



2021

REMUNERATION  
REPORT

**STOCKMANN**



# REMUNERATION REPORT 2021

## 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 2021 follows the remuneration policy approved by the Annual General Meeting held on 4 June 2020. The report presents the information regarding the remuneration of the CEO and members of the Board of Directors for the financial year 2021. 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 pre-defined and measurable performance and outcome criteria.

Remuneration paid in 2021, and reported here, fully complies with the remuneration structures and principles set in the Remuneration Policy 2021. There was no deviation from the remuneration policy.

## 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 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 2021 there were 441 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 continuation 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.

In 2021, the Group's result was still significantly affected by the COVID-19 pandemic. Proactive measures were continued in 2021. Measures affecting the remuneration of employees were a temporary reduction in the personnel costs through layoffs and reductions in working hours. Depending on the country, the restrictions and confinement imposed by the authorities also affected operations, the presence of employees and thus remuneration.

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

## REMUNERATION AND FINANCIAL DEVELOPMENT OF THE COMPANY IN 2017-2021

	2021	2020	2019	2018	2017
Remuneration in average paid to Board member, EUR	<b>48 178</b>	41 663	41 582	44 860	47 489
Change from the previous year %	<b>16</b>	0	-7	-6	24
Salary and benefits paid to the CEO, EUR	<b>459 532</b>	445 474	597 545	487 894	486 141
Change from the previous year %	<b>3</b>	-25	22	0	-1
Performance pay to the CEO, EUR	<b>144 720</b>	82 796	265 272	68 384	230 580
Change from the previous year %	<b>75</b>	-69	288	-70	-29
Personnel salary in average EUR *		32 257	30 532	31 140	32 246
Change from the previous year %		6	-2	-3	-10
Adjusted operating result, EUR mill.		4.9	39.9	28.4	12.3

\* 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.



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 2021 have been reviewed by the Compensation Committee. The Personnel and Compensation Committee, appointed by the Board in 2021, reviewed the remuneration of the CEO in comparison with companies of the same size and structure.

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 2017 and 2018. The company had no long-term incentives in 2020 and 2021.

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 2021 is mainly influenced by structural changes in the organisation.

## EXEMPTIONS AND CLAWBACK

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 2021, there was no deviation from the remuneration policy. In 2021, 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 2021 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 2021 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 7 April 2021. 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 2021 financial year the Board members were paid a total of EUR 301 600 (2021: 217 300) in cash and 97 791 (2020: 112 891) of the company's shares. The value of shares was EUR 132 000 (2020: 116 000) on the dates of share purchases. The total value of the remuneration was EUR 433 600 (2020: EUR 333 300).



## REMUNERATION OF THE BOARD OF DIRECTORS IN 2021

	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 Personnel and Compensation Committee meetings	Participation in Audit Committee meetings
Stefan Björkman	40 000	10 800	6 400	57 200	41 200	16 000	11 126	16 000	18	4	5
Anne Kuittinen**	40 000	7 800		47 800	31 800	16 000	11 126	16 000	13		
Esa Lager	40 000	10 800	6 600	57 400	41 400	16 000	11 126	16 000	18		6
Roland Neuwald, Chairman**	80 000	14 300	1 800	96 100	64 100	32 000	22 253	32 000	13	3	
Leena Niemistö, Vice Chairman	50 000	10 800	5 600	66 400	46 400	20 000	13 908	20 000	18	4	4
Lauri Ratia*		5 500	600	6 100	6 100				5	1	
Tracy Stone	40 000	10 200		50 200	34 200	16 000	11 126	16 000	17		
Dag Wallgren*		3 000	1 600	4 600	4 600				5		2
Harriet Williams**	40 000	7 800		47 800	31 800	16 000	11 126	16 000	13		
<b>Total</b>	<b>330 000</b>	<b>81 000</b>	<b>22 600</b>	<b>433 600</b>	<b>301 600</b>	<b>132 000</b>	<b>91 791</b>	<b>132 000</b>	<b>18</b>	<b>4</b>	<b>6</b>

\* Board member until 17 March 2020.

\*\* Elected as new Board member in the Annual General Meeting.

## 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 2021, CEO Jari Latvanen was paid a fixed salary of EUR 604 252. The fixed salary consist of EUR 442 680 in cash and EUR 16 852 in fringe benefits. In addition, he was paid a performance pay of EUR 144 720 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

	2021	2020
<b>Jari Latvanen</b>		
Fixed salary in cash	<b>442 680</b>	428 888
Performance pay	<b>144 720</b>	82 796
Fringe benefits	<b>16 852</b>	16 586
<b>Total</b>	<b>604 252</b>	528 270