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## Remuneration Statement 2017

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This Remuneration Statement ('Statement') has been prepared in accordance with the Finnish Corporate Governance Code, issued by the Securities Market Association in 2015 and available at [www.cgfinland.fi](http://www.cgfinland.fi). The Statement has been reviewed by Sanoma's Human Resources (HR) Committee. This Statement is presented as a separate report from the Board of Directors' Report and from the Corporate Governance Statement. The Statement describes the decision-making procedures and main principles of remuneration at Sanoma.

➕ Annual Remuneration Report for 2017 is presented in the Note 33 of the Financial Statements.

## Decision-making procedures concerning remuneration

### Board of Directors

Sanoma's Annual General Meeting (AGM) determines the remuneration of the members of the Board of Directors (Board) and Board committees. The HR Committee prepares the proposal on the Board members' remuneration to the AGM.

### The President and CEO

The remuneration and fringe benefits (total salary), short term incentives and pension benefits of the President and CEO and members of the Executive Management Group (EMG) as well as long-term incentives granted for Sanoma's senior executives are prepared by the HR Committee and approved by the Board.

The President and CEO and EMG members do not receive separate remuneration for their management group membership or other internal management positions, such as Board memberships in the Group companies.

### Authorisations related to remuneration

The AGM held on 21 March 2017 authorised the Board to decide on the repurchase of maximum of 16,000,000 Company's own shares. The authorisation is effective until 30 June 2018 and terminated the corresponding authorisation granted by the AGM on 12 April 2016.

The shares shall be repurchased with funds from the Company's unrestricted shareholders' equity, and the repurchases shall reduce funds available for distribution of profits. The shares shall be repurchased either through a tender offer made to all shareholders on equal terms or in other proportion than that of the current shareholders at the market price of the repurchase moment on the Nasdaq Helsinki Ltd. The shares shall be repurchased to develop the Company's capital structure, to carry out and finance potential corporate acquisitions or other business arrangements, be used as a part of the Company's incentive programme or to be conveyed further for other purposes, retained as treasury shares, or cancelled.

## Main principles of remuneration

### Board of Directors

The AGM 2017 resolved to continue to pay the following monthly remuneration to members of the Board:

- EUR 8,500 to Chairman
- EUR 6,500 to Vice Chairman and
- EUR 5,500 to members.

The meeting fees are:

- For Board members who reside outside Finland:  
EUR 1,000 / Board meeting where the member was present;
- For the Chairmen of Board's Committees:  
EUR 2,000 / Committee meeting participated;
- For Committee members who reside outside Finland:  
EUR 2,000 / Committee meeting where the member was present and EUR 1,000 / Committee meeting participated; and
- For Committee members who reside in Finland:  
EUR 1,000 / Committee meeting participated.

The President and CEO or a person serving the company under a full time employment or service agreement receives no fee for Board membership. Upon resignation of the President and CEO Susan Duinhoven from the Board at the AGM 2017 there are no such persons.

### The President and CEO and members of the EMG

The remuneration of the President and CEO and members of the EMG consists of the total salary, short term incentives, performance shares, restricted shares and pension benefits. The Board aims to have a substantial part of the total remuneration dependent on the performance of the company.

In the short-term incentive (STI) plan, the key principles are that the financial and non-financial targets are tailored to each executive's areas of influence. The STI is at maximum 150% of the reward at the target level value and the payment is subject to reaching threshold Group EBIT.

In the Performance Share Plans (a long-term incentive, LTI), the performance is measured based on the criteria set by the Board for each plan. The LTI is at maximum 150% of the reward on target level. The plan is based on a one year performance followed by two-year vesting period and share delivery is conditional upon continued employment until the moment of transferring shares or a good leaver ground.

The HR committee commissions regular benchmarks of the remuneration of the Board and the EMG against its Finnish and European peers.

### SHORT-TERM INCENTIVE PLANS

The short-term incentives are determined on the basis of achieving financial and non-financial objectives set annually. The weighting of the objectives and the maximum amount of the incentives vary according to the position of the person in question. Short-term incentives are paid in April following the year of determination.

The criteria in the short-term incentive plan in 2017 were based on achieving financial targets of operational EBIT, free cash flow, net sales as well as Sanoma's employee satisfaction objective.

In 2018 the short-term incentive for the President and CEO is 66.7% of her salary at target level and 100% at maximum level. For other EMG members, the short-term incentive varies from 40% to 50% of salary at target level and from 60% to 75% at maximum level. The criteria in the short-term incentive plan for 2018 are based on achieving financial targets of operational EBIT (earnings before interest and taxes), free cash flow and net sales as well as Sanoma's employee satisfaction objective.

### LONG-TERM INCENTIVE PLANS

The share-based incentive plans introduced at Sanoma offer the Group's management an opportunity to receive Sanoma shares after a vesting period of two to three years, provided that the conditions set for receiving the shares are met.

Shares in the Restricted Share Plans are delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered. In addition to the continuous employment condition, vesting of the Performance Shares is subject to meeting (partially or fully) the Group's performance targets set by the Board for annually commencing new plans.

#### Performance Share Plan

Sanoma has adopted a Performance Share Plan in 2013. The Performance Share Plan is targeted to the President and CEO, EMG members and other key managers of the Group. The conditions and the issuance of the Performance Shares are decided by the Board in accordance with the HR Committee's proposal. In general, Performance

Shares vest over a three year period. Vesting is subject to meeting of the Group's performance targets set by the Board for annually commencing new plans.

In the Performance Share Plans, the number of granted shares is expressed as a gross number of shares at target level. Number of shares at target level is earned in case the performance measures are reached at target level. In addition to target level, minimum and maximum levels are set for the performance measures. In case the minimum level of the performance measures is not reached, no share reward will be earned nor paid based on the Performance Share Plan. Should the minimum level of the performance measures be reached, the earned share reward is 25% of the number of shares at target level. Should the maximum level of the performance measures be reached, the earned share reward is 150% of the number of shares at target level. The scale is linear between minimum and target level, and target and maximum level.

Sanoma has launched five Performance Share Plans (PSP) during years 2013–2017. In PSP 2013–2015 and 2015–2017 the minimum levels of the performance measures were not reached.

The performance measures for the Performance Share Plan 2014–2016 were based on the earnings per share (EPS), excluding items affecting comparability, and the development of digital and other new media sales in 2014. In the Performance Share Plan 2014–2016, 95.5% of the target level was reached and the shares were delivered in March 2017.

The performance measures for the Performance Share Plan 2016–2018 were adjusted free cash flow and operational EPS in 2016. In the Performance Share Plan 2016–2018, the performance measures were reached at the maximum level i.e. 150% of the number of shares at target level will be delivered in spring 2019 subject to meeting the continuous employment or good leaver ground condition.

The performance measures for the Performance Share Plan 2017–2019 were adjusted free cash flow and operational EPS in 2017. In the Performance Share Plan 2017–2019, the performance measures were reached at the maximum level i.e. 150% of the number of shares at target level will be delivered in spring 2020 subject to meeting the continuous employment or good leaver ground condition.

The sixth Performance Share Plan was launched in the beginning of 2018. The performance measures for the Performance Share Plan 2018–2020 are adjusted free cash flow and operational EPS in 2018.

[+ Information on granted and earned shares by the President and CEO and the EMG members are presented in Note 33 of the Financial Statements 2017.](#)

#### Restricted Share Plan

Sanoma has adopted a Restricted Share Plan in 2014. The Restricted Share Plan is targeted to the President and CEO, EMG members and other key managers of the Group. The conditions and the issuance of the Restricted Shares are decided by the Board in accordance with the HR Committee's proposal. In general, Restricted Shares vest over two and three year periods after which the allocated shares will be delivered to the participants, provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered.

The first plan commenced at the beginning of 2014 and the shares based on the first plan were delivered in March 2016. The second plan commenced at the beginning of 2015, and 50% of the shares based on it were delivered in March 2017, whereas 50% will be delivered in 2018. The third plan commenced at the beginning of 2016, and 50% of the shares based on it will be delivered in 2018 and 50% in 2019. The fourth plan commenced at the beginning of 2017 and the shares based on it will be delivered in 2019.

+ Information on shares granted to the President and CEO and the EMG members are presented in Note 33 of the Financial Statements 2017.

### Share ownership requirement

Shares conditionally granted to the President and CEO and EMG members under the Performance Share Plans and Restricted Share Plans are subject to share ownership requirement that is determined by the Board in accordance with the HR Committee's proposal. Until the required shareholding is achieved, the President and CEO and EMG members are required to hold, and not to sell, at least 50% of shares received.

+ Information on shares held by the President and CEO and other EMG members is presented in Note 33 of the Financial Statements 2017.

### STOCK OPTION SCHEMES

Sanoma's 2011 stock option scheme ceased on 30 November 2017. The 2011 stock options had entitled to subscriptions of a total of 798,400 company's new shares. A total of 753,570 company's new shares were subscribed for under the 2011 stock options. 2011 stock options that were not exercised by the end of the subscription period are no longer valid. The 2011 stock option scheme was targeted for the EMG members and other senior executives of the Group.

No new option grants have been given since the launch of the 2011 stock option scheme.

### THE NOTICE PERIOD AND SEVERANCE PACKAGE OF THE PRESIDENT AND CEO

The President and CEO's period of notice is six months both from the CEO's and from the Company's part. If the executive contract is terminated by the company, a severance payment equalling to 12 months' salary in addition to the salary for the notice period will be paid to the President and CEO. The severance pay is accompanied by a fixed-term non-competition clause.

### PENSION BENEFITS FOR THE PRESIDENT AND CEO AND EMG MEMBERS

Sanoma has different local pension arrangements to cover the pension security of its personnel. The additional pension benefits of the President and CEO and other EMG members are currently based on defined contribution. Contracts made prior to 2009 are based on defined benefit. The President and CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her base salary.

The President and CEO's and the EMG members' retirement age is the usual retirement age of their home country. The pensions of the EMG members whose additional pension benefits are based on a defined benefit plan, amount to approx. 60% of their pensionable salary applicable in their home country together with the statutory pension cover.

## Remuneration in 2017

The President and CEO Susan Duinhoven started in her position as of 1 October 2015. In 2017, Susan Duinhoven was paid a total salary of EUR 583,257 (2016: 581,486 and EUR 22,000 for the period as a Board member), including a housing benefit and a health insurance benefit. In addition, she was paid EUR 538,884 (2016: -) based on the 2016 short-term incentive plan.

In addition to the salary and payment based on the short-term incentive plan paid in 2017, Susan Duinhoven earned a short-term incentive representing 135% of the target level incentive (EUR 486,000), to be paid in April 2018.

On the basis of the Performance Share Plan 2016–2018 Susan Duinhoven earned during 2016 a share reward at the maximum level (= 150% of the on-target reward), totalling 225,000 gross shares. The net shares based on the Performance Share Plan 2016–2018 will be transferred to her in spring 2019 provided that the pre-set conditions are met. On the basis of the Performance Share Plan 2017–2019 Susan Duinhoven earned a share reward at the maximum level (= 150% of the on-target reward), totalling 225,000 gross shares. The net shares based on the Performance Share Plan 2017–2019 will be transferred to her in spring 2020 provided that the pre-set conditions are met. The gross shares will be reduced by a number of shares equalling the taxes arising from the receipt of shares.

Total remuneration paid to other EMG members in 2017 totalled EUR 4.3 million (2016: 2.4), of which 42% (2016: 10%) was paid based on the variable short-term and long-term incentive plans.

+ Information on remuneration of the President and CEO and the EMG members is available in Note 33 of the Financial Statements 2017. More detailed information on Related party transactions is provided in Note 32.