

Corporate Governance Statement 2021



Corporate Governance Statement

I. Introduction

Musti Group plc ("Musti Group" or the "Company") is committed to good corporate governance through compliance with laws and regulations in all its operations and to implementing recommendations for good corporate governance. The governance of the Musti Group complies with the Company's Articles of Association, Finnish and EU laws and regulations, in particular the Finnish Companies Act, the Accounting Act, securities markets regulations and other decrees and regulations relevant to the governance of a public limited liability company. Furthermore, Musti Group's operations are guided by values and internal operating principles ratified by the Company.

In its governance, Musti Group also complies with the Finnish Corporate Governance Code for listed companies (hereinafter the "Code") issued by the Securities Market Association in 2020. Musti Group has not deviated from the recommendations of the Code. If Musti Group deviates from a recommendation of the Code, it will specify the deviation and justify it. The Code is available on the Internet at www.cgfinland.fi.

This Corporate Governance Statement of Musti Group has been prepared in accordance with the recommendations of the Code. This Corporate Governance statement has been prepared as a separate report distinct from the Report of the Board of Directors and has been published on the Company's website at www.mustigroup.com. The Audit Committee of Musti Group's Board of Directors has considered and reviewed this Corporate Governance Statement. The Company's external auditor has reviewed that this Corporate Governance Statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

II. Descriptions Concerning Corporate Governance

Musti Group is a company founded in Finland and is registered in the Finnish Trade Register maintained by the Finnish Patent and Registration Office as a public limited liability company. Musti Group operates under Finnish law and is listed on the official list of Nasdaq Helsinki.

The Group consists of its parent company Musti Group plc and several group companies in Finland, Sweden and Norway. The parent company is responsible for, e.g., the management of the Musti Group on a Group level, and the Group companies are responsible for operative actions.

The Group's reporting segment structure is based on a geographical division as well as on how the chief operating decision-maker monitors the business. On this basis, Finland, Sweden, and Norway have been designated as their own operating segments.

Under the Finnish Companies Act as well as Musti Group's Articles of Association and internal guidelines and policies, the Company's governance and management are distributed between the shareholders, the Board of Directors, and the CEO. Shareholders exercise their power to decide on corporate matters at the General Meeting of Shareholders in accordance with the Finnish Companies Act. The Company's Board of Directors see to the administration of the Company and the appropriate organisation of its operations. The Board of Directors also elects the CEO and the members of the management team. The CEO is responsible for the supervision and control of the Company's day-to-day operations in accordance with the Finnish Companies Act, the Company's Code of Conduct and authorisations and guidelines issued by the Board of Directors. The Company's management team supports and assists the CEO in his/her duties.

1. General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body, where shareholders exercise their power to decide on corporate matters in accordance with the Finnish Companies Act and the Company's Articles of Association. According to the Company's Articles of Association, the Annual General Meeting of Shareholders shall be held annually within six months from the end of the financial year. The Annual General Meeting shall decide, among others, upon the approval of the financial statements, the distribution of dividend and elections of members of the Board of Directors and the auditor and their remuneration. The General Meeting of Shareholders decides also upon discharge of the Board of Directors and of the CEO from liability.

Extraordinary General Meetings of Shareholders in respect of specific matters must be held when considered necessary by the Board of Directors, or when requested in writing by the auditor of the Company or by shareholders of the Company holding at least 10 percent of all the shares of the Company.

According to the Finnish Companies Act and the Company's Articles of Association, the notice convening a General Meeting of Shareholders shall be delivered to the shareholders no more than three months and no less than three weeks before the meeting, however, at least nine days before the record date of the General Meeting of Shareholders. The notice shall be delivered to the shareholders with a notification published on the Company's website or in at least one national newspaper chosen by the Board of Directors. To be entitled to attend the General Meeting of Shareholders, the shareholder shall notify his/her attendance to the Company at the latest by the date mentioned in the notice convening the meeting, which date may be no more than ten days before the General Meeting of Shareholders.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered in the shareholders' register kept by Euroclear Finland no later than eight business days prior to the relevant General Meeting of Shareholders (the record date of the General Meeting of Shareholders). A nominee-registered shareholder wishing to attend and vote at the General Meeting of Shareholders should seek a temporary registration in the shareholders' register.

According to the Finnish Companies Act, a shareholder has the right to have a matter falling within the competence of the General Meeting of Shareholders dealt with by the General Meeting of Shareholders, if the shareholder so demands in writing from the Board of Directors well in advance, so that the matter can be mentioned in the notice to the General Meeting.

Each share in the Company entitles its holder to one vote at a General Meeting of Shareholders. Except for certain exceptions stipulated in the Finnish Companies Act, there are no quorum requirements for General Meetings of Shareholders. At the General Meeting of Shareholders, most resolutions are passed by a simple majority of the votes cast. However, certain resolutions, such as

amending the Articles of Association, waiving shareholders' pre-emptive right to subscribe for shares in a new issue and resolutions on a merger, a demerger or dissolution of the Company require at least a two-thirds majority of the votes cast and the shares represented at the meeting.

General Meetings of Shareholders during the financial year 1 October 2020 – 30 September 2021

Musti Group's Annual General Meeting ("AGM") was held on 21 January 2021. The AGM was arranged in accordance with an exceptional meeting procedure based on the temporary legislation to limit the spread of the COVID-19 pandemic approved by the Finnish Parliament. In line with the requirements of the temporary legislation, shareholders and their proxy representatives could participate in the AGM and exercise their rights only by voting in advance and by making counterproposals and presenting questions in advance. It was not possible to participate at the meeting venue in person.

2. The Board of Directors

Duties of the Board of Directors

The duties and operating principles of the Board of Directors are based on the Finnish legislation, in particular the Finnish Companies Act and the Finnish Security Markets Act, as well as on the Company's Articles of Association, the rules of Nasdaq Helsinki and the Code.

Based on the Finnish Companies Act, the Board of Directors sees to the administration of the Company and the appropriate organisation of its operations. The Board of Directors also has a general competence to make decisions on matters, which have not been allocated to other bodies in the Finnish Companies Act or the Articles of Association.

The Board of Directors of Musti Group has prepared and approved a written Charter for the Board of Directors. The Charter of the Board of Directors describes the composition and election as well as duties of the Board of Directors, practices to be adhered to in meetings of the Board of Directors, specific duties of the Chairman of the Board of Directors as well as the establishment of committees of the Board of Directors, appointment of committee members as well as practices concerning reporting by the committees.

In addition to the specific duties defined in legislation and the Company's Articles of Association, Musti Group's Board of Directors shall:

- confirm the Charter of the Board of Directors;
- confirm the Charter of the Audit Committee and the Remuneration Committee;

- annually approve the Company’s strategy, budget and business plan and supervise their execution;
- arrange the control, supervision and audit of the Company's accounts and finances;
- review and approve interim reports, financial statements and the annual report;
- define the Company's dividend policy;
- appoint and discharge from his/her duties the CEO and the Group management team;
- resolve on the remuneration and incentives of the CEO and the Group management team in accordance with the Company's remuneration policy;
- steer the operations of the Company and supervise and monitor the CEO;
- confirm the Group's organisational structure and decide on any material organisational changes;
- decide on large and strategically significant investments, acquisitions and divestments and on any other matters that are of material importance to Company;
- annually assess the performance of the Board of Directors, including its activities and working methods, and its individual members;
- summon the General Meetings of Shareholders and prepare proposals on matters to be considered in the meetings; and
- decide on the establishment of the communication strategy and related policy as well as the publication of important information concerning the Musti Group and its activities.

The Board of Directors convenes in accordance with its meeting schedule. The meeting schedule is prepared annually in advance of the calendar year which it relates to. In addition to regular meetings, the Board of Directors can hold extraordinary meetings whenever required. Meetings may be held as physical meetings or as conference calls or electronically.

The matters at the meetings of the Board of Directors are presented by the Chairman of the Board of Directors and the CEO or by persons designated by them. The CEO is responsible for ensuring that the Board of Directors receives adequate information on the Company’s business operations, operating environment and financial position to facilitate informed decision-making. Information and data of importance for the Board’s understanding of the issues on the Board meeting agenda shall be distributed in writing to the Board sufficiently in advance of the meeting to permit a meaningful review.

Composition of the Board of Directors

According to Musti Group’s Articles of Association, the Board of Directors consists of a minimum of 3 and a maximum of 10 ordinary members. The term of office of the Board of Directors expires at the end of the first

Annual General Meeting of Shareholders following the election. The Company's Board of Directors prepares the proposal for the composition of the Board of Directors to the General Meeting of Shareholders.

Until the Annual General Meeting held on 21 January 2021, the Board of Directors comprised the following members: Jeffrey David (Chairman), Ingrid Jonasson Blank (Vice-Chairman), Lisa Farrar, Juho Frilander and Vesa Koskinen. The Annual General Meeting held on 21 January 2021 re-elected Jeffrey David as Chairman, Ingrid Jonasson Blank as Vice-Chairman and Juho Frilander as member. In addition, Ilkka Laurila was elected as a new member.

During the financial year 1 October 2020 – 30 September 2021, the Board of Directors held 14 meetings and comprised the following members at the end of the financial year:

Name	Year of birth	Position	Member of the Board of Directors since	Attendance at meetings
Jeffrey David	1964	Chairman of the Board of Directors	2016	100%
Ingrid Jonasson Blank	1962	Vice-Chairman of the Board of Directors	2014	100%
Juho Frilander	1985	Member of the Board of Directors	2018	100%
Ilkka Laurila	1977	Member of the Board of Directors	2021	100%*

* Attended all meetings since joining the Board of Directors on 21 January 2021.

Jeffrey David has been a member of Musti Group plc’s Board of Directors since 2016 and Chairman of the Board since 2017. In addition, Mr. David is Chairman of Independent Pet Partners USA and a Board member of Greencross Limited Australia. He is an Australian citizen and is independent of the Company and its major shareholders.

Ingrid Jonasson Blank has been a member of Musti Group plc’s Board of Directors since 2014 and Vice-Chairman of the Board of Directors since 2020. Ms. Jonasson Blank is also a Board member of Bilia AB, ZetaDisplay AB, Orkla ASA, Forenom Group Oy, Nordic Morning Group plc, Cosmetic Group Holding AS, Astrid Lindgrens AB and Bygghemma First Group AB. In addition, she also acts as a Chairman of the Board of Haypp Group AB and KjellKoncern AB. Previously, during the last five years, she has also been a Board member of Ambea AB, Fiskars plc, Stor & Liten AB, Matse Holding AB, Norm AB, Matas AS and Royal Unibrew AS. Ms. Jonasson Blank holds a Bachelor’s degree in Business and Economics from University of Gothenburg, and she is a Swedish citizen. Jonasson Blank is independent of the Company and its major shareholders.

Juho Frilander has been a member of Musti Group plc's Board of Directors since 2018. Mr. Frilander is also a Board member of VKPA-varhaiskasvatus Oy, a deputy Board member of Suomen VAKA-palvelut II Oy and a director at EQT Partners Oy. In addition, he has previously during the last five years been an associate at EQT Partners. Mr. Frilander holds a Master's degree in Economics (major in Finance) from the Aalto University School of Business, and he is a Finnish citizen. Frilander is independent of the Company and its major shareholders.

Ilkka Laurila has been a member of Musti Group plc's Board of Directors since 2021. Mr. Laurila has worked at Terveystalo as CFO and Member of the Management Team since 2015. In addition, Mr. Laurila's career includes work at Terveystalo as Head of Treasury and Finance and Head of Procurement, at Rahoituksen neuvontapalvelut Inspira Oy as Associate Director, and at Ernst & Young Oy in managerial positions. Additionally, Laurila is a Member of the Board of Directors of Hurtti-Paino Oy. Mr. Laurila holds a Master's in Economics and a Master's in Forestry, and he is a Finnish citizen. Laurila is independent of the Company and its major shareholders.

Principles of Diversity for the Board of Directors

During the financial year 1 October 2020 – 30 September 2021, both genders have been represented on the Company's Board of Directors.

Musti Group's Board of Directors has defined a Diversity Policy to describe the objectives in the achievement of diversity in the operations and composition of Musti Group's Board of Directors. This Diversity Policy is applied when preparing the proposal for the composition of Musti Group's Board of Directors to the Annual General Meeting.

Musti Group recognizes that the diversity of the Board of Directors supports Musti Group's business operations and development and that the diversity of the knowhow, experience, and opinions of the directors promotes the ability to have an open-minded approach to innovative ideas.

The aim is to ensure that the Board of Directors as a whole possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions in which Musti Group's business is carried out. The Board members shall have the required qualifications and expertise and shall devote such time as is reasonably required to perform the responsibilities set forth in the Corporate Governance Code.

Musti Group is committed to ensure equal opportunities for all to attract and retain the best people. Musti Group aims to achieve a balanced gender distribution in the composition of its Board of Directors.

The achievement of objectives is monitored annually.

Evaluation of the independence of the Board of Directors

It is the duty of the Board of Directors to evaluate the independence of its members. A majority of members of the Board of Directors must be independent of the Company. At least two members independent of the Company must also be independent of significant shareholders of the Company.

According to the independence assessment, all members of Musti Group's Board of Directors are deemed to be independent of the Company. The following members of Musti Group's Board of Directors are deemed to be independent of the Company and its major shareholders: Jeffrey David (Chairman), Ingrid Jonasson Blank (Vice-Chairman), Juho Frilander and Ilkka Laurila.

Self-evaluation of the Board of Directors

The performance of the Board of Directors as well as its individual members are evaluated annually. The results of the assessment are considered when preparing a proposal for a new composition of a Board of Directors.

Shareholdings of the Board of Directors

The following table presents the shareholdings of members of the Board of Directors as at the end of the financial year:

Name	Position	Shares held by the director or corporations in which he/she exercises control	Share-based rights in the Company or its group companies
Jeffrey David	Chairman of the Board of Directors	213,685*	0
Ingrid Jonasson Blank	Vice-Chairman of the Board of Directors	59,168	0
Juho Frilander	Member of the Board of Directors	0	0
Ilkka Laurila	Member of the Board of Directors	0	0

* Indirect ownership through Prebest Pty Limited at The Jeffrey David Discretionary Trust.

3. Committees of the Board of Directors

The Board of Directors may establish permanent or fixed-term committees to perform tasks assigned to them by the Board of Directors. The committees of the Board of Directors assist the Board by preparing matters for the Board to resolve on.

The members of the Board committees, as well as their Chairmen, will be annually appointed by the Board of Directors amongst its members. Each committee shall have at least three members appointed by the Board of Directors. The members must have the expertise and experience required for the performance of the committee's duties.

The committees shall regularly report on their work to the Board. The Board of Directors shall also confirm Committee Charters for the committees, defining their purposes and tasks.

The Board of Directors have established two permanent committees: the Audit Committee and the Remuneration Committee. The members of the committees are elected from among the members of the Board of Directors. The Board of Directors has not considered it necessary to establish any further committees, as the Board of Directors is able to function effectively without further committees taking into account the scope and nature of the Company's operations and the operating principles of the Board of Directors.

Audit Committee

The Board of Directors has confirmed the Audit Committee's key duties and operating principles in a written Charter.

The responsibilities of the Audit Committee include, among other things to:

- monitor the reporting process of financial statements reporting and review with the external auditor the annual financial statements and interim reports before submission to the Board for final approval;
- review with the external auditors the results of the audit;
- review internal controls and monitor the effectiveness of the Company's procedures for internal control over financial reporting;
- review the Company's key accounting policies and principles;
- monitor the related party transactions and address any possible conflicts of interest;
- consider the report on non-financial matters;
- review purchase price calculations for acquisitions and similar investments and follow-up on them;
- monitor the Company's financial position;
- evaluate the use and presentation of alternative performance measures;

- monitor and review the effectiveness of the Company's risk management system, including the risk profile of Musti Group and make such recommendations as the Committee considers desirable and review the risk management-related statements to be included in the financial reports;
- assess the effectiveness of the internal controls and the internal control system;
- assess principles related to internal controls and risk management of the Company's financial reporting processes;
- receive and review reports from the management on any material litigation or claim against or raised by any Musti Group company;
- for the purposes of each Annual General Meeting and otherwise as necessary, prepare a resolution proposal to the shareholders as to the election and fees of the external auditor(s) and remuneration principles;
- initiate the process regarding rotation of the auditor;
- evaluate the audit plan as well as the scope and quality of the external audit and review audit fees;
- evaluate independence of the auditors;
- approve and follow-up on non-audit services provided by the auditors;
- when needed, meet separately with external auditors to discuss any matters in addition to the duties required by regulations that might be relevant for the internal controls;
- review and confirm the independence of external auditors, also in relation to the non-audit services;
- review and evaluate the process of selecting external auditors and follow any regulatory changes regarding auditor selection as well as auditor and audit firm rotation requirements;
- approve the internal audit guidelines, audit activities and resourcing of internal audit function;
- assess the scope and quality of the internal audit as well as approve the internal audit plan and review its implementation;
- review the summary reports of the internal audit and the management's response;
- review major legal disputes and other legal matters together with the General Counsel of the Company;
- monitor compliance with the Code of Conduct of the Company;
- review the Company's Corporate Governance Statement including the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which are included in the Company's Corporate Governance Statement;
- review the Company's non-financial report;
- establish principles concerning the monitoring and assessment of related party transactions; and
- see to other tasks assigned by the Board.

The Audit Committee consists of three to five members of the Board of Directors. The majority of the members of the Audit Committee must be independent of the Company, and at least one of the members must be independent of the major shareholders of the Company. A person who participates in the day-to-day management of the Company or a company in the same group of companies, for example the CEO, cannot be appointed as a member of the Audit Committee. The Chairman of the Audit Committee is elected by the entire Board of Directors.

Members of the Audit Committee are required to possess the relevant expertise and experience required for the performance of the duties and responsibilities of the Audit Committee and the mandatory tasks relating to auditing. At least one of the members is required to have expertise in accounting or auditing.

The Audit Committee reports of its work regularly to the Board of Directors and the Chairman of the Audit Committee presents the Committee's proposals to the Board of Directors.

During the financial year 1 October 2020 – 30 September 2021 the Audit Committee held 5 meetings and comprised the following members:

Member	Attendance at meetings	Independence
Ingrid Jonasson Blank (Chairman)	100%	Independent of the Company and its major shareholders
Juho Frilander	100%	Independent of the Company and its major shareholders
Ilkka Laurila	100%*	Independent of the Company and its major shareholders

* Attended all meetings since joining the Board of Directors on 21 January 2021.

Remuneration Committee

The Board of Directors has also confirmed the Remuneration Committee's key duties and operating principles in a written Charter. The responsibilities of the Remuneration Committee are to prepare the following decisions for the Board to decide:

Nomination of the members of the Group management team and CEO

- review and prepare for the nominations of the members of Group management team and other officers reporting to the CEO; and
- prepare for the nomination of the CEO and his/her deputy.

Compensation of the members of the Group management team

- from time to time review and prepare a proposal on the overall compensation policies applicable to the member of the Group management team;
- review and prepare a proposal to the Board on the compensation of the members of the Group management team and other officers reporting to the CEO including each of the components thereof; and
- ensure that the members of the Group management team are rewarded appropriately for their contributions to the Company's growth and profitability and that such compensation policies are aligned with the Company's business strategy, long-term financial success and shareholder interests.

CEO compensation

- review and prepare a proposal to the Board on the Company's goals and objectives relevant to the compensation of the CEO;
- evaluate the performance of the CEO in light of the above-referenced goals and objectives;
- prepare a proposal to the Board on the compensation of the CEO (including its components thereof) based on the above-referenced evaluation; and
- in determining the long-term incentive component of the CEO's compensation, the Committee should consider the Company's development and relative shareholder return, the value of similar incentive awards to CEOs at other companies comparable to the Company and awards given to the CEOs in past years.

Incentive and other benefit plans

- review and prepare a recommendation to the Board on at least an annual basis evaluating the Company's compensation and other benefit plans, including incentive compensation and equity-based plans and programs;
- review and prepare a recommendation to the Board on the granting of options, restricted stock, stock appreciation rights and other equity-based grants to the members of the Group management team consistent with the Company's incentive compensation plans and programs and compensation strategy; and
- ensure that the Company's compensation structure is competitive and make recommendations as necessary.

Remuneration policy

- prepare the Company's policy concerning the remuneration of the Company's Board of Directors, CEO, and possible deputy CEO (the "Remuneration Policy") for the Board at least every four years;
- present the Remuneration Policy at the General Meeting and answer any question related thereto;
- prepare an amended Remuneration Policy for the Board whenever the General Meeting has opposed a Remuneration Policy or whenever substantial changes are made to an approved Remuneration Policy, which are not merely of a technical nature and which are not covered by the possibility of a temporary deviation defined in the Remuneration Policy; and
- present the amended Remuneration Policy at the General Meeting and answer any question related thereto.

Remuneration report

- prepare the Company's report concerning the remuneration of the Company's Board of Directors, CEO, and possible deputy CEO (the "Remuneration Report"); and
- present the Remuneration Report at the Annual General Meeting and answer any question related thereto.

The Remuneration Committee consists of the Chairman and at least two members of the Board of Directors. The majority of members of the Remuneration Committee must be independent of the Company. Neither the Company's CEO nor the members of the Group management team may be members of the Remuneration Committee. The Chairman of the Remuneration Committee is elected by the entire Board of Directors.

The Remuneration Committee reports regularly to the Board of Directors and the Chairman of the Remuneration Committee presents the Committee's proposals to the Board of Directors.

During the financial year 1 October 2020 – 30 September 2021 the Remuneration Committee held 4 meetings and comprised the following members:

Member	Attendance at meetings	Independence
Jeffrey David (Chairman)	100%	Independent of the Company and its major shareholders
Ingrid Jonasson Blank	100%	Independent of the Company and its major shareholders
Juho Frilander	100%	Independent of the Company and its major shareholders

4. The CEO and management team

The CEO

The Company's Board of Directors appoints the CEO and decides on the terms of the CEO's service. The Board of Directors also decides on the remuneration and its terms for the CEO and the members of the management team. The CEO is responsible for the supervision and control of the Company's day-to-day operations in accordance with the Finnish Companies Act, the Company's Code of Conduct and authorisations and guidelines issued by the Board of Directors.

David Rönnerberg (born in 1977) has acted as Company's Chief Executive Officer since 2017.

Management Team

The Management Team is not a legally mandated body of the Company, unlike the Board of Directors and the CEO. However, the Management Team, which also includes the CEO, acts as the chief operative decision-maker of the Group. The Management Team, considering its composition and its active participation in making essential strategic and operative decisions, is responsible for allocating resources and evaluating results.

The country directors of the geographical areas are responsible for their business areas and are part of Musti Group's Management Team. Offerings and pricing as well as marketing actions are decided at country level.

Composition of the management team

As stated in a stock exchange release published by Musti Group on 16 April 2021, Robert Berglund, CFO, left the Group and his last operational working day in Musti Group was on 3 September 2021. As of 1 September 2021, the new CFO has been Toni Rannikko.

At the end of the financial year 1 October 2020 – 30 September 2021, the Management Team of Musti Group comprised the following members:

Name	Year of birth	Position	Member of the Management Team since
David Rönnerberg	1977	Chief Executive Officer	2017
Toni Rannikko	1979	Chief Financial Officer	2021
Sami Tanner	1981	Head of Strategy	2016
Timo Tervo	1980	Country Director, Finland	2020
Daniel Pettersson	1977	Country Director, Sweden	2018
Erik Ringen Skjærstad	1974	Country Director, Norway	2016
Ellinor Persdotter Nilsson	1979	Chief Commercial Officer	2018
Nanna Martin-Löf	1977	Head of Human Resources	2018
Malin Nygren	1974	Chief Customer Officer	2019
Tobias Nilsson	1970	Chief Supply Officer	2019

David Rönnerberg has acted as Company's Chief Executive Officer since 2017. Mr. Rönnerberg is also the Chairman of the Board of Stapp Holding AB, CaMa Gruppen AB and CaMa Intressenter. Mr. Rönnerberg also acts as a Board member of Rönnerberg Consulting AB and as a Deputy Director of Plackers Scandinavia AB and Caroline Rönnerberg Design AB. Previously Mr. Rönnerberg has acted as a CEO of INDISKA and Internetstores Nordic as well as a Board member of Norrländska vapenaffären AB, Sellton AB, Stapp AB and Caroline Rönnerberg Design AB. Mr. Rönnerberg holds a Master's degree in Finance from Stockholm University.

Toni Rannikko has acted as Musti Group's Chief Financial Officer since 2021. Previously Mr. Rannikko has acted as the Chief Financial Officer for Raisio Group plc, Vice President of Finance for Kalmar Mobile Equipment and Director of Strategy at Cargotec plc. Prior to that he has held various leadership and expert positions at Cargotec, Nokia and Nordea. Mr. Rannikko holds a Master's degree in Economics from the University of Turku.

Sami Tanner has acted on the management team as the Company's Program Director from 2016 - 2018, and as Head of Strategy since 2018. Mr. Tanner is also the CEO and owner of Tanner Advisory. Previously Mr. Tanner has acted as a management consultant at Bain & Company. Mr. Tanner holds a Master's degree in Economics (major in finance) from Helsinki School of Economics and a CEMS Master's degree in International Management from HEC Paris/Helsinki School of Economics.

Timo Tervo has worked as the Country Director Finland for the Musti Group since 2020. Prior to joining the Musti Group he worked for the Lidl Group in four different countries in various leadership positions covering Supply Chain, Logistics and Sales. His latest position was the Regional Director for Lidl Italy. Tervo is the owner and board member of Northeast Global Sourcing Limited (Hong Kong) and Ltd. (Finland). Tervo holds a Bachelor's Degree in Business Management.

Daniel Pettersson has acted as Company's Country Director, Sweden since 2018. Previously Mr. Pettersson has acted as Regional Manager for Coop CBS AB, Apoteket AB and Preem AB. Mr. Pettersson holds a Bachelor's degree in Industrial Economics from University of Gävle.

Erik Ringen Skjærstad has acted as Company's Country Director, Norway since 2016. Previously Mr. Ringen Skjærstad has acted as a partner in RetailX AS and as Managing Partner of RetailWorks AS. Mr. Ringen Skjærstad holds a Bachelor's degree in Organisation Psychology from University of Oslo.

Ellinor Persdotter Nilsson has acted as Company's Chief Commercial Officer since 2018. Previously Ms. Nilsson has held several different positions at ICA Group, the latest being Business Area Manager. Nilsson also acts as a member of the Board of Nordic Food Group AB. Ms. Nilsson holds a Master's degree in Economics from University of Växjö.

Nanna Martin-Löf has acted as Company's Head of Human Resources since 2018. Previously Ms. Martin-Löf has acted as the HR Manager at Arken Zoo and in two different positions at Tieto Corporation, the latest being Head of HR Operations and Manager Compensation & Benefits Scandinavia. Before this, Ms. Martin-Löf held several different positions at Elekta AB, the latest being Director, Global Human Resources & Compensation. Ms. Martin-Löf holds a Bachelor's degree in Personnel, Work and Organisation as well as a degree in selected Law studies from University of Stockholm.

Malin Nygren has acted as Company's Chief Customer Officer since 2019. Previously Ms. Nygren has, inter alia, held two different positions at SAS Scandinavian Airlines, the latest being the Head of Global Customer Development and Analytics. Ms. Nygren also acts as a Board member of Tree of Brands AB and Beauty Factory AB. Ms. Nygren holds a Master's degree in Business and Economics from Stockholm University, as well as in Computer Science from Stockholm University.

Tobias Nilsson has acted as Company's Chief Supply Officer since 2019. Previously Mr. Nilsson has acted as the Supply Chain Director & CIO, as interim COO and as Head of Ecommerce for Indiska Magasinet AB and as a Senior Manager for Accenture AB. Mr. Nilsson holds a Master's degree in Mechanical Engineering from Linköping University.

Shareholding of the Management Team

The following table sets forth the shareholdings of the Management team at the end of the financial year:

Name	Position	Shares held by the director or corporations in which he/she exercises control	Share-based rights in the Company or its group companies
David Rönnerberg	Chief Executive Officer	785,000*	0
Toni Rannikko	Chief Financial Officer	750	0
Sami Tanner	Head of Strategy	6,234**	0
Timo Tervo	Country Director, Finland	713	0
Daniel Pettersson	Country Director, Sweden	33,001	0
Erik Ringen Skjærstad	Country Director, Norway	10,000	0
Ellinor Persdotter Nilsson	Chief Commercial Officer	13,103	0
Nanna Martin-Löf	Head of Human Resources	3,500	0
Malin Nygren	Chief Customer Officer	0	0
Tobias Nilsson	Chief Supply Officer	4,000	0

* Including indirect ownership through Rönnerberg Consulting AB (114 791 shares) and direct ownership (670 209 shares).

** Indirect ownership through Tanner Advisory Oy.

III. Descriptions of Internal Control Procedures and the Main Features of Risk Management Systems

Musti Group prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by the EU, the Finnish Securities Markets Act as well as the appropriate Finnish Financial Supervisory Authority Standards and Nasdaq Helsinki's rules. The Report of the Board of Directors of Musti Group and parent company financial statements are prepared in accordance with the Finnish Accounting Act and the recommendations and guidelines of the Finnish Accounting Board.

Musti Group's financial reporting process is mainly managed internally, and the process is supported by external service providers. The internal control and risk management systems and practices described in more detail below are designed to ensure that financial reporting concerning the Company as well as its Group companies is reliable.

The Management Team evaluates results of the segments based on net sales, adjusted EBITDA and adjusted EBITA. Events outside the ordinary course of business are treated as items affecting comparability and have been allocated to the segments. In all other respects monitoring of results by management corresponds with IFRS reporting.

It is the duty of the Company's audit committee to monitor the reporting process of financial statements reporting and to review with the external auditor the annual financial statements and interim reports before submission to the Board for final approval, as well as to review internal controls and monitor the effectiveness of the Company's procedures for internal control over financial reporting. In addition, the Audit Committee assesses principles related to internal controls and risk management of the Company's financial reporting processes, monitors and reviews the effectiveness of the Company's risk management system, including the risk profile of Musti Group, and makes such recommendations as the Committee considers desirable. The Company's Board of Directors reviews and approves the Company's interim reports, financial statements and annual reports.

1. Internal Control and Internal Audit

Musti Group's Board of Directors has approved an Internal Audit Charter, which defines the purpose, authority, responsibilities and status of the Internal Audit in the entire Company. In addition to the Charter, Musti Group complies with the Code as well as the Finnish Companies act in arranging and implementing its Internal Audit functions.

The Internal Audit carries out independently and objectively review, assurance and consulting activities aiming to create added value to the Company and develop its operations further.

The Internal Audit's duty is to review the appropriateness and adequacy of Musti Group's internal control and risk management by carrying out audits in the Group and its business operations and processes. The Internal Audit coordinates its activities with the external audit and the internal and external providers of review, assurance and consulting services to ensure adequate coverage of the audit activities in the Group and to minimise overlapping work in various functions.

The Internal Audit operates under the Company's CEO and reports to the Audit Committee of the Board of Directors. The Internal Audit may address all businesses, country operations and franchising activities of Musti Group. The Internal Audit does not have any decision-making power or operational responsibility as regards to the audited activities, and the responsibility is always carried by the operations and the Group's management.

The Internal Audit is entitled to receive all information and documents necessary for its auditing duties irrespective of confidentiality rules and regulations. In addition, the Internal Audit is entitled to receive support and assistance needed in carrying out its activities from the Group, as well as from all businesses, units, country operations and franchisees.

The Internal Audit is implemented in the Company as a service provided by an external service provider with an appropriate scope with reference to the Group's size and its operations. The service provider of the Internal Audit is selected by a decision of the Group's top management.

For each audit, a written audit report shall be prepared according to the professional standards of internal auditors (the International Standards for the Professional Practice of Internal Auditing), including observations, conclusions and development recommendations based on the audit. The final audit report is submitted to the management of the audited area and the Group's CEO. The review reports are presented to the Group's Management Team and the Audit Committee of the Board of Directors. At the end of each financial year, the external service provider reports to the Audit Committee of the Board of Directors on the completion of the annual plan for the Internal Audit.

All Musti Group employees must act according to the ethical principles determined in the Company's Code of Conduct. The principles are based on the ten principles of the UN Global Compact. The company has committed to include these principles in all of its operations, company culture and strategy. In addition, Musti Group has committed to communicating the principles to its employees, owners, suppliers and other partners.

The Group utilises a whistleblowing reporting channel aiming to support compliance with laws and Musti Group's internal guidelines, policies and values. Employees and other stakeholders may report suspected misconduct or non-compliance with corporate policies according to the whistleblowing procedure.

2. Risk Management

The Board of Directors of Musti Group has approved a Risk Management Policy for the Company. The target of the Company's risk management is to collect information on and to review and manage opportunities, threats and risks arising in the Company's operations in order that the Company can reach its targets and carry out its operations without disruptions. As such, the risk management aims to promote for its own part implementation of the strategy, reaching of financial targets, satisfying customer proposition, capability to distribute dividends, utilisation of responsible practices and business continuity.

Risk management is a part of the internal control. Internal control refers to measures and procedures aiming to ensure that the Company meets its goals and targets, the Group's resources are utilised economically and efficiently, risks relating to operations are managed appropriately and financial and other information is reliable and correct. In addition, internal control aims to ensure continuity of business operations and compliance with the Company's internal policies and processes, as well as with the requirements, legislation and regulations applied in the operating environment. Efficient internal control and risk management promote the Company's performance and reaching of targets, and they are a material part of the Group's Corporate Governance.

The Company's risk management comprises risk management targets, risk management process and its implementation, monitoring and reporting. Risk management is systematic activity aiming to ensure appropriate identification, review, management and monitoring of risks. It is a part of the Company's planning and governance process, decision-making, management and operations, as well as control and reporting procedures. Risk management is implemented systematically, proactively and comprehensively, and it covers all operations in the entire Group.

Risks are assessed and managed with a comprehensive approach based on the business. Implementation of review and management shall be implemented in a way that ensures that material risks are identified, assessed, managed, monitored and reported as a part of the reporting based on the governance system and the business. In addition, risk management is developed continuously as a part of the Company's operations.

Risk management is implemented according to the principles below:

- The management carries out a comprehensive risk review and updates the risk charts during the third quarter.
- The risk review comprises identification of risks, assessment of their relevance and planning of risk management activities. The Management Team continuously monitors the execution of the activities.

- Results of the risk review are reported to the Audit Committee during the fourth quarter. The Audit Committee addresses the most significant risks and measures to control them, as well as reviews the efficiency and operation of the risk management. The Audit Committee reports to the Board of Directors in accordance with its Charter.
- The CEO reports annually in the Audit Committee the risks and measures to manage them, as well as any changes in long-term and long-term risks and uncertainties in connection with interim reports.
- The Board of Directors confirms the annual clock for the risk management and the priorities of risk management for the next year in its meeting during fourth quarter based on the proposal of the Audit Committee. At the same time, the Board of Directors decides on the Internal Control.
- The Company discloses risks, uncertainties and risk management to its stakeholders in accordance with the principles presented in the Finnish Corporate Governance Code.

The Company's CEO with the assistance of the Management Team is responsible for the preparation of the Risk Management Policy and the systematic and appropriate implementation of the risk management. The CEO shall ensure appropriate coverage of the Company's risk management and assess the implementation of the risk management. The CEO reports on the risk management to the Company's Board of Directors.

The members of the Management Team are responsible for the planning, implementation and follow-up of the risk management measures in their own area. The units and franchisees are responsible for the operational risk management in their own area by identifying and assessing risks in their own area and defining risk control measures, and their implementation shall be monitored systematically.

The Company implements risk management continuously and systematically according to a scheduled process. The risk management process ensures that risks related to the Group are identified, estimated and controlled in a proactive way and the management of risks is monitored. The execution of the Risk Management Policy is monitored by the Company's top executive management and the Board of Directors.

IV. Other Information

1. Related Party Transactions

The Board of Directors of the Company has defined a policy for reporting, monitoring and control of related party transaction. The Company maintains records of its related parties.

Transactions with related parties are carried out on a market basis and are equivalent to transactions with independent parties. The Company's financial administration is responsible for monitoring related party transactions and reporting them to the Audit Committee of the Board of Directors. Identified related party transactions are reported annually to the Audit Committee and the Board of Directors. Further actions to be carried out on the basis of the identified transactions may be internal and/or external to Musti Group, if the decision-making process shall be disclosed externally. Related party transactions not included in the scope of the Company's ordinary business operations or deviating from ordinary commercial terms and conditions require approval of the Board of Directors. Information on related party transactions are included annually in Musti Group's financial statements.

The duty of a listed company to publish a material related party transaction is set out in the Finnish Securities Markets Act. The Company publishes related party transactions separately, when so required by laws and regulations or the rules of Nasdaq Helsinki.

2. Insider Administration

Musti Group complies with national and EU laws and regulations on prohibited use of inside information, the Company's insider lists, disclosure and delayed disclosure of inside information and notifying transactions of the Company's management and their closely associated persons. The most important regulations concerning insider-related matters are the EU's Regulation 596/2014/EU on market abuse (the "MAR"), the Level 2 delegated regulations adopted under the MAR, standards relating to MAR issued by ESMA, the Finnish Securities Markets Act (746/2012, as amended, the "SMA"), recommendations and guidelines of the Finnish Financial Supervisory Authority as well as the rules of Nasdaq Helsinki. These have been complemented with the Company's own Insider Guidelines.

The Company organises training on insider-related matters to its management and employees. The Company's Chief Financial Officer is responsible for the Company's Insider Guidelines and general management of insider matters in the Company.

The Company maintains an insider list of all persons employed by, at the service of or in a position of trust, including the Board of Directors, with the Company and its group companies as well as parties

who by virtue of some other agreement or otherwise are performing tasks through which they have access to inside information relating to the Company. The Company's insider list comprises of one or more project-based insider lists. The Company also regularly reviews the information in its insider list.

A project-specific insider list is maintained when the Company has an ongoing project or an event, which contains inside information and the disclosure of which has been delayed in accordance with MAR and the Company's Insider Guidelines. Each project-specific insider list contains solely the information on such persons who have access to such certain inside information. Musti Group has no permanent insiders.

The Company has established a so-called whistleblowing system for the purpose of reporting potential breaches of financial markets and market abuse legislation. The said system enables the persons employed by or at the service of the Company to report of suspected breaches through a secure communication channel on a no-names basis.

Notifications by Persons Discharging Managerial Responsibilities

In accordance with the Company's Insider Guidelines, Persons discharging managerial responsibilities in the Company ("PDMRs") as well as persons closely associated with them have an obligation to notify the Company and the Finnish Financial Supervisory Authority of transactions conducted on their own account relating to the shares or debt instruments of the Company or other financial instruments or derivatives linked thereto. PDMRs subject to the notification obligation are the members of the Board of Directors, the CEO and the members of the Management Team as well as their closely associated persons.

Trading Restrictions

Trading in the shares or other financial instruments of the Company is always prohibited when holding inside information relating to the Company its financial instruments, regardless of whether the person has been entered into the Company's insider list. An insider may neither trade in the shares or other financial instruments of the Company nor disclose inside information to an outside party.

PDMRs may not conduct any transactions on their own account or for the account of a third party, directly or indirectly, relating to the Company's shares or other financial instruments during a closed period of 30 days before the announcement of an interim financial report or a year-end report, including the day of publication of said report.

The Company has also expanded the trading restrictions during the closed period to cover also such employees and other persons, who are not PDMRs, and who have a possibility to acquire information on the interim financial report or the year-end report of the Company due to their position or duties before the publication thereof ("Closed Period Employees").

The Company monitors the trading of its insiders, PDMRS and their closely-related persons as well as Closed Period Employees.

3. External Auditor

The General Meeting of Shareholders resolves on the election of the auditor and the auditor's remuneration. According to the Articles of Association, the Company must have one (1) auditor, that shall be an Authorised Public Accountant Firm approved by the Finnish Patent and Registration Office. The auditor's term of office ends at the close of the next Annual General Meeting following the election.

External auditor during the financial year 1 October 2020 – 30 September 2021

During the financial year 1 October 2020 – 30 September 2021 Ernst & Young Oy, Authorised Public Accountant Firm, has acted as the statutory auditor of Musti Group. Johanna Winqvist-Ilkka, Authorised Public Accountant and a member of the Finnish Auditors ry, has acted as the auditor with principal responsibility. Johanna Winqvist-Ilkka has acted as the Company's auditor with principal responsibility since 2018.

(EUR thousand)	1 Oct 2020– 30 Sep 2021	1 Oct 2019– 30 Sep 2020	1 Oct 2018– 30 Sep 2019
Auditing fees	340	468	326
Fees for non-audit services*	305	1,724	495

* Including costs associated with the Company's IPO.



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