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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 www.cgfinland.fi). In accordance to the Finnish Corporate Governance Code 2020, Sanoma has published a Remuneration Policy (available at sanoma.com/investors), which is presented to the Annual General Meeting (AGM) 2020. A Remuneration Report in accordance to the 2020 Code will be published for the first time in spring 2021 for the reporting year 2020 and presented to the AMG 2021.

This 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 the remuneration of members of the Board of Directors (Board), the President and CEO (CEO), and members of the Executive Management Team (EMT) at Sanoma as applicable for remuneration in 2019. Remuneration principles applicable for 2020 are described in the Remuneration Policy.

Comprehensive report on remuneration paid to the members of the Board, the CEO, and members of the EMT during 2019 is available in Note 30 of the Financial Statements 2019.

Decision-making procedure concerning remuneration

Key roles of Sanoma's administrative bodies in remuneration decision-making are summarised in the following table.

BODY	ROLE
AGM	<ul style="list-style-type: none">■ Determines the remuneration of the Board■ The Remuneration Policy is presented to the AGM at least every four years■ Reviews the annual Remuneration Report (from 2021 AGM onwards)■ Authorises the Board to decide on the repurchase of the Company's own shares, which may be used as part of the Company's incentive program
Board	<ul style="list-style-type: none">■ Approves remuneration of the CEO and EMT members■ Approves the long-term share-based incentives granted for the CEO, EMT members and senior executives■ Approves the Remuneration Policy to be presented to the AGM■ Approves minor amendments and temporary deviations to the Remuneration Policy under predefined circumstances■ Decides on the repurchase of the Company's own shares on the basis of the authorisation given by the AGM■ Approves the annual Remuneration Statement / Report
HR Committee	<ul style="list-style-type: none">■ Supports the largest shareholders in preparing the proposal of the Board remuneration to the AGM■ Prepares the Remuneration Policy for the Board approval■ Reviews the annual Remuneration Statement / Report■ Prepares the remuneration of the CEO and EMT members for the Board approval■ Prepares the long-term incentives granted for the CEO, EMT members and senior executives for the Board approval

Remuneration of the Board of Directors

The AGM determines the remuneration of the members of the Board and Board committees. The proposal for the Board members' remuneration is prepared by Sanoma's largest shareholders supported by the HR Committee.

Remuneration of the CEO and members of the EMT

The remuneration and fringe benefits (total salary), short term incentives and pension benefits of the CEO and members of the EMT as well as long-term incentives granted for the CEO, members of the EMT and senior executives of Sanoma 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 27 March 2019 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 2020 and it terminated the corresponding authorisation granted by the AGM 2018. 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.

Sanoma did not repurchase any own shares in 2019. In 2018, Sanoma repurchased a total of 900,000 own shares for an ave-

rage price of EUR 8.57 per share. The repurchased shares were acquired on the basis of the authorisation given by the Annual General Meeting on 22 March 2018 and are used as part of the Company's incentive programme. As of 31 December 2019, the Company held 549,140 (2018: 1,061,293) own shares.

Main principles of remuneration

Remuneration of the Board

The AGM 2019 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 received by the Board members in 2019 is presented in Note 30 in the Financial Statements 2019.

Remuneration of the CEO and members of the EMT

The remuneration of the CEO and members of the EMT consists of 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 excl. PPA. Short-term incentives are paid in April following the year of determination.

In 2019, the criteria in the short-term incentive plan were, depending on the position and business unit, based on achieving targets related to operational EBIT excl. PPA, free cash flow and/or Sanoma's employee engagement.

In 2019, 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. The levels remained unchanged compared to 2018.

Long-term incentive plans

Sanoma's long-term remuneration is built on share-based incentive plans, Performance Share Plans and Restricted Share Plans, 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. The Board decides annually on issuance, conditions and performance criteria of new plans based on the HR Committee's proposal.

PERFORMANCE SHARE PLANS

A Performance Share Plan, PSP, was adopted in 2013. The individual plans created under the PSP are subject to meeting the Group's performance targets set by the Board for annually commencing new plans. At maximum, the incentive can be 150% of the reward on the target level. The plans are 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.

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.

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. Shareholding of members of the EMT is presented in Note 30 in the Financial Statements 2019.

The following table summarises the key attributes of the ongoing Performance Plans on 31 December 2019.

PERFORMANCE SHARE PLANS (PSP)	2020–2022	2019–2021	2018–2020	2017–2019
Date granted	7 Feb 2020	5 Feb 2019	8 Feb 2018	7 Feb 2017
Number of participants on 31 December 2019	194 ¹	188	193	185
Earnings criteria	Adjusted free cash flow and operational earnings per share in 2020	Adjusted free cash flow and operational earnings per share in 2019	Adjusted free cash flow and operational earnings per share in 2018	Adjusted free cash flow and operational earnings per share in 2017
Extent to which criteria were achieved	-	144.5%	141%	Max = 150%
Maximum number of gross shares (taxes included) payable	525,000 ²	598,034	486,577	665,076
Share delivery year	2023	2022	2021	2020

¹ Number of participants on 7 February 2020

² The maximum number of gross shares (taxes included) payable if the set earning criteria are achieved in full

RESTRICTED SHARE PLANS

A Restricted Share Plan (RSP) to be offered to executives and managers of Sanoma was adopted in 2014. After a vesting period, shares in the RSPs are usually delivered to the participants provided that their employment with Sanoma continues uninterrupted throughout the duration of the plan and until the shares are delivered. 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 shares received.

RSP 2020–2022 was introduced on 7 February 2020. The shares vest over a 3-year period of 2020–2022 and will be delivered in 2023 subject to meeting the employment condition.

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

RSP 2017–2018 was introduced on 7 February 2017. The restricted shares vested over a 2-year period of 2017–2018 and were delivered to the participants in March 2019.

More information on shares granted as part of the PSP and RSP is presented in Note 20 of the Financial Statements 2019.

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 2019

The remuneration paid in 2019 to CEO Susan Duinhoven and other EMT members is reported in the following table. Compared to the previous year, remuneration paid to the CEO in 2019 increased due to long-term share incentives received as a result of good financial performance of the Group in 2016.

	CEO Susan Duinhoven		Other EMT members	
	2019	2018	2019	2018
Annual fixed base salary and fringe benefits ¹ , EUR	585,661	585,053	1,785,788	1,313,020
Short-term				
Remuneration based on the previous year performance, EUR	448,920	486,000	714,124	409,584
Long-term incentives				
Number of shares (net) delivered as a reward	175,935	0	53,383	16,395
Value of the shares at the time of delivery, EUR	1,548,351	0	469,808	159,704
Amount of income taxes and tax-like charges, EUR arising based on the shares delivered	871,842	0	542,273	144,703
Total value of the received LTI reward, EUR	2,420,193	0	1,012,081	304,407
Total paid remuneration, EUR	3,454,774	1,071,053	3,511,993	2,027,011

¹ Includes compensation relating to the commencement of employment and other special one-time compensation

Total share-based remuneration earned by the CEO Susan Duinhoven since she started in her position in October 2015 is summarised in the following table. From 2020 onwards, the number of earned gross shares on-target level for the CEO Susan Duinhoven will be 100,000 (previously 150,000) and she will under all circumstances be treated on a good leaver ground, all other conditions remaining unchanged. The final number of shares earned will be based on the fulfilment of the earnings criteria decided annually by the Board.

Plan	Granted	Achieved reward level	Gross shares earned	Net shares paid	Delivery time
PSP 2016–2018	2016	Max = 150%	225,000	143,947	Spring 2019
PSP 2017–2019	2017	Max = 150%	225,000		Spring 2020
PSP 2018–2020	2018	141%	211,200		Spring 2021
PSP 2019–2021	2019	144.5%	216,810		Spring 2022
PSP 2020–2022	2020	to be defined in spring 2021 based on 2020 performance	100,000 at target level		Spring 2023
RSP 2017–2018¹	2017		50,000	31,988	Spring 2019

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

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