

TOKMANNI



**Corporate Governance
Statement
2019**

Corporate Governance Statement 2019

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 2020 ("the Code") issued by the Finnish Securities Market Association. The Remuneration report for 2019 is provided in accordance with the Finnish Corporate Governance Code 2015. The Code is publicly available at <http://cgfinland.fi/en>. 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.

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. 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.

Tokmanni's governance model

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, the CEO and the Deputy 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, and its work is supported by the Finance and Audit Committee. 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, the Deputy 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 2019

Tokmanni Group Corporation's Annual General Meeting was held on 19 March 2019 in Mäntsälä, Finland. The AGM approved the 2018 financial statements and discharged the members of the Board of Directors, as well as the company's CEO, from liability for the financial period.

The AGM approved the proposal to pay a dividend of EUR 0.50 per share for the financial period that ended on 31 December 2018. The dividend was paid to shareholders who were registered in the company's shareholders register, maintained by Euroclear Finland, on the dividend payment record date, 21 March 2019. The dividend payment date was 4 April 2019.

The AGM decided that the Board of Directors consists of six members. The AGM elected Juha Blomster, Thérèse Cedercreutz, Kati Hagros, Erkki Järvinen, Seppo Saastamoinen and Harri Sivula as members of the Board. Seppo Saastamoinen was elected as Chairman of the Board of Directors. At its constitutive meeting following the annual general meeting, the Board resolved to elect as members of the Finance and Audit Committee: Juha Blomster, Kati Hagros, Erkki Järvinen and Harri Sivula.

The AGM approved the proposal that the remuneration of the members of the Board of Directors remain unchanged as follows:

- The Chairman of the Board of Directors will be paid EUR 84,000 as annual remuneration;
- Each member of the Board of Directors will be paid EUR 30,000 as annual remuneration;

In addition, the Chairman and the members of the Board of Directors were paid an attendance fee as follows:

- EUR 1,000 per Board meeting for those members of the Board of Directors who are domiciled in Finland;
- EUR 2,000 per Board meeting for those members of the Board of Directors who are domiciled elsewhere in Europe; and
- EUR 3,000 per Board meeting for those members of the Board of Directors who are domiciled outside Europe.

The annual remuneration of the members of the Board of Directors is paid in company shares and in cash, with around 40% of the annual fee being paid in shares in the company and the rest being paid in cash. The company will pay any costs and transfer tax related to the purchase of the company shares. The shares purchased for a Board member cannot be transferred until 3 years have passed from the date of purchase or before their membership in the Board has ended, whichever is earlier. The Board members' meeting fees will be paid in cash.

The AGM decided that the auditor be paid remuneration in accordance with a reasonable invoice. PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected as the company's auditor, with Maria Grönroos, APA, as the principal auditor designated by the audit firm. The auditor's term of office ends at the close of the next Annual General Meeting following the election of the auditor.

The Annual General Meeting authorised the Board of Directors to decide on repurchasing or accepting as pledge, using the company's non-restricted equity, a maximum of 2,943,000 own shares, which corresponds to around 5% 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 at the moment of repurchase. The shares shall be repurchased and paid for in accordance with the rules of Nasdaq Helsinki Ltd.

The company may repurchase shares to execute its incentive programme or corporate acquisitions or other business arrangements or investments related to its operations, to improve its capital structure, or to be otherwise further transferred, retained by the company or cancelled.

The authorisation is proposed to include the right of the Board of Directors to decide on all other matters related to the repurchase of shares. The authorisation is effective until the Annual General Meeting of 2020, but not beyond 30 June 2020.

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/en.

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 2019.

Board of Directors in 2019

The AGM decided that the Board of Directors consists of six members. The AGM elected Juha Blomster, Thérèse Cedercreutz, Kati Hagros, Erkki Järvinen, Seppo Saastamoinen and Harri Sivula as members of the Board. Seppo Saastamoinen was elected as Chairman of the Board of Directors. The Secretary of the Board was 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, which were later incorporated into Tokmanni and has served as 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 17.91% in Tokmanni on 31 December 2019.

Composition of the Board of Directors 31 December 2019

Member	Member since	Born	Education	Main occupation	Shareholding 31.12.2019
Seppo Saastamoinen*	Chairman since 2018 Member since 2013	1960	Diploma in Business Administration	Board Professional	68,409
Juha Blomster	2018	1957	M.Sc. (Econ)	Board Professional and entrepreneur	3,574
Thérèse Cedercreutz	2016	1969	M.Sc. (Econ)	Miltton Inc, CEO	2,214
Kati Hagros	2016	1970	M.Sc. (Eng.), M.Sc. (Soc.)	Aalto University, Chief Digital Officer	6,574
Erkki Järvinen	2018	1960	M.Sc. (Econ)	Oy Snellman Ab, President and CEO	1,574
Harri Sivula	2012	1962	M.Sc. (Admin)	Board Professional	461,574

* One of the founders, Chairman of the Board and CEO of Takoa Invest Oy, which owned 10,417,688 shares, representing 17.91% of Tokmanni shares in 31 December 2019.

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, among others, 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 12 times in 2019, with an average attendance rate of 100%.

Attendance in Board meetings 2019

Member	Attendances/ number of meetings	Attendance rate
Juha Blomster	12/12	100%
Thérèse Cedercreutz	12/12	100%
Kati Hagros	12/12	100%
Erkki Järvinen	12/12	100%
Seppo Saastamoinen	12/12	100%
Harri Sivula	12/12	100%

Committees of the Board

Tokmanni's Board of Directors has one permanent committee: the Finance and Audit Committee. 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 four 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.

Composition of the Finance and Audit Committee 2019

At its constitutive meeting following the Annual General Meeting 2019, the Board resolved to elect as members of the Finance and Audit Committee: Juha Blomster, Kati Hagros, Erkki Järvinen and Harri Sivula. The committee convened five times in 2019, with an attendance rate of 100%.

Attendance in Finance and Audit Committee meetings 2019

Member	Attendances/ number of meetings	Attendance rate
Juha Blomster	5/5	100%
Kati Hagros	5/5	100%
Erkki Järvinen (since 19.3.2019)	4/4	100%
Harri Sivula	5/5	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.

Composition of the Shareholder's Nomination Board

Until 31 August 2019, the Nomination Board consisted of Hanna Hiidenpalo, a representative nominated by Elo Mutual Pension Insurance Company, Marie Karlsson, a representative nominated by Nordea Funds, Hanna Kaskela, a representative nominated by Varma Mutual Pension Insurance Company, and Jari Sonninen, a representative nominated by Takoa Invest Oy as well as Seppo Saastamoinen as an expert member. Tokmanni's Nomination Board was chaired by Jari Sonninen. The Shareholders' Nomination Board convened 3 times before the decision on proposals in January 2019.

Representatives of the four largest shareholders registered in Tokmanni Group's shareholder register as of 2 September 2019 were elected to the Shareholders' Nomination Board along with the Chairman of the Board of Directors, Seppo Saastamoinen, as an expert member. The Nomination Board is responsible for preparing proposals covering the composition of the Board of Directors and remuneration of the Board members to the Annual General Meeting 2020. The Shareholders' Nomination Board convened 4 times before the decision on proposals in January 2020.

The four largest shareholders nominated following members to Nomination Board on 31 January 2020:

- Takoa Invest, Jari Sonninen
- Elo Pension Company, Hanna Hiidenpalo
- Varma Mutual Pension Insurance Company, Hanna Kaskela
- Ilmarinen Mutual Pension Insurance Company, Esko Torsti

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.

Mika Rautiainen has been Tokmanni's CEO since 2018, and Markku Pirskanen CFO and deputy CEO since 2017.

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 2019

Member	Position at Tokmanni	Member since	Born	Education	Shareholding 31.12.2019
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
Timo Heimo	Information Management and Supply Chain Director	1.12.2018	1967	M.Sc. (Food Science)	35,000
Sirpa Huuskonen	HR Director	1.5.2016	1961	LL.M (trained on the bench)	15,600
Tuomas Hyvärinen	Purchasing Director	21.5.2018	1957	M.Sc. (Econ)	40,000

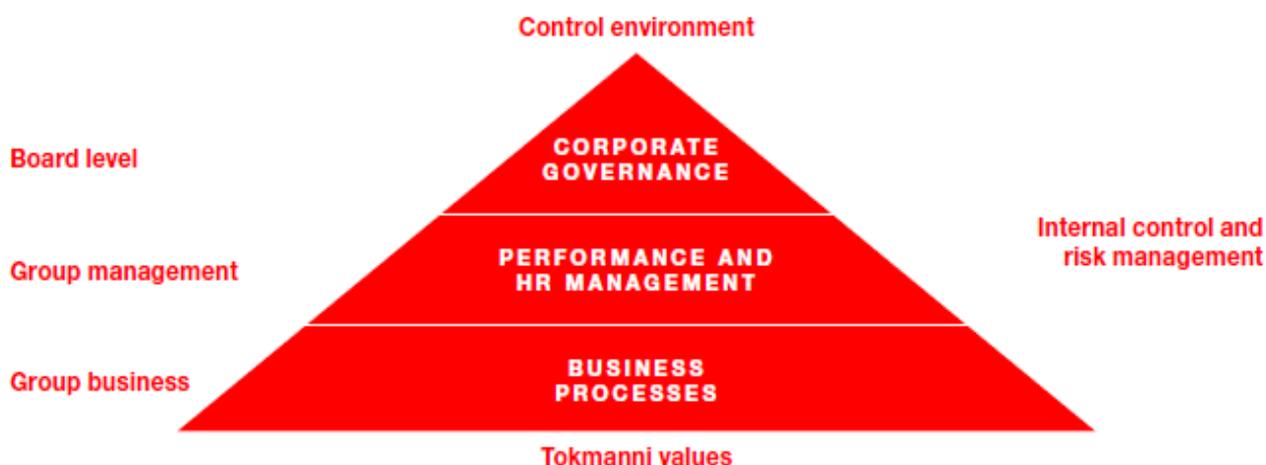
Mathias Kivikoski	Sales and Marketing Director	16.1.2017	1973	M.Sc. (Econ)	32,000
Harri Koponen	Store Network and Concept Director	1.2.2018	1964	M.Sc. (Econ.), eMBA	33,231
Matti Korolainen	Commercial Director	1.8.2019	1958	Diploma in Business Administration	87,731
Janne Pihkala	Strategy and Business Development Director	1.4.2018	1983	M.Sc. (Econ)	40,316

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.

Principles for related party transactions

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).

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. In 2019 Tokmanni had no related party transactions which would be material and in addition, in conflict with ordinary business or ordinary market terms.

Tokmanni Group's insider register is maintained by the company's financial department. Tokmanni's Investor Relations is responsible for the timely disclosure of business transactions carried out by executives and their related parties.

Auditing

The company has one auditor. The auditor must be an auditing firm authorised by the Finland Chamber 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.

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 adequacy, 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.

Employees can communicate suspected misconduct via a whistle blower channel that secures anonymous reporting or directly to the Compliance function.

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 2019 are described in detail in the 2019 Financial Statement.

Key practices of the Compliance function

Compliance is tasked with assisting senior management, executive management and other business operations in the management of risks associated with regulatory non-compliance, supervising regulatory compliance and, for its part, developing internal control further.

Compliance risk is the risk of legal or administrative penalties, financial losses or loss of reputation as a result of a failure of the company to comply with laws, regulations or other administrative provisions applicable to its activities. Tokmanni's compliance risk management ensures that operations comply with legislation and the company's own requirements. Tokmanni expects all its staff to comply with the company's Code of Conduct and its principles and unit-specific guidelines. The Code of Conduct and guidelines cover a wide range of compliance issues, including the prohibition of corruption and bribery, issues regarding labour, occupational health and safety, and human rights issues.

The CFO is responsible for the company's compliance operations and reports directly to the CEO and also regularly informs the Board of Directors. The CFO is supported by Tokmanni's Compliance team, which is composed of the Head of Corporate Responsibility, the Manager of Security and Real Estate, the HR Manager (HR management), and the Information Management and Supply Chain Director.

The Compliance unit convenes every two months, but urgent matters are dealt with without delay. The unit handles notifications concerning financial misconduct received via the whistleblowing channel or otherwise and actions that violate the Tokmanni Code of Conduct, and imposes potential sanctions. All notifications of violations are processed confidentially as required by data protection legislation. Tokmanni will take appropriate action based on the notifications.

The Compliance team aims to prevent the materialisation of compliance risks. For this purpose, the Compliance team shall, for example:

- prepare and maintain guidelines on key matters related to practices (Tokmanni Code of Conduct and principles),
- advise and train the staff in matters related to practices,
- support business units in planning development measures that promote internal control and compliance risk management,
- keep senior management and executive management informed of upcoming regulatory changes and monitor the business's preparation for regulatory changes,
- report to the company's CEO on issued recommendations and the results of control and other observations related to compliance risks.

Key procedures related to insider management

Tokmanni manages inside information and insiders in accordance with all applicable laws and regulations regarding insiders and insider trading. Examples of these are e.g. the Market Abuse Regulation (EU) 596/2014 ("MAR") and the Insider Guidelines of Nasdaq Helsinki Ltd.

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.

The company draws up insider lists for projects containing inside information. 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.

Tokmanni publishes notifications on transactions conducted by persons discharging managerial responsibilities, and persons closely associated with them in accordance with the provisions of the MAR. These notifications are available on Tokmanni's webpages.

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 2019, the following monthly fees were paid to the members of the Board:

- The Chairman of the Board of Directors was paid EUR 84,000 as annual remuneration;
- Each member of the Board of Directors was paid EUR 30,000 as annual remuneration;

In addition, the Chairman and the members of the Board of Directors were paid an attendance fee as follows:

- EUR 1,000 per Board meeting for those members of the Board of Directors who are domiciled in Finland;
- EUR 2,000 per Board meeting for those members of the Board of Directors who are domiciled elsewhere in Europe; and
- EUR 3,000 per Board meeting for those members of the Board of Directors who are domiciled outside Europe.

The annual remuneration of the members of the Board of Directors is paid in company shares and in cash, with around 40% of the annual fee being paid in shares in the company and the rest being paid in cash. The company will pay any costs and transfer tax related to the purchase of the company shares. The shares purchased for a Board member cannot be transferred until 3 years have passed from the date of purchase or before their membership in the Board has ended, whichever is earlier.

The Board members' meeting fees will be paid in cash.

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 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 2019 bonus system, the CEO will be paid 37.9% of the basic salary and the other members of the Executive Group 22.5% of the total salary. In addition, based on the bonus system, a pension contribution of 5.6% of the 2019 annual salary will be paid to the CEO and 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 remuneration paid to the CEO in 2019 was in total EUR 444,966.

Performance bonus

The performance bonus is based on conditions approved by the Board of Directors. In 2019, the maximum bonus was 61.8% of the annual basic salary. Based on the 2019 plan and as mentioned above, the CEO will be paid performance bonus of 37.9% and pension contribution of 5.6% of the paid 2019 basic salary.

Share-based performance bonus

The maximum bonus was 54.8% of the annual basic salary in 2019. The CEO earned 43.5% share-based bonus in shares and in cash based the annual basic salary from the year of 2019. 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 2022.

Pension arrangement

In Tokmanni 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 in February 2019. 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 2019. The potential reward of the program was based on the Company's earnings per share on 31 December 2019 and on the market value development 1.1-31.12.2019. In 2019, the expense recognized for the share-based incentive scheme was EUR 0.3 million (0.1).

The potential rewards, which by nature are taxable income, to be paid correspond to a maximum of 120,000 Tokmanni Group Corporation's shares based on the market value at the moment of granting and will be paid in Tokmanni Group shares in 2022 and possibly 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 2019

EUR	Annual remuneration	Board of Directors	Finance and Audit Committee	Total
Juha Blomster	30,000	10,000	5,000	45,000
Thérèse Cedercreutz	30,000	11,000		41,000
Kati Hagros	30,000	10,000	5,000	45,000
Erkki Järvinen	30,000	10,000	4,000	44,000
Seppo Saastamoinen	84,000	18,000		102,000
Harri Sivula	30,000	10,000	5,000	45,000
Total	234,000	69,000	19,000	322,000

Remuneration of the CEO and other members of the Management Group in 2019

EUR	Salary including fringe benefits	Performance bonus	Share-based performance bonus	Total
CEO Mika Rautiainen	353,220	91,746	0	444,966
Other Executive Group, total	1,295,174	197,235	0	1,492,409

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 2019

EUR 1,000	2019
PricewaterhouseCoopers Oy (since 19 March 2019)	
Auditor's fees	105
Other fees	4
Tax advice	
Total	109
KPMG Oy Ab (until 19 March 2019)	
Auditor's fees	
Other fees	8
Tax advice	10
Total	18
Total	127

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 and its major shareholders

b. 1960

Diploma in Business Administration

Primary work experience:

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

Other key positions of trust:

- Chairman of the Board, Takoa Invest Oy, 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:

- Board Professional and entrepreneur, 2019–
- Executive in Residence, Aalto University, 2017–2019
- CEO, A-lehdet Oy, 2011–2017
- CEO, Talentum Oyj, 2006–2011
- CEO, Kauppalehti Group, 2000–2006
- CEO and Marketing Director, Kustannus Oy Aamulehti, 1996–2000

Other key positions of trust:

- Hallituspartnerit Helsinki registered association, Member of the Board, 2019–



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:

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

Other key positions of trust:

- Member, Varma Consultative Committee of Employers, 2020–
- Member of the Board, Oy Snellman Ab, 2019–
- Member of the Board, Finnish Food and Drink Industries' Federation, 2018–



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:

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

Other key positions of trust:

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

- Chief Digital Officer, Aalto University, 2016–
- SVP, Digitalization Strategy, Service Business, KONE Corporation, 2015–2016
- SVP, Development and CIO, KONE Corporation, 2010–2015
- Vice President, IT, Nokia Corporation, Finland and the UK, 2007–2009
- Vice President, Quality, Nokia Corporation, Finland and the UK, 2004–2007
- Various positions, Nokia Mobile Phones, Finland and Asia-Pacific, 1997–2004

Other key positions of trust:

- Member of the Board, Eezy Plc, 2019–
- Member of the Board, Siili Solutions Oyj, 2016–
- Member of the Board, Nixu Oyj, 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:

- CEO, Miltton Inc, 2016–
- Managing Director, 358 Creative Agency, 2015–2016
- COO, 358 Creative Agency, 2013–2014
- VP, Business Development, Spoiled Milk Creative Agency, 2011–2013
- Director, Global Consumer Business and Marketing, F-Secure Corporation, 2010–2011
- VP, Sales and Business Development, THQ Wireless EMEA, 2003–2009

Other key positions of trust:

- Chairman of the Board, Elite Alfred Berg (EAB Group Plc), 2019–
- Member of the Board, HappyOrNot, 2016–

Executive Group



Mika Rautiainen

CEO

Member of the Executive Group 2018–
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 Oy, Kesko Grocery Trade, Finland, 2003–2005
- European Trade Director, AMS Marketing AG, Switzerland and the Netherlands, 1998–2003
- Various management positions, K-Group, Finland, 1988–1998

Key positions of trust:

- Member of the Committee, Finland Chamber of Commerce, 2020–
- Member of the Committee, Helsinki Regional Chamber of Commerce, 2020–
- Member of the Consultative Committee of Employers, Varma Mutual Pension Insurance Company, 2020–
- 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 2017–
Employed by the Tokmanni Group since 2017

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

Primary work experience:

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



Timo Heimo

Information Management and Supply Chain Director

Member of the Executive Group 2018–
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 Food, Kesko Oyj, 2011–2013
- CIO, Kesko Food, Kesko Oyj, 2007–2011



Sirpa Huuskonen

HR Director

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



Tuomas Hyvärinen
Purchasing Director

Member of the Executive Group 2018–
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 2017–
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 2018–
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, Osuuskauppa Hämeenmaa (Co-op Hämeenmaa), 1995–1996
- Various managerial positions, S Group, 1990–1995



Matti Korolainen

Commercial Director 2019

Member of the Executive Group 2019–
Employed by the Tokmanni Group since 1998

Born 1958, Finnish citizen
Diploma in Business Administration

Primary work experience:

- Project Manager, Tokmanni Oy, 2019
- Sales Manager, Tokmanni Oy, 2018–2019
- Purchasing Manager, groceries, Tokmanni Oy, 2008–2017
- Commercial Director, Tokmanni Oy, 2007–2008
- Field Director, Tokmanni Oy, 2006
- Deputy Managing Director, Tarjousmaxi Oy, 2003–2005
- Deputy Managing Director, Maxi-Makasiini, 1998–2003



Janne Pihkala

Strategy and Business Development Director

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

Born 1983, Finnish citizen
M.Sc. (Econ)

Primary work experience:

- Business Development Director, Tokmanni, 2018–2020
- 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–