

A person wearing a dark, possibly black, coat is shown from the chest up. They are holding a small, dark-colored bag with both hands. The bag has a strap and a flap. The entire image is overlaid with a semi-transparent purple color. The text 'CORPORATE GOVERNANCE' is centered above the bag, and '2019' is written in large white numbers across the bag. At the bottom, the word 'STOCKMANN' is written in white capital letters.

CORPORATE
GOVERNANCE

20
19

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. Stockmann complies with the Corporate Governance Code 2016 in its entirety.

Stockmann plc's Corporate Governance Statement for the 2019 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, 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 2019 was held on 21 March 2019 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 371 shareholders present personally or represented by proxy at the Meeting, representing 62% of the company's registered share capital and 74% 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.

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 2019, the company's Board of Directors was composed of eight members elected by the 2019 Annual General Meeting. The members who were re-elected to the Board were Eva Hamilton, Esa Lager, Leena Niemistö, Tracy Stone and Dag Wallgren. Stefan Björkman, Lauri Ratia and Peter Therman was elected as new members. At the Board's organisational meeting Lauri Ratia was elected Chairman and Leena Niemistö Vice Chairman. The Board members have no employment or service contract with the company.

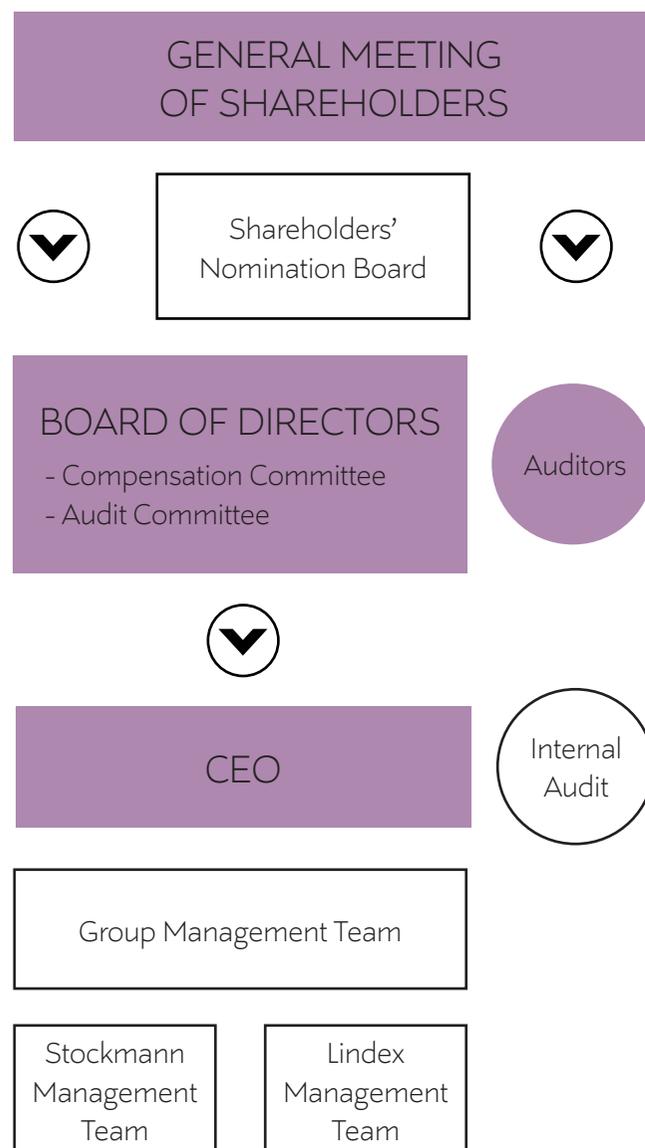
The company's Board of Directors also has two personnel representatives. They are not Board members but have the right to be present and to speak at Board meetings. At the end of 2019 the personnel representatives on the company's Board of Directors were Nina Artesola and Minna Salo.

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. Five of the Board members are men and three women. Six members are independent of the company. Four 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.

Lindex has an own, internal Board of Directors, that develops the company. Stockmann's Chairman of the Board Lauri Ratia acts as Lindex's 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 13 times in 2019. 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 21 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 Lauri Ratia as Chairman of the Compensation Committee, and Stefan Björkman and Leena Niemistö were elected as the other members of the committee. In 2019, 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 Peter Therman and Dag Wallgren were elected as the other members of the committee. In 2019, 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.

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:

- Gunvor Kronman, Chairman of the Board, Föreningen Konstsamfundet r.f. (Chairman of the Nomination Board)
- Ole Johansson, Treasurer, Society of Swedish Literature in Finland
- Paul Hartwall, Member 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.

In 2019, the Shareholder's Nomination Board convened 4 times, and the attendance rate was 100 per cent.

In January 2020 the Shareholder's Nomination Board gave its

proposals for the Annual General Meeting to be held on 18 March 2020. The Nomination Board proposes that the number of members of the Board of Directors to be seven, i.e. a reduction of one member. The Nomination Board proposes that the present members of the Board of Directors, Stefan Björkman, Eva Hamilton, Esa Lager, Leena Niemistö, Lauri Ratia, 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 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

MBA Jari Latvanen is Stockmann's CEO since 19 August 2019.

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 five members on 31 December 2019: Jari Latvanen, CEO; Susanne Ehnbåge, CEO of Lindex; Pekka Vähähyppä, CFO; Jukka Naulapää, Chief Legal Officer, also secretary of the Management Team; and Tove Westermarck, Chief Operating Officer. The Management Team members report to the CEO. In addition both divisions, Stockmann and Lindex, have their own Management Teams.

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, responsibility 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's risk management task is to support business operations in recognising and managing such risks, that may endanger or prevent Stockmann from achieving its strategic goals. The risk map on Group level is updated yearly in connection with the strategy work, and additional risks on operative level are recognised, followed up and managed in different units and projects.

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 2019 elected as the company's auditors Henrik Holmborn, 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 2020 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 2019, the fees relating to the auditing process amounted to EUR 0.3 million and the fees for tax counselling and other services to EUR 0.7 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 2019.

Approved by the Board of Directors of Stockmann plc on 12 February 2020.



BOARD OF DIRECTORS



LAURI RATIA

b. 1946
Finnish citizen
M.Sc.(Eng.), Industrial Counsellor

Chairman of the Board 2019–

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

Independent of the company

Relevant work experience
CRH plc, Senior Advisor, Russia 2007–2008,
Scancem International ANS, Deputy Executive Director of the Cement industry 1996–1997
Lohja Rudus Oy Ab, CEO 1994–2007
Euroc Abp, Head of the Concrete and Aggregate Division 1994–1996

Principal positions of trust
Elematic Oy,
Member of the Board 2018–
Sibelius Society of Finland,
Chairman of the Board 2016–
Terrafame Oy,
Chairman of the Board 2015–
Armada Mezzanine Capital Oy,
Member of Industrial Advisory Board 2010–

Shares
Series B shares: 34 361



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: 22 149



STEFAN BJÖRKMAN

b. 1963
Finnish citizen
M.Sc.(Tech.)

Member of the Board 2019–

Member of the Compensation Committee

Independent of the company

Relevant work experience
Föreningen Konstsamfundet rf.,
Managing Director 2018–
Ilmarinen,
Deputy Managing Director, Acting Managing Director 2018
Etera, Managing Director 2014–2018
Aktia, Deputy Managing Director and CFO 2008–2014
Aktia, Deputy Managing Director 2006–2008
Oral Hammaslääkärit Oy,
Managing Director 2006

Principal positions of trust
KSF Media,
Chairman of the Board 2018–
Amos Rex,
Member of the Board 2018–
CorGroup, Member of the Board 2007–2014, 2017–
Coronaria Oy,
Chairman of the Board 2007–

Shares
Series B shares: 7 180



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: 10 989



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–
Terrafame Oy, Member of the Board 2015–

Shares
Series B shares: 14 078



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: 12 341



PETER THERMAN

b. 1968
Finnish citizen
M.Sc.(Econ.)

Member of the Board 2019–

Member of the Audit Committee

Independent of the company

Relevant work experience

MPS Executive & Board,
Senior Advisor 2017–
Karelia-Upofloor Oy,
Managing Director 2001–2015
Oy Pügen Ab,
Managing Director 2007–2011
GaxoSmithKline,
Consumer Healthcare,
Sales Director 2002–2006

Principal positions of trust

Camfil Ab,
Member of the Board 2018–
Hartwall Capital,
Vice Chairman of the Board 2015–
Hartwall Capital,
Member of the Board 2006–2010
Laattamaailma Oy, Chairman of the
Board 2015–
Boardman, Alumni,
Member of the Board 2014–
Hartwall Omistajaneuvosto,
Chairman 2010–

Shares

Series B shares: 7 180



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: 23 320



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 2019. Up-to-date information on the Board of Directors is available on Stockmann's website stockmanngroup.com.



GROUP MANAGEMENT TEAM



JARI LATVANEN

b. 1964
Finnish citizen
MBA
CEO 2019–

Joined Stockmann in 2019

Relevant work experience

HKScan Oyj,
CEO and President 2016–2018
Stora Enso,
Executive Vice President, Head of
Consumer Board 2014–2016
Findus, Chief Executive Officer,
Findus Nordic 2010–2014
Nestlé Czech Republic and Slovakia,
Managing Director 2008–2010
Nestlé SA, Assistant Vice President,
Zone Europe 2007–2008
Nestlé Sweden,
Managing Director 2003–2006
Nestlé Nordic,
Managing Director 2001–2003

Principal positions of trust

E&A Invest Oy,
Chairman of the Board 2019–



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–



JUKKA NAULAPÄÄ

b. 1966
Finnish citizen
LL.M.
Chief Legal Officer 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–



PEKKA VÄHÄHYYPÄ

b. 1960
Finnish citizen
M.Sc.(Econ.), EMBA
CFO 2019–

Joined Stockmann in
2000–2015, 2019

Relevant work experience

Finnair plc,
CFO 2015–2019
Finnair plc,
Interim CEO 2018
Stockmann plc, Executive Vice
President and CFO 2008–2015
Stockmann plc,
CFO 2000–2015
Nestlé Nordic and Sweden, Director,
Finance & Control 1997–1999
Nestlé Finland,
CFO 1994–1996
OKO-Venture Capital,
Director 1991–1994
A-lehdet Oy,
CFO 1986–1990

Principal positions of trust

Vincit plc,
Member of the Board 2019–
Lyy-Invest Oy,
Member of the Board 2002–



TOVE WESTERMARCK

b. 1968
Finnish citizen
M.Sc.(Econ.)
Chief Operating Officer,
Stockmann division 2019–

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 2019.

Up-to-date information of the
Management Team is available on
Stockmann's website
stockmanngroup.com.



REMUNERATION STATEMENT 2019

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 2019 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 2019 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 21 March 2019. 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 2019 financial year the Board members were paid a total of EUR 309 400 (2018: 30 600) in cash and 66 416 (2018: 36 586) of the company's Series B shares. The value of shares was EUR 148 000 (2018: 148 000) on the dates of share purchases. The total value of the remuneration was EUR 457 400 (2018: EUR 448 600).

The shareholders' Nomination Board proposes to the Annual General Meeting on 18 March 2020 that the Board remuneration will remain unchanged.



REMUNERATION OF THE BOARD OF DIRECTORS IN 2019, EURO

	Fixed annual fees	Attendance fees	Committee attendance fees	Remuneration total	Paid in cash	Value of shares paid
Kaj-Gustaf Bergh*		600		600	600	
Stefan Björkman**	40 000	7 800		47 800	31 800	16 000
Eva Hamilton	40 000	7 800		47 800	31 800	16 000
Jukka Hienonen*		1 100		1 100	1 100	
Esa Lager	40 000	8 400	6 600	55 000	39 000	16 000
Leena Niemistö, Vice Chairman	50 000	8 400		58 400	38 400	20 000
Lauri Ratia, Chairman**	80 000	14 300		94 300	62 300	32 000
Michael Rosenlew*		600	800	1 400	1 400	
Tracy Stone	40 000	7 200		47 200	31 200	16 000
Peter Therman**	40 000	7 800	4 000	51 800	35 800	16 000
Dag Wallgren	40 000	7 200	4 800	52 000	36 000	16 000
Board members, total	370 000	71 200	16 200	457 400	309 400	148 000

* Board member until the Annual General Meeting.

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

REMUNERATION OF THE BOARD OF DIRECTORS IN 2019, SHARES

PARTICIPATION IN BOARD AND COMMITTEE MEETINGS IN 2019

	Shares	Value, EUR	Board	Compensation Committee	Audit Committee
Kaj-Gustaf Bergh			1/1		
Stefan Björkman	7 180	16 000	11/12	3/3	
Eva Hamilton	7 180	16 000	12/13		
Jukka Hienonen			1/1		
Esa Lager	7 180	16 000	13/13		6/6
Leena Niemistö, Vice Chairman	8 975	20 000	12/13	3/3	
Lauri Ratia, Chairman	14 361	32 000	12/12	3/3	
Michael Rosenlew*			1/1		1/1
Tracy Stone	7 180	16 000	12/13		
Peter Therman	7 180	16 000	12/12		5/5
Dag Wallgren	7 180	16 000	13/13		6/6
Board members, total	66 416	148 000	Meetings, total	13	3
				3	6



FINANCIAL BENEFITS PERTAINING TO THE POST OF CEO

Jari Latvanen has been Stockmann plc's CEO since 19 August 2019.

Lauri Veijalainen, who was the company's CEO since September 2016, left his position on 31 March 2019. Chairman of the Board Lauri Ratia acted as Executive Chairman until 18 August 2019, after which Jari Latvanen started as the company's new CEO.

The CEO Lauri Veijalainen had a fixed salary with fringe benefits and a performance pay tied to the Group's financial and other objectives related to the implementation of the strategy. The performance pay could not amount to more than 60% of the fixed basic salary. The CEO was not given shares or share options as part of remuneration.

In 2019, CEO Lauri Veijalainen was paid a fixed salary of EUR 388 700 (2018: 487 894). The fixed salary consist of EUR 379 100 in cash and EUR 9 600 in fringe benefits. In addition, he was paid a performance pay of EUR 265 272 from short-term and long-term targets.

During the period 1 April – 18 August 2019, Executive Chairman Lauri Ratia was paid a fixed salary of EUR 47 516.

The remuneration of the CEO Jari Latvanen 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% of the fixed base salary.

In 2019, CEO Jari Latvanen was paid a fixed salary of EUR 161 329. The fixed salary consist of EUR 157 078 in cash and EUR 4 251 in fringe benefits. 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.

FINANCIAL BENEFITS PERTAINING TO OTHER MANAGEMENT TEAM MEMBERS

For members of the Group's Management Team other than the CEO, a total of EUR 1 521 853 was paid in fixed salaries in 2019 (2018: EUR 1 987 477). The fixed salary consists of EUR 1 477 595 in cash and EUR 44 258 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% of the fixed base salary. Due to the performance in 2018, performance pay of EUR 239 096 was paid in 2019 (2018: EUR 132 952).

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 had an earnings related pension insurance taken by the company as of the end of 2019. The costs of the insurances in 2019 amounted to EUR 85 972 (2018: 56 556).

The notice period for the Management Team members are mostly 6 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

	2019	2018
Jari Latvanen		
Fixed salary in cash	157 078	
Performance pay	0	
Fringe benefits	4 251	
Total	161 329	
Lauri Ratia (Executive Chairman 1 March – 18 August 2019)		
Fixed salary in cash	47 516	
Performance pay	0	
Fringe benefits	0	
Total	47 516	
Lauri Veijalainen (CEO until 31 March 2019)		
Fixed salary in cash	379 100	474 888
Performance pay	265 272	68 384
Fringe benefits	9 600	13 006
Total	653 972	556 278
Other Management Team members*		
Fixed salary in cash	1 477 595	1 917 139
Performance pay	239 096	132 952
Fringe benefits	44 258	70 338
Total	1 760 949	2 120 429
Voluntary pension contributions	85 972	56 556

* Includes Management Team members as of 31 December 2019 and members who left the company during 2019.