

A man with a beard and a smile is wearing a brown bomber jacket over a black t-shirt and black trousers. He is standing against a light beige wall. The text '2022' is overlaid on the left side of the image.

2022

REMUNERATION REPORT
STOCKMANN



REMUNERATION REPORT 2022

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 2022 follows the remuneration policy approved by the Annual General Meeting held on 23 March 2022.

The report presents the information regarding the remuneration of the CEO and members of the Board of Directors for the financial year 2022. 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.

Remuneration paid in 2022, and reported here, fully complies with the remuneration structures and principles set in the Remuneration Policy 2022. There was no deviation from the remuneration policy.

LETTER FROM THE CHAIR OF THE PERSONNEL AND COMPENSATION COMMITTEE

Year 2022 was remarkable for Stockmann Group. Our greatest achievements were positive annual cash flow, full payment of undisputed restructuring debt and making a decision to improve Lindex logistics efficiency by investing EUR 110 million in omnichannel distribution centre over the next three years. The sale of the Stockmann properties and the payment of the debt lays the foundation for growing the company and achieving a sustainable level of profitability (for both divisions).

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 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.

In 2022, the Board of Directors of Stockmann plc decided on the establishment of the share-based long-term incentive scheme targeted to the management and selected key personnel of Stockmann and its subsidiaries. The objectives of the performance share plan are to support the implementation of Stockmann's strategy, to align the interests of the key personnel with those of Stockmann's shareholders and to retain management and key personnel. The performance targets based on which the potential share reward under PSP 2022-2024 will be paid are total shareholder return, revenue, EBIT and climate neutrality. The Board of Directors of Stockmann decides on the performance criteria, persons authorized to participate in the performance share plan and the amount of the threshold, target and maximum reward separately for each performance period.

I want to express my deepest gratitude to all Stockmann Group team members for the results and developments we have achieved together in 2022 despite the challenges in the operating environment.

With our dedicated people we will continue delivering and focusing on executing on our chosen strategies.

Roland Neuwald
Chair of the Board and Personnel & Compensation Committee

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. In 2018, Stockmann sold the Kirjatalo property located in the centre of Helsinki and in 2019 the Nevsky Centre shopping centre in St Petersburg. In 2021, Stockmann sold its department store property in Tallinn, and in 2022 the department store properties in Riga and Helsinki city centre were sold. According to the restructuring programme, the proceeds were used to repay debts. The Lindex business has been developed in accordance with strategy, and

REMUNERATION AND FINANCIAL DEVELOPMENT OF THE COMPANY IN 2018-2022

	2022	2021	2020	2019	2018
Remuneration in average paid to Board member, EUR	45 589	48 178	41 663	41 582	44 860
Change from the previous year %	-5	16	0	-7	-6
Salary and benefits paid to the CEO, EUR	495 715	459 532	445 474	597 545	487 894
Change from the previous year %	8	3	-25	22	0
Performance pay to the CEO, EUR	108 600	144 720	82 796	265 272	68 384
Change from the previous year %	-25	75	-69	288	-70
Personnel salary in average EUR *	35 309	33 356	32 257	30 532	31 140
Change from the previous year %	6	3	6	-2	-3
Adjusted operating result, EUR mill.	79.8	68.3	4.9	39.9	28.4

* 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.



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 2022 there were 436 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 remote working, 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.

The restructuring process is proceeding according to plan. Stockman's all department store properties have been sold and the undisputed restructuring debt and interest-bearing debt has been paid during 2022, except for the bond of EUR 67.5 million. Other measures and undertakings, as specified in Stockmann plc's restructuring programme, were already completed during 2021. There are still disputed claims regarding the termination of lease agreements that must be settled before the restructuring process can end.

At the beginning of 2022, the group's result was still significantly affected by the spread of the Omicron variant. 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 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 Personnel and 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 2022 have been reviewed by the Personnel and Compensation Committee. The Personnel and Compensation Committee, appointed by the Board in 2022, reviewed the remuneration of the CEO in comparison with companies of the same size and structure. The remuneration level of the CEO has changed over the five-year period as the CEO has changed.

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 2022 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.

In 2022, there was no deviation from the remuneration policy. In 2022, 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 2022 cannot 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 2022 financial year, EUR 80 000 was paid in fixed fees to the chair of the Board, EUR 50 000 to the vice chair, and EUR 40 000 each to the other Board members, in accordance with the decisions of the General Meeting of 23 March 2022. 40% of the annual remuneration was paid in company shares and the rest in cash mostly covering the taxes. The Chair 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 Chair and the members of the Board Committees were also paid an attendance fee for the Committee meetings. The Chair of the Audit Committee was paid EUR 1 100 and each member was paid EUR 800 as a meeting attendance fee for each meeting of the Audit Committee, and the Chair and each member of the Personnel and Compensation Committee was paid EUR 600 as a meeting attendance for each meeting of the Committee.

During the 2022 financial year the Board members were paid a total of EUR 278 300 (2021: 301 600) in cash and 60 134 (2021: 91 791) of the company's shares. The value of shares was EUR 132 000 (2021: 132 000) on the dates of share purchases. The total value of the remuneration was EUR 410 300 (2021: EUR 433 600).



REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

	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, Vice Chair	50 000	7 800	4 400	62 200	42 200	20 000	9 111	20 000	13	2	4
Timo Karppinen**	40 000	6 000	4 400	50 400	34 400	16 000	7 289	16 000	10		4
Anne Kuittinen	40 000	7 800		47 800	31 800	16 000	7 289	16 000	13		
Esa Lager*		1 800	1 100	2 900	2 900				3		1
Roland Neuwald, Chair	80 000	13 000	3 000	96 000	64 000	32 000	14 578	32 000	13	5	
Leena Niemistö*		1 800	2 000	3 800	3 800				3	2	1
Sari Pohjonen**	40 000	6 000	5 000	51 000	35 000	16 000	7 289	16 000	10	3	4
Tracy Stone	40 000	7 200		47 200	31 200	16 000	7 289	16 000	12		
Harriet Williams	40 000	7 200	1 800	49 000	33 000	16 000	7 289	16 000	12	3	
Total	330 000	58 600	21 700	410 300	278 300	132 000	60 134	132 000	13	5	5

* Board member until 23 March 2022.

** 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 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% of the fixed base salary.

In 2022 the Board of Directors of Stockmann plc decided on the establishment of the share-based long-term incentive scheme targeted to the management and selected key personnel of Stockmann and its subsidiaries. The performance targets based on which the potential share reward under PSP 2022-2024 will be paid are total shareholder return, revenue, EBIT and climate neutrality. CEO's maximum reward for the ongoing long term incentive plan for performance period 2022-2024 is 212 000 shares including a cash portion

intended to cover taxes and tax-related costs arising from the reward. The possible reward is paid in 2025.

In 2022, CEO Jari Latvanen was paid a total remuneration of EUR 604 315. The fixed salary consists of EUR 479 635 in cash and EUR 16 080 in fringe benefits. In addition, he was paid a performance pay of EUR 108 600 from short-term targets due to Lindex's good result development and Stockmann's successful execution of the restructuring programme. 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

	2022	2021
Jari Latvanen		
Fixed salary in cash	479 635	442 680
Performance pay	108 600	144 720
Fringe benefits	16 080	16 852
Total	604 315	604 252