

SOK

REMUNERATION REPORT 2020

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1 Remuneration policy for corporate bodies

1.1 Introduction

The remuneration policy referred to in the Corporate Governance Code is a mandatory legal obligation for listed companies. As a result, this SOK remuneration policy is not fully compliant with the remuneration reporting required of listed companies by the Securities Market Act and the Ministry of Social Affairs and Finance Decree on the remuneration policy of and remuneration report by the organisation issuing shares. However, SOK has tried to prepare it where possible, taking into account its rules and procedures including decision-making processes concerning remuneration.

Fair, competitive and responsible rewarding strengthens the management's, management members', as well as personnel's commitment to the company, which also strengthens the continuity of business and the company's long-term success.

1.2 Decision-making process for remuneration

SOK's Supervisory Board has set up a permanent Compensation Committee, whose task is to assess and develop the remuneration systems and principles for the entire S Group's senior management and to issue related recommendations on remuneration.

In accordance with the recommendations of the Compensation Committee of SOK's Supervisory Board, the remuneration of SOK's senior management should always be based on the requirement evaluation of their tasks. SOK and the wider S Group systematically monitor the level of management's overall remuneration to make it as encouraging and competitive as possible in comparison with other Finnish companies.

1.3 Description of remuneration for the Supervisory Board

The role of SOK's Supervisory Board is to represent the extensive grass-roots membership. SOK's Supervisory Board appoints SOK's CEO and the Executive Board and serves to safeguard the interests of SOK's members. Following the proposal of the Executive Board, the SOK Supervisory Board confirms all the key strategic policies of S Group and SOK Corporation, and therefore acts as the most central forum for defining the joint position of S Group.

Members of SOK's Supervisory Board are selected at the SOK Cooperative Meeting, which is SOK's highest decision-making body. The Supervisory Board has 12–25 members.

The Cooperative Meeting decides on the remuneration of the Supervisory Board annually, based on a recommendation prepared by the Compensation Committee. The chair of the Supervisory Board, who also acts as chair of the Compensation Committee, does not take part in the recommendation's preparation or handling. The Cooperative Meeting decides on the remuneration of the chair, vice chairs, and members of the Supervisory Board as well as of the auditors.

The chair of the Supervisory Board and the vice chair are entitled to a fixed monthly compensation for their positions. The vice chair's compensation is approximately half of the amount of the chair's compensation. All members of the Supervisory Board receive a meeting fee.

Members of SOK's Supervisory Board have the same personnel benefits as the approximately 40,000 S Group employees. The most significant personnel benefit is the 3–25 per cent purchasing benefit of S Group's services and products in Finland and neighbouring regions. The value of S Group's personnel benefits is based on the person's purchasing behaviour, and it cannot thus be reported on an individual basis. The benefits can be personal or for the employee's household, depending on the representative's regional cooperative's practices.

1.4 Description of remuneration for the Executive Board

According to SOK's Statutes, the SOK Executive Board consists of SOK's CEO and at least three but no more than eight other members. SOK's Executive Board represents the cooperative society and attends to its administration and the due arrangement of its operations within the framework of SOK Corporation and in compliance with the applicable legislation and rules.

SOK's Supervisory Board decides on the members of SOK's Executive Board and their remuneration. The CEO of SOK does not receive separate remuneration for working on the SOK Executive Board.

The Executive Board members receive a monetary compensation. The members of the Executive Board receive the purchasing benefits for S Group's personnel. Board members outside S Group are not covered by S Group's other remuneration or pension schemes.

As SOK is a cooperative enterprise, SOK's senior management are not rewarded under a performance share plan or option scheme.

1.5 Description of the remuneration for the CEO

The chair of the Supervisory Board is responsible, in cooperation with the vice chairs of the Supervisory Board, for determining the CEO's emoluments based on the grounds for remuneration determined by the Supervisory Board.

1.5.1 The remuneration parts and their relative parts

The CEO's remuneration consists of three parts:

- Fixed salary
- Variable pay components
- Additional pension.

The fixed salary includes monetary pay and fringe benefits. The fixed salary is based on the requirements of the position as well as competence and performance in the duties.

Variable pay components, or short- and long-term incentives (performance bonus), are an essential part of the CEO's remuneration. The variable pay component can be up to 50% in addition to fixed salary. The Supervisory Board's Committee of Presiding Officers is responsible for monitoring the implementation of the incentive schemes.

1.5.2 Determination criteria for the variable remuneration

The CEO's incentives are approved in the Committee of Presiding Officers, which is formed by the chair and vice chairs of the Supervisory Board. The Committee of Presiding Officers monitors the realisation of performance bonuses and incentives annually. The criteria include results, responsibility, process efficiency, customer

and personnel satisfaction, which contribute to the objective of S Group's operations. Remuneration indicators that help monitor the fulfilment of performance criteria have been set from the point of view of both SOK and the entire S Group.

The CEO's short-term remuneration is based on SOK Corporation's annual bonus system. The remuneration scheme is for a year and it does not contain a commitment period. The remuneration indicators are based on S Group's strategy. The maximum remuneration is three months' salary. The calculation is based on the monthly salary that is valid when the remuneration scheme ends. The remuneration will be paid no later than four months after the end of the evaluation period and provided that the employment relationship is valid at the time of payment.

The CEO's long-term remuneration is based on the SOK Supervisory Board's recommendation on the long-term remuneration for S Group's senior management. After the remuneration's three-year determination period, a three-year commitment period begins during which the remuneration is paid annually in three instalments. The remuneration indicators are based on S Group's strategy and they support the perspectives of profitability and growth. The maximum remuneration is equal to three months' salary per year. The calculation is based on the monthly salary that was valid on the last day of the year preceding the payment date.

1.5.3 Other key terms and conditions for the employment relationship

The CEO's retirement age is 63 years. The CEO has an additional defined-contribution pension plan. The accrued pension can be redeemed before retirement pension as of the age of 60, if the employment at S Group ends. The pension paid is based on insurance payments paid by the employer and the interest income accumulated for them.

The CEO's period of notice is six months. In the event that the end of the employment relationship is agreed, the CEO is entitled to severance pay equivalent to six months' salary. If the CEO resigns, they are entitled to six months' salary for the period of notice.

1.5.4 Terms and conditions concerning the postponement and recovery of remuneration

The CEO's remuneration has no terms and conditions for postponement or recovery.

1.5.5 Deputy CEO (substitute for the managing director)

The deputy CEO has the same (%) potential and criteria for determination for earning variable remuneration as the CEO. The deputy CEO also has an additional defined-contribution pension that is 20% of the total annual salary.

2 Remuneration report for corporate bodies

2.1 Introduction

The remuneration report referred to in the Corporate Governance Code is a mandatory legal obligation for listed companies. As a result, this SOK remuneration report is not fully compliant with the remuneration reporting required of listed companies by the Securities Market Act and the Ministry of Social Affairs and Finance Decree on the remuneration policy of and remuneration report by the organisation issuing shares. However, SOK has tried to prepare it where possible, taking into account its rules and procedures including decision-making processes concerning remuneration.

2.2 Average remuneration

Average remuneration	2016	2017	2018	2019	2020
Chair of the Executive Board (see CEO)	-	-	-	-	-
Other Executive Board members on average*	19,200	19,200	21,600	21,600/int. member 54,000/ext. member	21,600/int. member 53,750/ext. member

CEO	839,416	1,070,506	1,076,294	1,115,417	1,070,497
Average earnings of employees, SOK**	59,468	62,471	60,276	61,933	63,767

** As of 2019, SOK's Executive Board has been composed of members from outside S Group who receive a higher monthly compensation and meeting fees.*
***the average employee's earnings have been calculated from SOK's personnel expenses by reducing other indirect personnel costs from the total and dividing it with the average number of personnel during the year.*

Average remuneration	2016	2017	2018	2019	2020
Chair of the Supervisory Board	73,300	74,220	80,200	81,680	76,800
First vice chair of the Supervisory Board	44,540	29,340	45,160	44,100	44,400
Second vice chair of the Supervisory Board	33,500	37,340	38,720	26,780	41,520
Other members of the Supervisory Board on average	4,213	2,857	3,322	4,565	4,064
Average earnings of employees, SOK**	59,468	62,471	60,276	61,933	63,767

***the average employee's earnings have been calculated from SOK's personnel expenses by reducing other indirect personnel costs from the total and dividing it with the average number of personnel during the year.*

2.3 Supervisory Board's remuneration

In 2020, the monthly compensation for the chair of SOK's Supervisory Board was €4,200 per month, and €2,100 per month for the vice chair. The meeting fee for the Supervisory Board was €480. In 2020, a total of €226,260 was paid to the SOK Supervisory Board as monthly compensation and meeting fees. The fees were divided between the members as follows:

Members of the Supervisory Board in 2020	Annual fees (including meeting fees for the Supervisory Board and possible committees)
Matti Pikkarainen, Doctor of Theology, chair	76,800
Timo Santavuo, attorney, first vice chair	44,400
Tapio Kankaanpää, managing director, second vice chair	41,520
Jorma Bergholm, managing director	4,800
Pentti Hämäläinen, attorney	3,840
Henrik Karvonen, managing director	3,360
Sinikka Kelhä, attorney	4,320
Kimmo Koivisto, farmer	3,840
Martti Lokka, managing director	4,800
Leena Munter-Ollus, managing director	2,400
Anne Mäkelä, attorney	4,800
Antti Määttä, managing director	4,320
Hannu Pelkonen, managing director	3,840
Timo Rajala, Master of Laws (trained on the bench)	3,360
Mika Rantanen, M.Ed	3,840
Jarkko Rautaoja, MSc (Tech)	5,280
Kari Suninen, managing director	3,840
Elina Varamäki, vice principal	4,320
Kim Wrange, head lecturer	2,580

In addition to the monthly and meeting fees, the accommodation and travel expenses are compensated for SOK's Supervisory Board in accordance with SOK Corporation's travel policy.

2.3 Executive Board remuneration

In 2020, the Executive Board consisted of the chair and five managing directors of regional S Group cooperatives and two members outside S Group. The monthly fee for S Group employees in SOK's Executive Board was €1,800, and there was no separate meeting fee. The monthly fee for members outside S Group was €3,000 and the meeting fee was €500. In 2020, a total of €237,100 was paid to the SOK Executive Board as monthly compensation and meeting fees. The fees were divided between the members as follows:

Members of the Executive Board in 2020	Annual fees (incl. possible meeting and monthly fees)

Taavi Heikkilä, CEO of SOK, chair	-
Hannu Krook, managing director, vice chair	21,600
Kim Biskop, managing director, Osuuskauppa KPO cooperative	21,600
Juha Kivelä, managing director, Pohjois-Karjalan Osuuskauppa cooperative	21,600
Veli-Matti Liimatainen, managing director, HOK-Elanto	21,600
Kimmo Simberg, managing director, Etelä-Pohjanmaan Osuuskauppa cooperative	21,600
Olli Vormisto, managing director, Osuuskauppa Hämeenmaa cooperative	21,600
Nermin Hairedin, MSc (Econ), board professional	52,500
Rita Järventie-Thesleff, professor, Aalto University School of Business	55,000

2.4 CEO's remuneration

In 2020, Taavi Heikkilä was SOK's Chief Executive Officer. The remuneration paid to the CEO and their deputy are presented in the following table:

	Fixed annual salary (monetary pay and fringe benefits)	Variable remuneration parts (annual bonus)	Additional pension payments	Bonuses for the fixed annual salary	Other financial benefits (including holiday bonus, age-related day fee, signature fee or severance pay)
Taavi Heikkilä, CEO	768,000	294,817	321,149	38%	7,680
Deputy Arttu Laine	403,920	131,670	107,926	33%	4,539

3 Other information concerning remuneration

3.1 Information on the remuneration of the Supervisory Board

Remuneration is determined as presented in the remuneration policy. There are no upcoming major changes to remuneration.

3.2 Information on the remuneration of the Executive Board

Remuneration is determined as presented in the remuneration policy. There are no upcoming major changes to remuneration.

3.3 Information on the remuneration of the Corporate Management Team

The duties of SOK's Corporate Management Team include assisting the CEO in the management of SOK Corporation and S Group. The Management Team coordinates and prepares, among other things, key proposals to be made to the Executive Board. In addition, it discusses operational matters concerning all of SOK Corporation's areas of responsibility.

In 2020, SOK's Corporate Management Team had a total of six members in addition to Heikkilä, the CEO. On 31 December 2020, their areas of responsibility were:

Arttu Laine, EVP	Chain Management, Procurement and Logistics
Jari Annala, CFO	SOK's business operations
Susa Nikula, EVP	SOK Human Resources
Sebastian Nyström, EVP	SOK Strategy
Jorma Vehviläinen, EVP	SOK Finance and Administration
Veli-Pekka Ääri, EVP	SOK Customer Relations, Communications and Digital Services

SOK's Executive Board decides on the annual bonuses and incentives of SOK's Corporate Management Team on the proposal of SOK's CEO. The Executive Board monitors the realisation of performance bonuses and incentives annually. The criteria can be results, process efficiency, customer and personnel satisfaction, which contribute to the objective of the cooperative's operations. Remuneration indicators have been set from the perspectives of SOK and the entire S Group, taking into account the annual bonus and incentive system recommendations prepared by SOK's Compensation Committee and confirmed by SOK's Supervisory Board.

Like the CEO, the remuneration of other members of the Corporate Management Team consists of a fixed monetary pay, an annual bonus corresponding to a maximum of three months' salary and tied to short-term goals, an annual bonus corresponding to a

maximum of three months' salary and tied to long-term goals, fringe benefits and pension benefit.

In 2020, the members of the Corporate Management Team apart from the CEO received pay and remuneration as follows:

Fixed annual salary (monetary pay + fringe benefits*)	1,805,960
Variable pay components (annual bonus)	636,477
Additional pension payments	542,455
Amount of other taxable benefits (holiday pay and age-related allowance)	18,555
** (Amount of fringe benefits, included in the fixed annual salary, 48,916).*	

The Corporate Management Team's retirement age is 63 years in accordance with the executive contracts. Members of the Corporate Management Team have an additional defined-contribution pension plan with an investment of 20% of the annual earnings.

The period of notice for the members of the Management Team is six months. If the employment is terminated due to the employer, members of the Management Team are entitled to a severance pay equivalent to six months' salary.

