

**TOKMANNI**

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# Remuneration Report

## 2020



## Tokmanni's Remuneration Report 2020

Tokmanni's Remuneration Report for 2020 complies with the Remuneration Policy published on 17 February 2019. The Remuneration Policy was reviewed at the Annual General Meeting held on 7 May 2020, which resolved to adopt the proposed Remuneration Policy. 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.

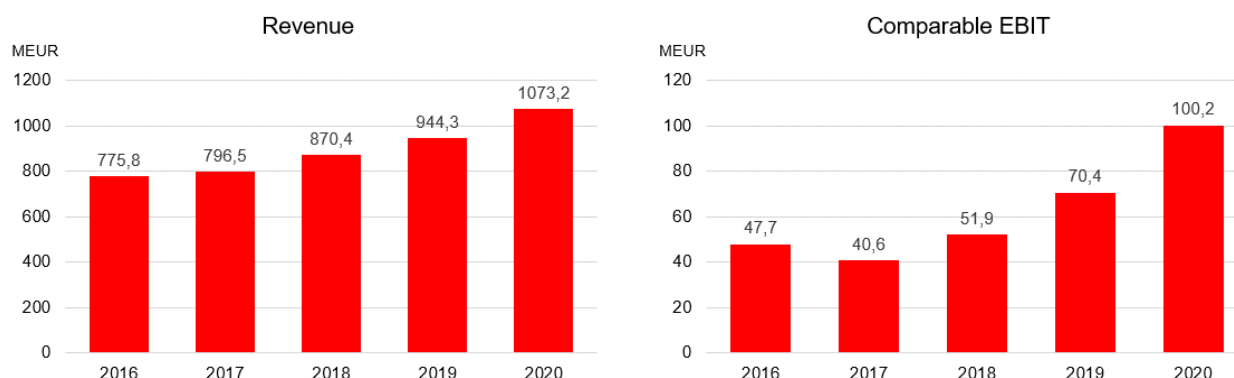
The remuneration of the members of Tokmanni's Board of Directors is arranged separately from remuneration schemes applied to the CEO, Deputy CEO, the Executive Group or the personnel. No fringe benefits are paid to the members of the Board of Directors, and they are not covered by the performance bonus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

During 2020, 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.

## Tokmanni's financial development

Tokmanni's financial development over the past five years has been favourable and steady, and revenue and profitability have improved. In accordance with Tokmanni's Remuneration Policy, the remuneration of the 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 positive development of the company's business operations is reflected in the remuneration paid to the CEO.



Comparable EBIT figures for 2016–2017 are not fully comparable as they do not include IFRS 16 calculations.

**Average remuneration (in euros)**

	2016	2017	2018	2019	2020
Chairman of the Board	98,000	105,000	83,500	102,000	90,996
Other Board members, on average	30,500	42,750	36,500	44,000	40,781
CEO	370,445	550,968	969,977	444,966	668,490
Development of the remuneration of an average Tokmanni employee*	24,000	24,552	25,482	25,799	26,592

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.

**Remuneration of the Board of Directors in the previous financial year****Fees received by the Board of Directors in 2020 (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	70,996	33,590	37,406	13,000		83,996
Juha Blomster	29,356	11,993	17,363	13,000	4,000	46,356
Thérèse Cedercreutz	29,312	11,993	17,319	13,000		42,312
Kati Hagros*	10,565		10,565	5,000	2,000	17,565
Erkki Järvinen	35,337	11,993	23,344	13,000	4,000	52,337
Ulla Lettijeffer**	17,261	7,995	9,266	6,000		23,261
Harri Sivula	30,853	11,993	18,860	11,000	4,000	45,853
<b>Total</b>	<b>223,680</b>	<b>55,966</b>	<b>134,123</b>	<b>74,000</b>	<b>14,000</b>	<b>311,680</b>

Data in the table on a cash basis

\* Until 7 May 2020

\*\* Beginning from 7 May 2020

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

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.

## Remuneration of the CEO in the previous financial year

### Total remuneration of the CEO in 2020 (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	
CEO	361,579	131,273	18,837	171,205	682,894
Deputy CEO	215,815	48,461	11,487	68,304	344,068
Other members of the Executive Group	1,205,827	246,950	58,394	320,003	1,831,174

Data in the table on a cash basis

\* The fixed annual salary includes taxable fringe benefits

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 CEO's remuneration. The targets of the incentive schemes are based on the annual development of the company's business.

In 2020, the fixed component of the CEO's annual salary represented 53% of the total remuneration, while the short-term and long-term bonuses paid represented 47%. The fixed component of the Deputy CEO's salary represented 63% and the incentive bonuses represented 37% of the remuneration.

#### Short-term performance-based bonus in cash

The maximum amount of the cash bonus paid to the CEO under the short-term incentive scheme for 2019 and 2020 was set at 53.8% of his fixed annual salary.

The CEO's success rate in achieving the targets of the short-term incentive scheme was 70.3% of the maximum bonus in 2019, resulting in a cash bonus of 37.9% of the fixed salary for 2019. The bonus amount in cash was EUR 127,487 and it was paid in March 2020. The success rate in achieving the targets for 2020 was 90.2%, resulting in a bonus corresponding to 48.6% of the fixed salary for 2020. This bonus will be paid in March 2021.

#### Short-term performance-based bonus in pension contributions

Based on the 2019 bonus scheme, the CEO was paid pension contributions amounting to 5.2% of the fixed annual salary paid in 2019. Based on the 2020 bonus scheme, the CEO will be paid pension contributions amounting to 7.2% of the fixed annual salary paid in 2020.

The CEO's retirement age is determined in accordance with the Employees Pensions Act.

#### Long-term performance-based bonus in shares

The bonus paid to the CEO in 2020 under the share-based incentive scheme was based on the 2019 long-term incentive scheme, and the earning period for this scheme was the year 2019. 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.

The CEO's maximum remuneration in 2019 would have been 54.8% and in 2020 56.9% 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%, and the price performance of the company's share, with a weight of 40%.

The CEO's success rate in achieving the targets of the long-term incentive scheme was 79.3% of the maximum bonus in 2019, resulting in a bonus of 43.5% of the fixed salary for 2019. The bonus amounted to EUR 128,367, half of which was paid in cash and half in shares in March 2020. The number of shares was determined based on the share price on the date the bonus was granted (EUR 13.24). The shares are subject to a lock-up period of two years after the year they are earned.

### **Bonuses falling due**

The success rate in achieving the targets for 2020 was 100%, resulting in a share bonus corresponding to 56.9% of the fixed salary for 2020. This bonus will be paid in March 2021.

On 28 October 2020, Tokmanni's Board of Directors decided to specify the 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 CEO without consideration during the remuneration period beginning on 1 November 2020 and ending on 31 October 2023.

### **Other financial benefits**

No other financial benefits in addition to those described above were paid to the CEO in 2020.