

# REMUNERATION STATEMENT 2017

## 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. In 2017, there was no restriction on the ownership period pertaining to the shares received as remuneration.

During the 2017 financial year, EUR 76 000 was paid in fixed fees to the chairman of the Board, EUR 49 000 to the vice chairman, and EUR 38 000 each to the other Board members, in accordance with the decisions of the General Meeting of 23 March 2017. About 50 per cent of the annual remuneration was paid in company shares and the rest in cash. The Chairman of the Board was paid EUR 1 000 and members of the Board of Directors were paid a meeting attendance fee of EUR 500 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 1 000 and each member was paid EUR 700 as a meeting remuneration for each meeting of the Audit Committee, and the Chairman and each member of the Compensation Committee was paid EUR 500 as a meeting remuneration for each meeting of the Committee.

During the 2017 financial year the Board members were paid 30 167 (2016: 34 091) of the company's Series B shares, and in cash the share of taxes of EUR 211 730 (2016: EUR 221 511). The value of shares was EUR 202 270 (2016: 200 489) on the dates of share purchases. The total value of the remuneration was EUR 414 000 (2016: EUR 422 000).

The shareholders' Nomination Board proposes to the Annual General Meeting on 22 March 2018 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. The annual remuneration will be paid in company shares and cash, so that company shares will be acquired on behalf of the Board members to a value of 40% of the remuneration and the rest will be paid in cash. The company will cover the costs for the acquiring of the shares and the transfer tax. The shares acquired for the Board Members in 2018 can not be handed over until two years from the date of purchase, or until the membership of the person in question has ended, depending on which of the occasions takes place first. In addition, the Nomination Board proposes the Chairman of the Board to be paid EUR 1 100 and each Board member to be paid EUR 600 as a meeting remuneration for each meeting of the Board of Directors. The Chairman of the Audit Committee is proposed to be paid EUR 1 100 and each member to be paid EUR 800 as a meeting remuneration for each meeting of the Audit Committee. The Chairman of the Compensation Committee and each member is proposed to be paid EUR 600 as a meeting remuneration for each meeting of the Compensation Committee.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2017, EUR

	Fixed annual fees	Attendance fees	Committee attendance fees	Remuneration in total	Paid in cash	Value of shares paid
Kaj-Gustaf Bergh	38 000	6 000	500	<b>44 500</b>	23 220	21 280
Torborg Chetkovich *		1 500	700	<b>2 200</b>	2 200	
Jukka Hienonen, Chairman	76 000	13 000	1 000	<b>90 000</b>	47 440	42 560
Esa Lager **	38 000	5 500	3 500	<b>47 000</b>	26 290	20 710
Susanne Najafi ***	38 000	6 000		<b>44 000</b>	19 300	24 700
Leena Niemistö, Vice Chairman	49 000	6 500	500	<b>56 000</b>	27 580	28 420
Michael Rosenlew	38 000	6 500	4 200	<b>48 700</b>	24 000	24 700
Per Sjärdell ****	38 000	6 500		<b>44 500</b>	19 800	24 700
Dag Wallgren	38 000	6 500	6 000	<b>50 500</b>	35 300	15 200
<b>Board members, total</b>	<b>353 000</b>	<b>58 000</b>	<b>16 400</b>	<b>427 400</b>	<b>225 130</b>	<b>202 270</b>

\* Resigned from the Board of Directors on 23 March 2017.

\*\* Elected as a new member on 23 March 2017.

\*\*\* Susanne Najafi was additionally paid EUR 31 128 in 2017 for the work in the Lindex Board of Directors.

\*\*\*\* Per Sjärdell was additionally paid EUR 30 817 in 2017 for acting as the Chairman of the Lindex Board of Directors until 21 August 2017.

## REMUNERATION OF THE BOARD OF DIRECTORS IN 2017, SHARES

## PARTICIPATION IN BOARD AND COMMITTEE MEETINGS IN 2017

	Shares	Value, EUR	Board	Compensation Committee	Audit Committee
Kaj-Gustaf Bergh	3 174	21 280	14/15	1/1	
Torborg Chetkovich			3/3		1/1
Jukka Hienonen, Chairman	6 349	42 560	15/15	1/1	
Esa Lager	3 089	20 710	12/12		5/5
Susanne Najafi	3 684	24 700	13/14		
Leena Niemistö, Vice Chairman	4 239	28 420	15/15	1/1	
Michael Rosenlew	3 681	24 700	15/15		6/6
Per Sjärdell	3 684	24 700	15/15		
Dag Wallgren	2 267	15 200	15/15		6/6
<b>Board members, total</b>	<b>30 167</b>	<b>202 270</b>	<b>Meetings, total</b>	<b>15</b>	<b>1</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 will expire at the end of 2018, and the pay-out may 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 2017, CEO Lauri Veijalainen was paid a fixed salary of EUR 486 141. The fixed salary consist of EUR 474 888 in cash and EUR 11 253 in fringe benefits. Due to the performance in 2016, performance pay of EUR 230 580 was paid in 2017.

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 2 126 675 was paid in fixed salaries in 2017 (2016: EUR 2 205 297). The fixed salary consists of EUR 2 053 493 in cash (2016: EUR 1 779 401) and EUR 73 182 in fringe benefits (2016: EUR 61 250).

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, except from Lindex CEO whose performance pay may amount to no more than 32 per cent. Due to the performance in 2016, performance pay of EUR 409 759 was paid in 2017 (2016: EUR 425 896). The earning period for the long-term performance pay will expire at the end of 2018, and the pay-out may 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. One of the Management Team members has an earnings-related pension insurance taken by the company as of the end of 2017. The costs of the insurances in 2017 amounted to EUR 62 204 (2016: EUR 38 733).

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 the company's side and two members have a notice period of 3 months from the director's side. 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

	2017	2016
<b>Lauri Veijalainen</b>		
Fixed salary in cash	474 888	332 427
Performance pay	230 580	-
Fringe benefits	11 253	961
<b>Total</b>	<b>716 721</b>	<b>333 388</b>
<b>Per Thelin (CEO until 3 April 2016)</b>		
Fixed salary in cash		154 412
Performance pay		324 583
Fringe benefits		3 207
Post-employment benefits		420 000
<b>Total</b>		<b>902 202</b>
Voluntary pension contributions		20 999
<b>Other Management Team members*</b>		
Fixed salary in cash	2 053 493	1 718 151
Performance pay	409 759	425 896
Fringe benefits	73 182	61 250
<b>Total</b>	<b>2 536 434</b>	<b>2 205 297</b>
Voluntary pension contributions	62 204	38 733

\* Includes Management Team members as of 31 December 2017 and members who left the company during 2017.