

CORPORATE COVERNANCE 2018



**STOCKMANN**



# CORPORATE GOVERNANCE STATEMENT OF THE STOCKMANN GROUP

*In its decision-making and corporate governance, Stockmann complies with the Finnish Limited Liability Companies Act, the Finnish Corporate Governance Code issued by the Securities Market Association, the rules of the company's Articles of Association, the Nasdaq Helsinki Guidelines for Insiders, and other applicable legislation and rules. The Corporate Governance Code can be accessed on the website of the Securities Market Association at [cgfinland.fi](http://cgfinland.fi). Stockmann complies with the Corporate Governance Code 2015 in its entirety.*

Stockmann plc's Corporate Governance Statement for the 2018 financial year has been compiled in accordance with the Finnish Corporate Governance Code. The statement and up-to-date information on the company's corporate governance are also accessible on the company's website, [stockmanngroup.com](http://stockmanngroup.com), under 'Governance'. The Corporate Governance Statement covers the governing bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations. These governing bodies are the General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer (CEO). The Statement also deals with the election and working processes of the Board of Directors, the Board Committees' duties and responsibilities, the Shareholders' Nomination Board and Stockmann's management structure. In addition, Stockmann publishes a Remuneration Statement in accordance with the Code's requirements.

## GENERAL MEETING OF SHAREHOLDERS

The highest decision-making body of Stockmann plc is the General Meeting of Shareholders. Each year, the company's financial statements are presented to the Annual General Meeting for its adoption, and the Meeting decides on the disposal of the distributable funds in the confirmed balance sheet, the election and remuneration of members of the Board of Directors and the discharge of the members of the Board of Directors and the CEO from liability.

The Annual General Meeting is held each year before the end of June. The Annual General Meeting for 2018 was held on 22 March 2018 in Helsinki. All eight elected members of the Board of Directors and the company's two auditors were present at the Annual General Meeting. There were 394 shareholders present personally or represented by proxy at the Meeting, representing 67 per cent of the company's registered share capital and 76 per cent of the votes.

Stockmann has two series of shares: A shares and B shares. Each A share entitles its holder to ten votes at a General Meeting, and each B share to one vote. The Notice of General Meeting, the meeting documents, the Board of Directors' proposals to be put to the meeting, the Shareholders' Nomination Board's proposal of Board members and other proposals for the General Meeting are available to shareholders at least three weeks prior to the meeting at the com-

pany's headquarters and on the company's website at [stockmanngroup.com](http://stockmanngroup.com).

## BOARD OF DIRECTORS

Under Stockmann's Articles of Association, the company's Board of Directors must have at least five and no more than nine members. Board members are elected for a term of one year, starting from the Annual General Meeting in which they are elected and ending at the conclusion of the subsequent Annual General Meeting. The Articles of Association do not contain any restrictions on the election of Board members.

The Board of Directors elects a chairman and vice chairman from amongst its members.

At the end of 2018, the company's Board of Directors was composed of eight members elected by the 2018 Annual General Meeting. The members who were re-elected to the Board were Kaj-Gustaf Bergh, Jukka Hienonen, Esa Lager, Leena Niemistö, Michael Rosenlew and Dag Wallgren. Eva Hamilton and Tracy Stone was elected as new members. At the Board's organisational meeting Jukka Hienonen was elected Chairman and Leena Niemistö Vice Chairman. The Board members have no employment or service contract with the company.

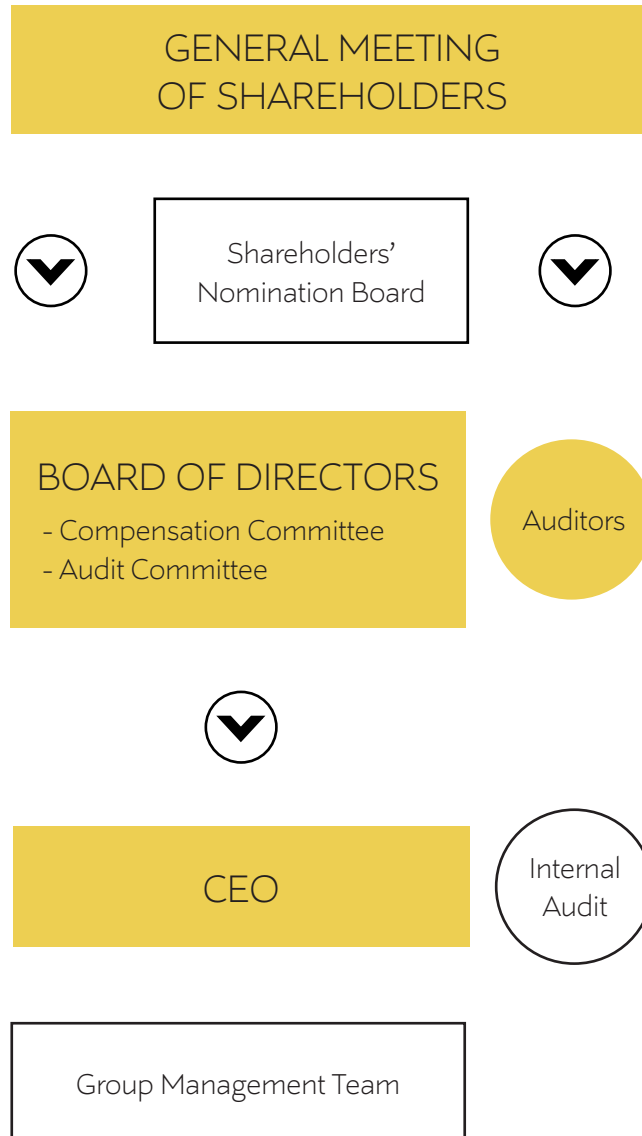
The company's Board of Directors also has two personnel representatives. They are not Board members but have the right to be present and to speak at Board meetings. At the end of 2018 the personnel representatives on the company's Board of Directors were Nina Artesola and Minna Salo.

The members of the Board must be qualified for their duties and have sufficient time to carry out their Board work. While choosing the members diversity is taken into account, so that the persons represent different fields and professions, international backgrounds, and varying age and gender. The majority of Board members must also be independent of the company, and at least two of these members must also be independent of major shareholders of the company. Six of the Board members are men and two women. Six members are independent of the company. Five members are independent of major shareholders.

The Board of Directors is considered to have a quorum when more than half of its members are present. Decisions are made by majority vote. In the event of a tie, the chairman has the casting vote.



## CORPORATE GOVERNANCE MODEL OF STOCKMANN



### Duties of the Board

The duties and responsibilities of the Board of Directors and its committees are determined by the Articles of Association, the Limited Liability Companies Act and other applicable legislation. The Board of Directors attends to the company's administration and ensures the appropriate organisation of its operations. The Board must also ensure that supervision of the company's accounting and financial management is appropriately arranged.

The Board of Directors has adopted rules of procedure, which can be viewed on the company's website, stockmanngroup.com. The rules of procedure define the principles governing the Board's composition and method of election, its tasks, decision-making procedure and meeting practices as well as the principles for evaluating the Board's performance.

It is the Board's duty to promote the interests of the company and all of its shareholders. In order to carry out its duties, the Board:

- directs and oversees the company's management
- appoints and discharges the company's CEO
- approves the CEO's service agreement and other benefits
- approves the salaries and other benefits of the members of the Group Management Team
- ensures succession planning for the CEO and the Group Management Team
- approves the company's risk management principles
- assesses and approves the company's long-term strategic and financial objectives
- approves the business and strategic plans and assesses their implementation
- approves the annual budget
- decides on significant individual investments and corporate and property acquisitions
- decides on the company's dividend distribution policy and makes proposals to the General Meeting of Shareholders concerning the dividend to be paid
- convenes General Meetings of Shareholders

In accordance with its rules of procedure, the Board conducts an annual self-evaluation of its operations and working practices under recommendation 13 of the Finnish Corporate Governance Code. The results of the evaluation are used to develop the Board's working processes.

Index has an own, internal Board of Directors, that develops the company. Stockmann's CEO Lauri Veijalainen acts as the Chairman of the Board.

### Board meetings

The Board of Directors convenes in accordance with a pre-confirmed timetable and when necessary. The meeting timetable is based on the timetable for the company's financial reporting. In addition, the Board convenes for such occasions as a strategy meeting.

The following representatives of the company's management regularly attend Board meetings: the CEO, the CFO and the Director of Legal Affairs, who acts as secretary at the meeting. Other members of the Group's Management Team attend as appropriate. Two personnel representatives who are not members of the Board of Directors also attend Board meetings. One of these representatives is elected by the staff representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees. The Board of Directors convened 12 times in 2018. The rate of attendance was 96 per cent.

### BOARD COMMITTEES

The Board of Directors has established a Compensation Committee and an Audit Committee among its members at its meeting held on 22 March 2018.

The Compensation Committee prepares matters pertaining to the remuneration and appointment of the Chief Executive Officer and the other executives as well as the remuneration principles observed by the company according to the Finnish Corporate Governance Code. The Board elected Jukka Hienonen as Chairman of the Compensation Committee, and Kaj-Gustaf Bergh and Leena Niemistö were elected as the other members of the committee. In 2018, the Compensation Committee convened 3 times, and the attendance rate was 100 per cent.

The Audit Committee deals with the preparation of matters relating to the company's financial reporting and control according to the Finnish Corporate Governance Code. The Board elected Esa Lager as Chairman of the Audit Committee, and Michael Rosenlew and Dag Wallgren were elected as the other members of the committee. In 2018, the Audit Committee convened 6 times, and the attendance rate was 100 per cent.



The Board Committees assist the Board of Directors by preparing matters falling within the competence of the Board. Thus, the committees are not autonomous decision-making bodies, although they have several monitoring and oversight responsibilities. The committees report to the Board on the matters addressed and makes proposals to the Board for decision-making as appropriate. The rules of procedure of the committees can be viewed on the company's website, [stockmanngroup.com](http://stockmanngroup.com).

## SHAREHOLDERS' NOMINATION BOARD

The Shareholders' Nomination Board prepares proposals for the Annual General Meeting on the composition and remuneration of the Board of Directors.

The Shareholders' Nomination Board consists of representatives appointed by each of the four largest shareholders. In addition, the Chairman of the Board of Directors will serve as an expert member. The right to appoint a representative belongs to the four shareholders who hold the largest share of voting rights in the company based on their shareholdings registered in the shareholders' register maintained by Euroclear Finland Ltd on the first working day of September preceding the Annual General Meeting. The Shareholders' Nomination Board will be convened by the Chairman of the Board of Directors and it will elect a chairman from among its members. The members of the Shareholders' Nomination Board will not be remunerated for their membership in the Nomination Board.

The shareholders have nominated the following members to the Nomination Board:

- Ole Johansson, Treasurer, Society of Swedish Literature in Finland (Chairman of the Nomination Board)
- Gunvor Kronman, Chairman of the Board, Föreningen Konstsamfundet r.f.
- Peter Therman, Vice Chairman of the Board, Hartwall Capital Oy Ab, representing HC Holding Oy Ab
- Kari Niemistö

The rules of procedure of the Nomination Board can be viewed on the company's website, [stockmanngroup.com](http://stockmanngroup.com).

In 2018, the Shareholder's Nomination Board convened 5 times, and the attendance rate was 100 per cent.

In January 2019 the Shareholder's Nomination Board gave its proposals for the Annual General Meeting to be held on 21 March 2019. The Nomination Board proposes that the present members of the Board of Directors, Eva Hamilton, Esa Lager, Leena Niemistö, Tracy Stone and Dag Wallgren, all having given their consents, be re-elected for the term of office continuing until the end of the next Annual General Meeting. In addition, the Nomination Board proposes that Stefan Björkman, Lauri Ratia and Peter Therman with their consent, be elected new Board members for the term of office stated above. In addition, the Nomination Board proposes that the Board remuneration will remain unchanged and that the Chairman of the Board to be compensated EUR 80 000, the Vice Chairman EUR 50 000, and other members EUR 40 000 as annual remuneration.

## CHIEF EXECUTIVE OFFICER

B.Sc.(Geog.), MBA Lauri Veijalainen has been Stockmann's Interim CEO during the period 4 April–12 September 2016 and Stockmann's CEO since 12 September 2016.

The Board of Directors appoints the company's CEO and decides on the terms and conditions of the post. These terms and conditions are set forth in a written CEO agreement. Information on the CEO's remuneration and the terms and conditions of his post is available in the Remuneration Statement.

The CEO is in charge of the company's governance and operational management in accordance with the instructions and regulations issued by the Board of Directors. He is also responsible for developing general strategic and business plans for presentation to the Board.

## OTHER EXECUTIVES

The Board of Directors appoints the members of the Group Management Team. Headed by the CEO, the Group Management Team is responsible for directing operations and for preparing strategic and financial plans. The Management Team's main duties are drawing up and implementing the Group strategy and the divisions' strategies, financial forecasts, earnings development and investments.

The Group Management Team had ten members on 31 December 2018: Lauri Veijalainen, CEO; Susanne Ehnåge, CEO of Lindex; Mikko Huttunen, Director of Human Resources; Kai Laitinen, CFO; Nora Malin, Director, Corporate Development; Jukka Naulapää,

Director, Legal Affairs, also secretary of the Management Team; Maiju Niskanen, Director, Store Operations; Anna Salmi, CCO; Elena Stenholm, Director, Real Estate and Tove Westermarck, Director, Supply Chain. The Management Team members report to the CEO.

## INTERNAL CONTROL AND INTERNAL AUDIT

The implementation of internal control is the responsibility of the Board of Directors. The objective of internal control is, among other things, to ensure the efficiency and profitability of operations, the reliability of information and compliance with rules and regulations. Internal control is a part of day-to-day management and the company's administration.

An essential part of internal control is the Internal Audit, which operates as an independent unit under the CEO and reports its observations to the Board of Directors. The Internal Audit unit supports the Group's management in directing operations by assessing the efficiency of business activities, risk management and internal control, and by providing management with information and recommendations for enhancing efficiency in these areas. Internal Audit also audits the business and financial reporting processes. The Internal Audit Charter has been approved by Stockmann's Board of Directors. Internal Audit's operations are based on risk assessment and an emphasis on the development of business operations.

## RISK MANAGEMENT

The goal of risk management is to secure the Group's earnings development and to ensure that the company operates without any disturbances by controlling risks in a cost efficient and systematic manner in all divisions. The Board of Directors has approved the company's risk management principles, which concern all of the Stockmann Group's divisions and areas of business.

Stockmann's Board of Directors and the Group Management Team regularly evaluate the risk factors to which business operations are exposed and the sufficiency of risk management actions as part of the strategy process. Risk management is supported by internal control systems and guidelines. Risk management guidelines have been drawn up separately for the following areas, among others: IT and information security, finance operations, environmental issues,



misconduct, security and insurance.

Stockmann's business is exposed to various risks that may have an adverse effect on the company's operations. The divisions' management are responsible for making financial and strategic plans in their own units; identifying and analysing business risks and evaluating treatment actions is a part of strategy planning. Business risks are also analysed outside the strategic process, especially in connection with significant projects and investments, and are reported to the Board of Directors as needed.

The Group has a risk management steering group, whose task is to support business operations in recognising and managing such risks that may endanger or prevent Stockmann from achieving its strategic goals. The steering group, which comprises the company's Head of Internal Audit, Director of Legal Affairs and Head of Group Accounting, reports its findings and recommendations to the Group Management Team.

## Risk factors

Business risks comprise all the factors that may jeopardise or prevent the achievement of the strategic goals of the Group or an entity belonging to it. Stockmann's key risks are divided into three risk areas:

- Business environment risks, which refer to risk factors that are external to the company. Should they materialise, they may have a major impact on the company's ability to operate and on profitability. Such risk factors include fundamental and unexpected changes in the market development and consumer purchasing behaviour, decreasing purchasing power, risks related to tenants in the Group's properties and the country-specific risks.
- Operative and accident risks, which refer to risks related to the company's functions. Should they materialise, they may lead to an interruption of business operations, inefficiency and unprofitability. Such risks include personnel, misconduct, ICT and information security risks, supply chain, as well as risks related to the information used in decision-making.
- Financial risks, which, should they materialise, would adversely affect the Group's profit, balance sheet and liquidity. Financial risks, including risks arising from exchange rate and interest rate fluctuations, are managed in accordance with the risk policy confirmed by the Board of Directors.

In the current situation, uncertainties related to the general economic conditions and, in particular, consumers' purchasing behaviour are estimated to be the primary risks that have an impact on Stockmann's operations. Risk factors and sources of uncertainty are explained in further detail in the Report by the Board of Directors.

## Main features of the risk management systems and internal control pertaining to the financial reporting process

The Board of Director and its Audit Committee are responsible for the implementation of internal control in regard to financial reporting. The Group's Chief Financial Officer and the Finance Department are responsible for the Group's financial reporting. Group-level directions are complied with in Stockmann's financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Group's Finance Department determines the control measures applied to the financial reporting process. These control measures include various guidelines, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the company's finances.

The divisions and the Group's Finance Department are responsible for the effectiveness of internal control within their own sphere of responsibility. The Group's Finance Department is responsible for assessments of the reporting processes. The risk management process includes assessment of the risks pertaining to financial reporting, and the related treatment measures are determined as a part of the risk management process.

## INSIDERS

Stockmann complies with the insider guidelines prepared by the Nasdaq Helsinki Oy.

As a result of the EU's Market Abuse Regulation ("MAR") that entered into force on 3 July 2016, Stockmann has no longer public insiders. Counted as the company's persons discharging managerial

duties, are the members of the Board of Directors, the Chief Executive Officer, the members of the Management Team and the auditors. Stockmann's Board of Directors has decided that the restriction on trading in the company's shares by persons discharging managerial duties is 30 days before the publication of an interim report or the financial statements.

## AUDITORS

The auditors appointed by the General Meeting audit the company's accounting, financial statements and administration. The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies. The term of the auditors begins from the Annual General Meeting in which they were appointed, and ends at the close of the next Annual General Meeting.

The Annual General Meeting of 2018 elected as the company's auditors Henrik Holmbom, Authorised Public Accountant, and Marcus Tötterman, Authorised Public Accountant. Both auditors represent the audit firm KPMG Oy Ab. The Audit firm KPMG was appointed as the deputy auditor.

The Board of Directors proposes to the Annual General Meeting 2019 that the same auditors be re-elected.

Currently, audit firm KPMG acts as the Stockmann Group's auditor in all countries of operation and in all subsidiaries except in the UK. In 2018, the fees relating to the auditing process amounted to EUR 0.4 million and the fees for tax counselling and other services to EUR 0.3 million.

This Corporate Governance Statement will be issued as a separate report in conjunction with the Report by the Board of Directors and the Financial Statements for 2018.

*Approved by the Board of Directors of Stockmann plc on 13 February 2019.*



# BOARD OF DIRECTORS



## JUKKA HIENONEN

*b. 1961*  
Finnish citizen  
M.Sc.(Econ.)

Chairman of the Board 2016–,  
Member of the Board 2015

Chairman of the Compensation  
Committee,  
Member of the Shareholders'  
Nomination Board

Independent of the company and  
major shareholders

### Relevant work experience

SRV Group Plc,  
CEO 2010–2014  
Finnair Plc,  
CEO 2006–2010  
Stockmann plc, Executive  
Vice President 2003–2005

### Principal positions of trust

Paroc Group Oy,  
Chairman of the Board 2015–2018  
Sato plc, Vice Chairman of the  
Board 2015–  
Hartela Oy,  
Chairman of the Board 2016–  
Silmäasema plc,  
Chairman of the Board 2018–

### Shares

Series B shares: 17 828



## LEENA NIEMISTÖ

*b. 1963*  
Finnish citizen  
D.Med.Sc.

Vice Chairman of the Board 2016–

Member of the Compensation  
Committee

Independent of the company and  
major shareholders

### Relevant work experience

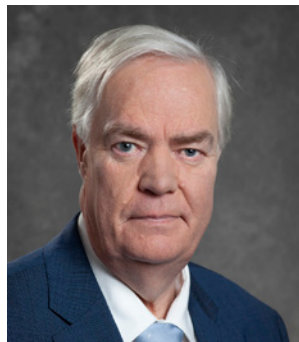
Dextra Oy,  
CEO 2003–2016  
Pihlajalinna Plc,  
Deputy CEO 2013–2016

### Principal positions of trust

Raisio plc,  
Member of the Board 2017–  
Finnish National Opera  
and Ballet,  
Chairman of the Board 2016–  
Pihlajalinna plc,  
Member of the Board 2013–  
Elisa Corporation,  
Member of the Board 2010–  
The Finnish Fair Corporation,  
Member of the Board 2016–  
Maanpuolustuskurssiyhdistys,  
Member of the Board 2016–  
Yliopiston Apteekki,  
Member of the Board 2018–

### Shares

Series B shares: 13 174



## KAJ-GUSTAF BERGH

*b. 1955*  
Finnish citizen  
LL.M., B.Sc.(Econ.)

Member of the Board 2007–2013,  
2016–  
Chairman of the Board 2014–2015

Member of the Compensation  
Committee

Independent of the company

### Relevant work experience

Föreningen Konstsamfundet,  
Managing Director 2006–2018  
Skandinaviska Enskilda Banken,  
Member of the Management Team  
2000–2001  
SEB Asset Management, Director  
1998–2000

### Principal positions of trust

Ramirent Plc,  
Member of the Board 2013–  
Wärtsilä Corporation,  
Member of the Board 2008–  
KSF Media,  
Chairman of the Board 2007–2018  
Veritas Pension Insurance, Member  
of the Board 2007–  
Åb Yrkeshögskolan vid  
Åbo Akademi University, Chairman  
of the Board 2015–

### Shares

Series B shares: 3 089



## EVA HAMILTON

*b. 1954*  
Swedish citizen  
B.A. Journalism

Member of the Board 2018–

Independent of the company and  
major shareholders

### Relevant work experience

Sveriges Television (SVT),  
CEO 2006–2014  
Head of SVT Fiktion 2004–2006  
Head of News 2000–2004

### Principal positions of trust

Fortum plc,  
Member of the Board 2015–  
Kungliga Dramatiska  
Teatern AB,  
Member of the Board 2016–  
LKAB,  
Member of the Board 2015–  
Swedish Film & TV Producers,  
Chairman 2017–  
IVA (Royal Engineering Society),  
Member of the Board 2015–

### Shares

Series B shares: 3 089



## ESA LAGER

*b. 1959*  
Finnish citizen  
LL.M., M.Sc.(Econ.)

Member of the Board 2017–

Chairman of the Audit Committee  
Independent of the company and  
major shareholders

### Relevant work experience

Outokumpu Group,  
deputy to the CEO 2011–2013  
CFO 2005–2013  
Corporate Treasurer and Head of  
Administration 2001–2004  
Finance Director 1995–2000  
Assistant Director 1991–1994

### Principal positions of trust

Ilkka-Yhtymä Oyj, Deputy Chairman  
of the Board, Member of the Board  
2011–  
Sato Oy,  
Member of the Board 2014–  
Alma Media Oyj,  
Member of the Board 2014–  
Finnish Industry Investment Ltd,  
Chairman of the Board, Member of  
the Board 2014–  
Terrafame Oy, Member of the Board  
2015–

### Shares

Series B shares: 6 898



## MICHAEL ROSENLEW

*b. 1959*  
Finnish citizen  
M.Sc.(Econ.)

Member of the Board 2016–

Member of the Audit Committee  
Independent of the company

### Relevant work experience

Mikaros AB,  
Managing Director 2011–2014  
IK Investment Partners AB,  
Managing Partner 2004–2010  
Director 2001–2004  
Deputy Director 1996–2001  
Associate 1993–1996  
Lundinvest Oy,  
Managing Director 1991–1992  
CFO 1990–1991

### Principal positions of trust

Hartwall Capital Ltd.,  
Member of the Board 2013–2018  
Caverion Corporation,  
Member of the Board 2015–  
Chairman of the Board 2017–  
Pöyry plc,  
Member of the Board 2016–

### Shares

Series B shares: 11 690



### TRACY STONE

*b. 1962*  
*British citizen*

Member of the Board 2018–

Independent of major shareholders

#### Relevant work experience

Polly King & Co,  
CEO 2017–  
Perry Ellis International,  
Interim Managing Director  
Europe 2017  
LK Bennet, Commercial Director  
2015–2017  
Gant AB, Interim COO 2013–2015  
Gant AB, Global Sales  
Director 2012–2013  
Gant UK,  
Managing Director 2006–2012

#### Shares

Series B shares: 5 161



### DAG WALLGREN

*b. 1961*  
*Finnish citizen*  
*M.Sc.(Econ.)*

Member of the Board 2011–

Member of the Audit Committee

Independent of the company

#### Relevant work experience

Svenska litteratursällskapet i Finland  
r.f.  
Managing Director 2008–  
Finance Director 1997–2008  
Ab Kelonia Oy, Managing Director  
2000–2008

#### Principal positions of trust

Ab Kelonia Oy,  
Member of the Board 2009–  
Schildts & Söderströms Ab, Member  
of the Board 2009–  
Veritas Pension Insurance, Member  
of the supervisory Board 2012–

#### Shares

Series B shares: 16 140



### Personnel representatives

At meetings of the Board of Directors, personnel representatives have the right to attend and to speak. They are not members of the Board of Directors.

### NINA ARTESOLA

*b. 1978*  
*Finnish citizen*

Chief shop steward, Stockmann

Personnel representative, elected by  
Stockmann's Group Council



### MINNA SALO

*b. 1967*  
*Finnish citizen*

Development Manager,  
ICT, Stockmann

Personnel representative elected by  
Stockmann's senior salaried  
employees

Details of the Board of Directors at 31 December 2018. Up-to-date information on the Board of Directors is available on Stockmann's website [stockmannngroup.com](http://stockmannngroup.com).



# MANAGEMENT TEAM



## LAURI VEIJALAINEN

*b. 1968*  
Finnish citizen  
B.Sc.(Geog.), MBA  
CEO 2016–

Joined Stockmann in 2010

### Relevant work experience

Stockmann plc,  
CFO 2015–2016,  
Deputy Director, Real Estate  
2014–2015,  
Development Director for the  
Group's international operations  
2010–2015  
IKEA Russia and CIS,  
CFO 2003–2010  
Skanska Moscow,  
CFO and Administrative Director  
1998–2003

### Principal positions of trust

Lindex,  
Chairman of the Board 2018–  
East Office of Finnish Industries,  
Member of the Board 2014–  
Finnish Commerce Federation,  
Member of the Board 2017–  
Helsinki Region Chamber of  
Commerce, Member of the Council  
2017–  
Fortrent Oy (JV Cramo-Ramirent),  
Member of the Board 2013–

### Shares

Series B shares: 1 225



## SUSANNE EHNBÅGE

*b. 1979*  
Swedish citizen  
M.Sc.(Tech.)  
CEO, Lindex 2018–

Joined Stockmann in 2018

### Relevant work experience

NetOnNet Group,  
CEO 2016–2018  
Interim CEO 2015–2016  
SIBA AB,  
Managing Director 2014–2017  
Interim Managing Director  
2011–2014  
Market Director 2008–2011

### Principal positions of trust

Mio AB,  
Member of the Board 2015–



## MIKKO HUTTUNEN

*b. 1968*  
Finnish citizen  
M.Sc.(Econ.)  
Director of Human Resources 2016–

Joined Stockmann in 2016

### Relevant work experience

Rovio Entertainment,  
Senior Vice President,  
Human Resources 2014–2016  
GE Healthcare, Senior Human  
Resources Manager 2011–2014  
Cargotec Corporation,  
Vice President,  
Human Resources 2008–2010  
Nokia Mobile Phones,  
various HR leadership roles  
1998–2007



## KAI LAITINEN

*b. 1970*  
Finnish citizen  
M.Sc.(Business Administration)  
CFO 2017–

Joined Stockmann in 2017

### Relevant work experience

Finavia plc,  
CFO 2014–2017  
Outokumpu plc,  
Senior Vice President, Corporate  
Controller 2011–2014  
Vice President,  
Business Control 2011  
Tornio Works, Vice President,  
Business Control 2009–2011  
Senior Vice President,  
change management, projects  
2007–2009

### Principal positions of trust

Lindex,  
Member of the Board 2018–



## NORA MALIN

*b. 1975*  
Finnish citizen  
M.Sc.(Pol.)  
Director, Corporate  
Development 2017–

Joined Stockmann in 2010

### Relevant work experience

Stockmann plc,  
Director, Corporate  
Communications 2013–2017  
Manager, Corporate  
Communications 2010–2013  
Fiskars Corporation,  
Communications Manager,  
2008–2010  
Iittala Group Oy Ab,  
Financial Communications Manager  
2006–2008  
Basware Corporation,  
Communications Manager  
2003–2006  
Smartner Information Systems Oy,  
PR Manager 2000–2003



## JUKKA NAULAPÄÄ

*b. 1966*  
Finnish citizen  
LL.M.  
Director, Legal Affairs 2006–

Joined Stockmann in 1998

### Relevant work experience

Stockmann plc,  
Secretary of Stockmann Board and  
Management Committee 2001–  
Company Lawyer 1998–2006  
Law Firm Hepo-Oja & Lunnas Oy,  
Attorney 1991–1998

### Principal positions of trust

Lindex,  
Member of the Board 2018–  
Tuko Logistics Cooperative,  
Member of the Board 2018–





#### MAIJU NISKANEN

*b. 1977*  
Finnish citizen  
M.Sc.(Econ.)  
Director, Store Operations 2016-

Joined Stockmann in 2001

#### Relevant work experience

Lindex,  
Country Manager, Finland and the  
Baltic countries 2013-2016  
Controller, Finland and the Baltic  
countries 2009-2013  
Stockmann plc,  
Department Store Division,  
Buyer, sports 2008-2009  
Department Manager, Helsinki city  
centre department store 2007-2008  
Buyer, youth fashion 2004-2007



#### ANNA SALMI

*b. 1979*  
Finnish citizen  
M.Sc.(Econ.)  
Chief Customer Officer 2016-

Joined Stockmann in 2015

#### Relevant work experience

Stockmann plc, Director, Digital  
Retail 2015-2016  
Aurinkomatkat - Suntours Ltd,  
Head of Business 2014-2015  
Head of Sales and Marketing  
2011-2014  
Finnair,  
Director, Digital Marketing 2010-2011  
Director, Internet Sales and Loyalty  
Marketing 2009-2010  
Commercial Manager,  
Global Customer Relationship Sales  
2008-2009  
Sales Manager, Internet Sales  
2007-2008  
Ebookers,  
Marketing Manager Finland  
2004-2007

#### Principal positions of trust

Realia Group,  
Member of the Board 2017-

#### Shares

Series B shares: 1 000



#### ELENA STENHOLM

*b. 1971*  
Finnish citizen  
M.Sc.(Pol.)  
Director, Real Estate 2018-

Joined Stockmann in 2018

#### Relevant work experience

Finavia plc,  
Commercial Director 2015-2018  
Citycon Oyj,  
Commercial Director 2013-2015  
Manager, shopping centre  
2012-2013  
Leasing Manager, construction  
projects 2010-2012  
Key Account Manager 2009-2010  
Deloitte,  
Development Manager,  
Consumer Business 2007-2008  
Free Record Shop,  
Managing Director 2004-2006  
Kesko Oyj/Anttila,  
various Manager positions  
1995-2004

#### Principal positions of trust

Finnish Commerce Federation,  
Community & Planning Committee,  
Member 2018-  
Helsinki Region Chamber of  
Commerce, Trade & Service  
Committee,  
Member 2015-

#### Shares

Series B shares: 130



#### TOVE WESTERMARCK

*b. 1968*  
Finnish citizen  
M.Sc.(Econ.)  
Director, Supply Chain 2016-

Joined Stockmann in 1991

#### Relevant work experience

Stockmann plc,  
Director, Development 2014-2015  
Director, Department Store  
Division's distance retail business  
2013-2014  
Director, department stores in  
Russia 2008-2013  
Sales Director, department stores in  
Russia 2007-2008 Marketing  
Director, international operations  
2005-2007  
Director, Tallinn department store  
2004-2005  
Marketing Manager, Helsinki city  
centre department store 2001-2004  
Sales Manager, Helsinki city centre  
department store 1999-2000

#### Principal positions of trust

Tuko Logistics Cooperative,  
Vice Member of the Board 2018-

#### Shares

Series B shares: 1 000

Details of the Management Team at  
31 December 2018.  
Up-to-date information of the  
Management Team is available on  
Stockmann's website  
stockmanngroup.com.



# REMUNERATION STATEMENT 2018

## DECISION-MAKING ORDER AND KEY PRINCIPLES IN REMUNERATION AT STOCKMANN

Stockmann plc's highest decision-making body is the General Meeting of Shareholders. The Annual General Meeting 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 is prepared by the Shareholders' Nomination Board. The Board members are not participating in the company's incentive or share option schemes for key personnel.

The power to appoint and dismiss the company's CEO rests with the Board of Directors, which also decides on the terms and benefits of the CEO's service, and these are set out in writing in the CEO agreement. The Board also appoints other members of the Group's Management Team and decides on their salaries and other benefits on the basis of proposals by the Compensation Committee.

The Board of Directors also approves each year the criteria for determining the incentive pay for the Group's CEO and Management Team members, on the basis of proposals by the Compensation Committee. The incentive pay is determined on the basis of the Group's financial and other objectives related to the implementation of the strategy.

## 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 2018 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 2018 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 22 March 2018. 40 per cent 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 2018 financial year the Board members were paid a total of EUR 300 600 (2017: 225 130) in cash and 36 586 (2017: 30 167) of the company's Series B shares. The value of shares was EUR 148 000 (2017: 202 270) on the dates of share purchases. The total value of the remuneration was EUR 448 600 (2017: EUR 427 400).

The shareholders' Nomination Board proposes to the Annual General Meeting on 21 March 2019 that the Board remuneration will remain unchanged.



## REMUNERATION OF THE BOARD OF DIRECTORS IN 2018, EURO

	Fixed annual fees	Attendance fees	Committee attendance fees	Remuneration total	Paid in cash	Value of shares paid
Kaj-Gustaf Bergh	40 000	5 900	1 800	<b>47 700</b>	31 700	16 000
Eva Hamilton **	40 000	5 400		<b>45 400</b>	29 400	16 000
Jukka Hienonen, Chairman	80 000	12 000	1 800	<b>93 800</b>	61 800	32 000
Esa Lager	40 000	6 500	6 200	<b>52 700</b>	36 700	16 000
Susanne Najafi *		1 000		<b>1 000</b>	1 000	
Leena Niemistö, Vice Chairman	50 000	6 500	1 800	<b>58 300</b>	38 300	20 000
Michael Rosenlew	40 000	6 500	4 700	<b>51 200</b>	35 200	16 000
Per Sjödel *		1 000		<b>1 000</b>	1 000	
Tracy Stone **	40 000	6 000		<b>46 000</b>	30 000	16 000
Dag Wallgren	40 000	6 500	5 000	<b>51 500</b>	35 500	16 000
<b>Board members, total</b>	<b>370 000</b>	<b>57 300</b>	<b>21 300</b>	<b>448 600</b>	<b>300 600</b>	<b>148 000</b>

\* Resigned from the Board of Directors on 22 March 2018.

\*\* Elected as a new member on 22 March 2018.

Eva Hamilton, Susanne Najafi and Tracy Stone were additionally paid EUR 7 311 each for their work in the Lindex Board of Directors until 22 March 2018.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2018, SHARES

	Shares	Value, EUR	Board	Compensation Committee	Audit Committee
Kaj-Gustaf Bergh	3 809	16 000	11/12	3/3	
Eva Hamilton	3 809	16 000	9/10		
Jukka Hienonen, Chairman	7 619	32 000	12/12	3/3	
Esa Lager	3 809	16 000	12/12		6/6
Susanne Najafi			2/2		
Leena Niemistö, Vice Chairman	4 761	20 000	12/12	3/3	
Michael Rosenlew	3 809	16 000	12/12		6/6
Per Sjödel			2/2		
Tracy Stone	5 161	16 000	10/10		
Dag Wallgren	3 809	16 000	12/12		6/6
<b>Board members, total</b>	<b>36 586</b>	<b>148 000</b>	<b>Meetings, total</b>	<b>12</b>	<b>3</b>
				<b>3</b>	<b>6</b>



## FINANCIAL BENEFITS PERTAINING TO THE POST OF CEO

Lauri Veijalainen has been Stockmann plc's CEO since 12 September 2016 (Interim CEO 4 April–12 September 2016).

The remuneration of the CEO Lauri Veijalainen consists of a fixed salary which includes a fringe car benefit, as well as a performance pay system with short-term and long-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 per cent of the fixed base salary. The earning period for the long-term performance pay expired at the end of 2018, and the pay-out did not exceed 50 per cent of the fixed base salary in 2018. The CEO was not given shares or share options as part of remuneration.

In 2018, CEO Lauri Veijalainen was paid a fixed salary of EUR 487 894 (2017: 486 141). The fixed salary consist of EUR 474 888 in cash and EUR 13 006 in fringe benefits. Due to the performance in 2017, performance pay of EUR 68 384 was paid in 2018.

Veijalainen'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.

## FINANCIAL BENEFITS PERTAINING TO OTHER MANAGEMENT TEAM MEMBERS

For members of the Group's Management Team other than the CEO, a total of EUR 1 987 477 was paid in fixed salaries in 2018 (2017: EUR 2 126 675). The fixed salary consists of EUR 1 917 139 in cash and EUR 70 338 in fringe benefits.

The Group Management Team members have a performance pay tied to the Group's 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 performance pay may amount to no more than 30 per cent of the fixed base salary. Due to the performance in 2017, performance pay of EUR 132 952 was paid in 2018 (2017: EUR 409 759). The earning period for the long-term performance pay expired at the end of 2018, and the pay-out did not exceed 40 per cent of the fixed base salary in 2018.

Stockmann plc does not currently have any share option programmes.

The retirement age of the Management Team members is 63 or 65, depending on the particular executive agreement in question. Two of the Management Team members had an earnings related pension insurance taken by the company as of the end of 2018. The costs of the insurances in 2018 amounted to EUR 56 556 (2017: 62 204).

The notice period for the Management Team members are mostly 6 months from both sides. One Management Team member has a notice period of 3 months from both sides. If the company terminates the agreement, the Management Team members are in addition entitled to a severance payment equivalent to 3 or 6 months' pay depending on their agreement in question.

## REMUNERATION OF THE CEO AND GROUP MANAGEMENT TEAM MEMBERS, EUR

	2018	2017
<b>Lauri Veijalainen</b>		
Fixed salary in cash	<b>474 888</b>	474 888
Performance pay	<b>68 384</b>	230 580
Fringe benefits	<b>13 006</b>	11 253
<b>Total</b>	<b>556 278</b>	716 721
<b>Other Management Team members*</b>		
Fixed salary in cash	<b>1 917 139</b>	2 053 493
Performance pay	<b>132 952</b>	409 759
Fringe benefits	<b>70 338</b>	73 182
<b>Total</b>	<b>2 120 429</b>	2 536 434
Voluntary pension contributions	<b>56 556</b>	62 204

\* Includes Management Team members as of 31 December 2018 and members who left the company during 2018.