Remuneration Policy for Governing Bodies

Tokmanni Group Corporation Remuneration Policy

Introduction

This Tokmanni Group remuneration policy, drafted and updated in 2024, provides information on how remuneration is arranged for the members of the Tokmanni Group Corporation's (hereinafter 'Tokmanni Group', 'company' or 'Group') governing bodies, i.e. the members of the Board of Directors, the President and CEO and the Deputy CEO. The numerical limits on the variable remuneration of the President and CEO have been removed in the update. In addition, the specifications of the long-term incentive scheme and the pension benefits have been revised and a recommendation on shareholding has been 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 purpose of the remuneration policy is to describe the remuneration principles of the Tokmanni Group and to provide investors with a clear picture of how the remuneration of the company's governing bodies is managed and how the different aspects of remuneration are linked to the company's strategy. The remuneration policy is designed to ensure the Group's ability to promote excellent performance and the implementation of its strategy in a rapidly changing market. The remuneration policy complies with the Finnish Corporate Governance Code 2020 and applicable legislation.

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 members of the company's governing bodies. 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.

At Tokmanni Group, regular external market benchmarking is essential for ensuring a competitive level of remuneration for the President and CEO. It is also important that the President and CEO's remuneration is in line with the President and CEO's experience and background as well as the company's business strategy and objectives. The remuneration of the President and CEO mostly corresponds with the principles applicable to the rest of the personnel, taking into account the level of complexity and the responsibilities of the President and CEO's duties and its effect on fixed and variable remuneration components and various fringe benefits and other benefits. Remuneration also takes into account stakeholders' views, the relationship of a person's remuneration to other Tokmanni Group employees' salaries and working conditions, and market factors in the country where the remunerated person works.

The remuneration paid to Board members must be sufficiently competitive to enable the recruitment of competent members to the Board of Directors of the 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.

Remuneration paid to the governing bodies is reported annually in the Remuneration Report.

Decision-making process

Tokmanni Group Corporation's Sustainability and People and 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. The remuneration policy is presented to the Annual General Meeting at least every four years and always whenever substantial changes have been made to it.

Tokmanni Group's Annual 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 Committee. 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.

The People and Sustainability Committee prepares and the Board of Directors approves the principles concerning the various remuneration systems and remuneration components and decides on the President and CEO's and Deputy CEO's salaries, bonuses (e.g. performance bonuses and the issuance of shares, options or other special rights entitling to shares) and the key terms and conditions of their service contract within the limits of the governing bodies' remuneration policy presented to the Annual General Meeting. Each year, the People and Sustainability Committee reviews the remuneration of the President and CEO, prepares the target criteria and potential remuneration for performance-based variable remuneration, assesses the attainment of the performance targets and the long and short-term incentive bonuses paid on attaining these targets. The bonuses are approved by the Board of Directors. The Board of Directors ensures that the variable component of the overall remuneration is at an adequate level and that remuneration is linked to performance measurement, so that remuneration encourages the promotion of the long-term performance of the Tokmanni Group. Within the framework of authorisations granted by the General Meeting, the Board of Directors decides on the terms and conditions of share and share-based remuneration systems and the distribution of shares.

Potential conflicts of interest are also taken into consideration on a case-by-case basis in the approval, assessment and implementation of the remuneration policy. If the Board of Directors or its People and Sustainability Committee uses an external advisor to prepare decisions or draft decisions, it will ensure that the advisor does not have a mandate from the executive management of the Tokmanni Group that would create a conflict of interest for the advisor. The governing bodies or individuals may not decide on their own remuneration or make decisions concerning remuneration in cases where their own interests conflict with those of the company. The Tokmanni Group has its own Code of Conduct and complies with both the Limited Liability Companies Act and the corporate governance code for listed companies, which regulate corporate governance practices to avoid conflicts of interest. The decision-making process described above is designed to ensure that decisions are fair and impartial.

Description of the remuneration of the Board of Directors

The General Meeting of Shareholders decides on the remuneration of the members of the Board of Directors one term of office at a time. Matters pertaining to the remuneration of the Board members are prepared by the Shareholders' Nomination Committee, 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 remuneration paid to the Board of Directors is regularly compared with companies of similar market capitalisation, size and structure to the Tokmanni Group. The purpose of this is to ensure that the Tokmanni Group is able to hire the skills and experience needed to maximise shareholder value. The Shareholders' Nomination Committee may also use external experts in the preparation for the Annual General Meeting. In accordance with its charter, the Shareholders' Nomination Committee also presents its proposal reports on its activities to the Annual General Meeting.

The remuneration of Board members may consist, for example, of a fixed annual fee, which may be paid in cash or as a combination of company shares and cash; separate fixed fees for additional responsibilities such as tasks related to Board committees; attendance fees; and reimbursement of travel expenses. If part of the remuneration consists of shares in the company, the shares may be subject to a shareholding requirement. The members of the Board of Directors do not receive fringe benefits and their membership is not considered in performance-based bonus systems, incentive schemes or share-based bonus schemes.

Description of the remuneration of the President and CEO and Deputy CEO

The Sustainability and People 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 within the limits of the governing bodies' remuneration policy presented to the Annual General Meeting.

The President and CEO's and Deputy CEO's performance in executing the decisions of the company's Board of Directors, implementing the company's strategy, the general organisation of the business operations, risk taking and, in particular, risk management is crucial in terms of the Tokmanni Group's profitability and risks. The responsibility that comes with the position is the justification for a higher fixed salary and a higher proportion of variable remuneration relative to fixed pay compared to the other personnel. For this reason, the President and CEO and Deputy CEO can, subject to a decision of the Board of Directors, be entitled to, for example, quarterly and annual performance bonuses and long-term share-based bonuses in accordance with the company's remuneration practices valid at any given time and the decisions of the Board of Directors. Separate performance criteria are specified for all variable and performance-related components and the President and CEO and Deputy CEO are rewarded on the basis of their achievement.

If necessary, the Board of Directors may decide on one-off remuneration components for the President and CEO and Deputy CEO for successful execution of key or strategic projects that are important for the company, for example.

Fixed remuneration

The fixed remuneration of the President and CEO and Deputy CEO consists of a monthly salary and fringe benefits. The basic salary is adjusted annually, as necessary, taking into consideration the company's result, personal performance and the market conditions. There is no maximum limit on salary.

Variable remuneration

The President and CEO and the Deputy CEO are eligible to participate in the company's short-term incentive scheme (STI). The Board sets the STI performance indicators, and their weights and target levels, for a period of up to one year to ensure that they are relevant to the President and CEO's and Deputy CEO's responsibilities, that they take into account the business plan and support the strategy on an annual basis. Performance indicators may include financial indicators mainly at group level, operational, safety and sustainability indicators, key development projects and other indicators that the Board considers relevant. After the end of each year, the Board reviews the attainment of the STI performance targets and decides on the STI bonus.

One-off bonuses may be granted to the President and CEO and the Deputy CEO on the basis of the successful implementation of key or strategic projects that are important for the company.

The earning potential based on the variable remuneration, including the STI, of the President and CEO and the Deputy CEO is set at a competitive market level. 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 the STI, 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 Deputy CEO. Earning potential based on the STI scheme may be limited to a maximum amount set by the Board.

The President and CEO and the Deputy CEO are eligible to participate in the company's long-term incentive (LTI) schemes. They are normally structured as share-based schemes, paid out either in shares or in cash. The LTI schemes may, as determined by the Board at any given time, include one or more schemes and scheme structures such as, for example, performance-based share or cash incentive schemes, share or cash incentive schemes based on the performance of the share price (such as synthetic options), time-based share incentive schemes (such as contingent share incentive schemes), supplementary share schemes based on the recipient's personal investment, and other LTI schemes as determined by the Board. The performance indicators of performance-based LTI schemes may include for example long-term financial and strategic objectives at the Group level or they may measure performance relative to competitors, relative or absolute total shareholder return or shareholder value creation, and they may include sustainability and other performance indicators. Performance indicators are decided by the Board and may vary between schemes. At the end of a performance period, the Board reviews the attainment of the performance targets of the LTI scheme and decides on the LTI bonus.

Long-term incentive schemes can be structured either as lump-sum schemes or on a rolling basis, with overlapping annual vesting periods that are payable in consecutive years, at the Board's discretion. The Board decides on the duration of the performance periods and schemes, which usually last at least three years.

The earning potential based on variable remuneration schemes, including the LTI, for the President and CEO and the Deputy CEO 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 LTI, 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 Deputy CEO. Earning potential based on the LTI scheme may be limited to a maximum amount set by the Board.

The President and CEO and the Deputy CEO are expected to retain ownership of at least half of the shares they receive under the company's share-based incentive schemes until the value of their shareholding in the company equals or exceeds their gross annual salary.

Long-term benefits

Long-term benefits are designed to be competitive and in line with market practices, and to ensure that the President and CEO and the Deputy CEO have comprehensive insurance cover during their employment. Long-term benefits can include pension benefits, life and disability insurance, health benefits and other insurance.

In addition to the statutory pension scheme, the President and CEO and the Deputy CEO may be covered by a defined contribution supplementary pension insurance. When assessing supplementary pension arrangements, the Board may take into account, among other things, the local market and pension legislation, the circumstances of the case and the overall remuneration of the individual.

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

The Board of Directors may, at its discretion, decline to pay in full or in part the bonuses related to short- and long-term incentive schemes, for example, if the company's performance has significantly deteriorated.

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

Other key terms applicable to the service contract

Typically, the President and CEO's service contract specifies the retirement age. The President and CEO's service contract typically also specifies the duration of the contract, the period of notice and possible severance payment if the Group terminates the service contract.

The President and CEO is entitled to the same employment benefits as other personnel in the country of employment. These can include private healthcare and car and telephone benefits, for example. The President and CEO may also be entitled to other benefits, such as an insurance allowance, a removal allowance, care assistance for a sick child or assistance with tax returns. Benefits are not counted as part of pensionable pay, but the Board may decide, at its discretion, to reimburse any tax that may be payable on certain benefits. Benefits are set at levels that are competitive in the local market of the country of employment. A maximum level of benefits has not been specified, but the benefits are in line with the relevant external market and the Board's opinion of the level appropriate to the nature of the post and the relevant circumstances.

The President and CEO's service contract is usually of indefinite duration, and the notice period agreed in the contract is consistent with prevailing market practices at the time of signing. Any fixed salary during the period of notice and any severance pay will also be determined in such a way that they are in line with market practices at the time of signing.

The President and CEO's contract will terminate without notice when the President and CEO reaches the retirement age specified in the contract or at the latest when the President and CEO reaches the statutory retirement age. In this case, the President and CEO is not entitled to severance pay. If the notice period coincides with reaching retirement age, the severance is paid only until the contractual retirement age or the statutory retirement age is reached.

Requirements for temporary deviation

The Tokmanni Group's governing bodies are remunerated within the limits of the remuneration policy presented to the Annual General Meeting. In the case of the President and CEO and the Deputy CEO, the Group may temporarily deviate from this remuneration policy for governing bodies only in exceptional circumstances and after careful consideration. Reasons for a temporary deviation may include situations where the company's key operating conditions change due to regulatory and tax changes that take place after the remuneration policy of the Tokmanni Group's governing bodies has been discussed by an Annual General Meeting, as a result of which remuneration in accordance with the policy would no longer comply with these provisions or be in the company's interest. Temporary deviations may also be caused by a change of President and CEO or Deputy CEO, a corporate restructuring such as a merger or takeover bid, or a significant change in strategy or the competitive business environment. In these changed circumstances, the valid remuneration policy for governing bodies would no longer be appropriate to ensure the company's long-term interests.

The temporary exceptional circumstances described above are carefully assessed by the People and Sustainability Committee. Moreover, the Board of Directors decides on the deviation to ensure the company's long-term interests. The assessment of the exceptional circumstances may consider among other things the company's long-term financial success and competitiveness, the development of it's shareholder value and the continuity of management. The deviation may relate to one or more components of the remuneration policy, depending on what is considered appropriate and necessary in the circumstances.

If the Tokmanni Group assesses that the deviation from the remuneration policy shall continue beyond being temporary, the Group will draft a new remuneration policy, which will be dealt with at the next possible Annual General Meeting. If presenting the new remuneration policy to the next Annual General Meeting is not possible, the remuneration policy will be presented to the Annual General Meeting for which it can be appropriately prepared.

The decision-making procedure used to implement the remuneration policy described above is also applied in the deviation from the policy. If the deviation concerns the remuneration of the Board of Directors, the decision-making may require, on a case-by-case basis, the convening of an ordinary or extraordinary general meeting. If the temporary deviation from the remuneration policy concerns the remuneration of a new President and CEO or Deputy CEO or the policy has been deviated from due to corporate restructuring or other corresponding exceptional situation, the new terms and conditions concerning remuneration will be valid as agreed regardless of the duration of the temporary deviation.

If the expertise of a particular Board member is deemed necessary and in the best interests of the company in the case of a deviation, the Board may use the Board member as a temporary consultant. Since such expert services are not part of the Board members' duties or covered by their remuneration, the Board member may be separately remunerated for providing such services. Board members may not participate in the preparations or decision-making carried out by the Board concerning the consultancy they provide or the related compensation. All parties comply with regulations and the company's policy on related party transactions.

Minor changes to the remuneration policy that are not deemed to be material do not have to be separately presented to the Annual General Meeting. Such changes may relate to changes in concepts that concern remuneration, for example.