



# REMUNERATION REPORT 2020

## INTRODUCTION

The remuneration report describes the remuneration of Stockmann plc's governing bodies in accordance with the requirements of the Finnish Securities Markets Act, the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code 2020 ("Code") issued by the Securities Market Association. Stockmann's remuneration report for 2020 follows the remuneration policy approved by the Annual General Meeting held on 4 June 2020. The remuneration policy received 99.9 per cent of the votes cast. The report presents the information regarding the remuneration of the CEO and members of the Board of Directors for the financial year 2020. It also describes the trend in employees' average salary and the company's profit over the last five years compared with the remuneration paid to the CEO and the members of the Board of Directors.

In order to attract and retain a highly motivated and competent personnel, Stockmann offers its employees a competitive and market-aligned total remuneration consisting of a performance-based remuneration system that corresponds to Stockmann's short-term objectives and long-term financial results. The objective of remuneration is to contribute to the achievement of sustainable short- and long-term results, the fulfilment of Stockmann's strategy and values and the long-term interests of its shareholders with the help of motivated and result-oriented employees. Remuneration is based on alignment with the market levels and on profitability, competence, experience and the scope and complexity of tasks.

## REMUNERATION AND THE COMPANY'S PERFORMANCE OVER THE LAST FIVE YEARS

The following section describes the trend in the employees' average salary and the company's profit over the last five years compared with

the remuneration paid to the CEO and the members of the Board of Directors.

Stockmann's business has undergone rapid change in recent years. The department store business has been renewed and focused on strategic merchandise areas. At the same time, Stockmann has also divested some of its businesses, including Hobby Hall in 2016, the Herkku business in Finland in 2017 and the Oulu department store in 2017. In 2018, Stockmann sold the Kirjatalo property located in the centre of Helsinki and the Nevsky Centre shopping centre in St Petersburg, and used the proceeds towards the repayment of debts. The Lindex business has been developed in accordance with strategy, and Lindex has continued its internationalisation and the development of its online store. The size of the store network has varied slightly from year to year, and at the end of 2020 there were 458 Lindex stores.

In 2020, the coronavirus pandemic had a significant impact on the Group's result. Due to the pandemic, the authorities imposed restrictions on travel and people gathering, and issued strong recommendations for teleworking, which reduced the number of visitors to stores and resulted in a decline in revenue. The growth of e-commerce was robust but nevertheless insufficient to compensate for the decline in store sales. As a result, the Group's parent company Stockmann plc applied for corporate restructuring in spring 2020. The District Court of Helsinki confirmed its restructuring programme in February 2021. The restructuring programme is based on the conti-

nuation of Stockmann's department store operations, the sale and lease-back of the department store properties located in Helsinki, Tallinn and Riga and the continuation of Lindex's business operations as a fixed part of the Stockmann Group.

The remuneration of Stockmann's Board members is separate from the remuneration systems applied to the CEO, the Management Team and personnel. The Board members do not participate in Stockmann's incentive or share option schemes directed to key personnel in order to safeguard the Board members' independence in the performance of their duties. The Board of Directors' remuneration is determined by the Annual General Meeting. The Annual General Meeting approved an increase in the remuneration of Board members in 2017, and their remuneration has not changed since then.

The Board of Directors decides on the CEO's salary and other benefits on the basis of proposals by the Compensation Committee. The remuneration of the CEO consists of a fixed salary which includes fringe benefits, as well as performance-based incentives which may include short-term and long-term targets. The remuneration criteria for the CEO in 2020 have been reviewed by the Compensation Committee. During the last five years, the company has had three different CEOs. The remuneration level of the CEO has changed over the five-year period as the CEO has changed. The low level of short-term incentives in 2018 was a result of the weak result in 2017, when the CEO's compensation was significantly lower than in previous years. In 2019, the CEO was also paid long-term remuneration for the years

## REMUNERATION AND FINANCIAL DEVELOPMENT OF THE COMPANY IN 2016-2020

	2020	2019	2018	2017	2016
Remuneration in average paid to Board member, EUR	<b>37 033</b>	41 582	44 860	47 489	38 364
Change from the previous year %	<b>-11</b>	-7	-6	24	-9
Salary and benefits paid to the CEO, EUR	<b>445 474</b>	597 545	487 894	486 141	491 007
Change from the previous year %	<b>-25</b>	22	0	-1	14
Remuneration in total paid to the CEO, EUR	<b>82 796</b>	265 272	68 384	230 580	324 583
Change from the previous year %	<b>-69</b>	288	-70	-29	0
Personnel salary in average EUR *	<b>32 257</b>	30 532	31 140	32 246	35 711
Change from the previous year %	<b>6</b>	-2	-3	-10	8
Adjusted operating result, EUR mill.	<b>4.9</b>	39.9	28.4	12.3	30.9

\* Personnel costs in the Financial Statements / amount of the Group's personnel in the end of the year  
Changes in IFRS accounting practice carried out during the review period affect year-on-year comparability.



2017 and 2018. The company had no long-term incentives in 2020.

The information on average salaries of employees is based on the personnel costs of all Stockmann Group companies, that is, on data covering all employees. The remuneration of employees is less variable than that of the CEO, as a smaller part of their total remuneration is based on variable remuneration elements. However, since all short-term incentive systems are, to a varying extent, linked to the same key figures, the company's performance also affects the remuneration of employees. The average salary of employees in 2020 is mainly influenced by structural changes in the organisation.

## EXEMPTIONS AND CLAWBACK

In 2020, the company deviated from its remuneration policy due to significant changes in the business environment caused by the coronavirus pandemic and the resulting restructuring proceedings. No short-term incentive for the CEO was agreed for 2020. However, an incentive was created in the autumn to promote the CEO's commitment to the success of the restructuring proceedings. The remuneration was below the bonus opportunity level (60%) specified in the remuneration policy for the CEO.

Under the policy, temporary deviation may be considered if the Board of Directors believes, after careful consideration, that the continuation of compliance with the policy (with regard to the CEO's

remuneration) is no longer appropriate or well justified due to changed circumstances. In the assessment of its long-term interests the company may among other aspects take into account its long-term financial success and performance, its competitiveness, safeguarding the undisturbed continuation of its business and the undisturbed implementation of its business strategy and financial targets and/or the development of the shareholder value. The deviation was prepared and approved in accordance with the process defined in the remuneration policy.

In 2020, the company did not use its right to clawback or cancel paid or unpaid incentives.

## REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

The remuneration to the Board members is paid in cash or company shares. The shares acquired for the Board Members in 2019 can not be transferred until two years from the date of purchase, or until the term of office of the person in question has ended, depending on which of the occasions takes place first.

During the 2020 financial year, EUR 80 000 was paid in fixed fees to the chairman of the Board, EUR 50 000 to the vice chairman, and EUR 40 000 each to the other Board members, in accordance with the decisions of the General Meeting of 4 June 2020. 40% of the

annual remuneration was paid in company shares and the rest in cash. The Chairman of the Board was paid EUR 1 100 and members of the Board of Directors were paid a meeting attendance fee of EUR 600 for each Board meeting.

The Chairman and the members of the Board Committees were also paid an attendance fee for the Committee meetings. The Chairman of the Audit Committee was paid EUR 1 100 and each member was paid EUR 800 as a meeting remuneration for each meeting of the Audit Committee, and the Chairman and each member of the Compensation Committee was paid EUR 600 as a meeting remuneration for each meeting of the Committee.

During the 2020 financial year the Board members were paid a total of EUR 217 300 (2019: 309 400) in cash and 112 891 (2019: 66 416) of the company's Series B shares. The value of shares was EUR 116 000 (2019: 148 000) on the dates of share purchases. The total value of the remuneration was EUR 333 300 (2019: EUR 457 400).

The Shareholder's Nomination Board is going to give its proposal for the Annual General Meeting (convening on 7 April 2021), concerning the remuneration of the Board of Directors by 26 March 2021.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2020

	Fixed annual fees, EUR	Attendance fees, EUR	Committee attendance fees, EUR	Remuneration total, EUR	Paid in cash, EUR	Value of shares paid, EUR	Shares	Value of shares, EUR	Participation in Board meetings	Participation in Compensation Committee meetings	Participation in Audit Committee meetings
Stefan Björkman	40 000	4 200	1 600	45 800	29 800	16 000	15 571	16 000	22/22	2/2	5/5
Eva Hamilton*		1 800	0	1 800	1 800				3/22		
Esa Lager	40 000	4 200	2 200	46 400	30 400	16 000	15 571	16 000	22/22		5/5
Leena Niemistö, Vice Chairman	50 000	4 200	0	55 400	35 400	20 000	19 464	20 000	22/22	2/2	
Lauri Ratia, Chairman	80 000	7 700	0	88 900	56 900	32 000	31 143	32 000	22/22	2/2	
Tracy Stone	40 000	9 000	0	49 000	33 000	16 000	15 571	16 000	21/22		
Peter Therman*		1 800	800	2 600	2 600				3/22		1/5
Dag Wallgren	40 000	4 200	1 600	45 800	29 800	16 000	15 571	16 000	22/22		5/5
<b>Total</b>	<b>290 000</b>	<b>37 100</b>	<b>6 200</b>	<b>333 300</b>	<b>217 300</b>	<b>116 000</b>	<b>112 891</b>	<b>116 000</b>	<b>22</b>	<b>2</b>	<b>5</b>

\* Board member until 17 March 2020.



## FINANCIAL BENEFITS PERTAINING TO THE POST OF CEO

Jari Latvanen has been Stockmann plc's CEO since 19 August 2019.

The remuneration of the CEO Jari Latvanen consists of a fixed salary which includes a fringe car and phone benefit, as well as a performance pay system with short-term targets. The performance pay is tied to financial and other objectives related to the implementation of the strategy. The earning period for the short-term performance pay is a calendar year and the maximum pay-out is 60% of the fixed base salary.

In 2020, CEO Jari Latvanen was paid a fixed salary of EUR 528 270. The fixed salary consist of EUR 428 888 in cash and EUR 16 586 in fringe benefits. In addition, he was paid a performace pay of EUR 82 796 from short-term targets. The CEO was not given shares or share options as part of remuneration.

Latvanen's pension accumulates and the retirement age is determined in accordance with Finnish employment pension legislation. The pension will accrue on the basis of the Employees' Pensions Act. A separate voluntary pension is not paid.

If the company terminates the CEO agreement, the notice period will be 6 months, in addition to which the CEO will be entitled to a severance payment equivalent to 9 months' pay. If the CEO terminates his agreement, the notice period will be 6 months.

## REMUNERATION OF THE CEO, EUR

	2020	2019
<b>Jari Latvanen</b>		
Fixed salary in cash	<b>428 888</b>	<b>157 078</b>
Performance pay	<b>82 796</b>	<b>0</b>
Fringe benefits	<b>16 586</b>	<b>4 251</b>
<b>Total</b>	<b>528 270</b>	<b>161 329</b>