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**Remuneration Statement**

**2018**

# Remuneration Statement

This Remuneration Statement (Statement) has been prepared in accordance with the Finnish Corporate Governance Code, issued by the Securities Market Association in 2015 (available at [cgfinland.fi](http://cgfinland.fi)).

The Statement has been reviewed by Sanoma's Human Resources (HR) Committee. It 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.

Comprehensive report on remuneration paid to the members of the Board, the President and CEO, and members of the Executive Management Team during 2018 is available in Note 30 of the Financial Statements 2018.

## Decision-making procedure concerning remuneration

### Remuneration of the Board

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

### Remuneration of the CEO and the other executives

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

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

### Board's authorisations related to remuneration

The AGM held on 22 March 2018 authorised the Board of Directors to decide on the repurchase a maximum of 16,000,000 of the Company's own shares (approx. 9.8% of all shares of the Company) in one or several instalments. Own 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 authorisation will be valid until 30 June 2019 and it terminates the corresponding authorisation granted by the AGM 2017.

The AGM held on 12 April 2016 authorised the Board of Directors to decide on an issuance of a maximum of 50,000,000 new shares and a transfer of a maximum of 5,000,000 treasury shares. The authorisation will be valid until 30 June 2019. In a directed share issue, a maximum of 41,000,000 shares can be issued or transferred.

Sanoma repurchased own shares from 22 August until 12 October 2018. During that time, Sanoma acquired a total of 900,000 own shares, for an average price of EUR 8.57 per share. The shares were acquired in public trading on Nasdaq Helsinki Ltd. at the market price prevailing at the time of purchase. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 to be used as part of the Company's incentive programme.

## Main principles of remuneration

### Remuneration of the Board

The AGM 2018 resolved that the monthly remuneration to the members of the Board of Directors remained as before:

- 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 members receive no other financial benefits, e.g. shares or share-based rights for their work on the Board.

## Remuneration of the CEO and members of the EMT

The remuneration of the CEO and members of the EMT consists of the total salary, short term incentives, performance shares, restricted shares and pension benefits. When determining the annual remuneration of the CEO and members of the EMT, the Board's aim is that a substantial part of the total remuneration is dependent on the performance of the company.

The HR committee commissions regular benchmarks of the remuneration of the Board and the EMT 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 targets set annually. The weighting of the targets and the maximum amount of the incentives vary according to the position of the person in question. The short-term incentive is at maximum 150% of the reward at the target level value and the payment is subject to reaching the threshold Group operational EBIT. Short-term incentives are paid in April following the year of determination.

The criteria in the short-term incentive plan in 2018 were based on achieving targets related to operational EBIT, free cash flow, net sales and Sanoma's employee engagement.

In 2018, the short-term incentive for the CEO was 66.7% of her salary at the target level and 100% at the maximum level. For other members of the EMT, the short-term incentive varied from 40% to 50% of the salary at the target level, and from 60% to 75% at the maximum level.

### Long-term incentive plans

Sanoma's long-term remuneration is built on share-based incentive plans, Performance Share Plans (PSP) and Restricted Share Plans (RSP), which offer the Group's management an opportunity to receive Sanoma shares as long-term incentives. The purpose of the share-based incentives is to encourage the

executives and the selected key employees to work on a long-term basis to increase shareholder value and to commit to the company. The shares are paid after a vesting period of two to three years, provided that the conditions set for receiving the shares are met.

In the PSPs, the performance is measured based on the criteria set by the Board for annually commencing new plans. The incentive is at maximum 150% of the reward on the target level. The plan is based on a one year performance followed by a 2-year vesting period, and the share delivery is conditional upon continued employment until the moment of transferring shares, or a good leaver ground.

Shares in the RSPs are usually delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan until the shares are delivered.

More information on shares granted as part of the PSP and RSP is presented in Note 20 of the Financial Statements 2018. Information on management's shareholding in Sanoma is presented in Note 30.

### PERFORMANCE SHARE PLAN

The Board approved on 7 February 2013 a share-based long-term incentive programme (Performance Share Plan, PSP) to be offered to executives and managers of Sanoma Corporation and its subsidiaries.

Each new plan introduced under the PSP is based on a one year performance period, followed by a 2-year vesting period. The vesting is subject to meeting the Group's performance targets set by the Board for the annually commencing new plans. The share delivery is also conditional upon continued employment until the moment of transferring the shares or a good leaver ground. The possible reward is paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to the performance shares.

PSP 2019–2021 was introduced on 5 February 2019. The performance measures for the plan are based on performance targets for the adjusted free cash flow and operational earnings per share in 2019. The share rewards payable, subject to the achievement of the performance measures, will be delivered to the participants in the spring 2022, and are subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2018–2020 was introduced on 8 February 2018. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2018. The performance measures were reached at close to maximum level i.e. 141% of the number of shares at target level will be delivered to the participants in the spring 2021 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2017–2019 was introduced on 7 February 2017. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2017. The performance measures were reached at the maximum level i.e. 150% of the shares at target level will be delivered to the participants in the spring 2020 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

PSP 2016–2018 was introduced on 9 February 2016. The performance measures for the plan were based on performance targets for the adjusted free cash flow and operational earnings per share in 2016. The performance measures were reached at the maximum level i.e. 150% of the shares at target level will be delivered to the participants in the spring 2019 subject to meeting the continuous employment or good leaver ground conditions at the time of the payment.

Shares conditionally granted to the CEO and members of the EMT under the PSP 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 CEO and the members of the EMT are required to hold, and not to sell, at least 50% of performance shares received.

Performance measures for the performance periods are described in more detail in Note 20 of the Financial Statements 2018.

#### RESTRICTED SHARE PLAN

Sanoma has adopted a Restricted Share Plan (RSP) in 2014 to be offered to executives and managers of Sanoma Corporation and its subsidiaries. The conditions and the issuance of the restricted shares are decided on by the Board in accordance with the HR Committee's proposal.

The Board approved on 5 February 2019 the establishment of RSP 2019–2021. The shares vest over a 3-year period of 2019–2021 and will be delivered in 2022 subject to meeting the service condition.

RSP 2016–2018 was introduced on 9 February 2016. The plan is divided in two vesting periods. 50% of the restricted shares vested over a 2-year period of 2016–2017 and were delivered in 2018. 50% of the restricted shares vest over a 3-year period of 2016–2018 and will be delivered in 2019 subject to meeting the service condition.

RSP 2017–2018 was introduced on 7 February 2017. Restricted shares vest over a 2-year period of 2017–2018 and will be delivered in 2019.

The possible rewards under the RSPs are paid as a combination of shares and cash. The cash component is dedicated to cover the taxes and tax-related costs related to restricted shares.

Shares conditionally granted to the CEO and members of the EMT under the RSP 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 CEO and members of the EMT are required to hold, and not sell, at least 50% of performance shares received.

#### Other information related to the CEO and the members of the EMT

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

Sanoma has different local pension arrangements to cover the pension security of its personnel. The additional pension benefits of the CEO and other members of the EMT are based on defined contribution. As part of her total remuneration, the CEO is entitled to an additional pension benefit contribution, which amounts to 15% of her annual base salary.

The CEO's and the EMT members' retirement age is the usual retirement age of their home country.

## Remuneration paid in 2018

In 2018, the CEO Susan Duinhoven was paid a total salary of EUR 585,053 (2017: 583,257), including a housing benefit and a health insurance benefit. Based on the 2017 short-term incentive plan, she was paid a short-term incentive of EUR 486,000 (2017: 538,884), representing 135% of the target level incentive.

Total remuneration paid to other members of the EMT in 2018 amounted to EUR 2 million (2017: 4), of which 35% (2017: 42%) was paid based on the variable short-term and long-term incentive plans.

Share-based remuneration earned by the CEO Susan Duinhoven since she started in her position in October 2015 is summarised in the table below.

#### SHARE-BASED REMUNERATION OF THE CEO SUSAN DUINHOVEN

| Plan                       | Granted | Achieved reward level | Gross shares earned | Delivery time |
|----------------------------|---------|-----------------------|---------------------|---------------|
| PSP 2016–2018              | 2016    | Max = 150%            | 225,000             | Spring 2019   |
| PSP 2017–2019              | 2017    | Max = 150%            | 225,000             | Spring 2020   |
| PSP 2018–2020              | 2018    | 141%                  | 211,200             | Spring 2021   |
| RSP 2017–2018 <sup>1</sup> | 2017    |                       | 50,000              | Spring 2019   |

<sup>1</sup> Granted as a compensation for lower pension payments than contractually agreed due to changes in regulation

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