

# Stockmann plc Remuneration Policy for governing bodies

## 1. Remuneration Policy

This remuneration policy (the “**Remuneration Policy**” or “**Policy**”) sets the framework for the remuneration of the governing bodies i.e. the Board of Directors (hereinafter the “**Board**”) and the Managing Director (hereinafter “**CEO**”) of Stockmann plc (hereinafter the “**company**”, and together with its group companies “**Stockmann**”).

The remuneration report providing information on the remuneration paid during the previous financial period is available as a separate document.

## 2. Introduction

The remuneration of the Board members may consist of annual compensation and meeting fees paid for each meeting attended as approved by Stockmann’s Annual General Meeting of Shareholders (hereinafter the “**AGM**”). The annual compensation shall be in proportion to the time commitment required from the Board members and be competitive to attract and retain professionals with strong expertise, experience and knowledge relevant for their position as Board members of the company in conducting the Board’s responsibilities, including establishment of strategic and financial directions with relevant targets and monitoring their implementation. Thereby, this Remuneration Policy contributes to Stockmann’s long-term financial performance and success.

The reward strategy of the CEO is to create shareholder value by competitive remuneration, pay for performance and incentives aligned with Stockmann’s strategy. Reflecting this reward strategy, the remuneration of the CEO aims at providing competitive remuneration and rewards in line with the relevant market practices in order to recruit, retain and motivate the individual chosen for the position.

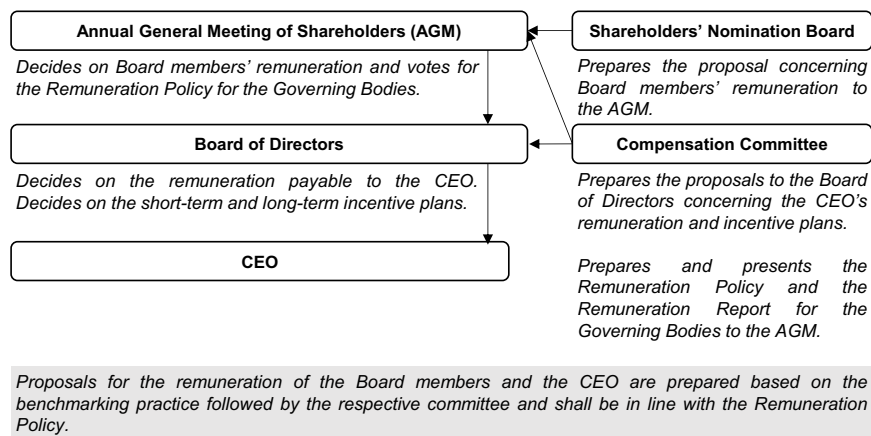
The pay and employment principles and terms of Stockmann’s employees and the overall remuneration strategy applied by Stockmann shall be taken into account when setting the remuneration policy for the CEO. In order to attract and retain a highly motivated and competent personnel, Stockmann aims to offer its employees a competitive and market aligned total rewarding, consisting of a performance-based rewarding system aligned with Stockmann’s short-term targets and long-term financial success.

The aim for the remuneration is to contribute to achieving sustainable short and long-term results, the fulfilment of the Stockmann’s strategy, values and long-term interests of the shareholders through motivated and result-oriented employees. The remuneration is based on market level alignment, performance, competence, experience and scope/complexity of the role.

Stockmann has rewarding programmes that cover every employee based on divisions, functions, job role and local market’s needs. With regards to variable performance-based rewarding, management and different functions may have their own specific schemes and the higher up in the organization the job role is, the higher is the variable pay proportion of the total earning opportunity. In addition to the base and variable pay, Stockmann offers a range of fringe benefits.

## 3. Decision-making procedure in remuneration related matters

Stockmann’s highest decision-making body is the Annual General Meeting (AGM). The AGM decides on the remuneration and other benefits to be paid to the members of the Board of Directors for their board and committee work annually. The proposal for the remuneration of the Board members is prepared by the Shareholders’ Nomination Board. The decision-making procedure related to the CEO’s remuneration involves the Compensation Committee of the Board and the Board of Directors as presented below.



**Decision-making in share-based remuneration:** The Board decides on share-based incentive schemes for the CEO within the limits of the Remuneration Policy. The actual delivery or issuance of shares to the CEO under a share-based incentive scheme is either based on a decision of the AGM or an authorization granted by the AGM to the Board. The issuance of special rights entitling to shares of the company such as stock option rights correspondingly either requires an AGM decision or an authorization granted by the AGM to the Board.

**Measures for the prevention and management of conflicts of interest:** The decision-making procedure in remuneration related matters follow principles aimed at ensuring the prevention and the management of conflicts of interest. The underlying principle is that the corporate body which appoints the respective corporate body also decides on its remuneration. The majority of the members of the Compensation Committee shall be independent of the Company. As regards the remuneration of the Board of Directors, the Chairman of the Board of Directors, who acts as an expert member of the Shareholders' Nomination Board, does not take part in the preparation of or decision-making in matters in the Shareholders' Nomination Board which concern Board remuneration. The company complies with its Code of Conduct, the Finnish Companies Act, other applicable laws and regulations as well as the Finnish Corporate Governance Code adopted by the Securities Market Association which stipulate governance procedures and rules for the avoidance of conflicts of interest. The decision-making process described above aims at guaranteeing that the decisions are fair and unbiased.

#### 4. Remuneration of the Board

The proposal for the remuneration of the Board members to AGM is prepared by the Shareholders' Nomination Board and AGM decides on the remuneration payable to Board members. Subject to as in each case decided by the AGM, the remuneration of the Board members may consist of annual compensation and meeting fees paid for each meeting attended. The annual fee may either solely comprise a cash payment or may be split into a component paid in shares of Stockmann and in cash. The shares may be subject to a transfer restriction as decided by the AGM.

Additional or higher compensation may be paid to Board members based on various grounds, such as (but not limited to) the role as the Chairman or Vice Chairman of the Board or as the Chairman, Vice Chairman or as a member of a Committee established by the Board, or specific tasks designated to individual Board members, or the geographical location of the meeting. Traveling expenses of the Board members are compensated in accordance with Stockmann's policy.

The Board members shall 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.

#### 5. Remuneration of the CEO

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 a performance-based incentives which may include short-term and long-term targets.

The criteria for the remuneration of the CEO are reviewed and the results of such reviews are regularly reported to the Compensation Committee and the Board. The reviews aim to follow the impact of the remuneration criteria

on promoting Stockmann’s long-term financial success. The key elements of the CEO’s remuneration and their link to Stockmann’s strategy and long-term financial performance are described in the table below.

<b>Remuneration element</b>	<b>Purpose and link to strategy</b>	<b>Opportunity and principles</b>
Annual base salary	Provides a competitive level of fixed remuneration.	The fixed annual base salary is defined as a gross salary and reviewed annually, as part of the review of the CEO’s total compensation.
Fringe benefits	Provides benefits for the position in line with local market practices.	The CEO is entitled to fringe benefits following the applicable Stockmann policy as may be amended from time to time and in line with local market practices. Such benefits may include, but are not limited to, a company car and a mobile phone benefit. The CEO may be entitled to potential additional insurance such as but not limited to travel and medical expenses insurance.
Short-term incentives (“STI”)	Rewards for performance within a year or other period of time determined by the Board, based on achievement of company’s short-term financial targets to promote the company’s success.	<p>The weightings and the target levels for the selected performance measures applicable to the STI of the CEO are set annually by the Board to ensure they are relevant to the position, take into account the most up-to-date business plan and continue to support Stockmann’s business strategy. The targets may consist but are not limited to of a mix of financial metrics mainly on Group level as well as e.g. operational, safety and sustainability related metrics, key development projects and other targets deemed relevant by the Board. The Board reviews the STI performance annually and determines the extent to which each of the targets have been achieved, to determine the final pay-out level.</p> <p>The CEO’s STI earning opportunity is set on a market-competitive level and may be up to 60% of the annual base salary.</p>
Long-term incentives (“LTI”) and share-based remuneration	Incentivizes and rewards over a longer period of time for sustained performance and sustainable growth and aligns the interests of the CEO with the shareholders.	<p>The Board may establish and maintain LTI plans in the company in which the CEO is eligible to participate.</p> <p>The structure, performance measures and performance target levels of LTI plans in which the CEO is eligible to participate are determined by the Board and may vary by plan. The LTI plans may include one or several plan structures such as, but not limited to, performance share plan structures, structures requiring the CEO’s own investment in the company’s shares and other structures. The LTI plan period shall be no less than three years unless otherwise decided by the Board. The LTI performance criteria may include, but is not limited to, measures linked to Group level long-term financial success and strategic priorities, performance against competitors, relative or absolute shareholder return and shareholder value creation, and other performance measures. The Board reviews the LTI performance at least annually and determines the extent to which each of the targets have been achieved and determines the final pay-out level. The LTI rewards may be settled in shares of Stockmann, cash or both.</p> <p>The CEO’s LTI earning opportunity is set on a market-competitive level and may be up to 60% of the annual base salary.</p>
Pension	Rewards sustained contribution.	The CEO’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 additional voluntary pension is not paid.

Shareholding requirement	Encourages to accumulate shareholding in the company and aligns the interests of the CEO with the shareholders.	The CEO may be expected to accumulate and, once achieved, to maintain a specific minimum shareholding in the company as determined by the Board. The terms and conditions of the possible LTI plans may include provisions based on which the CEO is expected to retain in his/her ownership a specific minimum proportion of the share rewards received under the LTI plans until the required shareholding level has been achieved.
Service contracts and loss of office payments	Ensures contractual terms are followed.	<p>The CEO agreement is approved by the Board. Its terms specify the remuneration elements as well as the payments upon termination of service. The contract is typically valid until further notice, but it may be in force for a certain fixed period of time as well.</p> <p>The CEO's period of notice is six months, for both the company and the CEO, unless otherwise determined in the CEO agreement. During the notice period, the CEO is entitled to normal salary payments. Severance pay for the CEO may be agreed to a total maximum of 9 months' base salary in addition to the six months' salary paid for the notice period upon the termination of the CEO's service by the company, unless otherwise determined in the CEO agreement.</p> <p>The treatment of STI and LTI awards shall depend on the circumstances of the CEO's departure. For retirement and involuntary termination by the company without cause, the CEO may be entitled to the STI and LTI rewards or a portion thereof as determined by the Board based on the rules of the respective incentive scheme. If the CEO terminates his/her contract at his/her own initiative, the unvested rewards are as a main rule forfeited unless otherwise determined by the Board.</p>
Withholding and clawback of rewards	Ensures pay for performance.	<p>The STI and LTI plan rules may allow the Board to withhold or reject the payment of unvested rewards in exceptional or substantially changed circumstances.</p> <p>The Board may, in addition, on certain grounds referring to exceptional gross misconduct recover a reward already paid.</p>
Previously agreed or granted awards	The Board reserves the right to make remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) to the CEO in accordance with terms of payment agreed prior to the presentation of this Policy to the AGM although such terms of payment may not be in line with this Policy.	

## 6. Deviation from this Policy

If the continued adherence to the Policy would in the opinion of the Shareholders' Nomination Board (with respect to Board remuneration) or the Board (with respect to CEO remuneration), after careful consideration, not be appropriate or well-grounded anymore in the following circumstances and on the following grounds, the company may temporarily deviate from this Policy. 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.

Among the grounds for deviating from this Policy may be (provided that the ground occurs after this Policy was presented to the AGM) a **structural change** (change in Stockmann's corporate, group, business or organizational structure or a material change in the company's ownership structure), a **personnel change** (such as changes in the Board or in the top management of Stockmann or need to recruit a CEO or deputy to the CEO), other **exceptional or unexpected event** or change or materially changed circumstances in

Stockmann or in its business or operating environment or a material change in Stockmann's **strategy or business plan, financial position** or outlook, **regulatory** or judicial changes, changes in governmental or administrative orders or in **taxation** or taxation practice or other change or circumstances not specified above if it is after careful consideration deemed that a deviation is necessary or advisable in order to safeguard Stockmann's long-term interests or sustainability such as, without limitation, in order to ensure the continuity of Stockmann's management.

The deviation from this Policy may in the Board's full discretion concern any and all the elements of this Policy and of payable remuneration, including, but not limited to, the amount, type, elements and conditions of payable remuneration and the terms applied thereto.

The procedure to be followed in the deviation from this Policy shall be the same as the decision-making procedure for the implementation of this Policy described above in this Policy and if the deviation concerns Board remuneration, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances. The deviation and its grounds shall be reported in the next annual Remuneration Report and presented to the next AGM as part thereof.