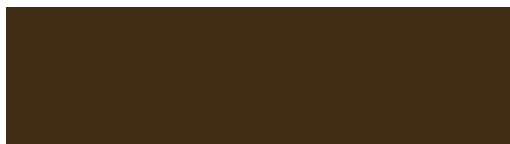




CSR
REPORT
2011





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Responsible business operations for the customer

The Stockmann Group has own personnel in 16 countries. The Group has more than 700 stores in 15 countries, extending from the Nordic countries and Russia as far as Saudi Arabia. Our extensive international operations require that we operate under the same rules in all market areas, while complying with local legislation.

To demonstrate Stockmann's commitment to responsible operations, we signed the United Nations Global Compact initiative in January 2011. The initiative's 10 principles concerning human rights, labour, the environment and anti-corruption are all in line with Stockmann's goals and values. We regard responsibility as part of our long-term operations and will continue to invest in it. The following is our report on corporate social responsibility in the Stockmann Group during 2011.

Strong growth in sales in 2011

Profitable growth is at the core of our strategy. The Stockmann Group's revenue grew strongly in 2011, surpassing two billion euros for the first time. A significant share of the growth came from the Russian market, where the new department store and shopping centre in St Petersburg, opened in 2010, served as an engine for growth. The Lindex fashion chain's revenue increased in all markets with the exception of Sweden, where sales remained at the previous year's level as the overall market for fashion declined. In Finland, particular success was achieved by the enlarged department store in the Helsinki city centre.

The growth in revenue did not cover the costs and depreciation caused by the major expansion, however, especially in the first quarter of 2011. The situation improved towards the end of the year, with fourth-quarter operating profit clearly topping that of the previous year. Full-year operating profit amounted to EUR 70.1 million, which was EUR 18.7 million lower than the previous year. Earnings per share were EUR 0.43. The company's earnings were also weakened by an increase in financial expenses. Profitability did not meet our target, and we are aiming for a considerable improvement in profitability in the long term. Success in profit generation will provide Stockmann with more leeway and its personnel with valued work and the opportunity to

develop themselves, while at the same time enabling the company to carry out its social and environmental responsibility.

Financial benefits for stakeholders

Stockmann's Board of Directors has targeted a dividend distribution of more than half of the earnings derived from the company's ordinary operations. In 2011, EUR 58.3 million, equivalent to EUR 0.82 per share, was paid to shareholders in dividends from the 2010 earnings, equivalent to EUR 1.10 per share. In spring 2012, the Annual General Meeting resolved to pay EUR 35.9 million in dividends, or EUR 0.50 per share, which was higher than the earnings per share in 2011.

Even though we did not achieve our financial targets for 2011, we generated economic value added for our various stakeholders, as we have done in previous years. We purchased goods, services and capital goods from our suppliers for over one billion euros in 2011. Our employees were paid over EUR 300 million in wages and salaries. Moreover, finance providers, municipalities and national governments have reaped economic benefit from our operations. We also support various charitable organisations, either directly or through campaigns directed at our customers; Lindex's Pink Ribbon campaign raised almost one million euros in donations to local cancer funds in 2011.

Our stakeholders value our operations. In the Corporate Reputation and Responsibility survey conducted by TNS Gallup in 2011, Stockmann was rated as the company with the best reputation in the retail sector in Finland. The survey evaluated such aspects as the public image, quality of products and services, trustworthiness, financial success and corporate social responsibility of companies. 52 companies from five different sectors participated in the survey, in which thousands of Finnish consumers were interviewed. The survey was conducted in its present form in Finland for the second year in a row.

CSR advances from strategy to practical application

In 2011, the Stockmann Group's responsibility activities focused on implementing the CSR strategy approved at the start of the year. All divisions have discussed the new strategy – from the management teams to the sales and customer service personnel.

During the year, we introduced new environmentally friendly products into



our selections, to be able to provide our customers with responsible shopping experiences. In order to guarantee responsible operating methods in our supply chains, we audited an increasing number of factories manufacturing products for the fashion chains and the department stores' own brands.

150 years for the customer

In February 2012, Stockmann celebrated its 150th anniversary, a worthy achievement. Through its responsible operations, the company has grown from a small store by Helsinki's Market Square into a grand department store and eventually into an international retail group. Taking the changing needs of customers into account and developing staff competence have always been key to the company's success. We have come a long way together with our partners. For many goods suppliers and service providers, we are a partner of many years, and for many shareholders, a long-term investment.

The ongoing anniversary year highlights Stockmann's long-term operations for the benefit of its customers and employees, and society at large. Responsible operations that value customers and exceed their expectations are as important today as they were 150 years ago.

Helsinki, 10 April 2012

Hannu Penttilä
Chief Executive Officer

For a more sustainable future

- **Stockmann Group joined the United Nations Global Compact in January 2011**
- **The CSR strategy was approved by the Group Management Committee and its implementation began**
- **CSR reporting was further developed in line with GRI guidelines**

Responsibility forms an important part of the Stockmann Group's operations and is one of the company's core values. The corporate social responsibility strategy supports the goals of business operations and promotes efficiency. We are committed to working for a more sustainable future. Responsibility is part of every employee's day-to-day work and decision-making.

The Stockmann Group's CSR strategy, which was approved in January 2011, and the 10 principles of the UN Global Compact form the basis for Stockmann's corporate social responsibility work. The Group began implementing its new strategy in 2011. In order to achieve the strategy's goals, the Group prepared action plans for its different functions and together with its personnel dealt with practical means for increasing responsible operations at workplaces.

Corporate social responsibility reporting was developed further in 2011. Stockmann published its first CSR report in line with Global Reporting Initiative (GRI) guidelines. The company also made its first Group-level carbon footprint calculation and reported its carbon emissions through the Carbon Disclosure Project (CDP). Stockmann achieved its own target with a score of 61/100.

Corporate social responsibility goals

The goals of Stockmann's CSR strategy are divided into the following categories: People (social responsibility), Planet (environmental responsibility) and Profit (financial responsibility). Stockmann reports on its responsible operations openly and regularly and strives for more active communications regarding corporate social responsibility matters.

The goals of the social dimension of corporate social responsibility are directed particularly at our own personnel and their training and well-being. The company's responsibility also extends to the supply chain, product manufacturing and product safety. In 2011, Stockmann issued new policies concerning food products, the manufacturing of its own brands and the

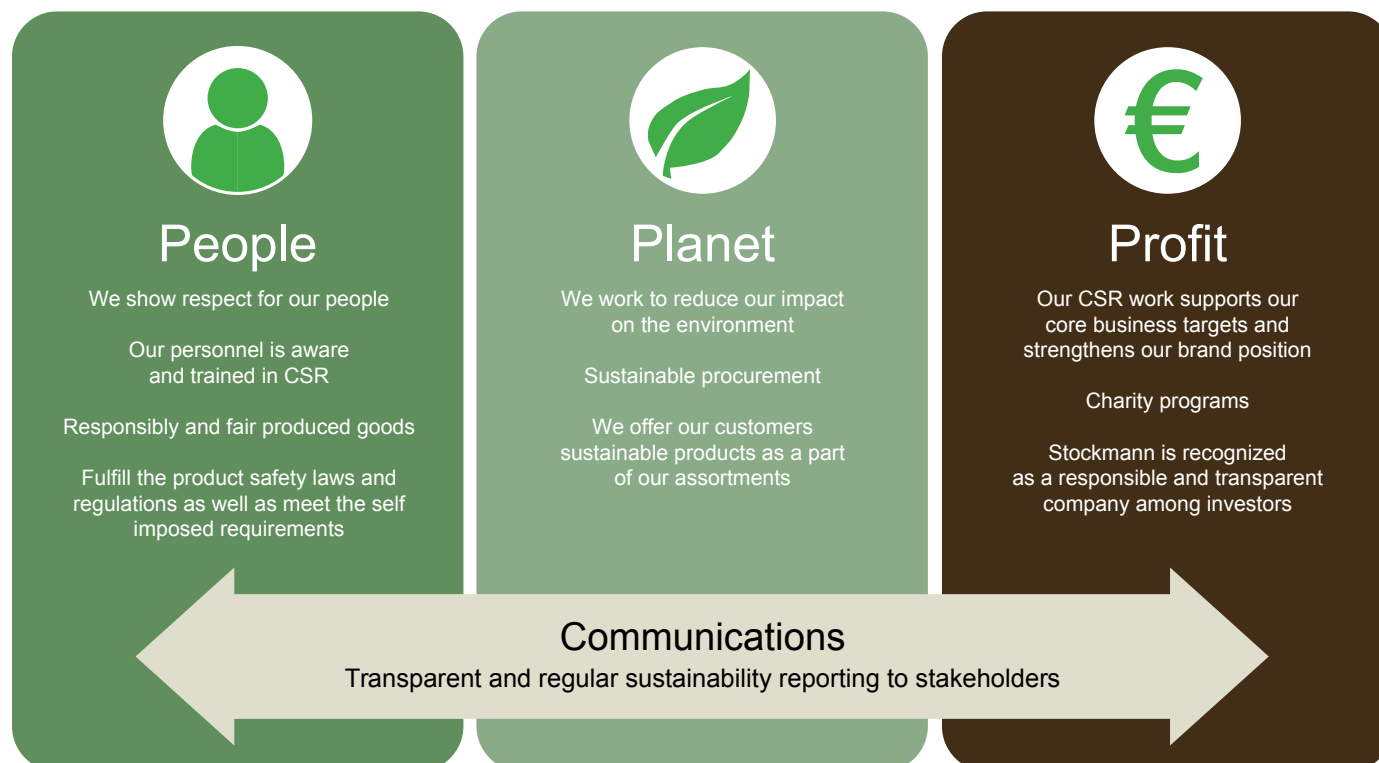
Department Store Division's non-commercial procurements. Auditing of subcontractors' working conditions was continued.

The department stores' and fashion chains' new store concepts take environmental impacts into account better than before. Our customers can choose responsible products from our wide product selection. For example in 2011, Lindex sold almost 5 million products manufactured from sustainable materials and Seppälä launched its first collection made from organic cotton.

Stockmann continued its financially responsible operations in 2011. Sound corporate governance forms a core area of our corporate social responsibility. We support charities annually by making donations to selected charitable

organisations. We also provide such support through some commercial campaigns, Lindex's Pink Ribbon campaign being the most prominent of them.

The responsibility for implementing, developing and monitoring CSR within the Stockmann Group lies with Stockmann's Corporate Social Responsibility Steering Group, whose Chairman is Maisa Romanainen, Executive Vice President and Director of the Department Store Division. The Steering Group includes representatives from all the divisions. Matters and proposals discussed by the Steering Group are prepared by the Group's CSR Working Group.



Stockmann's stakeholders

The key stakeholders were identified and selected in conjunction with drawing up the corporate social responsibility strategy.

Customers

Customers are our most important stakeholders. We want to improve our dialogue with our customers and better understand their needs and expectations towards Stockmann. Customer orientation is one of the core values of this company and it steers us strongly to place customers' needs first.

Personnel

Stockmann is a good place to work. Our working atmosphere is great and we try to continuously improve it. We value our personnel and their commitment to the company. We reward success. Our goal is to be a sought-after employer on the labour market.

Shareholders and investors

Stockmann wants to be an attractive and sought-after investment target on the capital market. We have rewarded our Loyal Customers and gained a substantial amount of new shareholders by organizing Loyal Customer share option programmes.

Goods suppliers and service providers

We commit our suppliers and providers to our responsibility work. We collaborate with them to develop our partnerships in order to ensure good business environment conditions for all and the best possible service to our customers.

Authorities and organisations

We work actively with the authorities and various organisations. We network and promote sustainable development.

CSR VISION:

We offer our customers responsible shopping experiences.

We are committed to working for a more sustainable future.



International forerunner in retail trade

Stockmann plc is a Finnish listed company engaged in the retail trade. Stockmann's three divisions are the Department Store Division and the Lindex and Seppälä fashion chains. Stockmann was established in 1862 and celebrates its 150th anniversary in 2012.

Stockmann has 16 department stores and over 700 stores in 15 countries. The Group's headquarters are located in Helsinki, Finland. In addition, the Stockmann Group has six purchasing offices in five Asian countries.

The revenue increased in 2011 by 10.1 per cent to EUR 2 005.3 million. The operating profit was EUR 70.1 million. At the end of 2011 the Group had 15 960 employees. Stockmann plc shares are listed on NASDAQ OMX Helsinki and the company has more than 56 000 shareholders.

Department Store Division – More than I expected

Stockmann department stores offer a uniquely extensive and high-quality product range, a competitive price/quality ratio, and excellent and professional customer service in an inspiring shopping environment with an international ambience.

In addition, the Department Store Division includes Hobby Hall's online

store and mail order business, the Nevsky Centre shopping centre in St Petersburg, Academic Bookstores, Stockmann Beauty cosmetics stores, Stockmann and Academic Bookstore online stores and Zara franchising stores in Finland and Bestseller franchising stores in Russia.

Revenue for the Department Store Division totalled EUR 1 236.9 million in 2011 which is 62 per cent of the Group's total revenue. The division has 16 department stores and 40 other stores in four countries.

Lindex – Inspiring and affordable fashion

Lindex's business idea is to offer inspiring affordable fashion to fashion-conscious women. Lindex's product range covers a variety of fashion concepts within women's and children's wear, lingerie and cosmetics. The selection is characterised by well-considered details, the latest fashion trends and a fast turnover of new products.

Lindex's revenue in 2011 was EUR 624.1 million which is 31 per cent of the Group's total revenue. Lindex has 446 stores in 14 countries and an online store operating in 28 European countries.

Seppälä – A unique fashion house

Seppälä offers international fashion in women's, men's and children's wear. Its extensive product selection includes clothing, accessories, footwear and cosmetics. Seppälä's appeal lies in its fast-changing collections and

ability to offer fashion at reasonable prices.

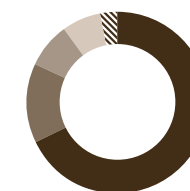
Seppälä's revenue in 2011 amounted to EUR 143.8 million which is 7 per cent of the Group's total revenue. Seppälä has 229 stores in six countries and an online store in Finland.

Revenue by
market area 2011



- 51% Finland
- 25% Sweden and Norway
- 17% Russia and Ukraine
- 7% Baltic countries and Central Europe

Revenue by
merchandise sector 2011



- 68% Fashion
- 14% Food
- 8% Leisure
- 7% Home
- 3% Books, publications, stationery



Stockmann worldwide in 2011

Status on 31 December 2011

1. FINLAND

- 7 department stores
- 7 Academic Bookstores
- 56 Lindex stores
- 138 Seppälä stores
- Hobby Hall mail order sales and 1 store
- 13 Stockmann Beauty stores
- 4 Zara stores
- 1 outlet store

2. SWEDEN

- 208 Lindex stores

3. NORWAY

- 97 Lindex stores

4. RUSSIA

- 7 department stores
- 1 shopping centre
- 17 Lindex stores
- 48 Seppälä stores
- 18 Bestseller stores
- 1 concept store
- 1 outlet store

5. ESTONIA

- 1 department store
- 7 Lindex stores
- 20 Seppälä stores
- 1 outlet store

6. LATVIA

- 1 department store
- 7 Lindex stores
- 11 Seppälä stores

7. LITHUANIA

- 10 Lindex stores
- 10 Seppälä stores

8. POLAND

- 4 Lindex stores

9. CZECH REPUBLIC

- 13 Lindex stores

10. SLOVAKIA

- 4 Lindex stores

11. UKRAINE

- 2 Seppälä stores

12. ICELAND

- 1 Lindex franchising store

13. BOSNIA AND HERZEGOVINA

- 3 Lindex franchising stores

14. SAUDI ARABIA

- 17 Lindex franchising stores

15. UNITED ARAB EMIRATES

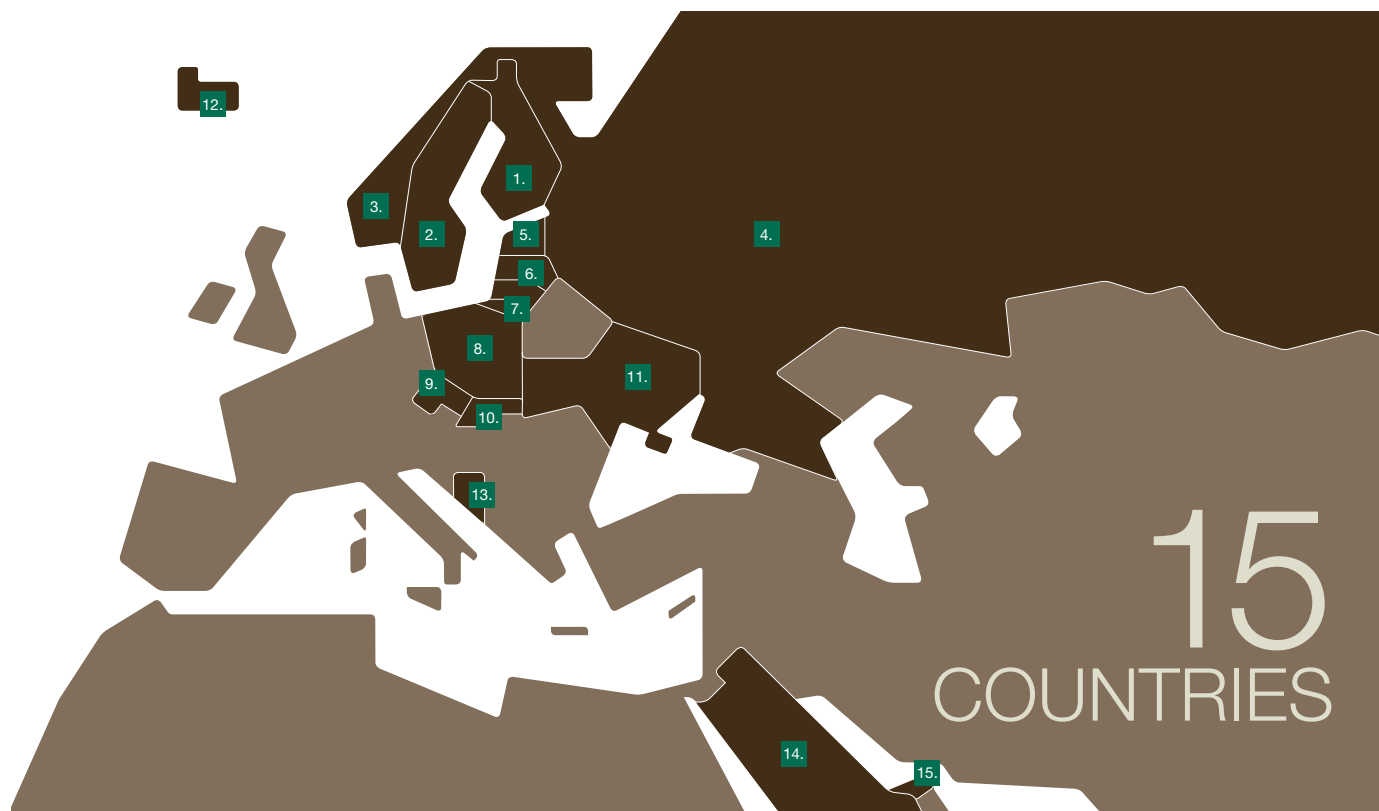
- 2 Lindex franchising stores

ONLINE STORES

- Lindex (EU countries and Norway)
- Stockmann, Hobby Hall, Academic Bookstore and Seppälä (Finland)

PURCHASING OFFICES

- Bangladesh, India, China, Pakistan and Turkey



16
dept. stores
and 40 stores

446
Lindex
stores

229
Seppälä
stores

150 years of corporate social responsibility



Corporate social responsibility has been an important aspect of the Stockmann Group's operations right from the very start, even though the term was not used at that time. With the company growing into an international retail Group, this responsibility now covers a much wider domain, but the fundamental principle remains unchanged.

Board and lodging came with the job

In the early days, when Stockmann was located in the 'Lampa House' building by Helsinki's Market Square, its store assistants lived in the owning family's apartment upstairs. The employees were given board and lodging, and they dined with their host family. Care for the employees continued, even when the store relocated to larger premises in 1880. According to an account of Stockmann's history written in 1937, "the pay and benefits of unmarried assistants at the time of the Senate Square store still incorporated board and lodging, which included laundering of clothes and sauna money."

Occupational health care

Free medical care has been a major benefit for Stockmann's employees since the early 1900s. Wilhelm Stockmann (1868–1932, picture), a medical doctor and son of Stockmann's founder, played a significant role in the development of the company's occupational health service.



Employees' Council central to management-employee dialogue

Stockmann has played a leading role in codetermination issues in Finland. The company's Employees' Council was set up in 1924 (pictured is an Employees' Council meeting in 1976). It was not until 1979 that legislation was passed on legal requirements for codetermination between employees and employers in companies.

Own day nursery for employees' children

In 1946, Stockmann established a day nursery in Munkkiniemi to look after children of its employees. The children were taken there in the mornings from the city centre by a Stockmann bus (pictured), and brought back at the end of their parents' working day. With the arrival of municipal daycare, Stockmann's day nursery was no longer needed and was closed in the 1970s.

Own sales training produces customer service experts

Stockmann had its own sales training school in 1946–1977, where young people fresh out of school could learn to become skilled salespersons (pictured is the class of 1950). The training lasted two years, and the studies included both classroom lessons and practical training in the department store. Customer service, sales skills and product knowledge were the key aspects of the training given at the school.

National interest in advertising: watchwords 'Finnish' and 'Reliable partners'

Stockmann's '60s and '70s sales campaigns included 'Buy Finnish' and



'Focus on Finland', encouraging customers to favour Finnish products. A display window in 1977 sought to persuade customers to buy British products, as this would also support sales of Finnish exports to the UK.

Environmental responsibility on board

The Stockmann Group published its first environmental values in 1994. In 2002, Stockmann's Board of Directors approved the Group's new environmental policy, which sets out its environmental protection goals and principles. An environmental system in conformity with the international ISO 14001 standard was established for the Helsinki city centre department store in 2002, and in 2003 ISO 14001 certification was granted for the entire chain of Stockmann's department stores in Finland.

Commitment to the BSCI

Since 2005, Stockmann has been a member of the Business Social Compliance Initiative (BSCI), a cooperation organization that has been developed by European companies, and organizations. BSCI is a corporate social responsibility cooperation body and is administered by the Brussels-based Foreign Trade Association (FTA).

Commitment to the Global Compact initiative

Stockmann committed to the UN Global Compact initiative in 2011. The initiative concerns all the Group's divisions. Lindex has complied with the principles of the Global Compact since 2003. Stockmann is committed to support and promote the 10 principles of the Global Compact in concerning human rights, labour, the environment, and anti-corruption.

Responsibility for personnel

- International expansion continued, with own personnel now in 16 countries
- Department store managers received more than 400 days of training
- All of Lindex's managers participated in management training
- Seppälä began to implement its Seppälä Simply Stronger strategy

The goals of Stockmann's social responsibility focus particularly on own personnel. Employees are encouraged to continuously develop themselves in many fields. Stockmann values its employees and trains them regularly. In order to maintain and enhance its excellent customer service, Stockmann continued to invest in employee induction, customer service and sales skills and supervisory work throughout the Group in 2011.

New market areas

The Stockmann Group opened over 20 new business locations in 2011. The largest single recruitment effort was the hiring of almost 300 Stockmann employees for the department store opened in Ekaterinburg in March 2011.

At the end of the year, Stockmann employed 15 960 people (2010: 16 184), of whom 8 723 (8 754), or 55 per cent (54 per cent), worked outside Finland. The Stockmann Group has personnel in 16 countries, its own stores in 11 countries and purchasing offices in five countries. The Department Store Division had 9 672 employees (9 806), Lindex 4 653 employees (4 709) and Seppälä 1 506 employees (1 513). The number of personnel in Corporate Administration declined slightly, as some of its functions were transferred to the Department Store Division's organisation at the beginning of 2011. At the close of 2011, the Stockmann Group's Corporate Administration employed 129 people (156).

Versatile career opportunities

The Stockmann Group offers numerous tasks and opportunities for various career paths. For example, there are around one hundred different job descriptions for employees in the Lindex fashion chain.

An active internal job market and the opportunity to transfer from one task to another between divisions, functions and countries encourage employee self-development. Hundreds of Stockmann employees took advantage of

the opportunity to transfer to new tasks within the company in 2011. For example, during the large-scale organisational change in the Department Store Division's buying function, which started in 2011, almost all the skilled personnel required were found in-house. During the process of organisational change, the company considered the wishes of its employees and surveyed their competence needs using aptitude tests. In an effort to ensure good functioning, efficiency and job well-being in the new buying organisation, Stockmann is arranging coaching for all supervisors and office employees working in the organisation during 2011 and 2012.

Induction practices are planned independently by the divisions, taking into consideration each unit's special needs. What all induction practices have in common, however, is the fact that induction is standardised and provided by a senior colleague or supervisor who has been appointed for the task.

During 2011, the Department Store Division enhanced management skills and HR management competence through "Succeed as a Supervisor" coaching sessions and by utilising external training services. Department store supervisors received more than 400 days of training in 2011. Lindex focused on good management, with all of the company's managers participating in management training. In addition, Lindex organised several training events concerning service and sales. Lindex values cooperation, and all of its employees are able to participate in the planning of the fashion chain's business operations by sharing their ideas on the Innovation Space development forum.

Seppälä began in 2011 the practical implementation of its Seppälä Simply Stronger strategy through coaching events. The objective of the strategy is to simplify matters and to maintain focus on customer experience. As in previous years, store personnel improved their customer service and sales skills through the Seppälä Spirit sales coaching programme. The Seppälä Super Leader Academy supervisor coaching programme was also continued. Seppälä revised its induction programme for new employees at its office.

Equality and codetermination

In 2011, women comprised 83 per cent and men 17 per cent of the Group's personnel. The proportion of women managers was 69 per cent (2010: 70 per cent). Of all the managerial staff working in Finland, 68 per cent (68 per cent) were women, and of those working abroad, 71 per cent (73 per cent) were women. In the Stockmann Board of Directors three out of eight mem-



CORE VALUES

- Profit orientation
- Customer orientation
- Efficiency
- Commitment
- Respect for our people
- Responsibility

bers are women. There are two women in the Group's Management Committee.

In Finland, the divisions have their own Employees' Councils, which convene four times a year. A similar model is followed in the Baltic countries. Lindex has its own international body for Group-level cooperation, known as the European Works Council. Human resources matters concerning the entire Group are handled at the Group Council, which is held twice annually in Finland.

Stockmann's operations in every country comply with local laws and regulations and are in accordance with the Group's core values and guidelines. The Group's growing international operations also pose challenges for resolute anti-corruption action. Stockmann has prepared guidelines for personnel in situations of abuse and conflicts of interest. In addition, Stockmann is a founding member of Transparency Suomi ry, the Finnish chapter of Transparency International, an organisation that works to combat international bribery and corruption. Transparency International operates in 90 countries.

Personnel wages, salaries and benefits

The Group's total staff expenses during 2011 totalled EUR 390.0 million (2010: EUR 361.9 million). Most of the Group's personnel are covered by an incentive system. The incentive systems for managers and experts are based on financial indicators and personal performance assessments. For personnel in other duties, the main incentive systems are those for specific personnel groups. In 2011, the personnel earned a total of about EUR 307.7 million in salaries and incentives of different kinds (EUR 287.6 million in 2010). Key management and middle management personnel of the Stockmann Group are also covered by a key personnel option programme, the costs of which amounted to EUR 1.2 million in 2011.

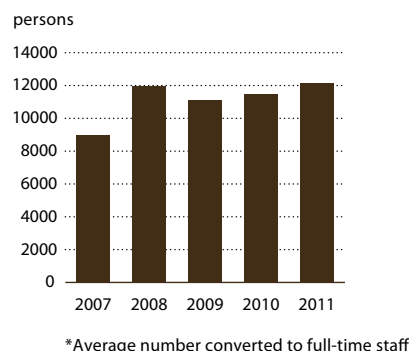
Studies have indicated that Stockmann is an attractive and well-liked workplace. Employment relationships at Stockmann are usually long, and personnel turnover is low compared to other service sector jobs. There was a 15 per cent turnover of permanent employees in Finland in 2011.

Following a tradition started in 1924, long-serving employees are awarded a medal of merit. In 2011, 626 Group employees received a medal. The most prestigious medals given out were three medals for 45 years of service. In commemoration of its 150th anniversary, Stockmann will begin to award medals for 20 and 30 years of service, in addition to which medals are awarded for 10, 15, 25, 35, 40, 45, 50, 55 and 60 years of service.

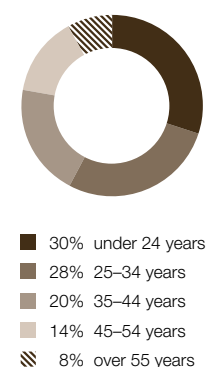
Job satisfaction monitored using personnel surveys and performance reviews

Successful management increases job satisfaction. Stockmann meets its

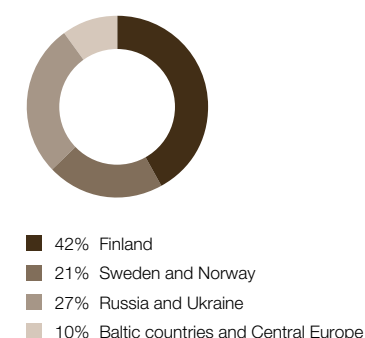
Staff* 2007–2011



Age structure of the staff 2011



Staff by market area 2011



Personnel key figures

	2011	2010	2009
Staff 31 December	15 960	16 184	14 836
in Finland	7 237	7 430	7 153
abroad	8 723	8 754	7 683
Average number of employees	15 964	15 165	14 656
Average number of employees converted to full-time staff	12 172	11 503	11 133
Average age of staff	34	35	35
in Finland	34	36	36
abroad	37	34	34
Staff turnover of permanent employees, average %	30	24	23
in Finland	15	14	15
abroad	42	34	30
Sickness absences, %	4.9	4.3	5.4
in Finland	4.5	4.4	4.7
abroad	5.6	4.2	6.6
Full-time staff/part-time staff, %	45/55	42/58	44/56
in Finland	43/57	41/59	42/58
abroad	46/54	43/57	45/55
Number of reported accidents at work, Finland	243	271	231
Staff expenses, EUR mill.	390.0	361.9	327.4
share of revenue %	19.4	19.9	19.3
Expences for staff education (exclusive direct staff expenses), EUR mill.	0.8	0.7	0.6

employees' expectations of good management by training managers and regularly reviewing the quality of supervisory work. In spring 2011, a personnel survey was conducted at all of the Department Store Division's units, the results of which were thoroughly reviewed by managers and personnel, and any development projects proposed were documented. Based on feedback from personnel surveys, Stockmann set the development of internal communications as one of its goals. The Department Store Division and corporate administration will introduce a new intranet in 2013.

Performance reviews have been a part of the basic management tools at Stockmann for decades. During 2012 the Department Store Division will engage in a values discussion, to be carried out in more than 500 teams, aimed at committing the whole personnel to Stockmann's core values and creating a common way to work across country and organisational borders.

Information flow – internal communications as a resource

All divisions use an intranet as a tool for internal communications. The most important sources of information for personnel working in sales tasks, however, are morning information sessions and supervisor and department meetings, which are held according to each unit's specific needs. What these meetings have in common is that they are held regularly, and events are held at different hours for employees working in different shifts.

The Group's personnel magazine 'MeVi' has a long tradition, having been published since 1942. In 2011, the magazine was published four times in Finland, Russia, Estonia and Latvia in local languages.

Occupational health care monitors employees' working ability

Occupational health services in the Group's Finnish units are arranged through the company's own occupational health centres and in the form of purchased services. The occupational health centres in Helsinki mainly serve the employees in the Helsinki metropolitan area. Stockmann employees in other cities and Lindex and Seppälä employees in Finland receive their occupational health care as a purchased service.

Occupational health care monitors the personnel's health and working ability and provides support for the wellbeing of employees and teams and their ability to cope at work, as necessary. Personal discussions on wellbeing at work are an important element in implementing the principle of early support by supervisors and occupational health care for the prevention of absences. Employees are referred to various types of rehabilitation programmes, if necessary.

CASE

START training launches career with Stockmann

Stockmann's Department Store Division has a long tradition in the thorough induction of employees. New employees undergo a systematic induction programme that includes training events and induction provided in their own working environment. During their induction, employees acquaint themselves with Stockmann as a company and as an organisation, their own working community and its ways of working and their own product or service area.

An important milestone in the induction of new Stockmann employees is the START coaching programme, which is undertaken as soon as possible, preferably within a month of the beginning of employment. START is intended for all employees of the Department Store Division and Corporate Administration.

The START coaching programme was revised in 2011, but its key goals have remained the same over the decades. The well-trained instructors of the START programme provide a comprehensive information package on the Stockmann brand, customer service and the company's ways of working. In Finland, START coaching sessions are led by 13 instructors. Fourteen START courses were held in autumn 2011, and 20 will be held in spring 2012. The START training will also be introduced in Russia and the Baltic countries in the spring, tailored to suit the countries' local training.

After completing their START coaching, employees hone their customer service and sales skills in multi-level training. During the first stage, they focus on attaining their basic skills under the supervision of internal coaches. The last module is intended for experienced customer service professionals, who focus on interactive skills, among other things, during their training.

Continuous learning and training are a part of each and every employee's career path. Maintaining personnel competence, combined with good management and high-quality supervisory work, create good working conditions at Stockmann.

Spirit and Soul programmes develop the fashion chains

The Stockmann Group's fashion chains, Seppälä and Lindex, encourage their personnel to participate in developing their business operations. Each chain has its own programme for this; Seppälä's is called Spirit and Lindex's is called Soul. Both programmes operate under the same basic principle, seeking coaches from the companies' own staff to introduce the companies' operations to new employees. In addition, the coaches encourage the new employees to develop and learn, providing them with tips and reciprocal feedback. Feedback can also be given to Seppälä's 'Spiritors' and Lindex's Soul coaches about small everyday matters and major policies concerning the entire company's operations. All employees, from administration to store personnel, participate in the programmes.

The Spirit and Soul programmes aim to continuously improve staff's professional skills. These programmes have helped to develop new tools and ways of working, with which the companies have managed to increase sales and better inform their store personnel about store-specific sales targets. In addition, the Spirit and Soul programmes improve job wellbeing and boost the fashion chains' team spirit, while customers can enjoy the coaching programmes' results, namely good and professional customer service and an inspiring shopping environment.



In 2011, 24 enthusiastic coaches participated in Lindex's Soul programme.

Responsible products

- An increasing number of own brands' products originate from audited suppliers
- Lindex sold 5 million products manufactured from responsible materials
- Seppälä introduced products manufactured from organic cotton to its selections
- The organic food selection at Stockmann Delicatessens grew approximately 20%

The Stockmann Group's objective is to ensure that the products it sells are procured through a responsible supply chain. In 2011, Stockmann focused on the responsibility of fashion. Most of the selection sold at Stockmann's department stores consists of international and domestic brand products whose compliance with responsible practices is inspected during the purchasing negotiations. A significant amount of the Lindex and Seppälä selections and the department stores' own brand products are procured through the Group's six purchasing offices, which are located in China, India, Bangladesh, Pakistan and Turkey. The Stockmann Group does not have its own factories or production facilities.

Social responsibility in Stockmann's supply chain

Stockmann is committed to the Business Social Compliance Initiative (BSCI), the purpose of which is to improve working conditions in the production facilities of goods suppliers, while clarifying and harmonising the means by which suppliers are monitored.

A significant number of the Stockmann Group's own products come from areas classified as high-risk countries by the BSCI, such as China, India, Bangladesh and Turkey. Over 80 per cent of the Group's own brand fashion and home products purchased from risk countries already originate from suppliers whose production facilities have been assessed by the BSCI auditing process as being "Approved". The share of purchases from audited suppliers was up on the previous year in the Stockmann Group. In addition, 22 suppliers had an SA8000 certificate in 2011.

The recognised social responsibility risks of Stockmann's supply chain include breaches of working hours legislation, deficiencies in occupational safety and the use of child and forced labour. In 2011, Stockmann encouraged its suppliers that were involved in the BSCI auditing process to partici-

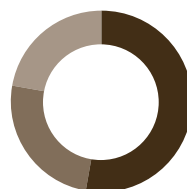
pate in training concerning good and safe working conditions.

Independent factory audits and own inspections

In 2011, a total of 199 BSCI audits were carried out at factories located in risk countries which manufacture own brand products (184 in 2010). More than half of the factories audited were "Approved", 25 per cent were assessed as "Approved after improvements" and 22 per cent fail to meet the requirements. These results were a significant improvement on the previous year. Of all the audits conducted in 2011, 121 were initial audits.

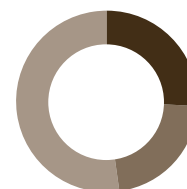
The BSCI audits are conducted by internationally accredited independent auditors. In addition, Stockmann carried out 140 of its own inspections of supplier factories in 2011. Corporate social responsibility experts working in the Group's purchasing offices visit the company's suppliers and always make sure that a new factory fulfills the Group's Supplier Code of Conduct before signing any agreements and commencing production. Other personnel from the purchasing offices also visit the factories on a regular basis. For example, quality controllers work in close cooperation with the factories' personnel. Stockmann's presence in its supplier countries considerably increases the company's ability to ensure that its suppliers' factories have good working conditions.

BSCI audits in 2011
(n=199)

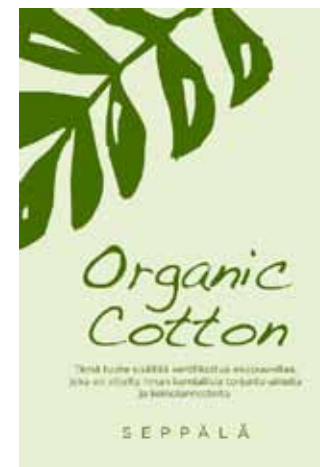


■ 53% Approved
■ 25% Approved after improvements
■ 22% Fails to meet requirements

BSCI audits in 2010
(n=184)



■ 26% Approved
■ 22% Approved after improvements
■ 52% Fails to meet requirements



Development projects improved working conditions and helped protect the environment

Many problems relating to working conditions in high-risk countries are not limited to individual factories, but affect the entire country or industry. These problems can be best addressed through cooperation between the various stakeholders. For example, Stockmann Group's personnel participated in BSCI Round Table meetings in Bangladesh and India in 2011. Stockmann also encourages dialogue between stakeholders in Europe, and participates in the BSCI National Contact Groups' activities in Finland and Sweden.

In 2011, Lindex funded three development projects to improve working conditions in Bangladesh. These projects were aimed at improving fire safety at production facilities, fostering cooperation between workers and management, and providing vocational training for young people aged 16 to 18 years.

In recent years, Stockmann's purchasing offices have made efforts to assess and minimise the harmful environmental impacts of their suppliers' factories. Lindex has drafted an environmental code that addresses sewage treatment, waste management, and chemicals and emissions control. The personnel of the purchasing offices conduct environmental inspections of factories and monitor compliance with environmental protection legislation and the requirements set by Lindex. In 2011, Lindex participated in three projects that improved the level of environmental protection at production facilities in China, India and Bangladesh.

Responsible products in the selections of all divisions

In 2011, the department stores' selections included fashion and home textiles made from organic and recycled materials, ecolabelled products, organic and fair trade foods, MSC (Marine Stewardship Council) certified seafood products, organic and natural cosmetics, FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) certified wood and paper products, electronics complying with Energy Star requirements and various products made from recycled materials.

In 2011, Lindex sold a total of 5 million products manufactured from organic cotton, recycled fabric or Tencel fabric. Products manufactured using materials complying with Lindex's sustainable development principles are clearly marked at stores, and are displayed on a separate page in the online store. Lindex's website also provides environmentally friendly care instructions for products.

Seppälä increased the proportion of organically grown cotton among the raw materials used in its products. The company introduced a summer clothing collection manufactured from organic cotton, which was also selected as the raw material for the T-shirts that are regularly available in the

Seppälä Basics collection. Products manufactured from organic cotton are marked with the 'Organic Cotton' label.

Stockmann takes responsibility for the safety of its products

Stockmann is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. The company's buying organisation makes sure that products comply with the valid requirements set in chemical and product safety legislation. Products are tested regularly by their manufacturers and importers, by Stockmann in the case of own brand products, and by Finnish Customs. Testing ensures that the products fulfil all quality and safety requirements set by legislation or by Stockmann. In addition, Stockmann follows product notifications issued by the European Union in order to inform customers about products that pose a risk as quickly as possible.

Stockmann Delicatessens and the company's central kitchen have an extensive internal quality assurance system for food safety. This system is based on both EU and national legislation, and, with respect to Delicatessens, joint trading sector guidelines for good practices in internal supervision approved by the Finnish Food Safety Authority Evira. Stockmann has an annual risk-based sampling plan for food, focusing especially on food products prepared by the company and fresh food products sold under the company's own brands. Random tests are carried out to ensure the chemical and microbiological safety of products. Stockmann's central kitchen operates in accordance with the principles of the ISO 22000 food safety management system. The operations of the central kitchen will be audited and certification will be sought in 2012.

BSCI Code of Conduct

1. Legal compliance
2. Freedom of association and the right to collective bargaining
3. Prohibition of discrimination
4. Compensation
5. Working hours
6. Workplace health and safety
7. Prohibition of child labour
8. Prohibition of forced and compulsory labour
9. Environment and safety issues
10. Management systems

Further information: bsci-intl.org

CASE

Examples of responsible buying activities

Wood originating from natural tropical forests

Stockmann does not sell garden furniture manufactured from wood originating from natural tropical forests. Other products in Stockmann's selection manufactured from wood originating from natural tropical forests must have a certificate from the FSC (Forest Stewardship Council) or the PEFC (Programme for the Endorsement of Forest Certification).

Fish and shellfish products

Stockmann Delicatessens in Finland purchase their fish and shellfish products from fish wholesalers. The Delicatessens favour Finnish fish and shellfish in their selections, depending on availability, and promote the trade in MSC (Marine Stewardship Council)-certified fish and shellfish products. Stockmann Delicatessens do not sell any fish or shellfish classified under endangered species in Finland (the 2010 Red List of Finnish Species).

Eggs

Stockmann Delicatessens in Finland only sell organic and free-range hens' eggs. Stockmann does not sell eggs from enriched-cage egg production.

'Worn' look jeans

The sandblasting method is not used in the manufacture of the own brand jeans sold at Stockmann department stores, Lindex, Seppälä and Hobby Hall. The method is banned by law in the EU and Turkey. Giving jeans a 'worn' look using the sandblasting method can be hazardous to workers' health if it is carried out without proper protective equipment or training.

CASE

Stockmann Delicatessens expand their organic product selections



August 2011 saw the opening of a 100 square metre organic department at the Delicatessen food department in Stockmann's Helsinki city centre department store.

The range of organic food products was also expanded at Stockmann's other department stores, and the sales personnel were made aware of the various environmental and responsibility labelling schemes. At the end of 2011 the Stockmann Delicatessens had almost 1 300 organic products in their selections, which was about 20 per cent more than a year earlier.

The contribution of organic food products to total sales in the Delicatessens is significantly above the Finnish national average.

Better Cotton Initiative (BCI) projects reduce harmful effects of cotton cultivation



Lindex's responsibility extends all the way to the products' source, to the cotton fields. Since 2008, Lindex has participated in the Better Cotton Initiative (BCI), which aims at reducing the harmful environmental impact of traditional cotton cultivation. BCI trains cotton producers and teaches sustainable farming, i.e. how to grow cotton using less water, chemicals and fertilisers. In addition, BCI works to improve workers' conditions and encourages farmers to cooperate and share tried-and-tested practices. BCI trains farmers through Farmer Field Schools and Sustainable Cotton Training Program projects.

In autumn 2011, Lindex's corporate social responsibility experts visited Gujarat in India, where they met local farmers participating in BCI's development programmes. The farmers were proud of their achievements, which have benefitted the environment and improved their families' finances. Encouraged by the project's positive results, the farmers have shared what they have learnt with other cotton growers in the region, which will eventually improve the entire community's well-being.

Seppälä develops responsible product selection



Seppälä designs all the clothes and accessories that it sells at its stores. Fashion collections are designed in Finland, but manufactured in different parts of the world. Therefore, it is important for Seppälä's purchasing organisation to manage the supply chains, and to be able to make choices that promote sustainable development.

Seppälä's purchasing organisation strengthened its responsibility know-how when Sirpa Valve, Product Manager of the Seppälä Basics brand, participated in the Sustainable Fashion Academy training programme in 2011. The programme is organized by operators from the Swedish fashion industry and lasts eight months. During the training, participants are introduced to concepts on how a company can best utilise ecological, socially and financially sustainable methods from the design stage to the production process. The training programme also examines the environmental impacts of the manufacture and consumption of clothing and footwear.

The sustainable development theme is prominent in Seppälä's Organic Cotton collection and the Baby collection, which will be launched in selected Seppälä stores and the Seppälä online store during spring 2012.

Environmental responsibility

- All of Stockmann's department stores in Finland have a certified ISO 14001 environmental system
- Lindex's new store concept takes environmental impacts into account
- The recycling efficiency rates for waste at department stores in Finland improved by 4 percentage points in 2011
- Carbon footprint reporting was enhanced

Stockmann's environmental objectives relate to the following areas: reducing the environmental impact of the company's business operations, ensuring that environmental issues are systematically taken into account in products and services procured for the company's own use, and offering responsible products as part of our selection.

The most significant environmental impacts of the Stockmann Group's own operations arise from energy consumption, waste, and transportation. Environmental work at Stockmann is based on an environmental policy approved by the Board of Directors, and on a corporate social responsibility strategy approved by the Group's Management Committee.

Environmental responsibility management and systems

The management of environmental responsibility is organised as a part of the divisions' day-to-day management. The divisions set concrete environmental targets and define indicators for monitoring their achievement that are the most suitable in terms of their respective business operations.

The Stockmann department stores in Finland have had a certified ISO 14001 environmental system for about ten years. All of the Department Store Division's business locations in Finland set a level for their environmental operations that is above the minimum required by the law. The ISO 14001 certification covers the functions of Stockmann's department stores and Academic Bookstores in Finland, as well as the Department Store Division's joint office. Around 70 per cent of the Group's personnel in Finland work in jobs falling within the scope of the certified functions. Internal and external evaluations as referred to in the environmental system are carried out on a regular basis. During 2011, internal audits were performed at all the department stores and at the office and warehouse premises in Pitäjänmäki, while external audits were performed at the department stores in Helsinki, Tapiola and Itäkeskus, and at the office and

warehouse premises in Pitäjänmäki. No certified environmental systems are employed in other countries of operation or divisions. The warehouses and outlets in Finland meet the requirements of the ISO 14001 environmental system and are internally audited on a regular basis, although they are not currently subject to external auditing or certification.

No environmental damage, accidents or offences were recorded during the reporting period.

Energy and water consumption are constantly monitored

The Group's reported energy consumption mainly consists of electricity, heating and district heating. Energy consumption is result from lighting, ventilation, heating and cooling in stores, warehouses and offices, as well as from the equipment in these facilities, including lifts, escalators, refrigeration and IT equipment.

The recorded electricity consumption of the Stockmann Group was 168 000 MWh in 2011. This is almost 11 per cent more than the reported consumption in 2010. Almost without exception, the increase was due to the opening of new stores and department stores.

In 2011, Stockmann focused on improving energy efficiency in its retail premises. The Department Store Division adjusted the lighting, cooling and ventilation control programmes and cleaning timetables at its department stores. Automatic energy consumption monitoring was developed by setting more accurate alert limits that immediately indicate a deviation from normal energy consumption. Further steps were taken to connect the department stores in Russia to the real-time energy consumption monitoring system. Lindex's new store concept takes into account responsible material selections used in interiors, and also, the stores' energy consumption. The fashion chain's energy consumption is currently one of the lowest in the industry. In 2011, Seppälä stores in Finland instructed their personnel in matters concerning energy efficiency, charted electricity consumption and introduced an energy consumption monitoring tool.

The Group's recorded water consumption totalled 248 900 cubic metres, or 18 per cent more than the previous year. The increase in consumption was due to the opening of new business premises. Most of the water is used in the department stores' restaurant, kitchen and sanitary



stockmanngroup.fi/en/responsibility



facilities. Water consumption is minimised by instructing personnel, preventing and repairing even the smallest leaks and procuring more efficient water fittings to replace older ones. The divisions use water supplied by local waterworks.

Waste and its recycling

The waste generated by the divisions' operations is mainly packaging waste, such as cardboard and plastic. The Department Store Division also generates biodegradable waste, as a result of the processing and selling of food in the restaurant and café functions. In 2011, 4 300 tonnes of packaging material ended up on the market as a result of Stockmann's operations.

Stockmann's department stores emphasize recycling and separation of waste by training their personnel, refining the guidelines, facilitating the sorting process, and monitoring recycling results at different locations on a monthly basis. In 2011, 93 per cent of the waste generated by the Department Store Division's functions in Finland was either recycled or converted into energy. The recycling efficiency rates for waste at department stores outside Finland were considerably lower due to differences in local recycling possibilities.

As for Lindex and Seppälä, the Group reports the amount of waste generated and the recycling efficiency rates at their head offices and logistics centres. More than 90 per cent of the waste generated at these business locations is recycled. The Lindex and Seppälä stores are usually located in shopping centres, where waste is sorted and recycled to the extent made possible by the property management company. Currently, there is no accurate information available on the amount of waste generated at these stores.

In their role as product importers, Stockmann's divisions have producer liability; i.e. they are obligated to arrange the waste disposal and recycling of certain products and their packaging at their own expense. The Group has met this obligation by joining producer organisations that are responsible for the collection and recycling of products discarded by consumers. In 2011 Lindex carried out a recycling campaign in cooperation with the Myrorna second-hand stores in Sweden. Lindex's customers had the opportunity to take their second-hand textiles to Myrorna stores for recycling. Customers participating in the campaign were awarded with Lindex discount coupons.

Stockmann's carbon footprint

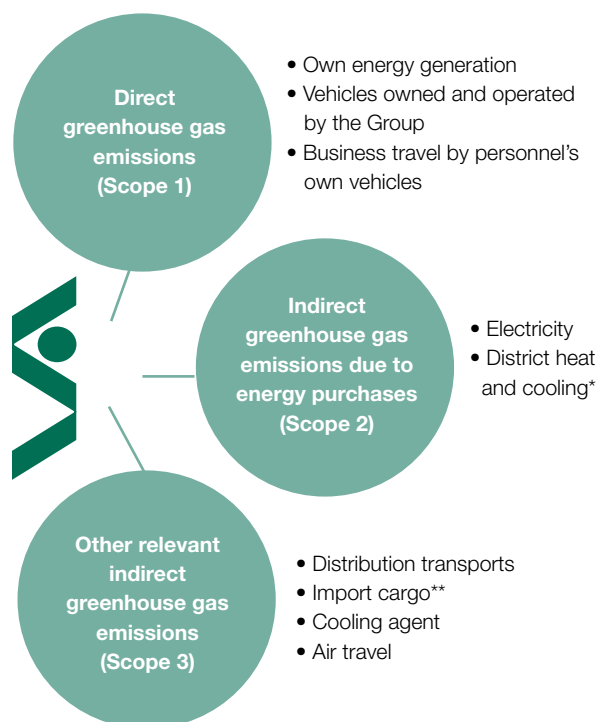
Stockmann issued an extensive report on its greenhouse gas emissions for the first time in 2010. The calculation of Stockmann's carbon footprint was enhanced in 2011 by including emissions generated by the com-

pany's own imports and from the use of refrigerants. The reports cover the operations of the Department Store Division and Seppälä in Finland, and of Lindex in all countries where it does business. These operations account for almost 80 per cent of the Group's revenue.

The overall emissions reported by Stockmann were up about 40 per cent on the corresponding figure a year earlier. This was due to the fact that the reports included new sources of emissions that are crucial for operations. Like-for-like emissions were down by about one per cent, due to lower consumption of heating and cooling energy, in particular. The highest emissions came from the generation of purchased energy, especially electricity. The other main source of emissions was import freight.

Reporting on greenhouse gas emissions serves as a management tool,

Emission sources based on the GHG Protocol reporting standard



* Excluding district heat at Seppälä and Stockmann Beauty stores

** Own imports

Greenhouse gas emissions 2010–2011 (tCO₂e)

	2011	2010
Direct emissions		
Vehicles and own energy generation	845	888
Indirect emissions due to energy purchases		
Electricity	19 296	18 856
District heat and cooling	9 339	10 914
Other relevant indirect emissions		
Distribution transports	2 750	2 084
Import cargo	12 539	
Cooling agent	1 979	
Air travel	1 595	1 570
Total	48 343	34 312

Energy and water consumption 2009–2011

	2011	2010	2009
Direct			
Heating fuel (l)	4 325	4 570	not meas.
Natural gas (m ³)	1 505 546	638 200	not meas.
Indirect			
Electricity (MWh)	168 147	151 223	101 943
District heating and cooling (MWh)	96 883	103 811	46 167
Water (m ³)	248 915	211 678	199 673

Statistics exclude energy used by vehicles and franchising stores. District heating figures exclude Stockmann Beauty and Seppälä stores. Water consumption figures include department stores' operations (excluding Itäkeskus and Jumbo dept. stores and Stockmann Beauty stores) as well as Lindex and Seppälä head office and logistics centre.

providing a basis for defining the areas where emissions should be reduced and for setting reduction targets for the coming years. The company aims to enhance its reporting so that it covers all countries of operation. The calculation of Stockmann's carbon footprint was carried out by an external party applying the reporting policies of the international Greenhouse Gas Protocol. Stockmann also reports on its carbon footprint annually in the international Carbon Disclosure Project (CDP) survey. In 2011, Stockmann's CDP score was 61/100.

Considering the environment in the Group's internal functions

Stockmann's divisions hold most of their regular internal international meetings with the aid of video and telephone conferencing equipment. In Finland personnel's air travel for work purposes was successfully reduced compared with the previous year. For example, air travel between Helsinki and St Petersburg was replaced with rail travel with the opening of a new high-speed train connection.

The Group's electronic reporting, invoice processing, archiving and information systems substantially reduce the amount of paper printouts and documents carried through internal mail. All the units in Finland switched to electronic wage slips at the start of 2012.

Environmental aspects are considered in procuring goods and services for the Group's own use. In 2011, a procurement strategy was approved for the Department Store Division, one of whose objectives is to systematically evaluate the environmental impacts and life cycles of all procurements. In the future, closer attention will be paid to environmental aspects in the procurements of all divisions.

CASE

Led lighting saves energy

On average, lighting accounts for 50 per cent of energy consumption at stores. Using led light sources, luminosity can be maintained at the same level, but energy consumption and heat generation are reduced substantially. And since led lighting does not emit UV or IR radiation, led lights do not harm products. A large number of old halogen lights can be converted to led lights by changing their light bulbs and tubes.

In 2011 the energy efficiency of lighting was improved in the Finnish department stores during service inspections by introducing a new, more efficient type of bulb in the metal halide spotlights. The lighting solutions utilized throughout the Department Store Division in cosmetics, women's clothing and for outdoor lightning concepts were implemented mainly with led technology.

At the youth fashion department of the Helsinki department store, old halogen lights were replaced with new led light sources, with the objective of cutting lighting maintenance costs and improving the appearance of the premises. At the same time, the department achieved considerable energy savings and improved temperature conditions. The installation of led lights at the top of the Helsinki department store's facade was another successful application of led

technology. The new led lighting on the facade is impressive and the solution significantly reduces the need for maintaining the lights, which are positioned at a high altitude. In addition, led light sources were used as effect lights, as exemplified by the Christmas lights in the windows of the Argos Hall at the Helsinki department store.

Seppälä piloted the use of led lights in 2011. During this project, spotlights using halogen technology were replaced at test stores with led lights. The project was a success, and the fashion chain aims to cut its energy consumption in future by replacing all halogen bulbs and tubes with led lights. The objective is to transfer solutions that have been tried and tested in Finland to stores operating abroad.

Lindex's new store in Stockholm utilises led technology in its general lighting. In addition, the fashion chain is testing led technology and energy-saving light bulbs in its new store concept in order to reduce energy consumption. During 2012, the chain will study and evaluate different lighting options at its stores, modernise its lighting and update its maintenance agreements.

Waste management statistics 2009–2011 (tons)

	Department stores, Finland			Department stores, abroad			Lindex			Seppälä			Total		
	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009	2011	2010	2009
Recyclable															
Cardboard and paper	2 242	1 741	2 068	300	262	296	1 166	1 144	1 159	309	378	360	4 017	3 525	3 883
Combustible waste	1 227	1 052	1 015		n/a	n/a	28	24	27	19.7	16	14	1 274	1 092	1 056
Bio waste	2 433	2 132	2 091	354	386	194	1	n/a	n/a	5.1	9	12	2 794	2 527	2 297
Other (plastic film, metal, glass)	81	88	69	26.3	6	6	83.4	3	n/a	7	7	6	198	104	81
Landfill waste	484	587	427	6 115	6 113	3 318	4	6	6	6.9	16	9	6 610	6 722	3 760
Hazardous waste	7	14	11	0	0	n/a	n/a	0	2	0.4	0	0	7	14	13
Total	6 474	5 614	5 681	6 796	6 767	3 814	1 282	1 177	1 194	348	425	401	14 899	13 984	11 090
Waste utilization, %	93	89	92	10	10	13	100	100	100	98	96	98	56	52	66

Information about waste disposal methods has been offered by the waste disposal contractors. Statistics include department stores' operations (excluding Stockmann Beauty stores, Duetto Business Park office premises and franchising stores) as well as Lindex and Seppälä head offices and logistics centres.

Financial responsibility

- **Stockmann is listed on the Kempen SNS Smaller Europe SRI and OMX GES Finland Sustainability indexes**
- **Stockmann's revenue grew due to expansion; profit did not reach target in 2011**
- **More than 20 new stores and one new department store were opened during the year**

In the Stockmann Group, financial responsibility means good financial management that meets shareholders' profit expectations, creates permanent jobs and generates economic wellbeing for society. Stockmann is a major employer and taxpayer, a significant purchaser of products and services, an investor and a partner. Competitiveness and sound financial performance enable the company to enhance the wellbeing of its personnel and of society as a whole. Socially responsible operations, in turn, create a solid foundation for efficient operations and the company's financial growth.

A responsible Finnish listed company

Stockmann plc, the parent company of the Stockmann Group, is listed on NASDAQ OMX Helsinki. In its decision-making and administration, Stockmann complies with the Finnish Limited Liability Companies Act, the provisions of its Articles of Association, and other applicable legislation. Stockmann complies in full with the Finnish Corporate Governance Code, which is issued by the Securities Market Association.

At the end of 2011, Stockmann had 56 116 (44 596) shareholders. The number of shareholders rose substantially due to share subscriptions using Loyal Customer share options. Almost 18 000 Loyal Customers took advantage of their options, and the number of shareholders increased by about 10 000.

Stockmann plc's highest decision-making body is the General Meeting, which approves the company's financial statements, grants release from liability to the Board of Directors and the Chief Executive Officer and elects the Board of Directors. At present, the Board has eight Directors, none of whom are full-time and all of whom are independent of the company. The majority are also independent of the company's major shareholders. The personnel have elected two representatives who have the right to attend and speak at Board meetings. The Board of Directors

appoints the CEO, who is responsible for the company's operations in accordance with the instructions and policies issued by the Board. The Board also appoints the other members of the Group Management Committee. More detailed information on Stockmann's corporate governance is available in the Annual Report and on the Group's website, where the Corporate Governance Statement for 2011 has been published.

Stockmann's financial reporting is prepared in accordance with International Financial Reporting Standards (IFRS), and in compliance with Finnish financial reporting and corporate legislation supplementing the IFRS. The Group's Chief Financial Officer and the Finance and Control Department are responsible for the Group's financial reporting. Auditors elected by the General Meeting audit the company's accounting, financial statements and administration. The Internal Audit examines and assesses the effectiveness and risk management of the divisions and of internal control. The Internal Audit functions as an independent unit under the Chief Executive Officer and reports its observations to the Board of Directors.

The purpose of Stockmann's disclosure policy is to ensure that, as a basis for establishing the price of Stockmann shares, all those operating on the market have sufficient and accurate information on Stockmann available to them simultaneously, promptly and impartially. All investor information is published on the Group's website at stockmanngroup.fi in Finnish, Swedish and English. Financial information is published on the parent company and the Group as a whole, and on its divisions, which are the Department Store Division, Lindex and Seppälä.

Stockmann is included in the Kempen SNS Smaller Europe SRI sustainable development index maintained by the Dutch investment companies Kempen Capital Management and SNS Asset Management. The companies in the index are considered to operate in accordance with high ethical, social and environmental protection criteria. In addition, Stockmann is one of the companies included in the OMX GES Finland Sustainability index. Maintained by NASDAQ OMX Helsinki Ltd, the index includes 40 Finnish companies that are market leaders in sustainable development.

Revenue topped new billion plateau

General market development was positive at the start of 2011. Uncer-



56 116
shareholders



tainty in the market increased after the second quarter of the year, mainly due to the unresolved European debt crisis. This weakened consumer confidence in Finland towards the end of the year. Demand for affordable fashion remained weak throughout the whole year in Sweden. Positive market development continued in Russia and the Baltic countries.

The Stockmann Group's revenue in 2011 grew by 10.1 per cent, total-ling EUR 2 005.3 million. Revenue was up 3.9 per cent in Finland and 17.4 per cent abroad. The Department Store Division's revenue was boosted in particular by the St Petersburg department store and Nevsky Centre shopping centre, the new department store in Ekaterinburg and the enlarged department store in the Helsinki city centre. Also department stores in Moscow and in the Baltic countries developed well.

Lindex strengthened its market position in all its countries of operation during 2011. In Sweden, even though revenue performance significantly outperformed the market, it fell short of its targets as overall fashion industry sales in Sweden fell by five per cent. Revenue grew in all other markets. Seppälä's revenue remained at the level of the previous year. Both fashion chains continued to expand in 2011, in line with their strate-gies. Lindex opened 26 stores and closed seven. In addition, Lindex opened its online store across the EU and in Norway in 2011. At the end of the year, Seppälä had five more stores than a year earlier and a new online store operating in Finland.

Earnings fell short of target in 2011

During 2011, and in particular during its first quarter, revenue growth was unable to cover the higher costs and depreciation resulting from the expansion project. Operating costs increased by EUR 71.1 million mainly due to expansion and high inflation. Depreciation increased by EUR 15.9 million. The situation improved towards the end of the year, and fourth-quarter operating profit was higher than in the previous year.

The gross profit increased by EUR 68.1 million to EUR 976.9 million during the financial year. The relative gross margin weakened somewhat as a result of high purchasing prices and actions to boost sales.

Operating profit in 2011 was EUR 70.1 million, which is EUR 18.7 million less than in the previous year. As operating profit was lower than expected and financial expenses rose due to the high level of debt, Stockmann's profit for the financial year fell to EUR 30.8 million, and earnings per share were EUR 0.43.

Financial benefits for stakeholders

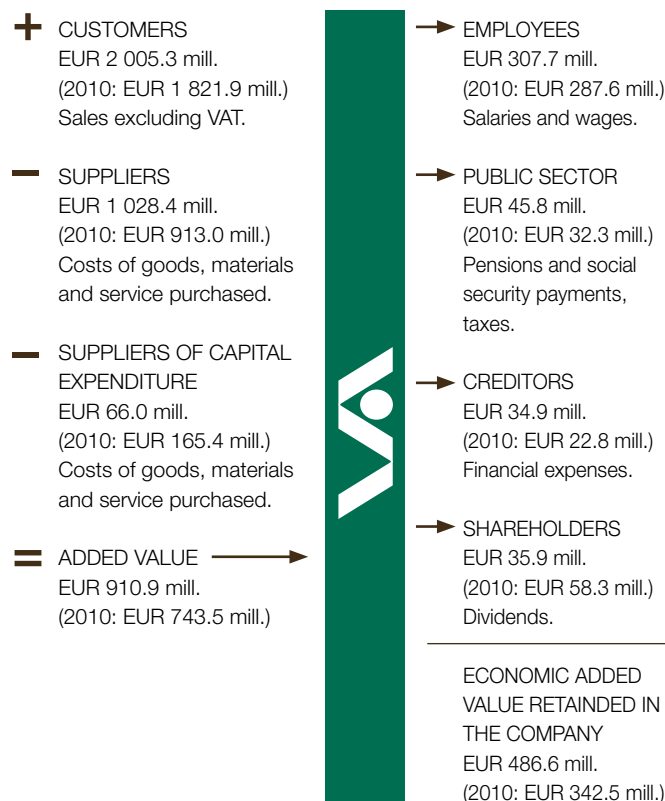
Stockmann's operations brought economic added value to all its key stakeholders in the 2011 financial year. During the year, the Stockmann Group purchased saleable goods and services for EUR 1 028.4 million

and capital goods for EUR 66.0 million.

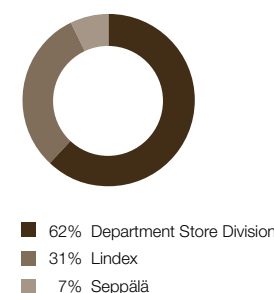
In 2011, Stockmann employed an average of 15,964 people, who were paid EUR 307.7 million in wages and salaries during the financial year. Financial expenses paid to finance providers amounted to EUR 34.9 million. A total of EUR 40.9 million was paid in pension and staff expenses related to salaries, and EUR 4.9 million in income taxes.

Stockmann's Board of Directors has targeted a dividend distribution of more than half of the earnings derived from the company's ordinary operations. In 2011, EUR 58.3 million, equivalent to EUR 0.82 per share, was paid to shareholders in dividends from the 2010 earnings, equivalent to EUR 1.10 per share. In spring 2012, the Annual General Meeting resolved

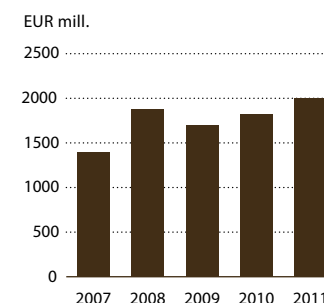
Economic added value to stakeholders 2011



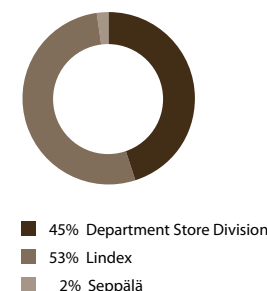
Revenue 2011



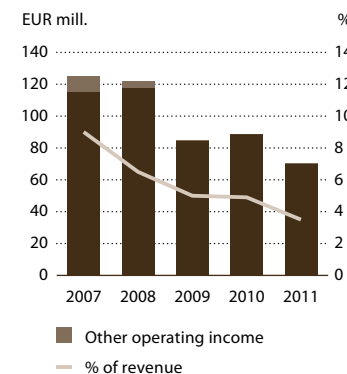
Revenue 2007–2011



Operating profit 2011



Operating profit 2007–2011



tion and the Eye Foundation. The Group's divisions may support worthy causes in conjunction with their commercial campaigns. The most prominent example of this is Lindex's cooperation with the cancer funds' Pink Ribbon campaign, which supports breast cancer research. In 2011, Lindex's customers donated almost one million euros to this campaign.

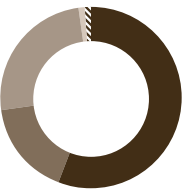
Efficient capital structure is a long-term target

Stockmann aims for an efficient capital structure that will ensure favourable operating conditions in the capital market under all circumstances, regardless of the sector's sensitivity to changes in the economic situation. The Stockmann Group monitors the development of its capital structure through its equity ratio. The Group's strategic financial targets include an

equity ratio of 40 percent. At the end of 2011, the Group's equity ratio was 42 per cent.

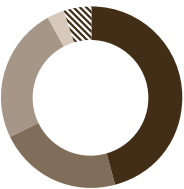
Other long-term financial targets, extending to 2015, include a sales growth above industry average, a minimum operating profit of 12 percent of revenue and a minimum return on capital employed of 20 per cent. In 2011, the company achieved its goal of sales growth above industry average, but the long-term targets for operating profit and return on capital employed were not met. The timetable for achieving the long-term financial targets is challenging in the current difficult operating environment. The level of growth in the economy will determine whether or not the timetable for achieving the targets need to be revised.

Distribution of votes 2011



- 56% Foundations and associations
- 17% Households
- 25% Private and public corporations
- 1% Banks and insurance companies
- 1% Nominee registrations (incl. foreign shareholders)

Distribution of shares 2011



- 46% Foundations and associations
- 22% Households
- 24% Private and public corporations
- 3% Banks and insurance companies
- 5% Nominee registrations (incl. foreign shareholders)

Major shareholders, 31 December 2011

	Percentage of shares	Percentage of votes
1. HTT STC Holding Oy Ab	11.7	10.7
2. Föreningen Konstsamfundet grouping	9.4	15.0
3. Society of Swedish Literature in Finland	7.6	15.7
4. Niemistö grouping	5.8	9.4
5. Varma mutual Pension Insurance Company	4.7	1.0
6. Etola Group	4.3	6.1
7. Stiftelsen för Åbo Akademi	4.2	6.4
8. Samfundet Folkhälsan i svenska Finland r.f.	2.2	2.7
9. Jenny ja Antti Wihuri's fund	1.9	2.1
10. Inez och Julius Polins fond	1.5	0.8

CASE

Important Loyal Customers

Stockmann became a pioneer in the retail sector when it launched its popular Loyal Customer programme in 1986. Nowadays the Stockmann Group's divisions have four Loyal Customer programmes: Stockmann's Loyal Customer programme, the Lindex Club, the Seppälä Club, and Hobby Hall's Loyal Customer programme, which in total have more than 6 million customers. The companies keep in touch with their Loyal Customers on a regular basis and offer them benefits with a monetary value. During 2011, Hobby Hall's and Seppälä's Loyal Customer programmes were revised. In addition, Stockmann invested heavily in its Loyal Customer programme in St Petersburg and Ekaterinburg, where it opened its latest department stores. The Loyal Customer programme is a crucial factor in the department stores' success.

Stockmann handles customers' personal data confidentially, in the way prescribed by law. In 2011, we received some queries from customers regarding how we use personal data, and we responded in the appropriate manner. The Loyal Customer systems' data file descriptions can be found on the respective units' websites.

Purchasing loyalty is rewarded with options

Stockmann has rewarded its Loyal Customers by organizing Loyal Customer share option programmes since 2006. In 2011, the company gained more than 10,000 new shareholders through the exercise of Loyal Customer share options. The programmes provide Loyal Customers who do a lot of business at Stockmann with a major benefit, that rewards them for their loyal buying behaviour while simultaneously improving Stockmann's competitive position.

In March 2012, Stockmann's Annual General Meeting approved the Board of Directors' proposal to grant new share options to the Loyal Customers of Stockmann. Each share option entitles its holder to subscribe for one of the company's B shares. The shares can be subscribed for in May 2014 or May 2015.



GRI content comparison

GRI recommendation		Stockmann's report		
Disclosure	GRI description	Reported	Page	Explanation
1.	Strategy and Analysis			
1.1	Statement from the CEO	Fully	3	
2.	Organizational Profile			
2.1	Name of the organization	Fully	6	
2.2	Primary brands, products, and services	Fully	6	
2.3	Operational structure of the organization	Fully	6	
2.4	Location of organization's headquarters	Fully	6	
2.5	Number of countries where the organization operates	Fully	7	
2.6	Nature of ownership and legal form	Fully	6, 20	See also the Annual Report 2011: Corporate Governance Statement.
2.7	Markets served	Fully	5–7	
2.8	Scale of the reporting organization	Fully	6–7	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully	7, 18–19	
2.10	Awards received in the reporting period	Fully	3	
3.	Report Parameters			
3.1	Reporting period	Fully	23	
3.2	Date of most recent previous report	Fully	23	
3.3	Reporting cycle	Fully	23	
3.4	Contact point for questions	Fully	25	
3.5	Process for defining report content	Partially	23	Relevancy is mainly based on Group's internal factors.
3.6	Scope and boundary of the report	Fully	23	Deviations mentioned in connection with each key indicator.
3.7	Specific limitations on the scope or boundary	Fully		
3.8	Basis for reporting on subsidiaries and leased facilities that can affect comparability	Fully	23	Leased out commercial premises in the Nevsky Centre shopping centre not included.
3.10	Re-statements of information provided in earlier reports	Fully		None.
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	16, 23	The calculation of greenhouse gas emissions was enhanced.
3.12	GRI content comparison	Fully	21–22	

* GRI core indicator

GRI recommendation		Stockmann's report		
Disclosure	GRI description	Reported	Page	Explanation
4.	Governance, Commitments, and Engagement			
4.1	Governance structure of the organization	Fully	18	See also the Annual Report 2011: Corporate Governance Statement.
4.2	Position of the chairman	Fully	18	See also the Annual Report 2011: Corporate Governance Statement.
4.3	Independence of the members of the Board	Fully	18	See also the Annual Report 2011: Corporate Governance Statement.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Fully	18	See also the Annual Report 2011: Corporate Governance Statement.
4.14	List of stakeholder groups engaged by the organization	Fully	5	
4.15	Basis for identification and selection of stakeholders with whom to engage	Partially	5	
5.	Performance Indicators			
	Economic			
EC1*	Direct economic value generated and distributed	Fully	19	
	Environmental			
EN1*	Materials used	Partially	17	Reported the amount of packaging material put to the market.
EN3*	Direct energy consumption	Fully	16	
EN4*	Indirect energy consumption	Fully	16	
EN8*	Total water withdrawal	Fully	15	
EN16*	Total direct and indirect greenhouse gas emissions	Fully	16	
EN17*	Other relevant indirect greenhouse gas emissions	Fully	16	
EN22*	Total weight of waste	Fully	17	
EN23*	Significant spills	Fully		None in the reporting period.
EN28*	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Fully		None in the reporting period.
	Social			
LA1*	Total workforce	Fully	9–10	
LA2*	Employee turnover	Fully	10	
LA7*	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Partially	10	
LA11	Programs for skills management and lifelong learning	Partially	9–11	
	Human Rights			
HR2*	Significant suppliers and contractors that have undergone screening on human rights	Partially	12–13	Included in BSCI audits.
	Product Responsibility			
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	20	

Reporting principles and contact information

On its website stockmanngroup.fi, Stockmann publishes an annual corporate social responsibility report that covers the entire Group. The reporting period of this report is the financial year from 1 January to 31 December 2011. The previous report on the 2010 financial year was published in May 2011.

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This CSR report covers all operations of the Stockmann Group: three divisions (Stockmann, Lindex, Seppälä) in 11 countries of operation, Group administration activities in Finland and purchasing offices in five Asian countries. The report does not cover Lindex's franchising stores in the Middle East, Bosnia-Herzegovina and Iceland. Some of the personnel and environmental indicators are reported only for Finland, which accounted for 51 per cent of revenue and 42 per cent of personnel in 2011. These exceptions and the measurement and accounting principles are mentioned in connection with the indicators. The goal is to gradually expand the reporting with regard to these indicators.

The report is set within the framework of the Global Reporting Initiative (GRI) G3 reporting guidelines. On pages 21–22 the content of the report is compared with the GRI recommendation and there is also an index of GRI indicators. The report complies with the GRI accounting principles where applicable. The Group's financial indicators have been prepared in compliance with IFRS standards. The annual report for the 2011 financial year and the Group's website stockmanngroup.fi also have information on the company's financial responsibility, ownership, governance and risk management. Lindex, a Group division, also publishes more specific information about its responsibility on their website lindex.com.

According to Stockmann's own estimate, the coverage of this report meets the requirements of application level C of the GRI guidelines. The report has not been reviewed by a third party.

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We offer our customers
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