputy CEO may consist of a fixed annual salary, performance bonuses, long-term share bonus schemes and one-off components of remuneration.

Mika Rautiainen was the President and CEO of Tokmanni Group throughout the financial year 2023 and Tapio Arimo was the Deputy CEO.

Total remuneration of the President and CEO and the other Executive Group members in 2023 (in euros)

	Variable salary components						Total
	Fixed annual salary*	Performance based bonus in cash	Performance based bonus in pension contributions*	Performance based share bonus	Share bonus share bonus	Individual bonus**	
President and CEO Mika Rautiainen	455,538	0	0	25,112	51,960	64,000	596,611
Tapio Arimo, Deputy CEO	198,110	0	0	722	0	32,000	230,831
Other Executive Group members	1,219,731	0	0	50,454	0	64,050	1,334,236

Data in the table is payment-based.

* The fixed annual salary includes taxable fringe benefits.

** Additional individual bonuses are linked to the successful completion of strategic projects.

During 2023, the Board of Directors of Tokmanni Group did not decide to defer, to pay partially or not at all, or to claw back any variable remuneration components.

In 2023, the fixed component of the Group President and CEO's annual salary was 76.4% of the total remuneration, while the short-term and long-term bonuses paid were 12.9%. The fixed component of the Deputy CEO's salary was 85.8% and the incentive bonuses 0.3% 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 was set at 53.8% of his fixed annual salary in the 2022 performance-based bonus scheme. The bonus for the 2022 incentive scheme was based on revenue (total revenue growth) and performance (comparable gross profit %, comparable EBIT) targets. The weight of revenue-based targets is 30%, and the weight of profit-based targets is 70%. In 2022, the President and CEO's success rate in achieving the targets of the short-term incentive scheme was 0.0% of the maximum bonus, resulting in a cash bonus of 0.0% of the fixed salary for 2022.

The maximum amount of the cash bonus paid to the President and CEO under the short-term incentive scheme was set at 53.8% of his fixed annual salary in the 2023 performance-based bonus scheme. The bonus for the 2023 incentive scheme was based on revenue (total revenue growth) and performance (comparable gross profit %, comparable EBIT) targets and the turnover of inventories. In 2023, the President and CEO's success rate in achieving the targets of the short-term incentive scheme was 26.8% of the maximum bonus, resulting in a cash bonus of 14.4% of the fixed salary for 2023. The amount payable in cash was EUR 64,076 and it will be paid in 2024.

Criteria and outcome of short-term performance-based bonus scheme

Performance period	Payment in	Incentive scheme criteria	Weighting	Achievement level
2022 bonus	2023	Revenue	30%	Below the minimum
		Comparable gross profit, %	20%	Below the minimum
		Comparable EBIT	50%	Below the minimum
2023 bonus	2024	Revenue	20%	Above the minimum
		Comparable gross profit, %	20%	Above the minimum
		Comparable EBIT	30%	Above the minimum
		Average annual turnover of inventories	30%	At target level

Pension benefits and short-term performance-based bonus as pension contributions

The pensions of key members of Tokmanni Group'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 EUR 94,333.06 in 2023 (102,092.21). 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 2022, bonus scheme, the President and CEO was paid pension contributions amounting to 0.0% of the fixed annual salary paid in 2022.

Based on the 2023 bonus scheme, the President and CEO will be paid pension contributions amounting to 2.1% of the fixed annual salary paid in 2023.

Long-term performance-based bonus in shares

The bonus paid to the Group President and CEO in 2023 under the share-based incentive scheme was based on the 2022 long-term incentive scheme, and the earning period for this scheme was the year 2022. 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 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 were the company's earnings per share with a weighting of 60%, the price performance of the company's share with a weighting of 30%, and the reduction of emissions from own operations with a weighting 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 25,112, half of which was paid in cash and half in shares in 2023. The number of shares was determined according to the average closing price (EUR 12.19) on the last stock exchange trading day of each quarter in 2022. 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 2023, 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 scheme's performance measures were company earnings per share with a 50% weighting, Tokmanni's total shareholder return compared to peer companies with a 40% weighting and customer perception of Tokmanni's responsibility with a 10% weighting. The success rate in achieving the targets was 45.0% of the maximum bonus in 2023, resulting in a bonus of 28.4% of the fixed annual salary for 2023. The bonus amounted to EUR 126,389, half of which will be paid in cash and half in shares in 2024. The number of shares was determined according to the average closing price (EUR 13.11) on the last stock exchange trading day of each quarter in 2023. The shares are subject to a lock-up period of two years after the year they are earned.

Criteria and performance of the share-based incentive scheme

Performance period	Payment in	Criteria for the bonus scheme	Weighting	Achievement level
2022*	2023	Profit/share	60%	Below the minimum
		Market cap/share	30%	Below the minimum
		ESG: Reducing emissions from own operations	10%	Above the maximum level
2023*	2024	Profit/share	50%	Below the minimum
		The total return of Tokmanni Group's share in 2023 relative to median return of peer companies	40%	Above the maximum level
		ESG: Customers' perception of Tokmanni's sustainability	10%	At target level

* The potential bonus, which is treated as earned income, will be paid in the form of shares in the company and, possibly, partially in cash. The cash component will cover the withheld taxes incurred from the bonuses by the persons eligible for the scheme. The shares earned will be transferred to the beneficiary's book-entry account in 2024 and will be released from restrictions in January 2026. If the employment or manager's contract of an eligible person is terminated before the restrictions on the shares expire, the shares will be returned to the company.

On 13 December 2023, the Board of Directors of Tokmanni Group Corporation decided to establish a new share-based long-term incentive scheme for the company's management and selected key personnel. The scheme consists of a performance share plan (PSP). The first individual plan in the PSP structure, PSP 2024–2026, will start at the beginning of 2024 and any awards earned under it will be paid in Tokmanni Group Corporation listed shares during the first half of 2027. The payment of the bonus is conditional on the achievement of the performance targets set by the Board for the programme. The Board of Directors will decide separately on each new plan, its earning period and related details.

In addition, on 13 December 2023, the Board of Directors of Tokmanni Group Corporation decided to launch a new Restricted Share Plan (RSP). It is intended to be used as a complementary share-based retention scheme. The first individual plan, RSP 2024–2026, will start at the beginning of 2024 and share awards payable under it will be paid in instalments each year during the plan's restriction period. The Board of Directors will decide separately on each new plan, its earning period and related details.

A share-based bonus scheme for President and CEO retention

On 28 October 2020, Tokmanni Group'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, 2022 and

2023. Paid-up shares are freely transferable without any obligation to return them. All the shares of this bonus scheme for retention were used up by the end of 2023.

Shareholdings of the President and CEO, the Deputy CEO and other members of the Executive Group 31 December 2023

	Number of shares
Mika Rautiainen, President and CEO	177,911
Tapio Arimo, Deputy CEO	2,029
Other Executive Group members	179,951

Termination benefits

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 the 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 or the Deputy CEO in 2023.