

A photograph of a man and a woman working together at a desk. The man, with a beard and wearing a blue button-down shirt, is leaning over the desk, pointing at a laptop screen. The woman, with long red hair and wearing glasses and a blue and red plaid shirt, is sitting at the desk, smiling and looking at the laptop. There are two laptops on the desk, one silver and one black. A glass of orange juice and a pair of glasses are also on the desk. The background shows a window with a grid pattern and a bright light source, possibly the sun, creating a warm glow.

# 2015

ANNUAL REVIEW

# TABLE OF CONTENTS

## We are Sponda

Sponda	5
Chief Executive's review	5
Strategy	6
Vision and strengths	8
Sponda's value chain	9
Sponda in 2016	10
Future trends	11
Working life of the future	13
Spondability	14
Managing responsibility	14
Materiality analysis	15
Supply chain	17
Sponda's stakeholders	18

## Operations and Results 2015

Operations in 2015	21
Key figures	22
Key figures in graphs	24
Business units in brief	27
Investment Properties in 2015	27
Property Development in 2015	29
Russia in figures	30
Property Assets	31
Business Environment	35
Stories from 2015	39
Responsibility targets and actions in 2015	49
Energy and environmental efficiency	51
Objectives and measures	52
Energy consumption and energy sources	55
Carbon footprint	60
Energy efficiency programme and environmental partnership	63
Waste management	64
Property locations	67
Objectives and measures	67

Enhancing the customer experience	68
Sponda's customer process	70
Objectives and measures	70
Investing in employees	71
Objectives and measures	72
Transparent and ethical operations	77
Objectives and measures	78
Taxation	80
Taking the industry forward	81
Objectives and measures	82
GRI index	83
The scope and principles of the report	91
Independent Practitioner's Assurance Report	94
Risks and risk management	95
Main risks and risk management actions	96

## Corporate Governance

Corporate Governance	99
The General Meeting	99
Nomination Board	100
Board of Directors	101
Introduction of the Board of Directors	102
Board operations	105
Duties of the Board of Directors	106
Board committees and working groups	106
Remuneration and other financial benefits paid to the Board of Directors	107
The President and CEO	108
Executive Board	109
Presentation of the Executive Board	111
External and internal audits	113
Insiders	114
Risk management	114
Sponda as an investment	116
Financial information 2016	118
Contact details	118

Sponda's complete Annual Report has been published as an online version in Finnish and English at <http://www.sponda.fi/en/annualreport2015>. The Annual Report is also available in PDF format in two parts: Annual Review 2015 and the Board of Directors' Report and Financial Statements 2015.



I

WE  
ARE  
SPONDA



# SPONDA

*Sponda Plc is a property investment company specializing in commercial properties in the largest cities in Finland. Sponda's business concept is to own, lease and develop office, retail and shopping centre properties into*

*environments that promote the business success of its clients.*

*Sponda is organised into three business units: Investment Properties, Property Development and Russia.*

## CHIEF EXECUTIVE'S REVIEW

*The development of the property markets was mixed in 2015. Increased activity by foreign funds led to higher demand for properties for sale. The number of players on the market increased, and properties changed hands at a higher rate than in the previous year. At the same time, however, the prolonged recession has weighed down on rental demand in the business premises market, reduced market rents, and increased the average vacancy rates of properties in both the office premises market and the retail property market.*

In spite of these difficulties, the key indicators for Sponda's rental operations show positive development in 2015. In a challenging market situation, we were able to maintain stable occupancy rates for our office properties. In the office market, Sponda's strategic areas in the Helsinki metropolitan area, particularly the central business district and Ruoholahti, remain desired locations. Another positive aspect was the increase in the occupancy rate of our shopping centres compared to 2014.

### Sponda is focusing its property ownership

The stronger demand for properties for sale also supported Sponda's strategy of increasingly focusing our property ownership on office and shopping centre properties in the Helsinki metropolitan area and Tampere. In late 2015, we sold our properties in Vuosaari harbour as well as our holding in the logistics property company Certuum established in the previous year. We also managed to reduce our property ownership in Russia in line with our strategy.

In February 2016, we announced the purchase of six prime properties in the centre of Helsinki. The acquisition covers the Forum shopping centre and adjacent office properties. The acquisition is perfectly in line with our strategy of focusing our property ownership on Helsinki's central business district as well as of increasing the share of shopping centre and office properties in our portfolio.

Our aim was to start at least one new property development project in 2015. In spring Sponda started a shopping centre development project in central Tampere. The Ratina shopping centre will be the city's largest

shopping centre when completed. With an investment size of approximately EUR 240 million, the project comprises some 53,000 square metres of retail and service premises for more than 150 businesses. The shopping centre is scheduled to be completed in spring 2018. Another example of our bold approach is the Mothership of Work, or MOW, which is a new kind of coworking space that was opened in February 2016 on Pieni Roobertinkatu in Helsinki.

Among Sponda's new property development projects, office buildings were completed in 2015 in Helsinki's Ilmala and Lassila districts. We also made major renovation and maintenance investments, which will allow us to offer increasingly high-quality business premises solutions to our customers. We invested over EUR 37.8 million during the year in renovating and modernising our existing property portfolio.

## Digitalisation is changing the operating environment

Megatrends such as digitalisation and urbanisation are changing the operating prospects of businesses at an increasingly rapid rate. This makes predicting the future even more difficult than before, but the year 2016, at least, looks cautiously positive from Sponda's perspective. The Finnish economy is expected to slowly turn to growth, which will

increase demand, particularly in the growth areas of Helsinki and Tampere.

A responsible way of working is at the heart of our strategy and business. It ensures the long-term viability of our operations. Sponda is committed to supporting the UN Global Compact principles regarding human rights, labour, the environment and anti-corruption.

The operating environment of our office and retail premises customers is constantly changing, and we will do our best to respond to these changes. In addition to a strong property portfolio, we have the capacity and experience to adapt business premises to suit our customers' needs. For this, I wish to extend my warmest thanks to our personnel, whose strong professional expertise and willingness to think beyond the practices and conventions of our industry constitute our most important success factors.

I also want to take this opportunity to thank our customers for their good and productive partnerships with us, and our shareholders for the confidence they have shown in Sponda. I believe 2016 will be an even more favourable year for us all.

Kari Inkinen  
President and CEO

# STRATEGY

*Sponda is a property investment company that owns, leases and develops office and shopping centre properties in Helsinki and Tampere. We seek growth and profitability through customer-focused operations, active property development and property acquisitions in Finland.*

The main goals of Sponda's strategy are simplification of the business structure, more

focused property ownership and profitable growth. To simplify its business structure, Sponda will divest its Russian operations, logistics properties and property located in Turku within one to three years. Property ownership will be focused on prime areas in the Helsinki metropolitan area, particularly in the central business district and Ruoholahti, as well as Tampere.

Focusing property ownership on strategically important areas, where Sponda

already has a strong position, gives us a better capacity to develop our market intelligence and grow profitably.

Sponda's strategic business development focal points are the customer experience and environmental responsibility.

## Strategic operations in 2015

### Properties sold and bought

- Sponda sold its 38 per cent holding in the logistics property company Certeum, as well as its properties located in Vuosaari harbour to the Blackstone Real Estate Partners Europe IV fund.
- In Russia, Sponda sold the Solnechniy II shopping centre and the Bakhrushina House office building in Moscow to Horizon Properties Ltd.
- Sponda reduced its property ownership in Turku. At the end of 2015, Sponda owned only one property in the city.

### Property development

- In central Tampere, Sponda began construction on the Ratina shopping centre in April 2015. The shopping centre will be Tampere's largest and it will be completed in 2018.
- In Oulu, Sponda began the development of a retail property for use by the sporting goods retailer XXL in summer 2015. The property will be completed in late spring 2016.
- At Pieni Roobertinkatu 9 in Helsinki, Sponda began the development of the Mothership of Work (MOW), a new kind of user-powered coworking service concept, in autumn 2015. MOW was opened in February 2016.

### Refinancing and other financial arrangements

- In April, Sponda signed an agreement with Danske Bank Plc for a five-year unsecured loan of EUR 115 million. The agreement extended a previous maturing loan of the

same size until April 2020.

- In May, Sponda issued a EUR 175 million senior unsecured bond. The five-year bond matures in May 2020.
- In November, Sponda signed a syndicated revolving credit facility agreement for five years for EUR 80 million. The facility is unsecured. It extended the similar undrawn EUR 150 million revolving credit facility's original maturity from November 2015.

### Business development: responsibility, the environment and the customer experience

- Sponda was awarded a Green Star in the GRESB survey, which is a comparative survey of responsibility among companies in the property sector, for the third year running. Sponda's score increased by 17 per cent from the previous year.
- Sponda was ranked as the best property investment company in the Nordic region by the CDP Climate in 2015 in the Financials category, and Sponda also reached the Nordic Climate Disclosure Leadership level for the first time. The company achieved a score of 99/100 for its reporting and its grade for the index measuring the management of emissions was A- on a scale of A-E.
- Sponda's customer satisfaction, Net Promoter Score and contract renewal rate increased from the previous year. The results of customer relations work have improved and the relevant internal targets were exceeded.
- Sponda obtained the LEED Platinum® Environmental Certification for its Estradi office building, which was completed in spring 2015. LEED® (Leadership in Energy and Environmental Design) is an internationally recognised and widely used green building certification, awarded by the U.S. Green Building Council (USGBC). LEED Platinum® is the highest certification level in the LEED environmental certification system.

# Vision and strengths

## Mission

Sponda is a leading property investment company that owns, leases and develops office and shopping centre properties in the largest cities in Finland. Sponda develops business environments that promote the business success of customers.

## Vision

Sponda's vision is to be the first choice for customers looking for business premises. In accordance with this vision, Sponda creates added value for its customers by offering business premises solutions that take into account the customers' individual needs, operating culture and the nature of their work.

## Values

The most important values for Sponda are innovation, professionalism and reliability. We live out these values every day. They guide our conduct towards our customers and each other.

## Sponda's key strengths

### **Property portfolio focused on the best locations in the Helsinki metropolitan area and Tampere**

Sponda's property portfolio includes some of the highest quality and best-known properties in the Helsinki metropolitan area, particularly in Helsinki's central business district and Ruoholahti, and in Tampere.

### **Diversified property portfolio that offers customers a wide choice of premises**

Sponda's property portfolio includes a broad range of office and shopping centre

properties. Thanks to its extensive business premises offering, Sponda is able to offer its clients alternative premises as their space requirements change.

### **Diverse, high-quality tenant base and balanced lease portfolio**

Sponda's largest clients include major retail stores, the finance industry and the public sector. The company has a diversified tenant base, which reduces the risks related to individual customer segments or tenants.

### **Leading property development operations**

Sponda owns a considerable amount of land and numerous potential property development sites. In 2015, Sponda launched new property development projects in Tampere and Oulu.

### **Experienced and committed management and development-oriented personnel**

The members of Sponda's Executive Board have long-term operational experience within the company and in the real estate business. Sponda's personnel have strong expertise and extensive experience of the property markets, as well as the capacity to develop new operating models. In 2015, Sponda launched MOW, which represents an entirely new kind of business premises concept.

### **Sustainable business operations**

Sustainability is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability. The company's operations are planned and assessed from the perspectives of sustainability.



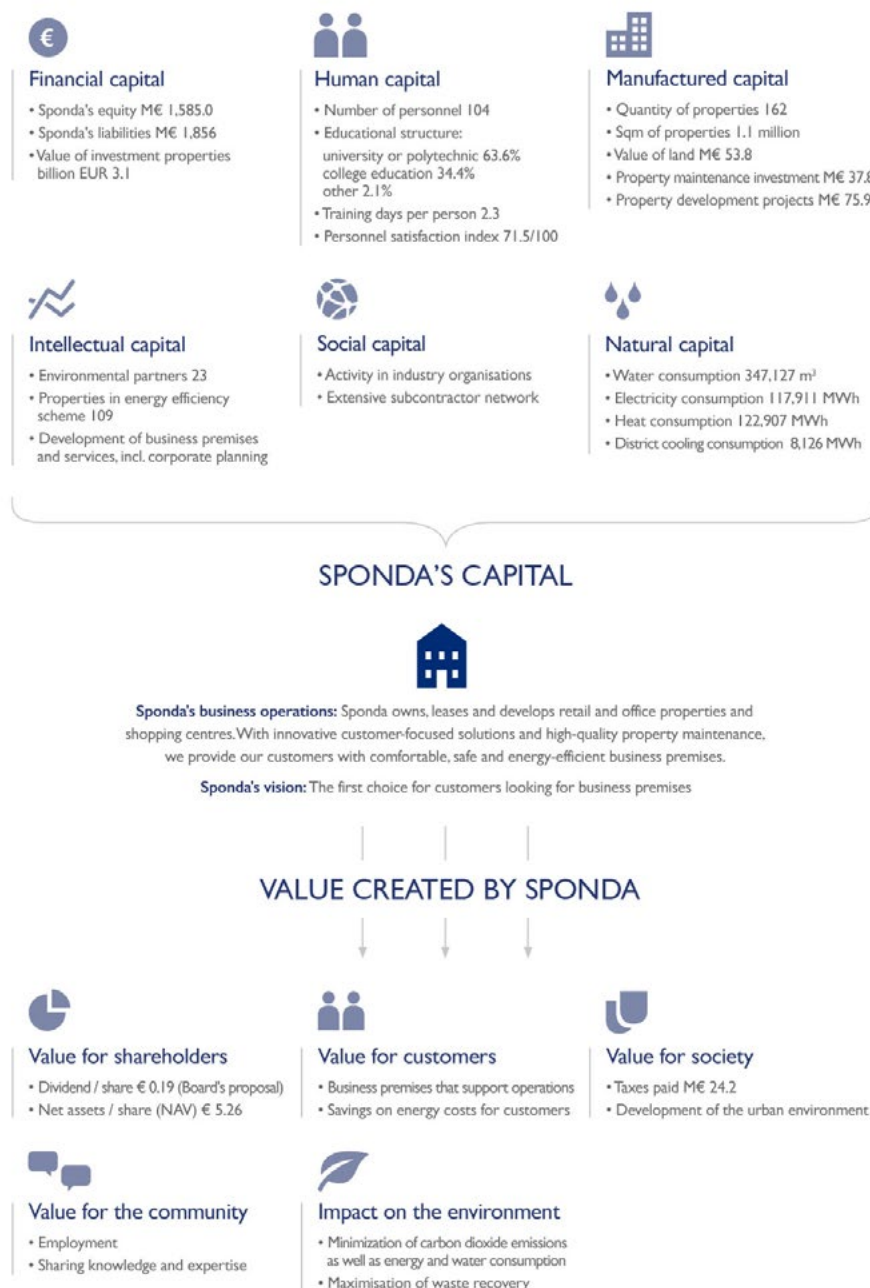
# Sponda's value chain

*Sponda engages in active property development and buys and leases properties to create value for its shareholders, customers, surrounding communities and society at large.*

The creation of value is based on Sponda's capital, which includes not only human capital and the necessary natural resources, but also the financial, manufactured, intellectual and social capital that is concentrated in the

company. The focus on responsibility also strengthens the company's profitability and long-term viability, creating value in future as well.

The core strengths of Sponda include a diversified property portfolio focusing on the best locations, leading property development operations and highly skilled personnel. They allow Sponda to provide its customers with comfortable, safe and energy-efficient business premises.



# Sponda in 2016

*The current Finnish gross domestic product growth forecast for 2016 is 1.2 per cent. This figure represents a moderate recovery compared to the previous year, as Finnish GDP growth in 2015 is estimated to be very low (0.2%). As the economy takes an upward turn, Sponda is expecting an increase in demand on the property market, particularly in growth areas in Helsinki and Tampere.*

In February 2016, Sponda announced the purchase of six prime properties in the Forum block located in the centre of Helsinki. The acquisition includes both the Forum shopping centre and adjacent office properties. This acquisition is a continuation of Sponda's strategy of increasing the share of shopping centre and office properties in our portfolio, while also increasingly focusing our property ownership on the prime area of Helsinki's central business district.

## **Sponda's operational focal points for 2016:**

- Increase the economic occupancy rate from the year-end 2015 level (87.7%).
- Continue to sell non-core properties and purchase core properties.
- Maintain a stable dividend payout capacity.
- Start at least one new property development project. The target for each development project is to maintain a development margin of 15 per cent.

## **Financial objectives**

Sponda's long-term goal is to maintain its equity ratio at above 40 per cent. The equity ratio was 46 per cent at the end of 2015 (2014: 41). Sponda distributes dividend amounting to approximately 50 per cent of the operational cash earnings per share for the financial period, taking into account, however, the economic situation and the company's development needs.

## **Prospects for 2016 (4 February 2016)**

### **Net operating income**

Sponda expects net operating income for 2016 to amount to EUR 152–168 million. The estimate is based on the company's view of property purchases and sales to be completed and the development of rental operations during the year.

### **Adjusted EPRA Earnings**

Sponda estimates that company's adjusted EPRA Earnings in 2016 will amount to EUR 82–98 million. This outlook is based on the development of net operating income and the company's estimate of the development of financial expenses.

# FUTURE TRENDS

*Sponda has identified urbanisation, climate change, a growing need for communality and digitalisation as the trends that are most significant to its operations. These trends impact not only our business operations, but also the development of the property industry as a whole.*

More information on how trends affect Sponda, and our responses to them, is available under Sponda's future solutions table below

## Urbanisation

In the future, the world's population will become increasingly concentrated in urban areas. At present, more than 70 per cent<sup>1</sup> of Finns live in cities or on the outskirts of cities, and the trend of migration to growth centres in southern Finland, in particular, is expected to continue. Accordingly, Sponda's aim is to focus its property portfolio on central areas in Helsinki and Tampere. In addition to zoning and property development, good public transport plays a key role in the sustainable growth of urban areas.

<sup>1</sup> Sitra 2015 <http://www.sitra.fi/en/artikkelit/future/sitra-trends-roles-cities-are-growing>

## Climate change

The Earth's average temperature is predicted to rise in Finland by as much as six degrees<sup>2</sup> by 2100 if greenhouse gas emissions continue to increase at the current rate. The built environment plays a significant role in mitigating climate change - the energy efficiency requirements for properties and the industry as a whole will increase further due to climate change. Environmental requirements are an area of particular focus in Sponda's property development operations, property maintenance, and the use of properties.

<sup>2</sup> Sitra 2013

## Communality

Modern urban communality is often created through digital interaction. However, people also have a need to meet face to face, both at work and in their free time. Finland is already one of the European leaders in remote work, with 25 per cent of Finns performing part of their work duties outside the workplace<sup>3</sup>. Variability in how work is performed is set to increase in the future. This will see increased significance for the workplace as a social and pleasant meeting place: an effective work environment provides space for collaborative idea generation as well as the performance of tasks that require greater concentration. Multispace offices have been estimated to create a greater sense of cohesion in workplaces<sup>4</sup>. Sponda's response to this need includes the creation of a new coworking office concept in 2015. Shopping centres will also play an increasingly important role in creating communal meeting places in the future.

<sup>3</sup> Finnish Ministry of Employment and the Economy 2014 [https://www.tem.fi/files/42223/TEMrap\\_9\\_2015\\_web\\_13022015.pdf](https://www.tem.fi/files/42223/TEMrap_9_2015_web_13022015.pdf)

<sup>4</sup> Building Information Foundation RTS, Building Information Ltd and the Association of Finnish Construction Managers and Engineers AMK RKL 2013

## Digitalisation

In the future, various digital services will make daily life more convenient, and goods and services will be increasingly purchased online. Online commerce has seen significant growth in Finland, nearly 20 per cent over a period of five years<sup>5</sup>. The transformation of retail presents new challenges and opportunities to brick-and-mortar shops and shopping centres.

<sup>5</sup> TNS Gallup 2015 <https://www.tns-gallup.fi/uutiset/tavaroiden-verkkokauppa-kasvaa-taantumasta-huolimatta>

## Sponda's future solutions

Future trend	Effect on the industry and Sponda	Sponda's actions
Urbanisation	<ul style="list-style-type: none"> <li>Population concentrates in cities</li> <li>An increasing need for business premises and retail services in growth centres</li> <li>Development of public transportation</li> </ul>	<ul style="list-style-type: none"> <li>Focusing the property portfolio on the city centres of Helsinki and Tampere, and the developing districts of these cities</li> <li>Property assets with good public transport access</li> <li>Active property development</li> <li>Urban development in co-operation with the authorities</li> </ul>
Climate change	<ul style="list-style-type: none"> <li>Increasing requirements related to the energy efficiency of properties and the industry as a whole</li> <li>Properties are exposed to extreme weather phenomena</li> <li>Increasing upward pressure on energy costs</li> </ul>	<ul style="list-style-type: none"> <li>Energy-efficient construction in both new property development and renovation projects</li> <li>Preparing for extreme weather phenomena in co-operation with the maintenance network</li> <li>Drafting proactive energy contracts</li> <li>Co-operation with customers and partners to reduce the environmental impact of properties</li> </ul>
Communality	<ul style="list-style-type: none"> <li>As working remotely becomes increasingly common, there is a growing need for office spaces that support communality</li> <li>Shopping centres play an increasingly significant role in supporting communality and providing entertainment</li> </ul>	<ul style="list-style-type: none"> <li>Developing solutions that support communality in office spaces</li> <li>Developing shopping centre concepts</li> <li>Creating a new office space concept</li> </ul>
Digitalisation	<ul style="list-style-type: none"> <li>The digitalisation of retail presents new challenges and opportunities to brick-and-mortar shops and shopping centres</li> <li>Changes in purchasing behaviour</li> <li>Work irrespective of time and place creates new demands on office environments</li> </ul>	<ul style="list-style-type: none"> <li>Utilising digital services in retail premises</li> <li>Improving digital capacity in office premises</li> <li>Development of Sponda's services and business premises solutions</li> <li>Creating a new office space concept</li> </ul>

# WORKING LIFE OF THE FUTURE

*Working life is changing at an accelerating pace. The number of freelancers and solopreneurs has more than doubled since the year 2000<sup>1</sup>, and new digital solutions mean that work is no longer an activity that necessarily has a fixed time or place. With part of work moving outside the office, the office space begins to increasingly transform into a social meeting place that encourages co-operation and generating ideas on a collaborative basis.*

Good office space adapts to customer needs and offers various types of spaces for different purposes.

## Business premises to support changing work

Changing work, technological development and business premises that supports various forms of work are trends that feed off each other. Research suggests that companies that allow their employees to choose their workstations have employee satisfaction levels that are 10–15 per cent higher than other companies.<sup>2</sup> Going forward, a multispace office that combines the latest technology with versatile workspaces will be the ideal

business premises solution for more and more companies.

Office spaces are increasingly required to foster a sense of community and provide the flexibility required by project work. This is precisely what is offered by Mothership of Work, or MOW, Finland's first large-scale coworking space, which opened its doors in February 2016.

Like Sponda's other business premises solutions, MOW is based on customer needs. For one client, this may mean a modern retail space in a shopping centre in the central business district, while for another client, it may mean a highly functional office space in a location with good transport connections. The most important thing is that the business premises solution supports the tenant's business operations, work performance and employee satisfaction to the greatest possible extent.

<sup>1</sup> Ministry of Employment and the Economy 2015: Final report of the working group examining and developing change trends in the use of the labour force and in the ways of working [https://www.tem.fi/files/41956/TEMjul\\_2\\_2015\\_web\\_21012015.pdf](https://www.tem.fi/files/41956/TEMjul_2_2015_web_21012015.pdf)

<sup>2</sup> Chicago Tribune, 18 June 2015



# SPONDABILITY

*Responsibility is an integral part of our strategy and day-to-day operations: it supports Sponda's long-term viability. The term Spondability communicates our holistic approach to responsibility.*

We have set annual targets and defined key actions for Sponda's strategic priorities, namely environmental responsibility and managing the customer experience. The Executive Board and the Board of Directors regularly monitor the achievement of targets and implementation of actions.

We also encourage our employees to work towards the goals related to environmental responsibility and the customer experience. These two priorities are included as factors in the incentive scheme that covers all personnel.

Sponda has six responsibility priorities that we use to achieve our strategic objectives. We report annually on the objectives under each priority and the previous year's achievements in each area. Read more about our priorities in the Operations and Results section of this annual report:

- Energy and environmental efficiency
- Property locations

- Enhancing the customer experience
- Investing in employees
- Transparent and ethical operations
- Taking the industry forward

In addition, we evaluate the threats and opportunities related to environment and climate change risks relevant to our operations in an annual risk assessment.

## Responsibility commitments

Sponda's Code of Conduct lays a foundation for Sponda's responsibility efforts and their management as well as for our stakeholder co-operation. The Code of Conduct has been approved by the Executive Board and the Board of Directors.

In 2014, Sponda signed the UN Global Compact to mark its commitment to ten responsibility principles related to human rights, labour, environment, and anti-corruption. We report annually on the measures we take to realise the principles of the Global Compact initiative.

Sponda's Code of Conduct and the UN Global Compact contain our commitment to anti-corruption. The Code of Conduct is available to stakeholders on the Sponda website.

## Managing responsibility

*The principles and practices Sponda applies to the management of its business operations also apply to the management of responsibility to a large extent. The advantage of this integrated approach is that responsibility matters are linked to existing management processes.*

Sponda's practices for managing responsibility are based on the company's strategy, as well as the following guidelines and commitments:

- Sponda's Code of Conduct
- The UN Global Compact
- The company's internal operations handbook

## Managing responsibility priorities

Sponda has six responsibility priorities that are based on its strategy. The management of the key aspects of these priorities at the Executive Board level is allocated to the Senior Vice President, Corporate Planning and IR, who is responsible for strategy, the Senior Vice President, Property Development, and the Chief Financial Officer, who is responsible for human resources. At the Executive Board level, the Senior Vice President, Corporate Planning and IR is in charge of corporate responsibility, while the Senior Vice President, Property Development, is in charge of environmental responsibility. The President and CEO is in charge of the overall management of responsibility and the achievement of the targets set.

Where necessary, responsibility matters are also discussed at Sponda's Board of Directors' meetings.

The management of **Energy and environmental efficiency** is the responsibility of the Sustainability Manager. She reports to the Senior Vice President, Property Development, who is in charge of environmental responsibility at the Executive Board level. The environmental responsibility steering group, which meets approximately six times per year, consists of the Sustainability Manager and four members of the Executive Board. The Executive Board monitors the

progress of company-level environmental targets on a monthly basis.

The management of the **Property locations** responsibility priority is assigned to the President and CEO in co-operation with the Senior Vice President, Corporate Planning and IR, the Senior Vice President of Investment Properties and the Senior Vice President of Property Development.

**Enhancing the customer experience** is the responsibility of the Customer Experience Manager. He reports to the Senior Vice President, Corporate Planning and IR, who is responsible for the customer experience at the Executive Board level. The customer experience steering group, which meets approximately six times per year, consists of the Customer Experience Manager and three members of the Executive Board.

The management of the **Investing in employees** priority is the responsibility of the HR Manager. She reports to the Chief Financial Officer, who is responsible for human resources at the Executive Board level.

At the Executive Board level, the priorities **Transparent and ethical operations** and **Taking the industry forward** are the responsibility of the Chief Financial Officer, and the Senior Vice President, Property Development. Operational management responsibility is allocated between the Purchasing and Quality Manager, the Sustainability Manager and the Chief Legal Counsel, depending on the area of operations in question.

## Materiality analysis

*We defined the responsibility priorities most material to our operations for the first time in 2011, at which time we identified the key responsibility priorities for Sponda's strategy. In 2014, we began to implement the GRI G4 reporting guidelines and conducted a comprehensive materiality analysis. The responsibility priorities and their most material aspects were then updated based on the results of the analysis.*

The key corporate responsibility aspects of Sponda's value chain were identified and analysed based on industry and background analyses, key stakeholder perspectives and an assessment of business impacts. The priorities are closely linked to Sponda's strategy.

The external stakeholders indicated that the most important themes related to responsibility are the professional competence of Sponda's personnel, the energy efficiency of properties, customer health and safety, the comfort of indoor environment, providing a working environment that supports the

customer's operations, and ethical business principles.

Sponda's Executive Board approved the responsibility priorities updated based on the materiality analysis process, and their material aspects.

The material corporate responsibility aspects that correspond with Sponda's responsibility priorities are shown in the table below and in the GRI index.

## Stages of the materiality analysis

1. Identifying the material aspects of Sponda's corporate responsibility in the value chain.
2. Prioritising the material aspects in co-operation with significant stakeholders.
3. Impacts of the material aspects on Sponda's operations.

### Sponda's responsibility priorities 2015: Transparent and ethical operations form the basis

Energy and environmental efficiency	Property location	Enhancing the customer experience	Investing in employees	Taking the industry forward
<ul style="list-style-type: none"> <li>• The energy efficiency of properties</li> <li>• Carbon footprint and renewable energy</li> <li>• Supporting customers and increasing environmental awareness among employees</li> <li>• Environmental efficiency of own operations</li> <li>• Environmental certification of properties</li> <li>• The sorting and recovery of property waste</li> <li>• Water consumption at properties</li> </ul>	<ul style="list-style-type: none"> <li>• Taking environmental aspects into account in making decisions on property investments</li> <li>• Focusing on properties located in cities, accessible by public transportation</li> <li>• Concentrating on prime areas</li> <li>• Investments in property assets</li> </ul>	<ul style="list-style-type: none"> <li>• Working environments and property services that support the customer's operations</li> <li>• Comfort of indoor environment</li> <li>• Customer safety and health</li> <li>• Supporting the customer's responsibility goals</li> </ul>	<ul style="list-style-type: none"> <li>• Improving professional expertise of employees</li> <li>• Wellbeing of employees</li> <li>• Safety of personnel</li> <li>• Equal and non-discriminatory treatment of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Active participation in development work in real estate and construction industry organisations</li> <li>• Sharing expertise and professional competencies</li> <li>• Own research and development work</li> </ul>
<p><b>Transparent and ethical operations</b></p> <p>Economic value generated for stakeholders</p> <p>Transparent communications and reporting</p> <p>Business principles</p> <p>Purchasing management and responsible purchasing</p> <p>Good governance and risk management</p>				

# Sponda's supply chain

*Sponda's supply chain consists of contractual partners that provide property maintenance services and participate in property repair and renovation projects. The clients of the services are primarily property companies owned by Sponda. Sponda purchases the management of property services for the properties it owns from external property managers. These purchased services include the management of the properties' energy efficiency, technical building management and leasing administration services.*

In the service production for our properties, we use external property managers' contractual partners that are reliable and meet Sponda's quality criteria. The normal service production for properties includes property maintenance, technical maintenance, cleaning services and waste management.

Sponda's external property managers manage the safety of properties by ensuring that the contractual obligations of the partners they use are fulfilled in accordance with occupational safety regulations. Sponda's contractual partners are responsible for fulfilling occupational safety obligations pursuant to applicable legislation.

## Supply chain terms in framework agreements

We use framework agreements to specify the general terms for our supply chain, and property managers and other contractual partners operate according to these terms during each contract period. We comply with applicable legislation in all of our operations. The Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out sets out special obligations for contractors regarding the use of contracting. By demanding accounts pursuant to the Act on the Contractor's Obligations and Liability when Work is Contracted Out, Sponda as the contractor ensures that its contractual partners operate in compliance with the law.

In Sponda's property development operations, new construction and renovation projects involve the contractor's consulting

services as well as consulting services in various fields, such as architecture, structural design, building technology, design of foundation structures, and environmental certification. The required consulting services are assessed and the procurement method is determined on a project-specific basis — framework agreement, negotiated procedure, competitive bidding or other. In projects for which international environmental certification (LEED® or BREEAM®) is sought, the services of a separate certification consultant are used to ensure the quality of the certification process.

The method of implementation and contracting used in projects is decided on a case-by-case basis with consideration for each project's special characteristics, such as scope, schedule and location. In addition to the purchasing of consulting services and contracting services, projects may involve separate purchases through either framework agreement partnerships or competitive bidding.

## Contractual partners are required to be environmentally responsible

Our contractual partners must have an effective environmental management system, environmental programme or similar system that defines the general operating principles for taking environmental issues into account. Each contractual partner is responsible for the operating methods and procedures of its subcontractors. In its operations, the contractual partner takes into consideration the general objectives and operating principles defined in the client's and property manager's environmental policy, and ensures that site-specific environmental perspectives and impacts are taken into account.

Sponda's supply chain operations are limited to Finland, primarily the Helsinki metropolitan area, Tampere and Oulu. Sponda did not specifically monitor the number of operators in its supply chain during the year. Counting property managers and their framework agreement partners, the number of suppliers is in the hundreds.

Sponda's objective is to continue to develop the quality and monitoring of the services provided by its supply chain.

# Reliable co-operation with stakeholders

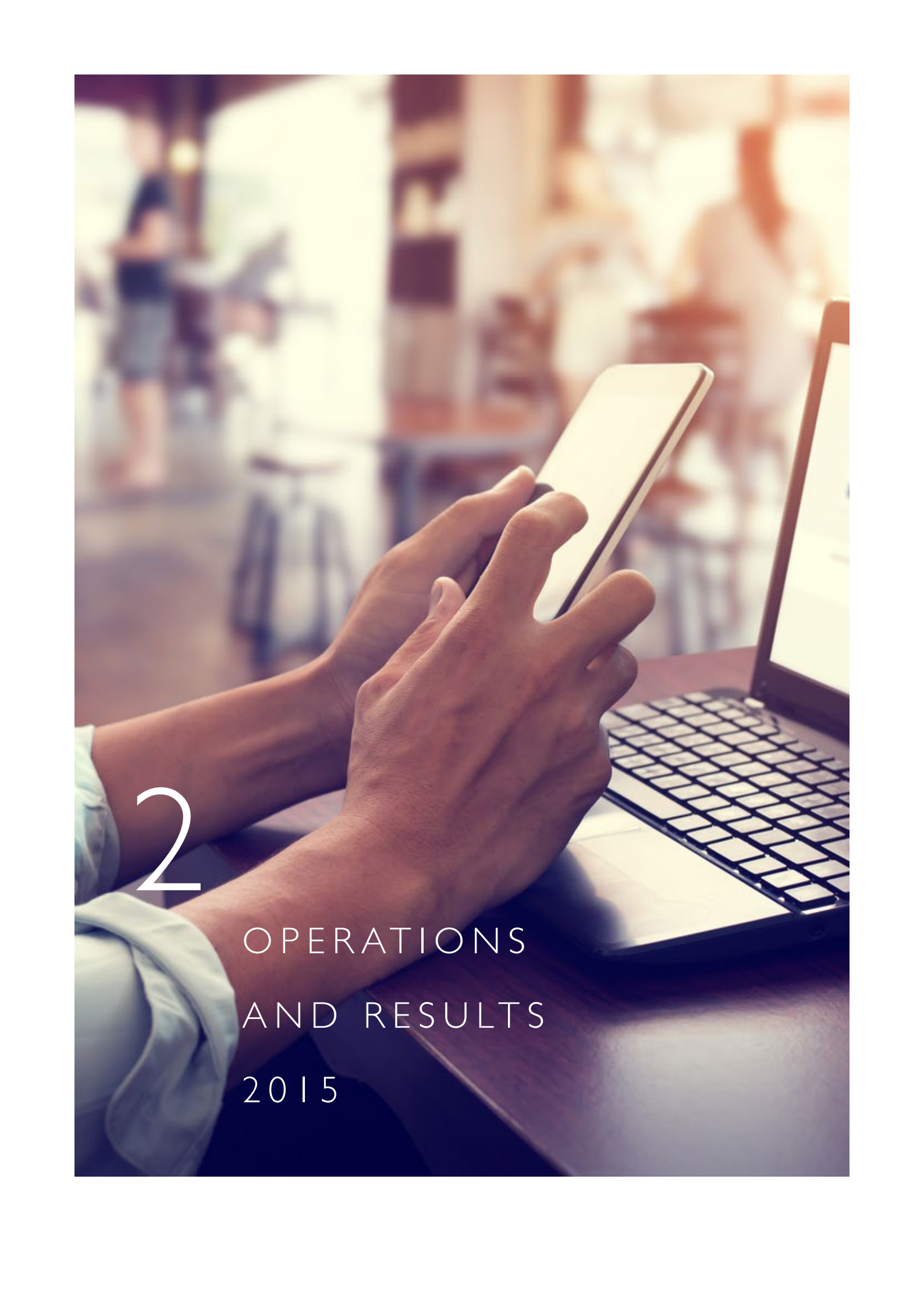
*Sponda has several stakeholder groups who all have different expectations towards us. We strive to meet these expectations in accordance with our values and procedures. The aim is active and open dialogue, based on reliability and integrity.*

The table below summarises our key stakeholders, their expectations towards us and the measures we take to meet these expectations. More information on stakeholders is available on the Sponda website.

Stakeholder group	Expectations towards Sponda	Sponda's actions
Personnel	<ul style="list-style-type: none"> <li>• Permanent employment and stable income</li> <li>• Safe working conditions</li> <li>• Being informed of matters concerning the company</li> <li>• Opportunities for personal development at work</li> <li>• Equal and non-discriminatory treatment</li> <li>• Open communication</li> <li>• Good reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Offering good work opportunities</li> <li>• Good opportunities for training</li> <li>• Effective internal communications and an atmosphere of open dialogue</li> <li>• Ensuring occupational health and safety</li> <li>• Performance and appraisal discussions and job satisfaction surveys</li> <li>• Equal and non-discriminatory treatment of employees</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• High-quality energy-efficient business premises</li> <li>• Responding to changing spatial needs and working methods</li> <li>• Facility services</li> <li>• Good customer service</li> <li>• Taking environmental responsibility into consideration</li> <li>• Long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Offering practical, adaptable and energy-efficient business premises</li> <li>• Developing office concepts and services</li> <li>• Developing better retail locations</li> <li>• Developing customer service channels and services</li> <li>• Regular contact with customers</li> <li>• Creating the conditions for long-term partnerships</li> <li>• Guiding customers towards operations that conserve energy and the environment</li> </ul>
Investors and owners	<ul style="list-style-type: none"> <li>• Dividend yield</li> <li>• Risk management</li> <li>• Responsible and transparent operations</li> <li>• Increase in shareholder value</li> <li>• Reliable information on the company</li> </ul>	<ul style="list-style-type: none"> <li>• Highly competent rental organisation</li> <li>• Competitive dividend policy</li> <li>• Reliable and transparent financial reporting</li> <li>• Identifying risks and reacting to them</li> </ul>
Financiers	<ul style="list-style-type: none"> <li>• Achieving financial targets</li> <li>• Identifying risks and reacting to them</li> </ul>	<ul style="list-style-type: none"> <li>• Effective management of financial risks</li> <li>• Maintaining a reputation as a responsible debtor</li> </ul>
Subcontractors	<ul style="list-style-type: none"> <li>• Equal treatment of subcontractors</li> <li>• Adherence to agreements</li> <li>• Long-term subcontractor relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Effective purchasing and quality processes</li> <li>• Monitoring and supervising the work and quality of subcontractors</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Active, open and responsive communications</li> <li>• Reliable information on the company</li> </ul>	<ul style="list-style-type: none"> <li>• Timely, reliable and open communications</li> <li>• Developing and expanding communications channels</li> </ul>
Society and the authorities	<ul style="list-style-type: none"> <li>• Compliance with legislation and other regulations issued by the authorities</li> <li>• Responsible and transparent operations</li> <li>• Paying taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring legislative developments and introducing the company's perspective to the discussion</li> <li>• Participation in the development of cities</li> <li>• Improving the energy efficiency of business premises</li> <li>• Providing jobs</li> </ul>



Stakeholder group	Expectations towards Sponda	Sponda's actions
Organisations	<ul style="list-style-type: none"> <li>• Participation in the activities of industry organisations</li> <li>• Dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Active involvement in various organisations</li> <li>• Developing the industry in partnership with industry organisations</li> </ul>
Other stakeholders, such as educational institutions and various research and development organisations	<ul style="list-style-type: none"> <li>• Providing opportunities for internships and thesis writing</li> <li>• Participation in the industry's research and development activities</li> </ul>	<ul style="list-style-type: none"> <li>• Providing study opportunities to students in the field of real estate</li> <li>• Joint projects with educational institutions in the field of real estate</li> </ul>

A photograph of a person's hands holding a smartphone, with a laptop keyboard visible in the foreground. The background is a blurred office environment with other people. The image has a warm, golden-hour lighting.

2

OPERATIONS  
AND RESULTS  
2015

# SPONDA'S OPERATIONS IN 2015

*We were successful in achieving our strategic goals in 2015. We made significant progress in simplifying our business structure and focusing our property ownership through property sales.*

Sponda's economic occupancy rate increased compared to the end of 2014, and cash flow remained strong. We also achieved our goal of a stable dividend payout and maintained our equity ratio at above 40 per cent in accordance with our strategy. Sponda's equity ratio was 46 per cent at the end of 2015.

At the end of the year, Sponda sold to the Blackstone Real Estate Partners Europe IV fund its 38 per cent holding in Certeum, a logistics property company established in 2014, as well as its properties located in Vuosaari harbour. Holding a minority interest in Certeum represented a strategic intermediate phase for Sponda, one from which the company was able to move away slightly faster than planned, and with an outcome that exceeded market expectations.

In spite of the difficult market situation in Russia, we sold two properties in Russia in the spring 2015, which reduced the size of our property portfolio in Russia by approximately one fifth.

The rental market has remained challenging for several years due to the uncertain economic situation. The overall

vacancy rate of properties has increased in the market, but the occupancy rate of Sponda's properties increased in 2015. Sponda's revenue in 2015 was EUR 230.5 million and the economic occupancy rate of the properties stood at 87.7 per cent at the end of the year.

## Property development in 2015

Sponda's portfolio of rental properties was boosted with new and attractive premises during the year. Three office buildings were completed in Helsinki's Ilmala district and Estradi office building in Helsinki's Lassila district.

The most significant of Sponda's property development projects in 2015 started in Tampere, where the company is building the city's largest shopping centre. The construction of the Ratina shopping centre began in April 2015 and it is expected to be completed in spring 2018.

The value of Sponda's property development portfolio stood at EUR 129.7 million at the end of 2015 (2014: EUR 133.1 million). Of this amount, land value represented EUR 53.8 million and property development projects EUR 75.9 million.

# Key figures

## Financing key figures

	2015	2014	2013	2012	2011
Interest Cover Ratio (ICR)	3.5	3.3	3.1	2.8	2.7
Average loan maturity, yrs	2.2	2.1	2.5	2.7	3.1
Average fixed interest rate period, yrs	2.2	2.3	2.3	1.9	2.2
Average interest rate, %	2.9	2.9	3.2	3.4	4.0
Hedging rate of interest risk, %	90	76	79	72	77
Equity ratio, %	46	41	41	41*	38

\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

## Group's key figures

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
Total revenue, M€	230.5	246.7	264.3	264.6	248.2
Operating profit, M€	178.1	151.7	153.0	210.5 <sup>1)</sup>	209.6
Profit before taxes, M€	129.2	95.7	93.2	151.8 <sup>1)</sup>	134.0
Cash flow from operations/ share, €	0.36	0.37	0.40	0.40	0.37
NAV/share, €	5.26	4.65	4.64	4.45 <sup>1)</sup>	4.06
Earnings/share, €	0.78	0.24	0.34	0.37 <sup>1)</sup>	0.39
Return on investment, %	5.8	5.4	5.5	7.9 <sup>1)</sup>	7.7
P/E ratio	5.00	14.98	10.16	9.71 <sup>1)</sup>	8.02
Equity ratio, %	46.2	41.0	40.7	41.2 <sup>1)</sup>	37.9
Gearing, %	90.9	121.2	125.6	117.9 <sup>1)</sup>	134.9
Dividend, €	0.19 <sup>3)</sup>	0.19	0.18	0.17	0.16
Payout ratio, %	24.22 <sup>3)</sup>	78.60	53.49	45.86 <sup>1)</sup>	41.15
Effective dividend yield, %	4.85 <sup>3)</sup>	5.25	5.26	4.72	5.13

### Key figures according to EPRA Best Practices Recommendations

	31 Dec 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
EPRA Earnings, M€	232.0	101.6	111.5 <sup>2)</sup>	111.9 <sup>1) 2)</sup>	75.4
EPRA Earnings per share, €	0.82	0.36	0.39 <sup>2)</sup>	0.40 <sup>1) 2)</sup>	0.27
EPRA NAV/share, €	5.60	5.45	5.29 <sup>2)</sup>	5.20 <sup>1) 2)</sup>	4.84
EPRA Net Initial Yield (NIY), %	5.62	5.18	5.84	6.61	6.39
EPRA "topped-up" NIY, %	5.63	5.19	5.84	6.63	6.40

1) 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

2) In 2013, Sponda have changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations. 2012 figures were adjusted accordingly. The notable change relates to deferred taxes on investment properties.

3) Board's proposal

### Responsibility key figures

Enhancing the customer experience	2015	2014
Overall satisfaction index regarding co-operation with the lessor <sup>1)</sup>	3.74	3.67
<b>Personnel</b>		
People Power index <sup>2)</sup>	71.5	70.5
<b>Environmental responsibility<sup>3)</sup></b>		
Energy consumption, kWh/GFam <sup>2</sup>	198	201
Carbon footprint, kg CO <sub>2</sub> /GFam <sup>2</sup>	32.7	33.3
Waste recovery rate, %	97	96
Waste recycling rate, %	45	44
Water consumption, l/GFam <sup>2</sup>	246	253

1) Based on Sponda's annual service experience study for customers. The index includes five indicators that are equally weighted on a scale of 1–5: Sponda's ability to make decisions, Sponda's ability to realise matters agreed on, the professional skills and expertise of Sponda's contact persons, the reachability of Sponda's personnel, and Sponda's ability to recognise the customer's needs.

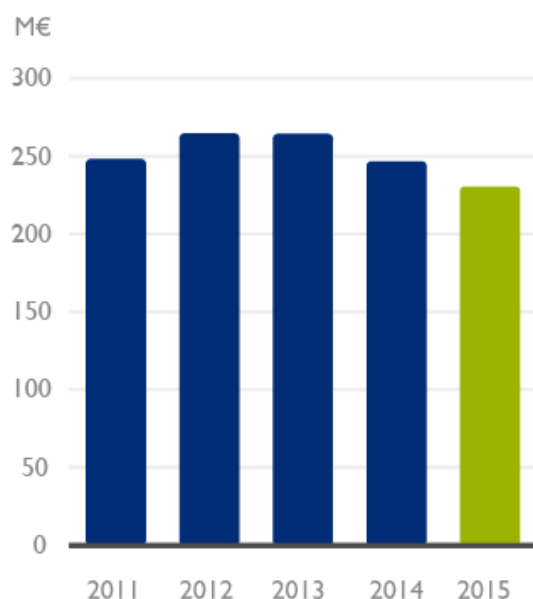
2) The index is calculated from the personnel survey that measures the commitment of personnel, the quality of management, organisational effectiveness and the level of dedication of personnel at Sponda on a scale of 0 to 100. The index provides an overall view of the state of Sponda as an organisation and its capability to take on challenges.

3) Sponda's properties in Finland

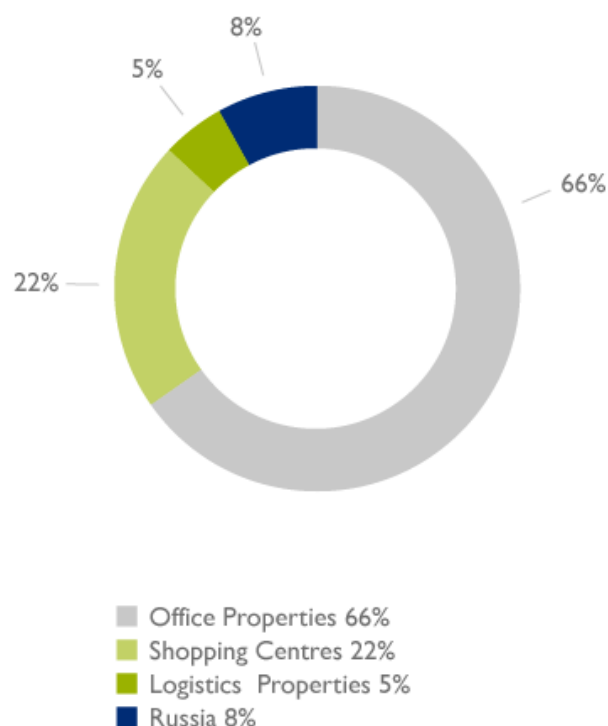


# Key figures in graphs

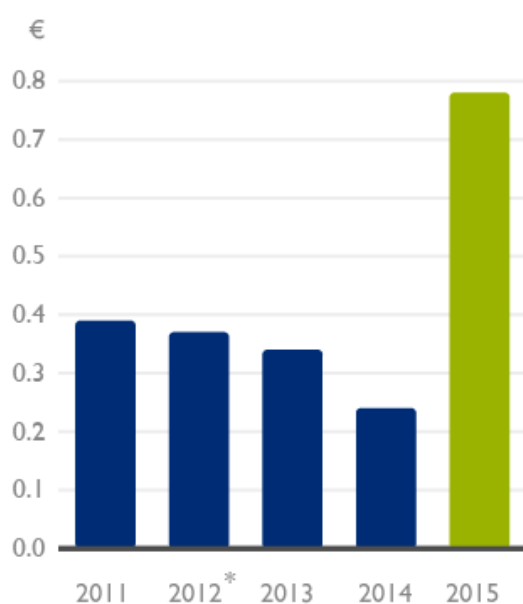
## Total revenue



## Net operating income by business unit 2015

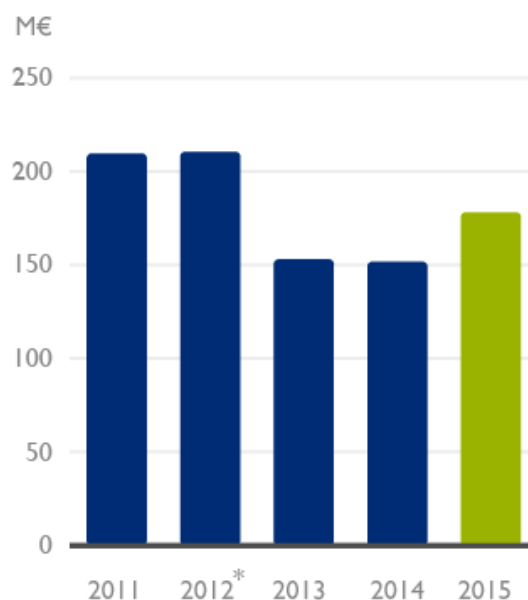


## Earnings per share



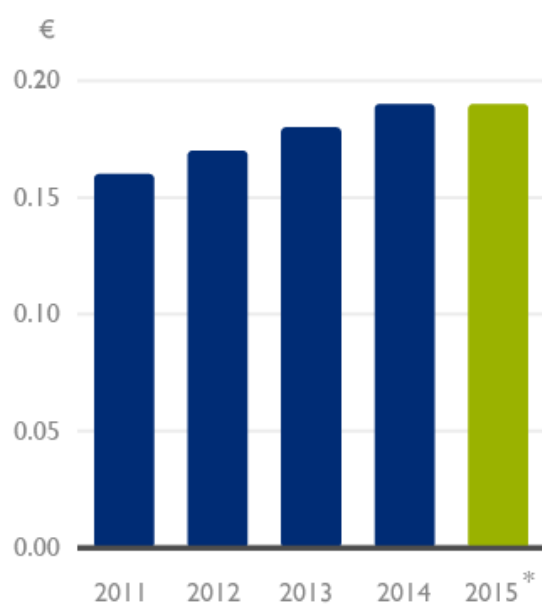
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

## Operating profit



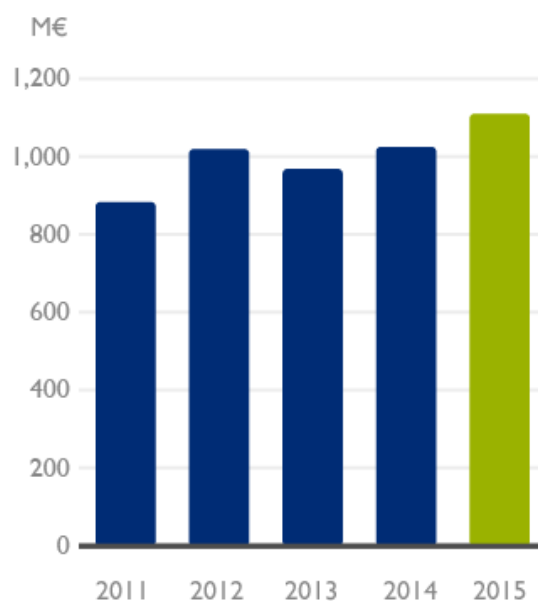
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

### Dividend per share

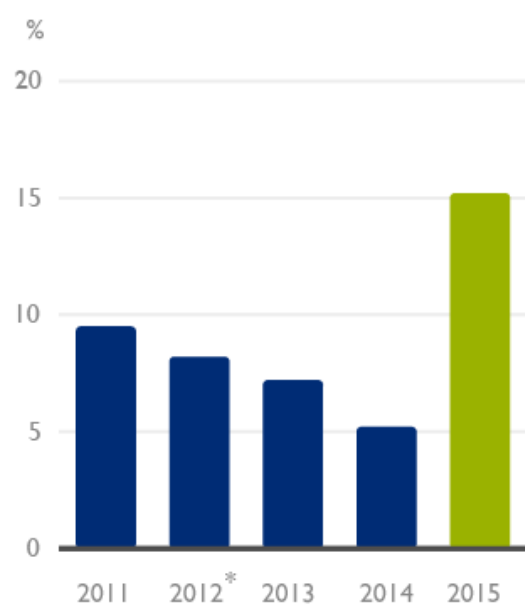


\* Board's proposal

### Market capitalization

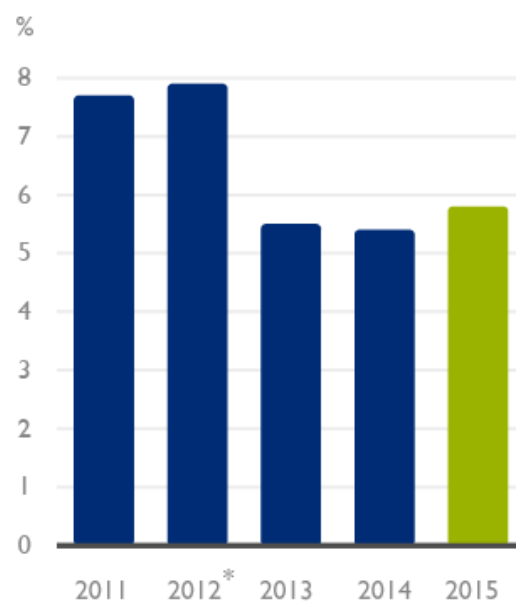


### Return on shareholders' equity (ROE)



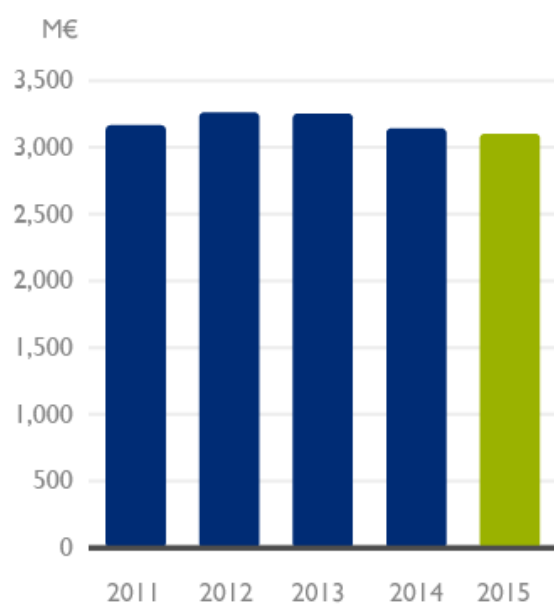
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

### Return on investment

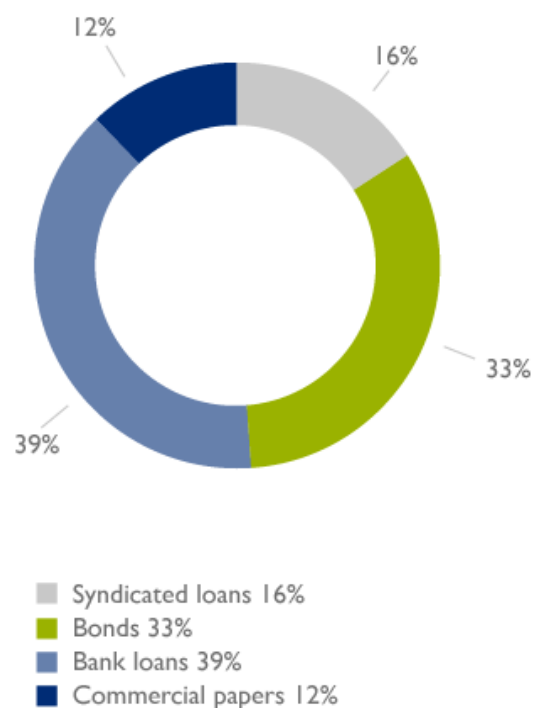


\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

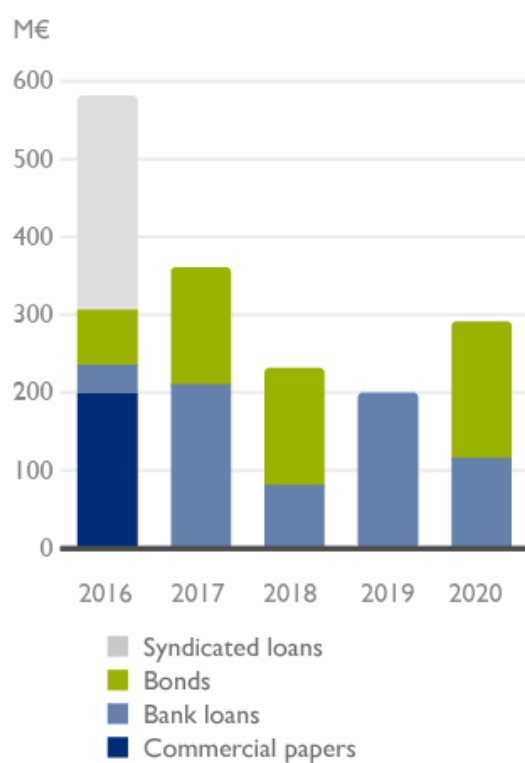
Fair value of investment properties



Sponda Group, Loan instruments 31 Dec 2015



Sponda Group, Loan maturities 31 Dec 2015



# Business units in brief

## Investment Properties in 2015

*The Investment Properties business unit is divided into three segments: Office Properties, Shopping Centres and Logistics Properties. The Investment Properties unit leases office, retail, shopping centre and logistics premises as well as purchases and sells properties in Finland.*

The office properties are primarily located in the Helsinki's central business district, the

Helsinki metropolitan area and Tampere. The shopping centres are located in Helsinki, the Tampere region and the Oulu region. The logistics properties are primarily located in the Helsinki metropolitan area.

According to its strategy, the company is planning to divest its entire logistics property portfolio as well as property ownership in Turku within 1–3 years. Going forward, the company will focus on office premises and shopping centres in prime areas in Helsinki and Tampere.

### Key figures, Office Properties

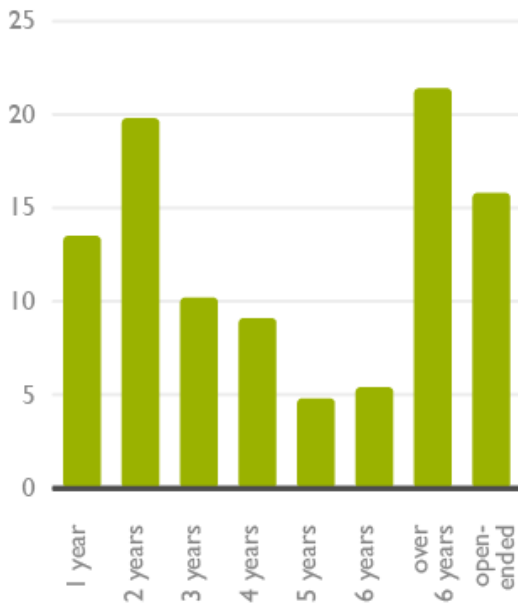
	2015	2014	2013	2012	2011
Total revenue, M€	149.1	141.8	143.0	143.9	132.8
Operating expenses, M€	-39.4	-38.8	-39.0	-39.0	-37.2
Net operating income, M€	109.7	103.0	104.0	104.9	95.6
Fair value of properties, (excl. properties classified as held for sale) M€	1,994.8	1,853.5	1,753.3	1,705.7	1,644.0
EPRA, Net Initial yield, %	5.9	5.4	6.2	6.3	6.0

### Key figures, Shopping Centres

	2015	2014	2013	2012	2011
Total revenue, M€	46.6	45.8	45.9	42.0	40.4
Operating expenses, M€	-10.9	-10.6	-11.0	-9.7	-8.8
Net operating income, M€	35.7	35.2	34.9	32.3	31.7
Fair value of properties, M€	733.6	726.0	717.5	736.7	586.1
EPRA, Net Initial Yield, %	4.7	4.7	4.4	6.1	6.7

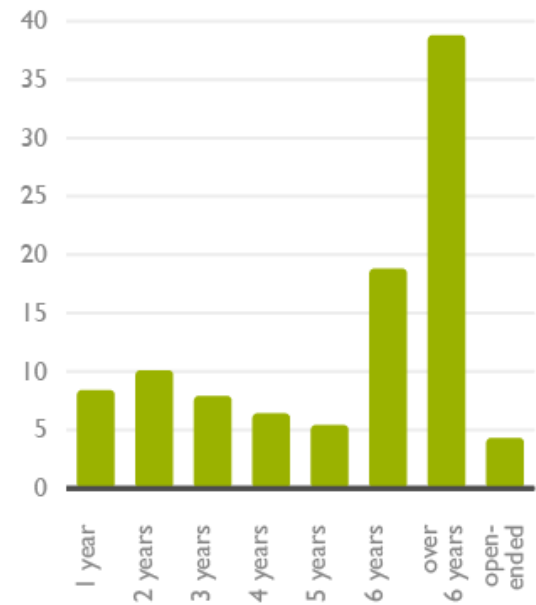
### Expiry of lease agreements, Office Properties

% of rental income



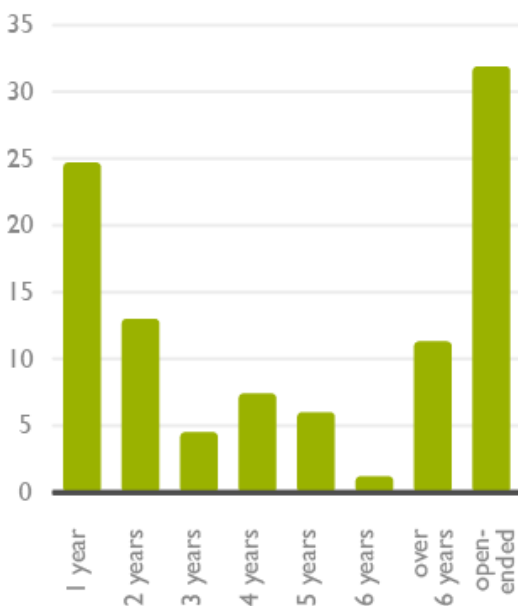
### Expiry of lease agreements, Shopping Centres

% of rental income



### Expiry of lease agreements, Logistics Properties

% of rental income





# Property Development in 2015

*The Property Development business unit is responsible for the company's property development projects in Finland. Business premises are developed by renovating properties in the portfolio, or developing*

*new properties on land areas owned by Sponda. The company is also active on the markets to identify properties with development potential.*

## Development Properties' ready-to-start projects in the marketing

	City	Floor m <sup>2</sup>
<b>Office Properties</b>		
Forum Virium Center	Helsinki	14,000
Estradi 2	Helsinki	5,000
Aviapolis	Vantaa	18,000
Energiakatu	Helsinki	10,000
Avec 2	Espoo	12,000
Ilmalanrinne	Helsinki	13,000
Väritehtaankatu	Vantaa	13,000
Naulakatu	Tampere	6,000
<b>Retail Properties</b>		
Välivainio	Oulu	13,000
Partola	Pirkkala	5,000
The start of the projects requires at least a pre-let of 50 per cent and an investment decision of the company.		

## Investments to active property development projects, 31 December 2015

	Shopping centre Ratina, Tampere	Retail property Alasintie 8, Oulu
Total investment, M€	243.6	4.8
Remaining investment to be made, M€	191.7	2.7
Capitalised interest expenses by 31 December 2015, M€	0.2	0
Time of completion	spring 2018	May 2016

# Russia in figures

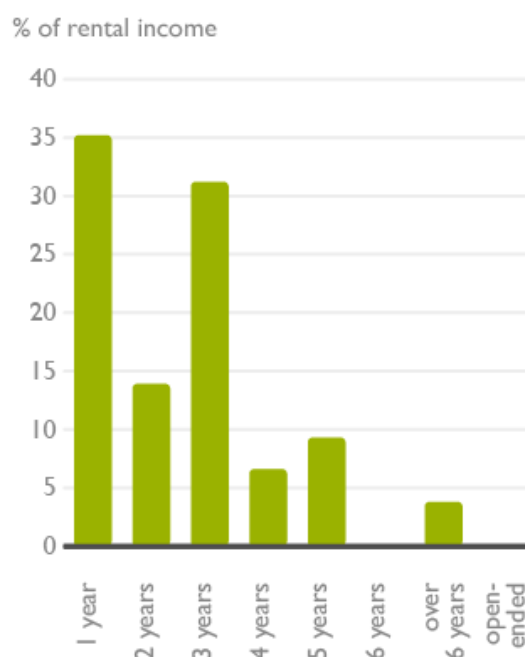
*Sponda's Russia business unit leases, manages and develops business premises in Russia for use by companies and organisations. Sponda owns two office properties, a shopping centre, a*

*logistics property and two land areas, all in the Moscow and St. Petersburg regions. In line with its strategy, Sponda plans to divest its Russian operations within the next 1–3 years.*

## Key figures, Russia

	2015	2014	2013	2012	2011
Total revenue, M€	16.9	22.2	28.6	28.7	25.1
Operating expenses, M€	-4.0	-6.4	-6.8	-6.5	-6.1
Net operating income, M€	12.8	15.8	21.8	22.2	18.9
Fair value of properties, M€	150.7	224.4	247.8	269.4	224.6
EPRA, Net Initial Yield, %	5.8	6.0	8.0	9.2	9.8

## Expiry of lease agreements, Russia



# Property Assets

Investment properties of Sponda 1 Jan - 31 Dec 2015 M€	Total	Office Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	229.6	149.0	46.6	16.8	0.3	16.9
Maintenance costs	-63.4	-39.0	-10.9	-7.7	-1.8	-4.0
<b>Net operating income</b>	<b>166.2</b>	<b>110.0</b>	<b>35.7</b>	<b>9.1</b>	<b>-1.4</b>	<b>12.8</b>
Investment properties at 1 Jan 2015	3,142.1	1,853.5	726.0	205.1	133.1	224.4
Capitalized interest 2015	0.8	-	-	-	0.8	-
Acquisitions	4.7	4.7	-	-	-	-
Investments	103.0	29.3	6.8	0.9	66.0	0.1
Transfers between segments	0.0	98.4	-2.3	-	-96.0	-
Sales	-161.9	-18.1	-	-103.9	0.0	-39.8
Change in fair value	23.2	35.5	3.2	-7.4	25.9	-33.9
Transferred to non-current assets classified as held for sale	-10.2	-8.4	-	-1.8	-	-
<b>Investment properties at 31 Dec 2015</b>	<b>3,101.7</b>	<b>1,994.8</b>	<b>733.6</b>	<b>92.9</b>	<b>129.7</b>	<b>150.7</b>
Change in fair value, %	0.7	1.9	0.4	-3.6	19.5	-15.1
Weighted average yield requirement %	6,32	6,17	5,66	9,11	0,00	10,33
Weighted average yield requirement %, Finland	6,13					
Maintenance investments, M€	37.8	29.7	6.8	0.9	0.3	0.1
Property development, M€	65.2	-0.4	-	-	65.7	-
Acquisitions, M€	4.7	4.7	-	-	-	-
Sales, M€	-161.9	-18.1	-	-103.9	0.0	-39.8
<b>Investments, total, M€</b>	<b>-54.2</b>	<b>15.9</b>	<b>6.8</b>	<b>-103.0</b>	<b>66.0</b>	<b>-39.7</b>

**Yield requirements used in valuation of investment properties 31 December 2015**

	Helsinki CBD	Other Helsinki	Espoo/Vantaa	Other Finland	Russia
Office- and retail properties, %	5.3	6.0	8.4	7.0	10.3
Logistics properties, %		9.0	8.4	11.8	12.5

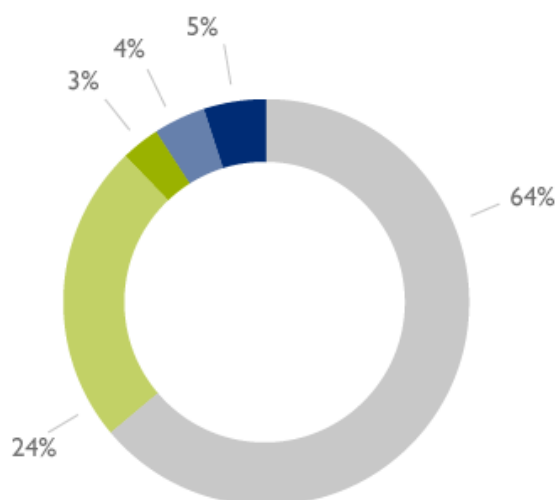
**Sensitivity analysis**
**Change in investment property fair value, M€ and %**

	-10 %		-5 %		0 %	5 %		10 %	
	Change, M€	Change, %	Change, M€	Change, %	M€	Change, M€	Change, %	Change, M€	Change, %
Yield requirement	318	10.8	150	5.1	0	-136	-4.6	-260	-8.8
Rental income (contractual rents)	-67	-2.3	-34	-1.1	0	34	1.1	67	2.3
Maintenance expenses	78	2.6	39	1.3	0	-39	-1.3	-77	-2.6
Economic occupancy rate (1st year)	-22	-0.7	-11	-0.4	0	11	0.4	22	0.7

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

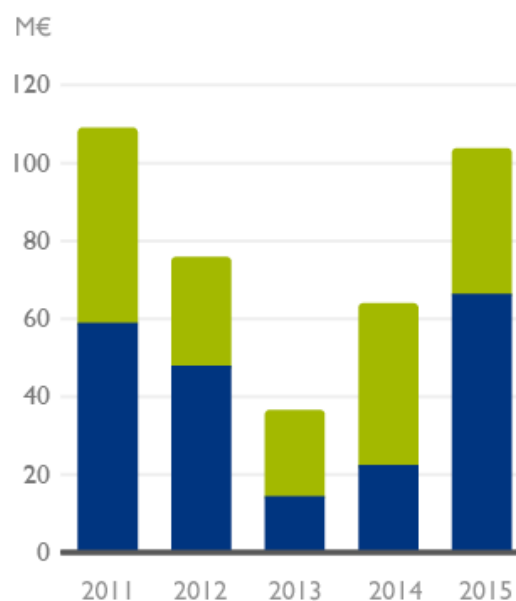
The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

Investment properties  
by business unit by fair value  
31 Dec 2015



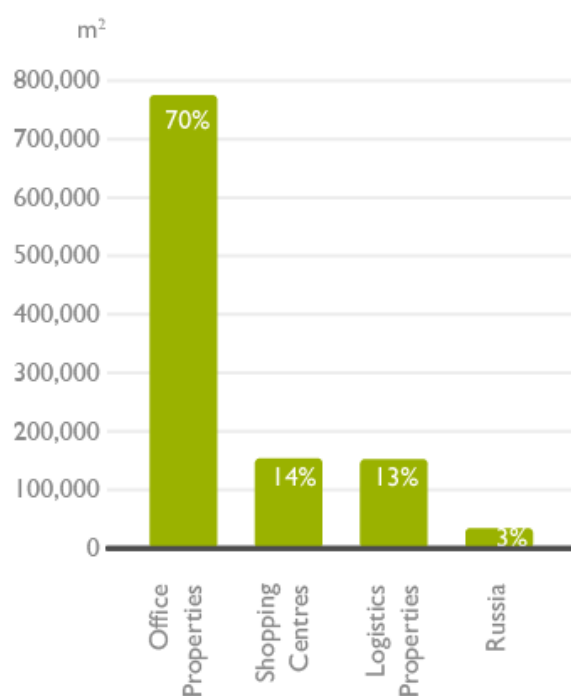
- Office Properties 64%
- Shopping Centres 24%
- Logistics Properties 3%
- Property Development 4%
- Russia 5%

Investments in properties  
2011–2015

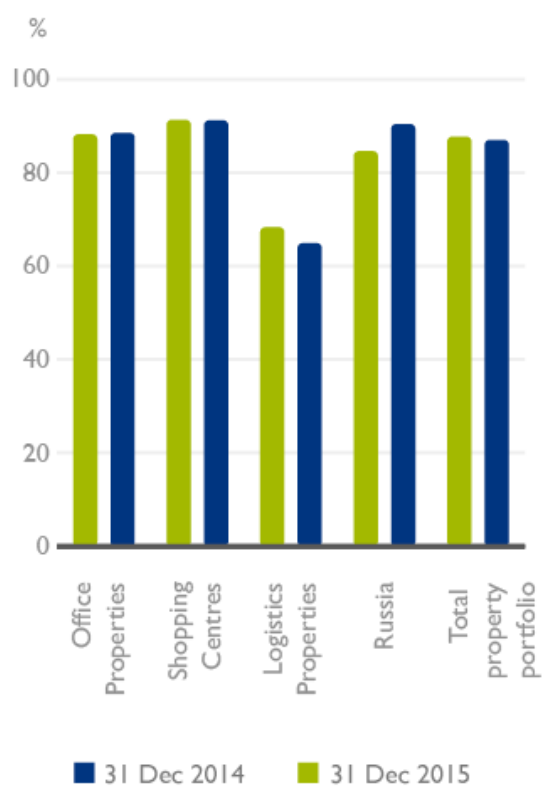


- Maintenance Investments
- Investments in property development

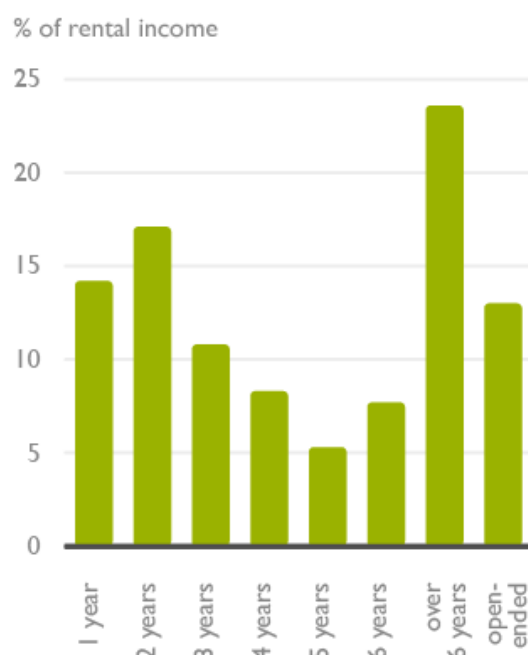
Leasable area  
by business segments



## Economic occupancy rate



## Expiry of lease agreements





# Business Environment

## Macroeconomic outlook

According to the survey published by the Ministry of Finance, the weakening of the euro and decrease in oil prices have shifted to economic growth in the euro area: in 2015, GDP growth reached just under two per cent. However, growth is being hindered by the difficult unemployment situation. Growth in the euro area during the next two years is expected to remain at approximately two per cent.

According to the Ministry's projection, Finland's economy was on the rise during the fourth quarter of 2015. In terms of the entire year, the change in gross domestic product is projected to rise to 0.2 per cent, whereas in 2014, Finland's GDP declined by 0.4 per cent. The minor growth in 2015 was caused primarily by an increase in private and public consumption.

In 2016, Finland's GDP is projected to grow by 1.2 per cent. In addition to consumption, growth is being spurred on by private investments. Inflation is expected to remain at 0.9 per cent.

## The transaction market

The property transaction market in 2015 was the second liveliest in history. According to KTI Property Information, the transaction volume for 2015 was roughly EUR 5.46 billion, which is 26 per cent more than in 2014 (EUR 4.34 billion). The 2015 market is surpassed in activity only by the 2007 market, when the volume was EUR 6.29 billion. Property transactions in the Helsinki metropolitan area made up 55 per cent of the transaction volume in 2015.

International investment demand remained strong during 2015, with international operators' share of the entire year's acquisitions making up approximately 33 per cent. Strong activity is expected to continue in 2016, as investors seek out new properties.

## The market for office premises

In Finland the amount of new office space completed in 2015 was higher than that of

the previous year. Approximately 86,000 square metres of new office space was completed by the end of the year in terms of the office market in, for example, the Helsinki metropolitan area, whereas the corresponding figure in 2014 was around 55,000 square metres.

The difficult economic situation has been increasing the amount of vacant office premises for a long time, but the second half of 2015 saw an end to this growth. According to Catella, the area's average vacancy rate stood at 13.3 per cent at the end of the year, compared to 13.4 per cent half a year earlier. Vacancy rates in Helsinki's central business district increased significantly over the course of 2015. The growth rate was 5.7 percentage points. At the end of 2015, the vacancy rate in Helsinki's central business district was at a record high of 13.6 per cent.

There were no significant changes in rental levels in the most important office areas of the Helsinki metropolitan area in 2015. The rental levels for office premises in these areas varied from EUR 204 to EUR 378 per square metre per year. The only area where rental levels decreased was Leppävaara. The average rent in Helsinki's central business district remained at EUR 312 per square metre per year.

In the market for office premises in Tampere, the vacancy rate remained stable at 10.7 per cent. The upper limit of rental level increased slightly from the previous year. Rents in Tampere varied from EUR 168 to EUR 228 per square metre per year.

The vacancy rates of offices are not expected to undergo major changes in 2016.

## The market for retail premises

In the Helsinki metropolitan area, the vacancy rates of retail space decreased somewhat starting at the turn of 2014–2015, and stood at 4.6 per cent at the end of 2015. The occupancy rate is expected to remain at a high level in 2016 due to the area's net migration and the limited supply of new retail space. Approximately 34,000 square metres of new retail space was completed in the Helsinki metropolitan area in 2015.

At the turn of the year, the vacancy rates

for retail space were 4.1 per cent in Tampere and 2.7 per cent in Oulu.

In Helsinki's central business district, the market rent levels of retail space declined in 2015. At the turn of the year, rental levels per square metre were EUR 600–1,680 per year. Rental levels per square metre per year varied from EUR 420 to EUR 900 in Tampere and from EUR 480 to EUR 1,020 in Oulu.

Retail space vacancy rates are not expected to undergo major changes in 2016.

## The market for logistics properties

The Finnish market for logistics properties was quiet in 2015. At the end of the year, the average rental level of logistics properties per square metre in the Helsinki metropolitan area was EUR 99 per year, or only slightly lower than the year before.

The vacancy rate of logistics properties was 6.9 per cent at the end of 2015, representing no significant change from the previous year. Approximately 43,000 square metres of new logistics premises was completed, which is substantially more than in the two previous years.

## Russia

According to the Bank of Finland, Russia's GDP declined by approximately 3.7 per cent in 2015. The GDP is predicted to decline by 2 per cent in 2016. The prevailing uncertainty is reducing investments and rapidly increased prices are having a negative

impact on consumption. Tensions in eastern Ukraine, sanctions and the unclear prospects concerning the development of economic and trade restrictions are still causing uncertainty. The price of oil, which further decreased in January 2016, is hindering the Russian economic situation and making it difficult to predict economic development.

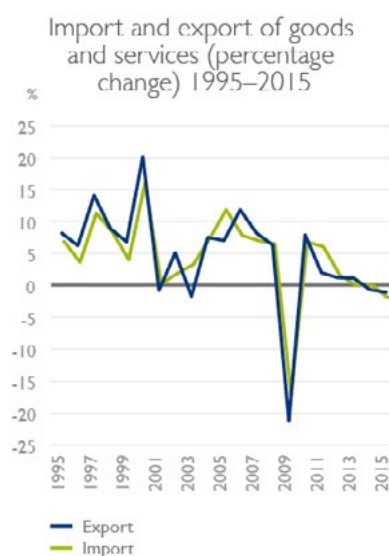
Despite the general uncertainty, activity in the transaction market picked up slightly in the second half of 2015. According to data from CBRE, the world's leading real estate adviser, the transaction volume in the last quarter stood at USD 0.8 billion, while the transaction volume for the entire year stood at USD 2.8 billion. The number of transactions was the same as in 2014, but the volume decreased significantly from the previous year (USD 4.4 billion).

Further according to CBRE, the average vacancy rates of office space in Moscow rose to 17.7 per cent by the end of 2015. Some 0.7 million square metres of new office space was completed in Moscow in 2015. Around half of the planned construction projects were postponed to a later date due to weakened demand and a high vacancy rate.

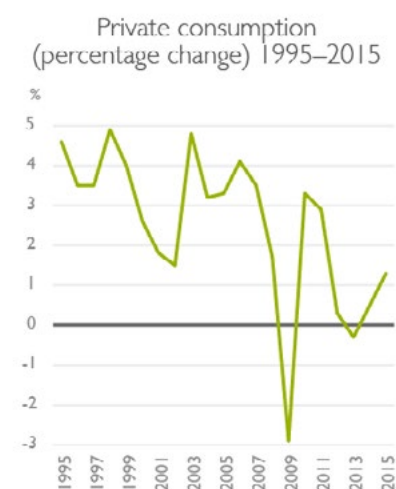
Sources:

Statistics Finland  
Ministry of Finance  
KTI  
Catella

BOFIT  
World Bank  
CBRE

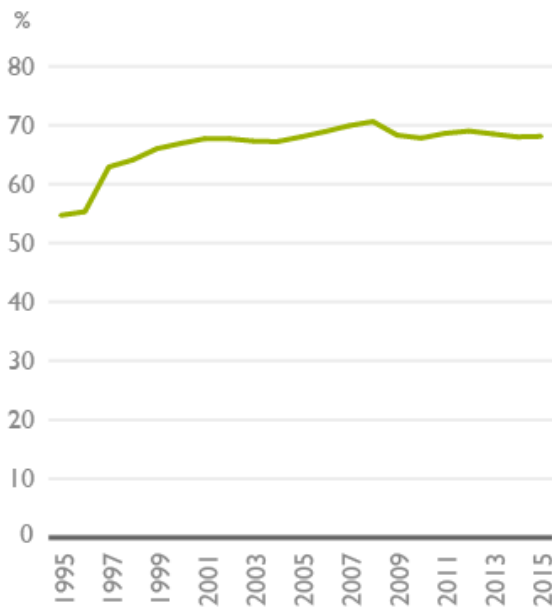


Source: Economic Surveys of the Ministry of Finance



Source: Economic Surveys of the Ministry of Finance

Employment rate  
1995–2015



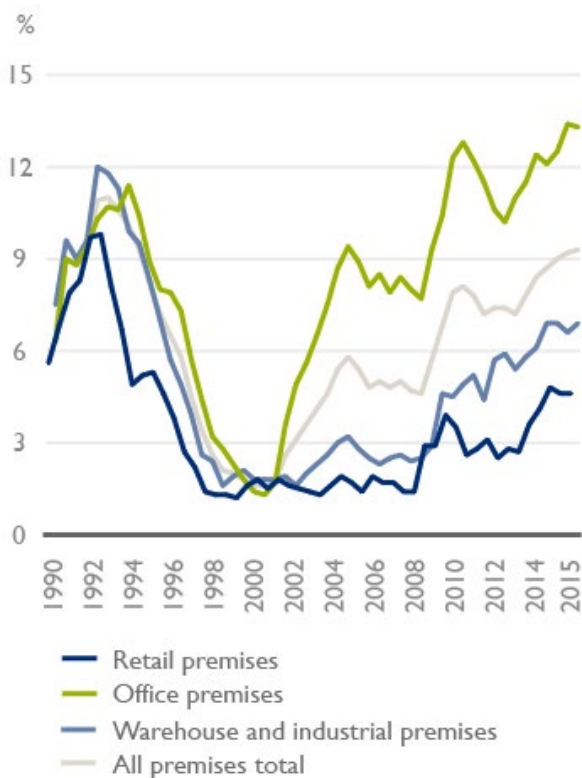
Source: Economic Surveys of the Ministry of Finance

Office rental index and  
GDP in Finland



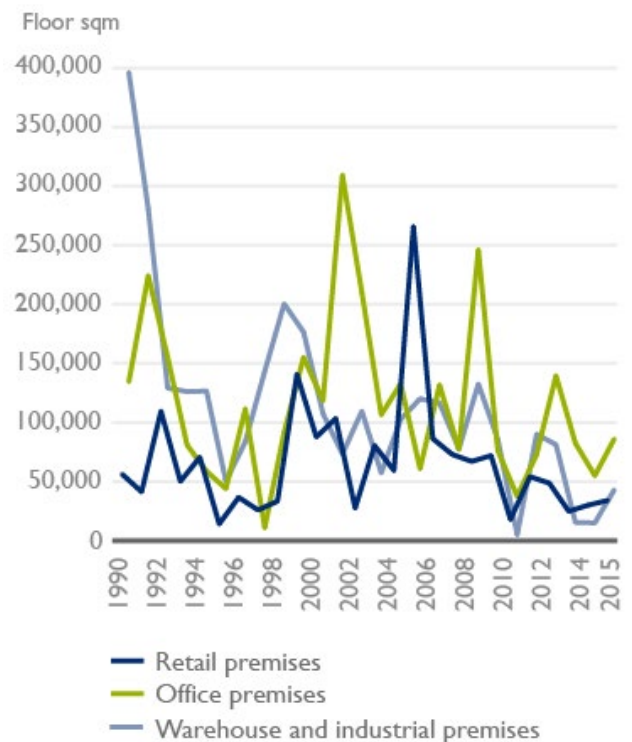
Source: KTI and Statistics Finland

Vacancy rates in  
Helsinki metropolitan area



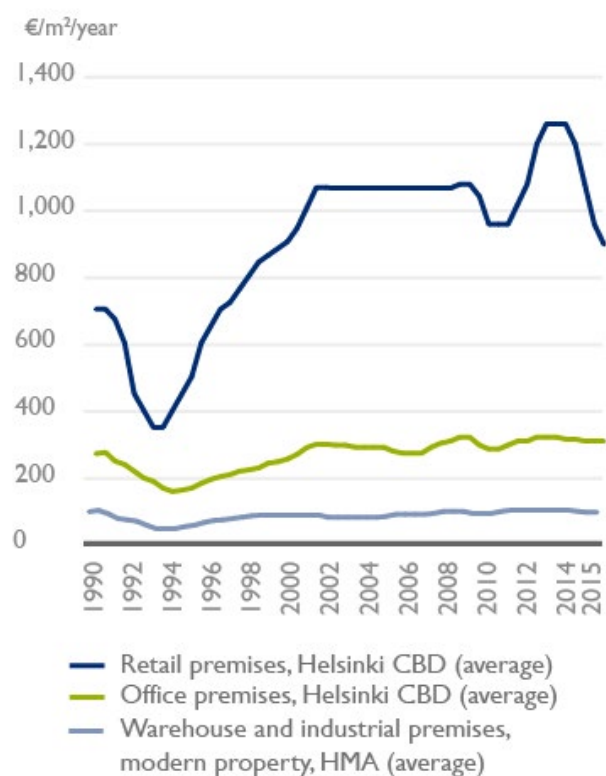
Source: Catella Property Group

Completed business property  
development projects



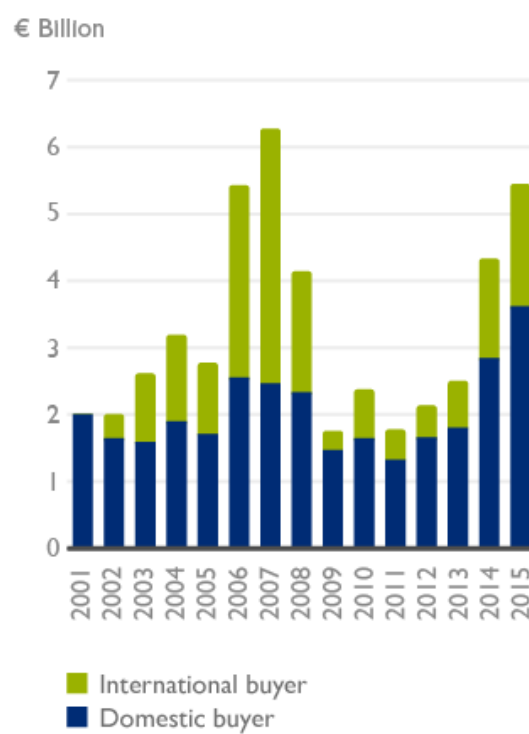
Source: Catella Property Group

## Rental levels in Helsinki metropolitan area



Source: Catella Property Group

## Transactions volume in the Finnish property market



Source: KTI

# STORIES FROM 2015

## Boosting brick-and-mortar shops with ideas borrowed from online stores

*“Touch screens read data from the Physical Cookie and use it to make assumptions about the visitor’s interests.”*



*Sponda became the first company in Finland to launch a VIP keyring that introduces cookies, a familiar feature of online stores, to the marketing activities of shopping centre properties.*

The VIP keys distributed to loyal customers of the Citycenter shopping centre in Helsinki increased traffic between the shopping centre’s floors and extended the duration of the customers’ shopping visits.

The VIP key is equipped with a small RFID chip to enable the automatic identification of the customer. Participating stores were informed of the customer’s arrival on their display screens, along with information on the customer’s previous buying behaviour. Fifteen stores in Citycenter participated in the service.

### Service with a personal touch

Touch screens in Citycenter read data from the Physical Cookie and used it to make assumptions about the visitor’s interests. Personalised offers and marketing messages were then displayed on screens in the shopping centre.

“We can provide better service to customers as soon as they enter the shopping centre. With traditional customer loyalty cards, the information on the customer is obtained at the time of the purchase or even afterwards,” explains Henrik Stadigh, Director of Sponda’s Shopping Centres unit.

Piece of Hair, a hair salon located in Citycenter, used the VIP key to communicate special offers to loyal customers as well as pursue new customers.

“We take advantage of the high customer volume at Citycenter by marketing special offers depending on the day of the week. Examples include lunch hour promotions on haircuts earlier in the week, and special offers for manicures later in the week,” explains shop owner Piia Martiskainen.

The VIP key was developed and patented in partnership between Sponda and TBWA Helsinki’s Pilot innovation unit. A similar VIP key could also be used by a single store or chain of stores. The VIP key could also be linked to other customer benefits and services, such as VIP parking and events for loyal customers.



# Interest in eco-efficiency on the Aalto campus

***“We wanted to engage the users of the premises and encourage them to act in an increasingly ecological way.”***



*Sponda and its partners organised an environmental awareness event at Aalto University's Department of Architecture and Department of Media.*

The event at Aalto University's Otaniemi campus promoted the reduction of energy consumption and environmental load. The event also gave those who study and work at the university the opportunity to learn more about ecologically efficient solutions. The users of the premises on campus were also given information on ecological actions at the personal level, such as how the carbon footprint can be influenced by one's daily eating habits.

“We wanted to engage the users of the premises and encourage them to act in an increasingly ecological way. The event stemmed from the environmental partnership agreement signed between Aalto and Sponda in late 2014,” says Sponda's Sustainability Manager Hanna Duraku.

## Partnership for the good of the environment

Sponda and its environmental partners set environmental targets for properties owned by Sponda. The targets set for the Miestentie

3 property in Otaniemi are to reduce the building's energy and water consumption by two per cent from the previous year while further increasing the efficiency of waste recycling.

“We monitor the property's energy consumption, recycling rate and water consumption on a monthly basis and aim to proportion them to the highly variable number of students here. I have heard that students even spend nights in sleeping bags here,” Duraku says.

Säde Palmu, chair of Aalto University's Guild of Architecture, gave a speech at the event.

“It is good for future designers to take environmental considerations into account during their studies. For example, where the recyclable materials of scale models end up after use and how they could be recycled in the most efficient way to minimise landfill waste. I would encourage everyone here to consider the issues highlighted at this event in our own activities,” Palmu said.

The exhibitors at the event also included Corbel and Lassila&Tikanoja, which are responsible for cleaning and maintenance at the property, and the environmental organisation WWF.

# A new method of working has arrived in Finland

**“At the MOW, small businesses can achieve the muscle mass of a large enterprise.”**



*Freelance and network-based work are becoming increasingly common. Sponda responds to future needs by introducing, as a pioneer in Finland, a large-scale cowork office.*

Working life is currently undergoing its greatest changes in decades. Independent and remote work are becoming more common, and working groups only come together for individual projects. Networking and agile-sized companies are responding to the global change of the markets, which is driven by factors such as digitalisation and robotisation.

All this was discovered in Sponda's extensive background research, which was conducted as preparation for founding the new Mothership of Work community.

MOW is an office space that was opened in February 2016 on Pieni Roobertinkatu in Helsinki, where independent entrepreneurs can benefit from flexible services and communality.

“The concept of cowork, or a shared office space, is a big global trend,” states Marjaana Toiminen, a business coach specialising in digital solutions.

## Communality in entrepreneurship

The MOW concept developed by Sponda

will provide independent entrepreneurs with the communality they have been wishing for. Members of the MOW will have all the services on the premises at their disposal. Services are being developed in co-operation with a focus group assembled from members of MOW's target audience.

One example of the services being planned is a relocation service that takes care of all practical issues on behalf of the entrepreneur. The new facilities contain everything you need. There are spaces of various sizes for different purposes, and a company or a freelancer may flexibly increase or decrease their space depending on their projects. Comfort has not been forgotten, either: A restaurant, a sauna, common kitchens, a lounge and a library are available to all users of the premises.

“For an entrepreneur, it is often useful to be offered meaningful services as part of the lease. Companies consisting of only a few persons might not have access to them otherwise. At MOW, small businesses can achieve the muscle mass of a large enterprise,” Toiminen explains.

The property will also contain various technological services, as well as a common MOW application with digital services. The MOW host or hostess will make sure that entertaining and inspiring events are organised on the premises.



# Urban landscaping benefits both the company and the environment

***"Using vegetation as a building material is cost-effective and can reduce the carbon footprint of the company."***



*The urban landscaping of the courtyard of the haircare company Kao Finland Oy is an expression of the owner's personality and style.*

According to the Garden Trends 2015 report published in the United States, the popularity of urban landscaping is growing as people adopt more ecological views. A beautiful environment is not only aesthetically pleasing, but it also improves health and wellbeing. Natural yards and gardens, in particular, are increasing in popularity in business premises construction.

Urban landscaping supports the environmental values of a business and also offers other benefits. Using vegetation as a building material is cost-effective and can reduce the carbon footprint of the



company, for example in terms of heating and manufacturing costs. Attractive landscaping and green gardens reduce stress, which has been found to increase productivity and motivation.

## A Japanese ambience in central Helsinki

Environmental values are important to the haircare company Kao Finland Oy. Kao Finland moved to its new office at Unioninkatu 24 in January 2015. The courtyard of the office building holds a genuine Japanese garden, which is a great fit with the brand image of this Japanese company.

The relocation was preceded by a complete transformation of the office premises and courtyard. The company now has nearly 900 square metres of space at its disposal on two floors.

"We wanted to consolidate all of our operations in a single space, to support closer collaboration between teams, and to benefit from the synergies brought about by daily encounters. Another key goal was to be closer to our end customers," says Piia Forsman, Business Development Manager at Kao Salon Oy. She appreciates Sponda's co-operation thus far, also with regard to Kao Finland's wishes related to urban landscaping.

"Sponda has been an admirably flexible co-operation partner throughout this project. In an international organisation, decisions sometimes take a while. We brought up the idea of a Japanese garden at a very early stage, even before the spatial design process had begun. Sponda completely understood its significance for our company," Forsman adds.

# Sanoma chose a multispace environment



***“Our new premises make it easier to bring our competencies together, form new teams and develop new projects together.”***

*Sanoma wanted to create a workspace for its employees that is inspirational and fosters creativity and communality. The company found the ideal premises in Ruoholahti.*

The new business premises of Sanoma Corporation, a leading company in the field of media and learning solutions, represent an investment in an inspirational and flexible working environment. The new premises strengthen this media giant's position at a time of intense competition, increasing confidence in the future of the industry.

The first impressions of the premises are enchanting. Giant displays on the walls of the lobby area are alive with content produced by this media company, news feeds, social media feeds and information on the company's services. The colours of the lighting in the lobby area can be adjusted with a remote control.

Located next to the Ruoholahti shopping centre, the premises were completely renovated for Sanoma.



## Communality boosts creativity

The multispace environment has bookable and freely available meeting rooms and quiet workspaces, as well as flexible and adaptable spaces for use by teams and projects. There is a separate entrance for the photo studio, and next to it is a fully equipped kitchen that can

be used for shooting cooking shows for the online audience.

"We want to provide our employees with a workspace that is inspirational and fosters creativity and communality, and also supports a wide range of different working methods," says Communications Manager Tuomas Littunen.

The units that relocated to the new premises in Ruoholahti include Sanoma Lifestyle, Kids Media, Sanoma Pro, Sanoma Tekniikkajulkaisut, Head Office Finland and Sanoma Technology. Media brands such as Me Naiset, Gloria and Cosmopolitan are now working closer to each other than before, on the same floors.

Having the theme-based editorial teams shared by these brands close by means that it is now easier and more flexible to engage in joint development of new commercial concepts and other forms of co-operation.

"The media industry is changing rapidly, which calls for a high degree of agility and the courage to try new solutions. Our new premises make it easier to bring our competencies together, form new teams and develop new projects together. I am certain that this will also give our employees greater motivation to try new things," Littunen adds.



# A shopping centre can also be proactive

***"Instead of being just a landlord, we can also be a partner and an encouragement to our customers."***



*At Sponda, we are ready to take a new step towards our customers. Instead of being just a landlord, we can also be a partner and an encouragement to our customers, says Tiina Fågel, Shopping Centre Manager of Citycenter.*

The retail trade is in an interesting but challenging phase. Now, more than ever, we must remember that nothing is as important as the customer.

I have a nearly 30-year history in the retail trade. As the new Shopping Centre Manager of Citycenter, I keep a close eye on visitor numbers, net sales and other key figures.

## Co-operation with shopkeepers

At Sponda, we are ready to take a new step towards our customers. Instead of being just a landlord, we can also be a partner and an encouragement to our customers.

It is not that we know how to run a store better than the shopkeepers. On the contrary. We intend to be there so we can help when the shopkeeper needs us and however the shopkeeper sees fit.

For instance, is there a sufficient flow of customers? Or are there more customers than the entrepreneur can handle? Should the image of the store or the shopping centre be more recognisable?

Thanks to our monthly reports, we are able to see when the shopkeeper might want

to advance their sales. The most important thing is to continuously be in direct contact with shopkeepers, as a month is a long time in the retail trade.

## On the way to the top in the Nordic countries

The Citycenter shopping centre will also be developed as a whole. A total of 14,000 VIP keys related to the pilot loyalty programme were distributed some time ago.

Citycenter will continue to have a loyalty programme. The form and method of the programme will be decided in future discussions.

In addition, we will improve the profiling of the shopping centre and divide the centre into different, attractive zones. We are also planning to visibly market the centre at a suitable stage.

We will organise breakfast meetings on a monthly basis to give our tenants the opportunity to discuss and communicate with us. This allows our clients to influence the development of the shopping centre from the very beginning.

Citycenter has the best location in Helsinki. Our goal for the near future is 15 million visitors per year. Traffic to the airport and extending the metro line to Espoo will increase these figures even further. Together with our customers, we wish to make Citycenter the most successful shopping centre in the Nordic countries.

## Visit a state-of-the-art retail space



*Ecoshop Ruohonjuuri opened its retail space in the heart of the city, in Citycenter. Ruohonjuuri leased premises from Sponda to create a state-of-the-art shop that combines friendly customer service with an experience-oriented approach.*

The shop sells personal health products, organic cosmetics, organic food and deli meals.

The meals are prepared on-site in the shop's own kitchen on the ecological and energy-efficient premises. Citycenter is a rapidly developing retail property located at a major traffic hub that benefits from a continuous flow of customers throughout the day.

Watch the video at: [vimeo.com/112996391](https://vimeo.com/112996391)

# Colourful street art on the construction site barriers of the Ratina shopping centre

*“The co-operation project with the Ratina shopping centre was a great opportunity for the kids to practice their interaction skills.”*



*The street art on the construction site barriers around the Ratina shopping centre is a monument to communality that delights local residents.*

A massive, 20-metre graffiti mural adorns the construction site barrier around the new Valo-Ratina building, which is part of the Ratina shopping centre being developed by Sponda. It was painted by Tero Karvinen, regional artist and street artist, and street artists Samppa Stenberg, Samuli Kivinummi, Tarmo Kaikkonen and Juha Ristimäki. The work was produced as part of Tampere Illuminations, which celebrates its 50th anniversary this year.

“I love seeing more and more co-operation in street art. The collaborative project with Ratina and the Tampere Art Museum is the first of its scale in Finland. We want to make art accessible to people, and we hope to reduce the prejudice against street art,” Karvinen says.

## Interactive skills in a fun way

The 93 pupils of the Montessori classes in the Tampere Annala school also left their mark on the construction site barrier in Ratina.

“The co-operation project with the Ratina shopping centre was a great opportunity for the kids to practice their interaction skills and work with pupils of different ages outside the classroom,” says Vice Principal Kirsi Numminen.

The theme of the work by the pupils of the Montessori school was My shopping centre.



“The kids enjoyed creating art that will be displayed to the public and having their opinions heard. They were excited to use authentic graffiti art tools. The pupils are proud of their achievement, and many of them have brought their parents to see the work,” Numminen notes happily.



# Highest environmental certification awarded to the new business premises of KONE Elevators

***“Energy efficiency and environmentally friendly solutions were chosen in the design and construction of the office building.”***



*The new KONE Elevators premises in the Estradi building in Haaga boost the customer-centred operating methods of the company.*

The premises of KONE Elevators are located in the Estradi property built and owned by Sponda. The property has a LEED Platinum® environmental certificate. LEED Platinum® is the highest certification level in the internationally renowned and prestigious LEED environmental certification system.

Estradi satisfied the certification criteria without question. Energy efficiency and environmentally friendly solutions were chosen in the design and construction of the office building. Moreover, the office building



is equipped with solar panels on its roof to produce energy for the property.

In the certification process, Estradi received a particularly high score for its location, too. Estradi has good public transportation connections to the centre

of Helsinki as well as Vantaa and Espoo. In addition to good public transportation connections, there are parking lots in front of the building reserved for low-emission cars and bicycles.

## Seeing through the customer's eyes

KONE Elevators moved to the Estradi building in the summer. The company had the opportunity to influence the final design of the building constructed by Sponda. What was most important to KONE Elevators was for the facilities to support customer-centred operating methods and increase staff well-being.

The facilities of KONE Elevators are located on two floors of the Estradi building. Each floor comprises an open-plan office. No one has a separate office.

“This was a big change in our culture. We have been delighted with the amount of interaction in the new facilities. However, everyone can still find a quiet spot or a conference room if they need it,” says Managing Director Heikki Haasmaa.

The organisation of the new facilities allows the people in charge of the supply chain to work together. Previously, staff were divided into units, which did not always support project implementation.

“Our seating arrangement now mirrors the way our customers see us,” says Haasmaa.



# RESPONSIBILITY TARGETS AND ACTIONS IN 2015

## Energy and environmental efficiency

Objectives 2015	Results 2015	
The comparable total energy consumption of Sponda's properties in Finland (electricity, heating, district cooling) will decrease from the 2014 level.	Total comparable energy consumption of properties decreased by 1.7 per cent.	Achieved
The comparable water consumption of Sponda's properties in Finland will decrease from the 2014 level.	The water consumption decreased by 1.9 per cent compared to 2014.	Achieved
The carbon dioxide (CO <sub>2</sub> ) emissions caused by the entire energy consumption of Sponda's properties in Finland will decrease from the level reported in the 2014 annual report.	The carbon dioxide (CO <sub>2</sub> ) emissions caused by the entire energy consumption decreased by 18.4 per cent, and by 1.9 per cent for comparable properties.	Achieved
The energy consumption of Sponda's headquarters will decrease from the 2013 level. <sup>1)</sup>	The electricity consumption of Sponda's head office decreased by 12.7 per cent	Achieved
The consumption of electricity and water will decrease in three of Sponda's properties in Russia.	The consumption of electricity of Sponda's office properties in Russia decreased by 3.5 per cent. The property sold in June 2015 has been excluded from this figure.	Achieved
The waste recovery rate of Sponda's properties in Finland will remain at least at the level of 96 per cent achieved in 2014.	The waste recovery rate at the properties in Finland rose to 97 per cent.	Achieved
The waste recycling and reuse rate in Sponda's properties in Finland will be 50 per cent by the end of 2015.	The waste recycling and reuse rate in Sponda's properties in Finland was 45 per cent.	Not achieved
The waste recycling and reuse rate of Sponda's headquarters will, at minimum, remain at the level of 61 per cent achieved in 2014.	The amount of office waste generated at the head office in 2015 decreased and the rate of waste recycling and reuse remained at the previous year's level 60 per cent.	Achieved
During 2015, at least two new environmental partnerships will be established.	In 2015, two new environmental partnerships were established.	Achieved
One new Green Lease contract will be concluded in 2015.	One Green Lease contract was concluded during the year 2015.	Achieved
Active and regular follow-up and reporting on the action plans of Sponda's environmental partners during 2015. The objective is to reduce the environmental impact of partners.	We continued the active management of environmental partnerships and, with our partners, we achieved a reduction of 1.2 per cent in energy consumption, equal to a decrease of 2.2 per cent in carbon dioxide emissions.	Achieved
Sponda will apply for certification of all new building sites and large basic repair sites.	We applied for certification for all newly constructed buildings and major renovation projects. We had five certification processes underway at the end of 2015.	Achieved
During 2015, environmental certification will be achieved for at least one new building site and one basic repair site.	We achieved our first LEED Platinum® certificate. The certificate was awarded to Estradi, an office property completed in Helsinki's Lassila district.	Achieved
	The BREEAM® certification of the renovation project at Arkadiankatu 4-6 was not completed in 2015.	Not achieved
<sup>1)</sup> The year of comparison is 2013 due to renovations and water damage dehumidification that took place in 2014		

### Property locations

Long-term objectives	Results 2015	
Increasing the share of shopping centres and office properties in the company's property portfolio.	In 2015, Sponda increased the share of shopping centres and office properties in its property portfolio.	Achieved
Developing the property portfolio by concentrating on prime areas and locations with good public transport links .	Sponda continued to implement its strategy by increasingly focusing its property portfolio on prime areas with good public transport links.	Achieved

### Enhancing the customer experience

Objectives 2015	Results 2015	
Quantitative and qualitative development of customer communications.	Practical implementation of the CRM models defined for updated customer segments in the previous year.	Achieved
Renewing the Sponda website and providing an even better online customer experience.	The new website went online in November 2015.	Achieved
Overall satisfaction with co-operation with the lessor to remain at least at the same level as in 2014.	The results of the customer satisfaction survey improved slightly from the previous year.	Achieved

### Investing in employees

Objectives 2015	Results 2015	
Operating models for the sharing of knowledge and best practices will be developed.	The sharing of best practices and expertise was developed by arranging several internal information and training events.	Achieved
The different features of the new enterprise resource planning system will be used more efficiently in everyday work.	The enterprise resource planning system was used and developed effectively in 2015.	Achieved
Management and evaluation of competences that support the implementation of the company strategy.	Supporting the strategic competences was enhanced inside the organisation in 2015 and the work will be continued in 2016.	Achieved

### Transparent and ethical operations

Objectives 2015	Results 2015	
Implementing the Code of Conduct and the UN Global Compact with personnel and interest groups.	In 2015, 93 per cent of Sponda's personnel in Finland and Russia completed training on the Code of Conduct. Training events were also organised during the year based on Sponda's commitment to the UN Global Compact.	Achieved

### Taking the industry forward

Long-term objectives	Results 2015	
Sponda promotes best practices in the property sector by being an active participant in the activities and projects of organisations such as the Finnish Association of Building Owners and Construction Clients RAKLI and EPRA, the umbrella organisation for listed European property investment companies.	We were an active participant in the operations of RAKLI in 2015. In addition we develop consistency and transparency in financial reporting for the real estate sector through our activities in EPRA.	Achieved

# Energy and environmental efficiency

*Construction and completed buildings are responsible for more than 40 per cent of Finland's total energy consumption. Recognising this, we at Sponda pay particular attention to the energy efficiency and environmental impacts of our properties.*

The key aspects of the priority are:

- The energy efficiency of properties
- Carbon footprint and renewable energy
- Supporting customers and increasing environmental awareness among employees
- Environmental efficiency of own operations
- Environmental certification of properties
- The sorting and recovery of property waste
- Water consumption at properties

Why is this a priority?

At Sponda, we continuously develop our energy and environmental efficiency because the property sector plays an important role in mitigating climate change. Increasing customer requirements and stricter legislation are further factors behind the need for continuous development. The regulatory requirements will increase following the entry into force of an EU directive at the start of 2021, which stipulates that all new buildings must be nearly zero-energy buildings.

Energy efficiency is an integral element of all of our operations, ranging from property development projects to the renovation, maintenance and use of properties. The energy efficiency of buildings has a direct impact on carbon dioxide emissions through reducing consumption. In addition to reducing the environmental load, improvements in energy efficiency also produce cost savings.

Every day, nearly 30,000 people work in the office properties we lease to our clients and, on average, some 65,000 people visit our shopping centres each day. As much as 60 per cent of the total energy consumption of a building occurs during the use of the building, which means that co-operation between the

landlord and tenants aimed at reducing energy consumption is of crucial importance.

At Sponda, we monitor energy and water consumption, carbon footprint and waste management volumes for our properties located in Finland on a monthly, quarterly and annual basis. For our office properties in Russia, the consumption of electricity and water are monitored on a monthly and annual basis.

## Environmentally responsible property development

At Sponda, new construction, property renovation and the design of low-energy office buildings are all subject to the company's design guidelines, which are reviewed and updated annually and are in many ways more extensive than the generally applied standards and regulations. The guidelines help us develop adaptable and energy efficient properties that offer functional working environments.

We pay particular attention to environmental requirements in our property development operations. We apply for international environmental classification, an environmental certificate, for all of our new buildings and major renovation projects.

In recognition of developing adaptable and energy-efficient commercial properties Sponda was elected the Developer of the Year 2015 by the RAKLI jury.

## Sponda's Energy efficiency programme is aimed at conserving energy

We support the energy efficient use of properties particularly through Sponda's Energy efficiency programme, which is aimed at achieving energy savings in co-operation with clients. We set energy-saving goals and measures for achieving them individually for each property in co-operation with the users. Our Energy efficiency programme is complemented by our Environmental partnership programme. In addition to energy consumption, the programme takes into account the broader environmental impacts of the property.

Our Energy efficiency programme's energy savings target was achieved ahead of schedule in 2013. The target of the programme was to achieve energy savings of 10 per cent by 2016, using the average consumption in 2001–2005 as the baseline. Our long-term target is to achieve a 20 per cent reduction in energy consumption by 2020, again using the average consumption in 2001–2005 as the baseline. Our progress with respect to the long-term target is on schedule.

The cost savings achieved through the Energy efficiency programme are reinvested in the properties. Sponda's partners Corbel Oy and Ovenia Oy are responsible for property maintenance operations and for collecting and monitoring consumption data.

Together with our environmental partners, we organise environmental events to distribute information to the users of properties on property-specific environmental matters and energy efficiency.

Read more on the Energy efficiency programme and Environmental partnership programme on our website.

## Sponda's Green Lease

In the Green Lease model, we and the customer agree on joint objectives and

compensation models to encourage the use of environmentally friendly solutions and the reduction of energy consumption. The difference between the Green Lease model and the Environmental partnership programme is that, under the Green Lease agreement, savings and excesses in energy costs are divided annually between the tenant and the landlord.

## Environmental information for employees

The environmental expertise of our employees is improved with the help of the WWF Green Office programme. Our head office in Helsinki is a Green Office. We increase environmental awareness in other ways, such as the annual Green Day environmental event, internal training events as well as Green Office tips published on the company's intranet and Sponda's Facebook page.

We encourage our employees to make ecological choices through a company car policy that supports low-emission options. Employees are also offered with company bicycles. As part of Sponda's Green Office environmental programme, we also offer our employees training in economical driving.

# Objectives and measures: Energy and environmental efficiency

## Objectives for 2015

### Climate change

- The comparable total energy consumption of Sponda's properties in Finland (electricity, heating, district cooling) will decrease from the 2014 level. Concerning electricity and cooling, the combined effect will be taken into account.
- The comparable water consumption of Sponda's properties in Finland will decrease from the 2014 level.
- The carbon dioxide (CO<sub>2</sub>) emissions caused by the entire energy consumption of Sponda's properties in Finland will

decrease from the level reported in the 2014 annual report.

- The energy consumption of Sponda's headquarters will decrease from the 2013 level.<sup>1)</sup>
- The consumption of electricity and water will decrease in three of Sponda's properties in Russia.

<sup>1)</sup> The year of comparison is 2013 due to renovations and water damage dehumidification that took place in 2014.

### Material efficiency

- The waste recovery rate in Sponda's properties in Finland will remain at least at

the level of 96 per cent achieved in 2014.

- The waste recycling and reuse rate in Sponda's properties in Finland will be 50 per cent by the end of 2015.
- The waste recycling and reuse rate of Sponda's headquarters will, at minimum, remain at the level of 61 per cent achieved in 2014.

### **Environmental co-operation with clients: property use and maintenance**

- During 2015, at least two new environmental partnerships will be established.
- One new Green Lease contract will be concluded in 2015.
- Active and regular follow-up and reporting on the action plans of Sponda's environmental partners during 2015. The objective is to reduce the environmental impact of partners.

### **The environmental classification of buildings:**

- Sponda will apply for certification of all new building sites and large basic repair sites.
- During 2015, environmental certification will be achieved for at least one new building site.
- During 2015, environmental certification will be achieved for at least one basic repair site.

## **Measures taken in 2015**

### **Sponda's Energy efficiency programme expanded**

At the end of 2015, Sponda's Energy efficiency programme covered 109 (2014: 113) properties, which means that as many as 88 per cent of our wholly-owned properties in Finland are included in the programme. During the year, we continued to carry out energy reviews, implement energy saving measures and monitor consumption in accordance with property-specific action plans at the properties covered by the Energy efficiency programme.

A total of 95 energy reviews of our properties were carried out in 2015. We

continued to implement energy saving measures, the most important of which were measures concerning the use of ventilation and heating systems. We also improved energy efficiency by measures such as enhancing the efficiency of property cooling and reducing the electricity consumption of the properties.

### **Environmental co-operation with clients**

In 2015, we established two new environmental partnerships in accordance with our stated objectives, and one partnership ended due to the expiration of the lease. At the end of the year, the number of partnerships stood at 23. We concluded one Green Lease contract during the year.

We organised three environmental events in co-operation with our partners in 2015. Lassila & Tikanoja and WWF participated in the events.

### **Employees involved in environmental activities**

We organised our annual Green Day environmental event for employees to distribute information on environmental matters related to Sponda and the company's head office. The theme of Sponda's Green Day event in 2015 was climate change. We also organised an Energy Saving Week and held a nature-themed photography contest to mark World Environment Day. In addition, we rode bicycles to participate in the Kilometre Competition organised by the Network of Finnish Cycling Municipalities and the Finland is Biking campaign, and we also participated in the WWF Earth Hour climate event at our head office.

The key figures for the Energy efficiency programme and the Environmental partnership programme for 2015 are presented in more detail in page Energy efficiency programme and environmental partnership.

### **The energy consumption and carbon footprint of our properties declined further**

In recent years, the energy consumption of our properties in Finland has been at a good level. We achieved our objective of

further reducing consumption: The energy consumption of Sponda's properties declined by 16.1 per cent, while their carbon footprint was reduced by 18.4 per cent.

Another objective of ours was to reduce energy consumption in Russia at three of our properties. We sold one of the properties in June 2015. At our other office properties in Russia, the consumption of electricity declined by 3.5 per cent compared to 2014.

We aim to actively reduce the energy consumption and other environmental load of our head office in Helsinki. Good results were achieved in 2015 through greater efficiency in the operating times of air conditioning and lighting systems, leading to a reduction of 12.7 per cent in energy consumption compared to the year 2013<sup>1)</sup>.

By far the greatest factor in our carbon footprint is the amount of purchased energy (electricity, district heating and district cooling). We also monitor the carbon dioxide emissions arising from waste management at our properties, the use of company cars and air travel for business.

The figures for the carbon footprint and energy consumption of our properties for 2015 are available in pages Carbon footprint and Energy consumption and energy sources.

### **First LEED Platinum® certificate achieved**

Sponda's environmental certification efforts reached a new level in 2015 with the awarding of our first LEED Platinum® certificate. The certificate was awarded to Estradi, an office property completed in Helsinki's Lassila district.

BREEAM® In Use certificates were renewed for three of our properties. We have already achieved a total of eight international LEED®- or BREEAM® environmental certificates. At the end of 2015, we had five active certification processes underway for new construction and renovation projects.

In recognition of developing adaptable and energy-efficient commercial properties Sponda was elected the Developer of the Year 2015 by the RAKLI jury.

#### **The following properties are LEED®-certified:**

- Estradi, Helsinki (Platinum)
- Citycenter office tower, Helsinki (Gold)

- Ruoholahden Ankkuri, Helsinki (Gold)
- Tampereen Tulli, Tampere (Gold)
- Sörnäistenkatu 2, Helsinki (Silver)

#### **The following properties are BREEAM®-certified:**

- Ruoholahden Tähti, Helsinki (Very Good)
- Ducat II, Moscow (Good)
- Unioninkatu 20–22, Helsinki (Good)

The certified properties represent 8 per cent of the total leasable space of Sponda's property portfolio.

### **Waste recovery rate remained close to 100 per cent**

We achieved our target for 2015 and raised the waste recovery rate to 97 per cent at Sponda's Finnish properties. The waste recycling and reuse rate in our properties in Finland was 45 per cent. We fell slightly short of our target of 50 per cent because we were not able to increase the rate of waste sorting at source at our properties. In 2016, we will focus on increasing the rate of waste recycling at our office and shopping centre properties together with our customers.

We were able to decrease the amount of office waste generated at our head office in 2015, and the rate of waste recycling and reuse at our head office remained at the previous year's level, in line with our objective.

The key figures for waste management in 2015 are presented in more detail on page Waste management.

### **Water consumption reduced in 2015**

Water consumption at Sponda's properties was approximately 347,000 cubic metres in 2015, down 5.1 per cent from the previous year. Water consumption includes water used for property maintenance, water consumption in the common facilities of the property, and water consumption by tenants. All of Sponda's properties are part of the municipal water infrastructure and they do not have water treatment stations of their own.

1) The year of comparison is 2013 due to renovations and water damage dehumidification that took place in 2014.

## Objectives for 2016

### Energy efficiency and the carbon footprint

- The comparable total energy consumption of Sponda's properties in Finland (electricity, heating, district cooling) will decrease from 2015 level. The long-term target is to decrease consumption by 20 per cent from the average level in 2001-2005. Concerning electricity and cooling, the combined effect will be taken into account.
- CO<sub>2</sub> emissions arising from total energy consumption of Sponda's properties in Finland will decline by 0.9 per cent, using 2015 as the baseline.
- The waste recovery rate in Sponda's properties in Finland will remain at 96 per cent, and the rate of waste recycling and reuse will increase.

- The consumption of electricity and water will decrease in two of our properties in Russia.

### Environmental co-operation with clients

- Two new environmental partnerships will be established with clients.

### Environmental certification of properties

- Certification will be sought for all new construction and major renovation projects (LEED® or BREEAM®), or In Use certification will be sought for properties. During 2016, two new environmental certifications will be achieved.

## Energy consumption and energy sources

### Electricity, heat, water and district cooling consumption of Sponda's properties in Finland

	2015	2014	2013	2012	2011	Change, 2014-2015, %	Number of properties 2015
Total energy consumption, all properties, MWh	276,346	329,343	380,264	382,480	402,580	-16.1	136
Total energy consumption, all properties, GJ	994,846	1,185,635	1,368,950	1,376,927	1,449,289		
Total energy consumption, comparable properties, MWh	192,805	196,064				-1.7	
Total energy consumption, comparable properties, GJ	694,098	705,830					
Electricity, all properties, MWh	117,911	150,072	189,710	198,358	204,622	-21.4	134
Tenants' electricity purchased by landlord, MWh	29,186	33,398					56
Electricity consumption in common areas, MWh	88,725	116,674					134
Electricity, comparable properties, MWh	74,781	75,884				-1.5	109
Heat, normalised, all properties, MWh	150,309	169,453	180,608	179,070	190,581	-11.3	131



**Electricity, heat, water and district cooling consumption of Sponda's properties in Finland**

	2015	2014	2013	2012	2011	Change, 2014-2015, %	Number of properties 2015
Heat, normalised, comparable properties, MWh	110,345	110,885				-0.5	109
Heat, measured, all properties, MWh	122,907	152,469	164,415	172,408	166,189	-19.4	131
Heat, measured, comparable properties, MWh	90,325	99,984				-9.7	109
District cooling, all properties, MWh	8,126	9,818	9,946	5,052	7,377	-17.2	22
District cooling, comparable properties, MWh	7,679	9,295				-17.4	17
Water; all properties, m <sup>3</sup>	347,127	365,682	381,496	357,062	408,114	-5.1	124
Water; comparable properties, m <sup>3</sup>	250,853	255,690				-1.9	101

**Intensity of electricity, heat, water and district cooling consumption of Sponda's properties in Finland**

	2015	2014	2013	2012	2011
Energy intensity, kWh/GFam <sup>2</sup>	197.6	201.0	226.3		
Electricity, kWh/GFam <sup>2</sup>	76.7	77.9	111.6	115.7	105.1
Heat, normalised, kWh/ GFam <sup>2</sup>	109.4	109.9	107.1	108.0	118.9
Heat, measured, kWh/ GFam <sup>2</sup>	89.5	99.1	97.5	104.0	103.7
District cooling, kWh/ GFam <sup>2</sup>	26.4	32.0	27.8	24.0	29.5
Water, ltr/GFam <sup>2</sup>	246.1	253.3	229.7	216.9	255.7

**Energy and water consumption of Sponda's properties by main segment**

	Office properties			Shopping centres			Logistics properties			Russia		
	2015	2014	change %	2015	2014	change %	2015	2014	change %	2015	2014	change %
Total energy consumption by main segment, MWh	126,319	129,357	-2.3	45,591	46,710	-2.4	20,894	19,997	4.5			
Electricity, MWh	45,486	47,121	-3.5	23,160	22,867	1.3	6,134	5,896	4.0	4,412	4,570	-3.5
Heat, normalised, MWh	77,187	77,697	-0.7	18,398	19,088	-3.6	14,760	14,101	4.7			
Heat, measured, MWh	63,146	69,731	-9.4	15,191	17,492	-13.2	11,988	12,761	-6.1			
District cooling, MWh	3,646	4,539	-19.7	4,033	4,755	-15.2						
Water, m <sup>3</sup>	163 573	167 487	-2.3	65 881	66 875	-1.5	21 399	21 328	0.3	11 037 (*)	12 864	-14.2
*) Russia water consumption in 2015 not comparable with previous year due meter error:												

**Intensity of energy and water consumption of Sponda's properties by main segment**

	Office properties			Shopping centres			Logistics properties		
	2015	2014	change, %	2015	2014	change, %	2015	2014	change, %
Energy intensity by main segment, kWh/GFam <sup>2</sup>	189.0	193.8	-2.5	249.3	255.4	-2.4	165.0	157.1	5.0
Electricity, kWh/GFam <sup>2</sup>	67.7	70.3	-3.7	135.0	133.3	1.3	46.3	44.5	4.0
Heat, normalised, kWh/GFam <sup>2</sup>	110.1	110.8	-0.6	100.6	104.4	-3.6	118.1	112.8	4.7
Heat, measured, kWh/GFam <sup>2</sup>	90.1	99.5	-9.4	83.1	95.6	-13.1	95.9	102.1	-6.1
District cooling, kWh/GFam <sup>2</sup>	20.8	26.0	-20.0	34.9	41.1	-15.1			
Water, ltr/GFam <sup>2</sup>	237.2	242.8	-2.3	354.5	375.6	-5.6	168.8	168.2	0.4

**Total consumption of electricity, heat, water and district cooling of Sponda's head office**

	2015	2014	2013	2012	2011	Change 2014-2015, %
Total energy consumption, MWh	1,017	1,195	1,165	1,177	1,257	-14.9
Electricity, MWh	327	362	349	346	360	-9.6
Heat, normalised, MWh	647	715	707	730	765	-9.5
Heat, measured, MWh	550	657	668	719	710	-16.3
District cooling, MWh	43	118	109	101	132	-63.7
Water, m <sup>3</sup>	1,523	1,613	1,674	1,578	2,087	-5.6

**Intensity of electricity, heat, water and district cooling consumption of Sponda's head office**

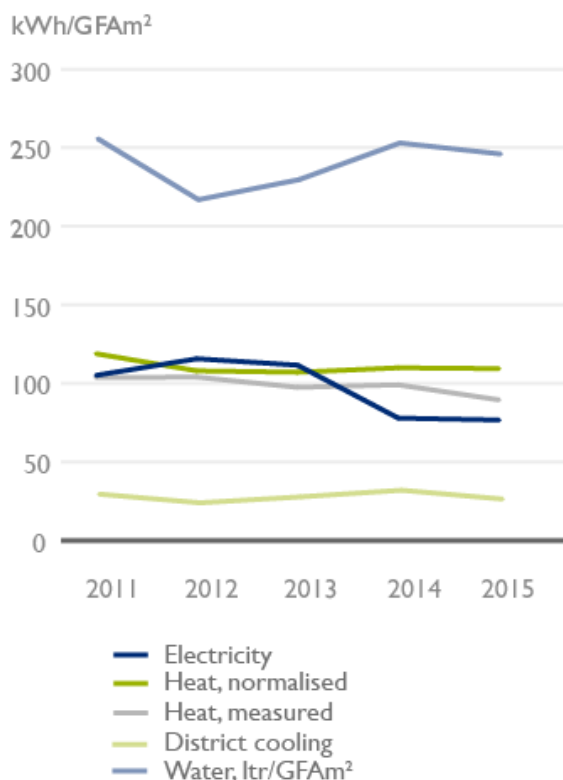
	2015	2014	2013	2012	2011
Energy intensity, kWh/GFAm <sup>2</sup>	172.5	202.7	197.7	199.7	213.3
Electricity, kWh/GFAm <sup>2</sup>	55.5	61.4	59.2	58.7	61.1
Heat, normalised, kWh/GFAm <sup>2</sup>	109.8	121.2	119.9	123.9	129.8
Heat, measured, kWh/GFAm <sup>2</sup>	93.3	111.4	113.3	122.0	120.4
District cooling, kWh/GFAm <sup>2</sup>	7.3	20.0	18.5	17.1	22.4
Water, ltr/GFAm <sup>2</sup>	258.4	273.7	283.9	267.6	354.1

## Energy sources, share of renewable energy

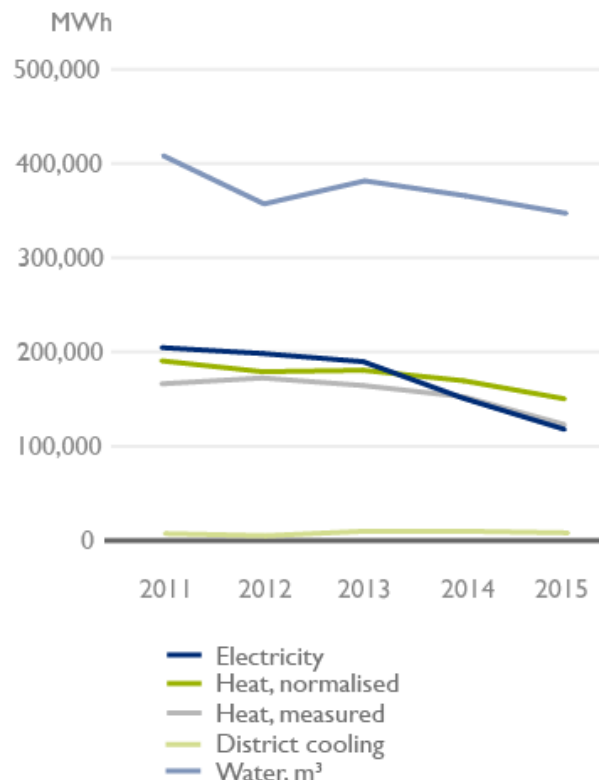
**Energy sources and emission factors**

	2015	2014	2013	2012	2011
Electricity					
Market-based emission factor, kg CO <sub>2</sub> /MWh	216	216	217	209	83
Renewables, %	17	17	17	27	54
Non-renewables, %	33	33	35	27	12
Nuclear power, %	50	50	48	46	34
Location-based emission factor, kg CO <sub>2</sub> /MWh	220	220			
Heat					
Market-based emission factor, kg CO <sub>2</sub> /MWh	147	151	170	166	166
Renewables, %	7	7	6		
Non-renewables, %	93	93	94		
Location-based emission factor, kg CO <sub>2</sub> /MWh	186	186			
District cooling					
Market-based emission factor, kg CO <sub>2</sub> /MWh	67.5	67.5	59	62	70
Renewables, %	81	81	76	75	66
Non-renewables, %	19	19	24	25	34
Location-based emission factor, kg CO <sub>2</sub> /MWh	67.5	67.5			

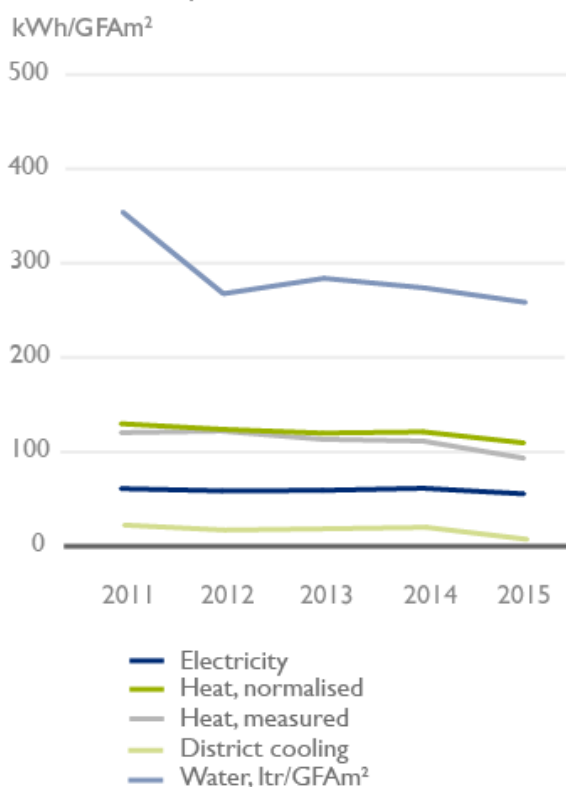
Intensity of electricity, heat, water and district cooling consumption of Sponda's properties in Finland



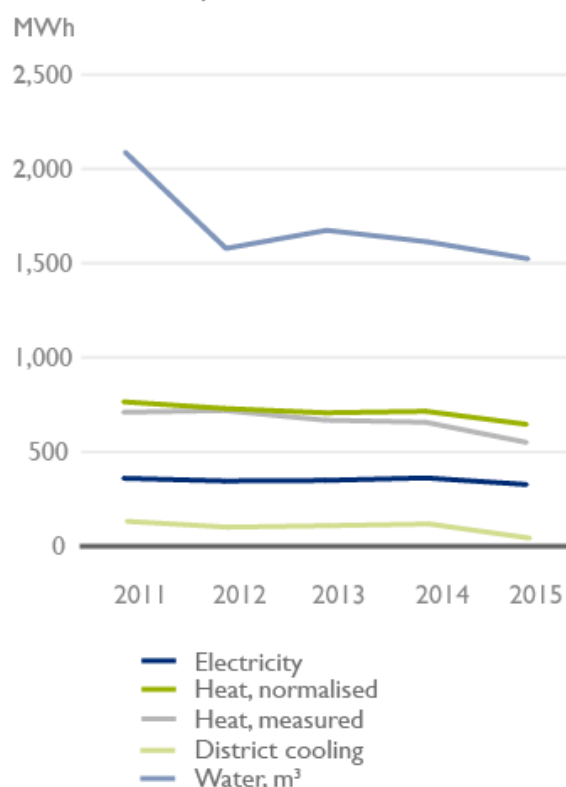
Electricity, heat, water and district cooling consumption of Sponda's properties in Finland



Intensity of electricity, heat, water and district cooling consumption of Sponda's head office



Total consumption of electricity, heat, water and district cooling of Sponda's head office



# Carbon footprint

## Carbon footprint arising from the energy consumption of Sponda's properties in Finland

	2015	2014	2013	2012	2011	change, 2014-2015, %
Total, t CO <sub>2</sub>	47,630	58,382	69,753	70,871	45,807	-18.4
Electricity, t CO <sub>2</sub>	25,057	32,135	41,167	41,457	16,984	-22.0
Heat, t CO <sub>2</sub>	22,025	25,584	27,999	28,603	27,642	-13.9
District cooling, t CO <sub>2</sub>	548	663	587	326	513	-17.3
Fuels, t CO <sub>2</sub>	0	0	0	486	669	
Total, comparable properties, t CO <sub>2</sub>	32,530	33,175				-1.9
Total, t CO <sub>2</sub> , location-based	54,004	64,911				-16.8

## Intensity of carbon footprint arising from energy consumption of Sponda's properties in Finland

	2015	2014	2013	2012	2011	change, 2014-2015, %
Total, kg CO <sub>2</sub> /GFAm <sup>2</sup>	32.7	33.3	41.3	42.8	25.9	-1.8
Electricity, kg CO <sub>2</sub> /GFAm <sup>2</sup>	16.4	16.8	24.1	24.2	8.8	-2.4
Heat, kg CO <sub>2</sub> /GFAm <sup>2</sup>	15.9	16.0	16.5	17.1	17.4	-0.6
District cooling, kg CO <sub>2</sub> /GFAm <sup>2</sup>	1.8	2.2	1.6	1.5	2.3	-18.2

## Carbon footprint arising from energy consumption of Sponda's properties by main segment

	Carbon footprint by segment (t CO <sub>2</sub> )			specific carbon dioxide emissions by segment (kg CO <sub>2</sub> /GFAm <sup>2</sup> )		
	2015	2014	change, %	2015	2014	change, %
Office Properties	21,071	21,764	-3.2	30.7	31.7	-3.2
Shopping Centres	7,545	7,665	-1.6	41.2	41.9	-1.7
Logistics Properties	3,914	3,746	4.5	30.8	29.3	5.1
Russia (only electricity)	1,941	2,011	-3.5			

## Carbon footprint arising from the energy consumption of Sponda's head office

	2015	2014	2013	2012	2011	change, 2014-2015, %
Total, t CO <sub>2</sub>	135.7	154.8	154.2	155.5	108.7	-12.3
Electricity, t CO <sub>2</sub>	70.7	78.2	75.7	72.4	29.9	-9.6
Heat, t CO <sub>2</sub>	62.1	68.6	72.0	76.9	69.6	-9.5
District cooling, t CO <sub>2</sub>	2.9	8.0	6.4	6.2	9.3	-63.8

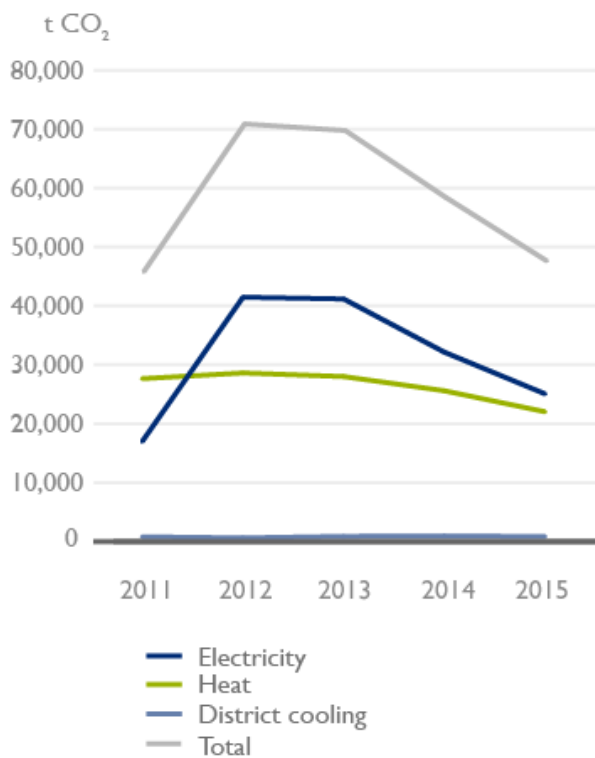
### Intensity of carbon footprint arising from the energy consumption of Sponda's head office

	2015	2014	2013	2012	2011	change, 2014-2015, %
Total, kg CO <sub>2</sub> /GFAm <sup>2</sup>	23.0	26.3	26.2	26.4	18.4	-12.5
Electricity, kg CO <sub>2</sub> /GFAm <sup>2</sup>	12.0	13.3	12.8	12.3	5.1	-9.8
Heat, kg CO <sub>2</sub> /GFAm <sup>2</sup>	10.5	11.6	12.2	13.1	11.8	-9.5
District cooling, kg CO <sub>2</sub> /GFAm <sup>2</sup>	0.5	1.4	1.1	1.1	1.6	-64.3

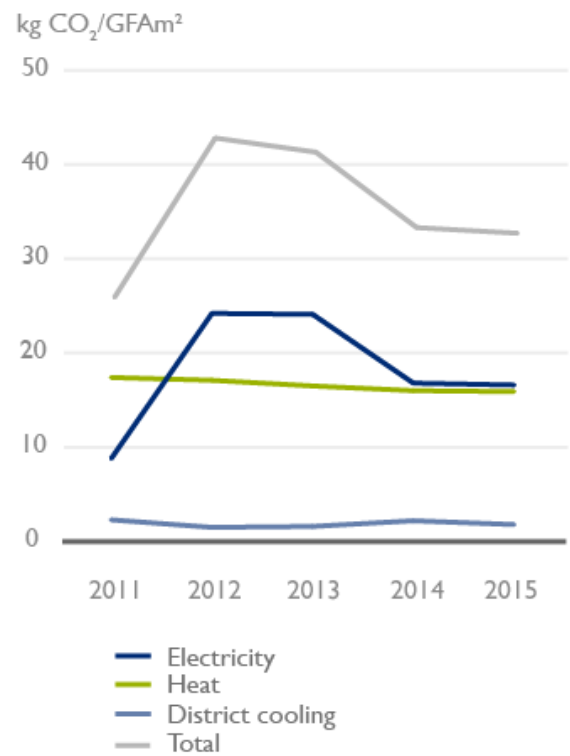
### Sponda's indirect carbon dioxide emissions

	2015	2014	change, 2014-2015, %
Total, t CO <sub>2</sub> -e	376	420	-10.3
Waste management, t CO <sub>2</sub> -e	225	253	-11.0
Leased cars, t CO <sub>2</sub>	70	102	-31.1
Business travel (flights), t CO <sub>2</sub>	81	65	25.3

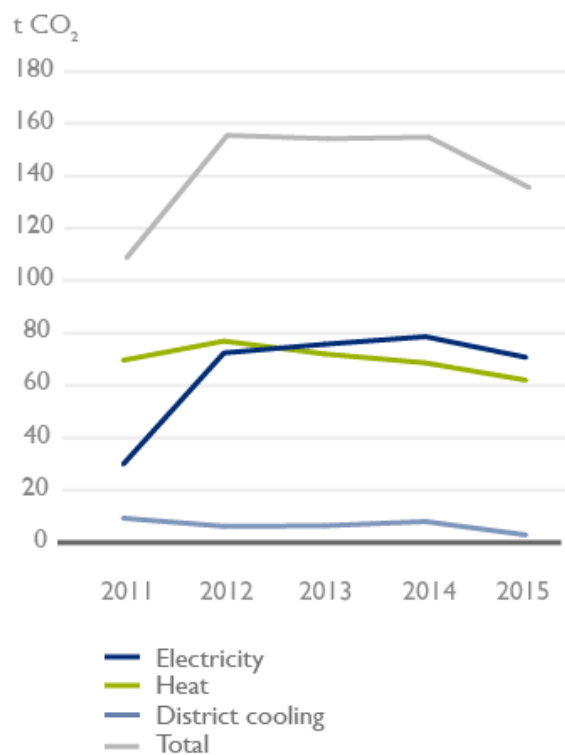
### Carbon footprint arising from the energy consumption of Sponda's properties in Finland



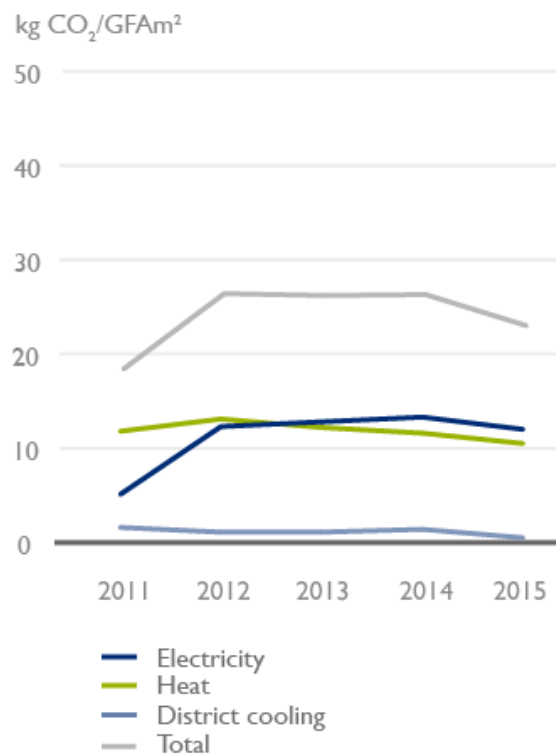
### Intensity of carbon footprint arising from energy consumption of Sponda's properties in Finland



Carbon footprint arising from the energy consumption of Sponda's head office



Intensity of carbon footprint arising from the energy consumption of Sponda's head office



# Energy efficiency programme and environmental partnership

## Sponda's Energy Efficiency Programme

	2015	2014	change, %
Number of properties included in the Energy Efficiency Programme at the end of the year	109	113	-2.7
Share of properties included in the programme of the total property portfolio, %	88	88	-0.1
Annual energy saving achieved by the energy efficiency programme, MWh	6,601	121	
Annual energy saving achieved by the energy efficiency programme, GJ	23,763	434	
Number of energy reviews conducted	95	68	40

## Sponda's Environmental partnership

	2015	2014	change, %
Total energy consumption, MWh	68,252	69,076	-1.2
Electricity, MWh	30,098	29,754	1.2
Heat, normalised, MWh	33,519	33,621	-0.3
District cooling, MWh	4,635	5,701	-18.7
Water, m <sup>3</sup>	92,901	94,582	-1.8
CO <sub>2</sub> -emissions, t CO <sub>2</sub>	10,827	11,067	-2.2
Number of environmental partners	23	22	4.5



# Waste management

## Waste volumes of Sponda's properties in Finland

	2015	2014	2013	2012	2011
Total, t	6,297	6,591	6,796	5,898	5,610
Energy recovery, t	3,264	3,394	2,845	2,343	752
Material Recovery, t	2,852	2,910	2,995	2,495	2,487
Biowaste, t	928	932	991	748	493
Paper, t	576	620	686	623	824
Paperboard, t	971	1,011	1,014	826	892
Cardboard, t	118	134	128	121	121
Glass, t	76	78	81	88	61
Metal, t	65	59	57	48	34
Plastic, t	2	2	4	2	1
Sludge, t	92	53	0	0	0
Other waste, t	17	15	26	31	56
Hazardous waste, t	7	6	8	7	7
Mixed waste to landfill, t	181	286	955	1,059	2,371
Total carbon dioxide emissions CO <sub>2</sub> arising from waste, t CO <sub>2</sub> -e	225	253			

This includes Sponda-owned properties where the property owner is responsible for waste management.

## Waste recovery rates of Sponda's properties in Finland

	2015	2014
Overall waste recovery rate, %	97	96
Energy recovery, %	52	52
Energy recovery rate, Helsinki metropolitan area, %	100	98
Energy recovery rate, rest of Finland, %	80	79
Recycling rate, %	45	44
Recycling rate, Helsinki metropolitan area, %	45	44
Recycling rate, rest of Finland, %	46	40
Mixed waste to landfill, %	3	4

### Waste volumes of Sponda's properties in Finland, comparable properties

	2015		2014	
	%	t	%	t
Total		6,094		6,152
Energy recovery	52	3,162	51	3,157
Material Recovery	45	2,752	44	2,730
Mixed waste to landfill	3	181	4	266

### Waste volumes of Sponda's properties in Finland by main segment in 2015

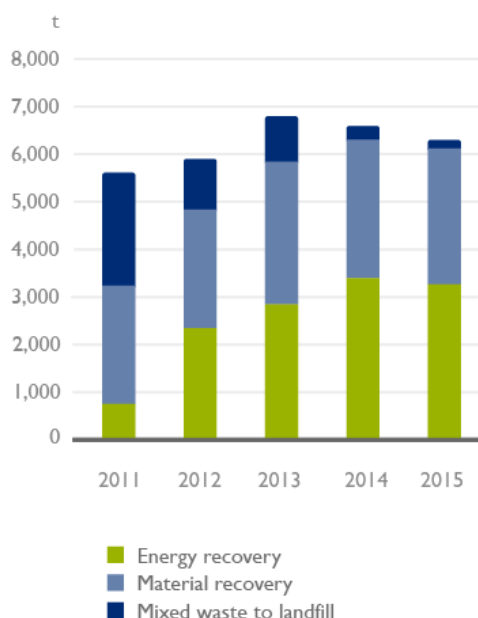
	Office properties	Shopping centres	Logistics properties	Property Development
Energy recovery, t	2,127	805	328	5
Material recovery, t	1,649	960	237	7
Mixed waste to landfill, t	148	15	3	14

Sponda's energy waste has been processed into recycled fuel, which has mainly been supplied to power plants for the production of electricity and process steam, and the combined production of electricity and district heating.

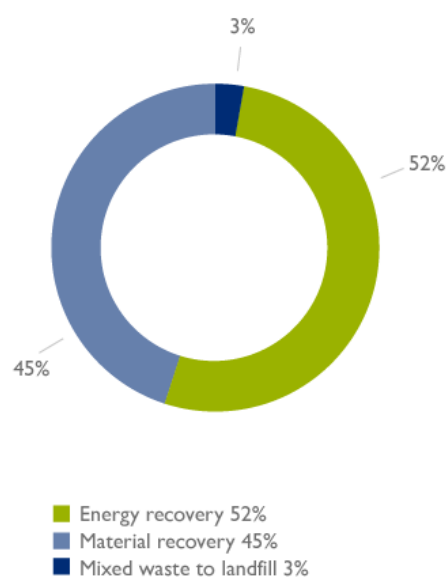
### Waste volumes and recovery rates of Sponda's head office

	2015		2014	
	%	t	%	t
Total		76.9		81.1
Energy recovery	40	30.9	38	31.1
Material recovery	60	45.9	61	49.3
Mixed waste to landfill	0	0.0	1	0.6

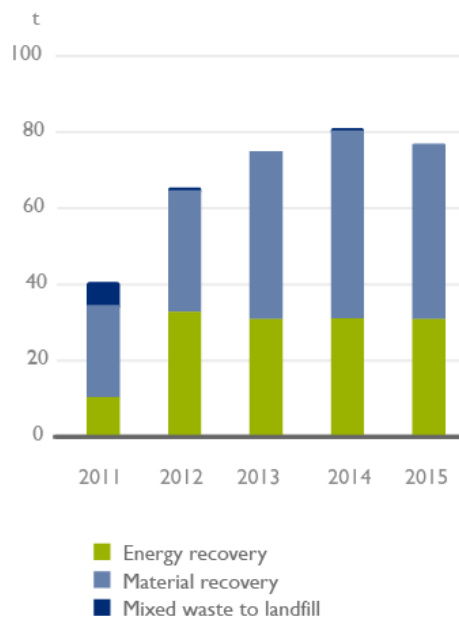
Waste volumes  
of Sponda's properties in Finland



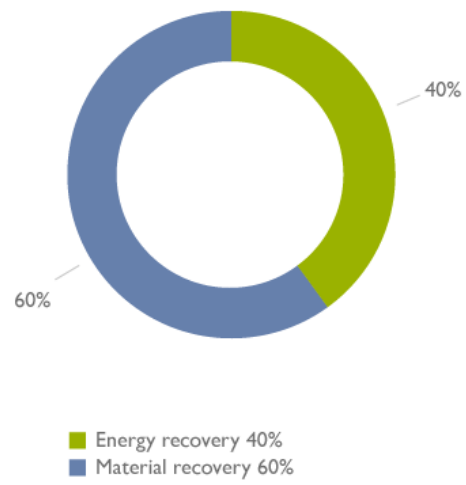
Waste recovery rates of  
Sponda's properties in Finland 2015



Waste volumes  
of Sponda's head office



Waste recovery rates  
of Sponda's head office  
2015



# Property locations

*Sponda takes environmental considerations into account in deciding on the locations for its property investments. Our properties are in key areas in major cities and in locations easily accessible by public transportation, which helps reduce the environmental impacts of the properties during their use.*

## The key aspects of the priority are:

- Taking environmental aspects into account in making decisions on property investments
- Focusing on properties located in cities, accessible by public transportation
- Concentrating on prime areas
- Investments in property assets

## Why is this a priority?

The central location of our properties is a key strategic choice for us: our properties are in central and growing areas in the Helsinki metropolitan area and Tampere, in locations with good public transport links. Approximately 93 per cent of our properties are located in these areas. Correspondingly, we aim to divest those of our properties located in sparsely populated and peripheral areas. In line with our strategy, we are focusing our property ownership on shopping centres and

office properties.

Our newly developed properties are located in already built-up areas with excellent public transport access, which reduces negative impacts on biodiversity. Environmental impact assessments are an integral part of most of our zoning and development projects. Our properties are not located in protected areas.

Sponda's investment strategy is sustainable both financially and environmentally.

Accessibility is an increasingly important factor in the decisions companies make regarding business premises. It is perceived as a way of supporting the mobility of customers and employees, as well as an opportunity to reduce emissions caused by commuting. Companies located in areas with high traffic flows also achieve a competitive advantage through greater visibility. In construction projects, we take into account the immediate environment of the building and the placement of the property in the surrounding urban structure.

The demand and rental levels for properties located in the central areas of cities are more stable, even in economically uncertain times.

Location is one of the criteria applied in the environmental certification of business properties. The BREEAM® and LEED® certification processes take into account not only the energy consumption of the building, but also factors such as public transport links and bicycle parking facilities

# Objectives and measures: Property locations

## Measures taken in 2015

In 2015, we continued to implement our strategy by increasingly focusing our property portfolio on prime areas and locations with good public transport links. In line with our objectives, we increased the proportion of shopping centres and office properties in

our property portfolio by selling our logistics properties located in Vuosaari Harbour at the end of the year.

A further goal of ours is to divest our Russian business within 1–3 years. At the end of 2015, some 5 per cent (in terms of fair value) of Sponda's properties were located in Russia.

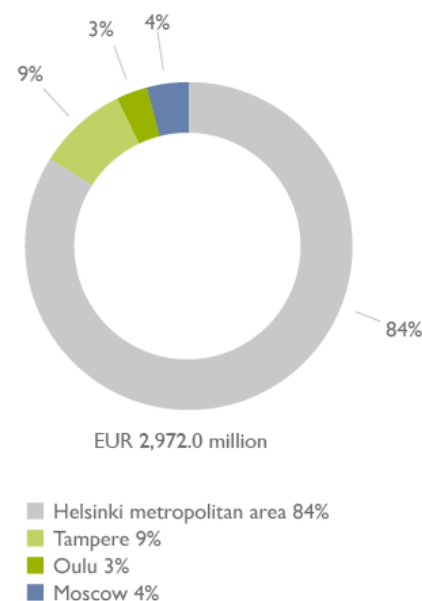
The most significant investment project started in 2015 was the Ratina shopping centre, which is being developed by Sponda in Tampere's central business district. Construction began in April 2015 and the shopping centre is expected to be completed by spring 2018. During the year, we also started the construction of retail space in Oulu for use by the sporting equipment shop XXL. The XXL retail property is being constructed in a prominent location in the Limingantulli commercial cluster.

In 2015, we completed the Estradi office building along the Kehä I ring road and Hämeenlinnanväylä, and an office complex consisting of three buildings in Helsinki's Ilmala district.

## Long-term objectives

- Increasing the share of shopping centres and office properties in the company's property portfolio
- Developing the property portfolio by concentrating on prime areas and locations with good public transport links

Investment properties by location and by fair value\*



\* Excl. Property Development

## Enhancing the customer experience

*At Sponda, the customer experience is based on comfortable business premises that meet customer needs, as well as competent and professional customer service. We aim to develop interactive long-term partnerships with our customers.*

### The key aspects of the priority are

- Working environments and property services that support the customer's operations
- Comfort of the indoor environment
- Customer safety and health
- Supporting the customer's responsibility goals

### Why is this a priority?

The significance of the customer experience is being emphasised in the property sector as companies that seek business premises are increasingly focusing not only on prices

per square metre, but also other factors. Trends such as the transformation in working culture, changes in purchasing behaviour, and awareness of environmental impacts are placing greater requirements on business premises and their suppliers.

The key building blocks of the customer experience are functional and high-quality business premises as well as competent personnel who understand the customer's needs. At Sponda, we offer comfortable and flexible working environments that support the customer's operations. We strive to ensure the safety and health of business premises customers by focusing on the comfort, cleanliness, air quality and temperature of the indoor environment.

Our goal is to achieve a long-term interactive partnership rather than a unilateral lessor-tenant relationship. This allows the customer to receive the maximum benefit from our strengths, namely the expertise of our personnel and our comprehensive portfolio of business premises.

In addition to creating added value for our customers, enhancing the customer experience also provides a competitive advantage for Sponda. Enhancing the customer experience is based on our goal-oriented and customer-focused way of working.

At the end of 2015, we had a total of 1,789 customers and 2,806 lease agreements. Our largest client sectors were the public sector, retail and banking.

## Continuous focus on customer service

In leasing business premises, the customer experience begins even before the first encounter between the customer and the

sales representative. Most customers use digital services to search for potential business premises. This means that high-quality search tools and a strong online presence are important for leasing operations. With this in mind, our aim is to be easily approachable via a variety of channels, and to continuously develop various forms of customer service.

During the customer relationship, the emphasis is on the continuous development of the relationship, maintaining active contact with the customer, as well as property services. Our aim is to allow the customer to focus on their own business while we handle all property-related services in co-operation with our property management partners.

### Sponda's customers by sector 2015

Sector	% of net rental income
Professional, scientific and technical activities	8.0
Energy	0.3
Public sector	11.8
Wholesale/retail	23.4
Education	1.2
Logistics/Transport	2.8
Hotel and catering business	6.0
Media /Publishing	3.4
Other services	15.4
Banking/Investment	8.5
Construction	3.6
Industry/manufacturing	4.1
Healthcare	5.3
Telecommunications	5.9
Others	0.3

### Top 10 tenants 2015

State of Finland
Kesko Group
HOK-Elanto
Danske Bank Plc
City of Espoo
Sweco Finland Ltd
Sanoma Media Finland Oy
Diacor
Elisa Corporation
Nordea Bank Finland Plc

# Sponda's customer process



The active building of the customer experience begins from our very first meeting with the client. Our expertise helps us find business premises that are tailored to the client's unique needs. As business premises solutions are long-term decisions, our analysis of the client's needs takes into account the client organisation's future prospects and objectives.

We tailor our business premises to these needs in close co-operation with the client.

Our flexible solutions allow us to easily adapt the premises as the client's operations develop and change.

The customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. We maintain regular contact with our customers and analyse customer satisfaction annually.

## Objectives and measures: Enhancing the customer experience

### Objectives for 2015

- Quantitative and qualitative development of customer communications
- Renewing the Sponda website and providing an even better online customer experience
- Overall satisfaction with co-operation with the lessor to remain at least at the same level as in 2014

### Measures taken in 2015

Our most significant measures to enhance the

customer experience in 2015 were:

- Ensuring customer orientation and better customer service as part of the renewal of the Sponda website. The new website went online in November 2015.
- Practical implementation of the CRM models defined for updated customer segments in the previous year.
- Supporting leasing operations by implementing a new digital tool for the presentation of business premises based on database-driven information management.



## Indoor environment assessment for all new premises

Starting from 2015, an assessment of indoor environment conditions will be carried out for Sponda's new office properties, property development projects and newly developed properties within one year of the purchase or completion of each property. The assessment is aimed at determining the initial level of comfort of the indoor environment for newly built and acquired properties, with the safety and health impacts of the premises also taken partly into consideration.

The assessments are based on electronic questionnaires that are available to all those who work on the premises. After analysing the data, we will agree on development measures with our property maintenance partner and the users of the property. In 2015, an assessment of indoor environment conditions was carried out at two of Sponda's new office properties.

We launched a project in 2015 to continue our CRM development with the aim of facilitating day-to-day CRM activities in our property leasing operations.

## Customer segmentation found to be effective

Sponda's leasing operations in 2015 were carried out in accordance with the segment-specific CRM models developed in the previous year. We produced customer relationship plans for our key customers. Sponda's customer segments were updated in 2015 to correspond to the changing operating conditions. Based on the results of

the service experience study we conducted in late 2015, the CRM models have proved to be appropriate and effective in practice.

## Customer satisfaction improved

The results of the customer satisfaction survey improved slightly from the previous year, and the development was in line with objectives. Areas in which the development was favourable included customer satisfaction with the services provided at our properties, as well as their co-operation with the lessor. Average customer satisfaction scores increased particularly among our largest clients.

Sponda has measured customer satisfaction with their co-operation with the lessor since 2014. The index score that indicates customers' overall satisfaction with the lessor was at a good level in 2015, at 3.74 (2014: 3.67) on a scale of 1–5. The Net Promoter Score (NPS) also increased.

## Objectives for 2016

- Improving the quantity and particularly the quality of customer communications in our own operations. Also focusing on supporting our partners in serving the customer.
- Reliability, keeping promises and taking the customer's views into account will be the central focus of all of our customer operations.
- Our customers' overall satisfaction with their co-operation with the lessor to improve compared to 2015.
- Sponda's Net Promoter Score (NPS) to remain at least at the same level as in 2015.

## Investing in employees

*Sponda's employees are characterised by their professional and motivated approach and good team spirit. Employee wellbeing and expertise are key success factors for Sponda, which is why we want to invest in the high-quality training of personnel and good leadership.*

The key aspects of the priority are:

- Improving professional expertise
- Occupational wellbeing and job satisfaction
- Safety and equal treatment of employees

## Why is this a priority?

In addition to high-quality business premises, highly competent employees are one of our key strengths. Continuous personnel development and good leadership enable us to achieve our strategic objectives. They make Sponda a more attractive employer.

Personnel development is guided by customer orientation: training is planned based on strategy, customer and stakeholder feedback, and appraisal discussions. Sponda organises common training programmes for its personnel and offers the opportunity to participate in training outside the company. Sponda also encourages employees to adopt an independent and active approach to their work and self-development.

## Aiming for employee wellbeing and equality

The realisation of equal opportunities is important to us. Our key objective is to ensure that employees do not experience any unequal treatment on the basis of gender, age, religion, health or other such factors. Fair and non-discriminatory treatment applies to the entire employment relationship, from recruitment to termination.

Wellbeing at work is the cornerstone of good work performance and work fitness. Our investment in the wellbeing and job satisfaction of our employees includes the provision of extensive and versatile occupational healthcare services, the objective of which is to prevent illnesses and problems resulting from stress and other work-related

psychological factors, and to improve work fitness. In addition, Sponda has a special wellbeing programme to support the work fitness of employees who have been in working life for a long time.

We support our employees' physical exercise and cultural activities, and we encourage employees to adopt environmentally friendly and sporty commuting habits by offering them company bicycles.

## Employees are involved in development efforts

Sponda monitors job satisfaction and organisational effectiveness with the help of an annual employee survey. All of Sponda's personnel are covered by appraisal discussions. Everyone's understanding of the connection between their own work and Sponda's strategy and goals is ensured in appraisal discussions. The progress and achievement of each employee's personal goals is assessed with the help of appraisal discussions, customer feedback and employee surveys.

Sponda uses an incentive scheme that covers the entire personnel and is based on the company's common goals and on personal annual targets set specifically for each employee. Sponda also has an employee share programme that gives employees the opportunity to use net remuneration earned pursuant to the incentive scheme for the purpose of acquiring merit pay shares and, in addition, receive funds from Sponda to acquire additional shares under the terms defined in the share programme.

# Objectives and measures: Investing in employees

## Objectives for 2015

- Operating models for the sharing of knowledge and best practices will be developed.
- The different features of the new enterprise resource planning system will be used more efficiently in everyday work.
- Management and evaluation of

competences that support the implementation of the company strategy.

## Measures taken in 2015

In 2015, we continued to share best practices and knowledge by organising several internal information and training events on topics such as legal and environmental issues.

Training events were also arranged during the year based on the UN Global Compact commitment signed by Sponda. 93 per cent of Sponda employees participated in the training events, which provided practical insight into Sponda's Code of Conduct. No reports were received during the year of conduct in breach of Sponda's Code of Conduct.

The enterprise resource planning system was used and developed effectively. According to feedback from our employees, we have been more successful at the sharing of knowledge, particularly within business units.

## Overall results of the employee survey were again good

In autumn 2015, Sponda conducted its annual employee survey to assess the views of employees regarding their work, their workplace, managerial supervision and leadership. The employees perceive the survey as important, and the response rate was as high as 93 per cent.

The results are discussed openly and employees participate in the planning of development measures, which supports the continued high response rate of the survey. The perception of employees is that the company takes action based on the survey and its results.

In interpreting the results, the Finnish norm for specialists is used, and the

corresponding Russian norm is used in Russia. Sponda's overall result is better than the average in the comparison material, and the results showed a slight improvement compared to the previous year. In assessing the level of commitment of personnel, it can be noted that Sponda's employees are clearly more committed than employees in Finnish specialist organisations generally.

No material weaknesses came up in the different themes of the survey.

## Share-based incentive scheme remains in effect

All of our employees are covered by an incentive scheme. The share-based incentive scheme implemented in 2014 remained in effect in 2015. The scheme has been received positively and it again remains in effect in 2016.

## Objectives for 2016

- We develop skills and practices for sharing knowledge and expertise, particularly with regard to the utilisation of systems in day-to-day work.
- We develop a culture of interaction and feedback based on plans prepared by our units.
- We invest in the well-being of our personnel in accordance with our units' needs and wishes, using modern mobile solutions.

### Key figures for the personnel

	2015			2014			2013			2012			2011		
	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia
Personnel at the year-end	104	96	7	105	95	10	118	109	9	119	107	12	127	114	13
Personnel in average	103	94	9	118	108	10	121	111	10	122	110	12	123	110	
Average age at the year-end	44.55	44.80	41.14	43.52	45.63	41.40	40.54	45.40	35.67	44.46	44.83	41	44.57	45.27	
Days lost in sickness per employee	2.41	2.55	0.43	3.85	4.00	2.40	4.36	4.43	3.18	3.75	3.9	1.9		3.9	
Days lost in sickness % of working time	-	1.12%	-	-	1.60%	-									
Training days per employee	2.30	2.07	5.43	2.19	1.75	6.4	2.16	2.03	4.07	2.38	2.3	5.07		2.33	
Training hours per employee	17.26	15.55	40.69	16.45	13.13	48.0	16.19	15.2	30.54	17.85	17.25	38.03			
Days lost in trainings %	-	0.91%	-												

### Collective labor agreements and employee turnover

Percentage of employees covered by collective labor agreements*	100%
Turnover, Finland (Parent company)	12%
In employment relationships that are valid indefinitely	98%
In fixed-term employment relationships**	2%
*The collective labor agreement covers all personnel in Finland excluding the Executive Board. **Fixed-term employment relationships are family leave substitutions exceeding 6 months in duration	

### Personnel survey, Group (scale 1–4)

	2015	2014	2013	2012
Commitment	3.19	3.11	3.21	3.24
Leadership	3.09	3.07	3.19	3.21
Performance	3.12	2.98	3.05	3.06
Engagement index	3.38	3.34	3.42	3.45

### Days of training by personnel group, parent company

	Total	Men	Women	% of working hours	
				men	women
Middle management	68	60	8	2.03%	0.39%
Expert	93	67	26	1.14%	0.67%
Only personnel groups with three women and three men at minimum reported.					

### Job satisfaction and security, Finland, parent company

Accident frequency	under 0.0001
Occupational diseases	0
Fatalities	0
Number of discrimination cases, their handling and related corrective action, amount of cases	0

### Sick days by personnel group, parent company

	Total	Men	Women	% of working hours	
				men	women
Middle management	58	32	26	1.08%	1.27%
Expert	29	20	9	0.34%	0.23%
Only personnel groups with three women and three men at minimum reported.					

#### Employees hired in 2015, Finland, parent company

Age group	Total	Men	Women
20–24	1	0	1
25–29	4	2	2
30–34	1	1	0
35–39	1	1	0
40–44	4	2	2
45–49	1	0	1
50–54	1	0	1
yli 55	1	0	1
<b>Total</b>	<b>14</b>	<b>6</b>	<b>8</b>

#### Employees that left the company in 2015, Finland, parent company

Age group	Total	Men	Women
under 20	0	0	0
20–24	2	1	1
25–29	0	0	0
30–34	0	0	0
35–39	3	3	0
40–44	2	2	0
45–49	2	2	0
50–54	1	1	0
55–59	1	0	1
yli 60	2	1	1
<b>Total</b>	<b>13</b>	<b>10</b>	<b>3</b>

## Comparison of salaries and rewarding of men and women

#### Comparison group I, experts

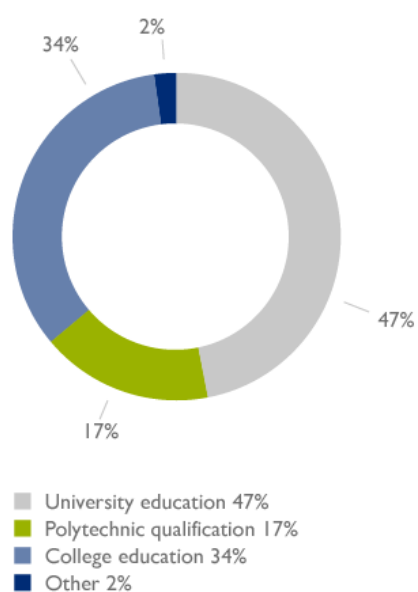
The salary of women is % of the corresponding salary of men	Basic salary	Rewarding
2015	101.25%	86.42%

#### Comparison group II, middle management

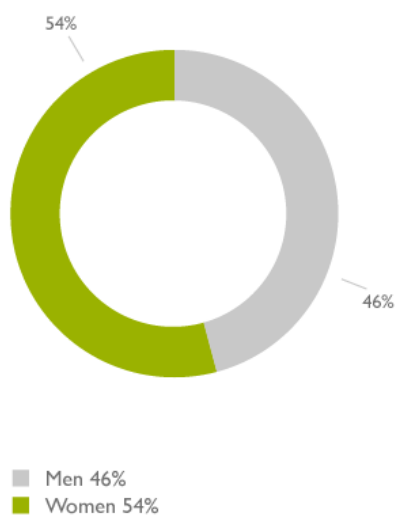
Salary of women, % of the corresponding salary of men	Basic salary	Rewarding
2015	88.19%	89.53%

The comparison includes task-specific groups with three women and three men at minimum. The comparison figure has been calculated on the principle of how many per cent the average salary and rewarding for women is of the corresponding salary and rewarding for men.

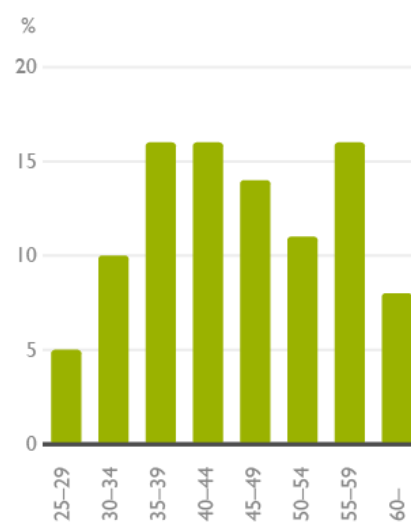
Educational structure  
31 Dec 2015, Sponda Plc



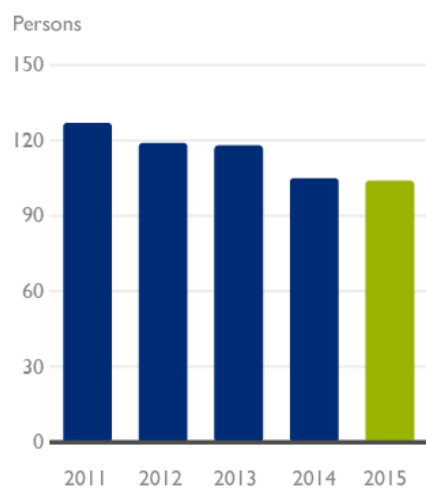
Sex ratio 31 Dec 2015,  
Sponda Plc



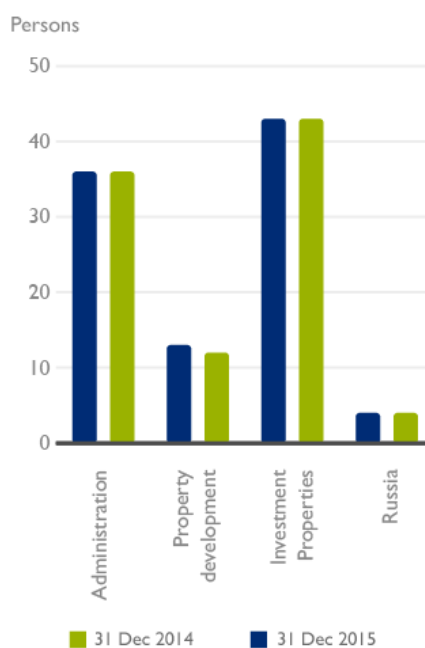
Age ratio 31 Dec 2015,  
Sponda Plc



Personnel at the year-end,  
Sponda Group



Personnel Groups,  
Sponda Plc



# Transparent and ethical operations

*The transparency and accuracy of information regarding Sponda's operations is of the utmost importance to us. We promote transparency by developing our operating models and engaging in open dialogue with stakeholders.*

## The key aspects of the priority are:

- Value generated for stakeholders
- Transparent communications and reporting
- Business principles
- Purchasing management and responsible purchasing
- Good governance and risk management

## Why is this a priority?

All of our operations are transparent and based on ethical operating methods and good governance. Sponda's Code of Conduct provides ethical guidelines for the company and creates the foundation for its business operations and stakeholder co-operation. Responsible business operations and effective risk management aimed at minimising risks also generate value for stakeholders and increase the company's profitability.

For us, transparency means, above all, reliable communications and reporting. These aspects are continuously developed on the basis of interaction with investors and other stakeholders. In customer communications, our aim is interactive and regular communication. More detailed information on Sponda's key stakeholder groups and interaction with them can be found in the Annual Report's Sponda's stakeholder groups section of the annual report and on the company website.

Sponda's financial reporting complies with existing legislation and standards. We serve investors by providing information on Sponda's operating environment and development in line with EPRA (European Public Real Estate Association) recommendations, among others.

As part of the annual report, we publish information on our annual tax footprint, which describes the taxes and tax-like payments arising from operations.

## Reporting on responsibility plays a key role

As an industry leader, we aim to continuously develop not only our financial reporting, but also our reporting on responsibility. We report on our responsibility efforts annually in accordance with the following guidelines:

- Global Reporting Initiative (GRI) G4
- CDP Climate
- Global Real Estate Sustainability Benchmark (GRESB)
- EPRA Best Practices Recommendations on Sustainability Reporting
- Global Compact reporting

The regularly updated criteria of international reporting guidelines also provide guidance for the development of our operations.

## Responsible management of the co-operation network

Companies, organisations and authorities in the construction and real estate industry have an important role in protecting against the grey economy and commercial crime. We promote responsible operating methods in the property sector in co-operation with our subcontractors by requiring that they operate transparently, comply with applicable legislation and regulations issued by the authorities, and conduct their communications in a timely and appropriate manner.

### **The goal of our purchasing strategy is to:**

- Produce high-quality property maintenance services in an optimal manner.
- Take energy efficiency and other environmental impacts into consideration in property development and renovation projects, as well as during the use of



properties.

- Determine service provider selection criteria and service evaluation criteria, and develop contract models for property services, on the basis of providing incentives and guidance for producing good quality and improving service solutions.

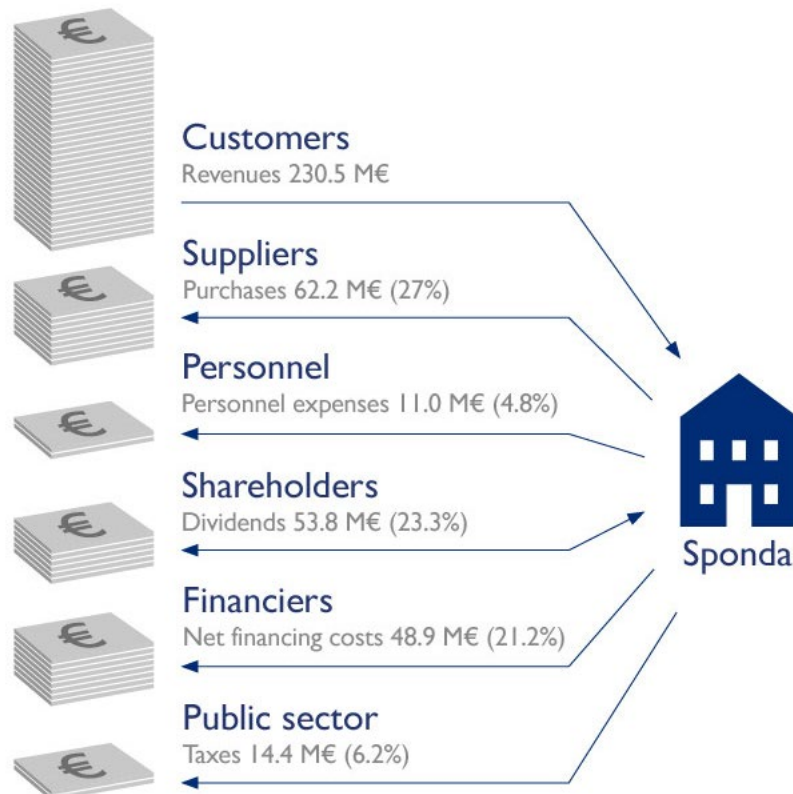
Our contractual partners must have their own existing environmental systems and programmes that define the operating principles for taking environmental issues into consideration. Contractual partners

are required to take the general objectives and operating principles defined in Sponda's environmental policy into account in their operations.

Sponda's service providers must satisfy the provisions laid out in the Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out.

## Cash flows between stakeholders

(share of Sponda's turnover, %)



## Objectives and measures: Transparent and ethical operations

### Objectives for 2015

- Implementing the Code of Conduct and the UN Global Compact with personnel and interest groups

### Measures taken in 2015

In 2015, 93 per cent of Sponda's personnel in Finland and Russia completed training on

the Code of Conduct. Everyone at Sponda is responsible for acting in accordance with the Code of Conduct. Conduct that is in breach of the company's ethical principles must always be reported. During the year, we created an internal feedback channel for reporting nonconformities. Reports can be submitted anonymously if necessary. Received reports are discussed by the Code of Conduct

steering group and forwarded to Sponda's Executive Board if necessary. We received no reports in 2015.

In 2014, Sponda signed the UN Global Compact and made a commitment to reporting annually on measures taken to promote the Global Compact. The first Global Compact report will be prepared concerning the year 2015. The Code of Conduct training also covered the principles outlined in the Global Compact.

## The best property investment company in the Nordic region according to the CDP Climate assessment

In 2015, Sponda was ranked as the best property investment company in the Nordic region in the CDP Climate assessment, which measures companies' greenhouse gas emissions, emissions targets, measures to reduce emissions, business risks and opportunities related to climate change, and reporting on these matters. We achieved inclusion in the CDP Nordic Climate Disclosure Leadership Index (CDLI) for the first time, and received recognition for our comprehensive climate reporting as well as our Energy efficiency programme, which includes the management of carbon dioxide emissions.

In 2015, Sponda was awarded a Green Star for the third consecutive year in the Global Real Estate Sustainability Benchmark (GRESB) study. Our score improved by 17 per cent from the previous year, which is a result of the accomplishments of Sponda's Energy efficiency programme and increasing waste recycling at properties. The Green Star is awarded to companies in the property industry that measure, implement, manage and develop responsibility successfully as an integral part of their business operations.

## Continuing improvement in property management services

The development of property management and maintenance services was continued in 2015. New property service agreements were signed during the year with the aim of building flexible and development-oriented partnerships between the parties involved to ensure that property services are implemented with high quality and cost-efficiency.

Sponda's properties and property services are managed by a partner network comprising tens of suppliers. Sponda places particular focus on the reliability of service providers and their responsibility for consistent quality in service provision. This was reflected during the year 2015 in improved customer feedback regarding property services.

In addition to customer feedback and continuous reporting data, the quality of property services is also monitored by means of twice-yearly property audits and the self-evaluation of service production. The audits have been systematically developed further, which helped the company achieve an improvement in the quality of property maintenance services in 2015.

## Objectives for 2016

### Responsibility in the supply chain

- A Code of Conduct for the supply chain will be drafted in 2016. The responsibility principles for the supply chain will be included in newly signed and renewed agreements.
- Maintain GREEN STAR rating in international GRESB (Global Real Estate Sustainability Benchmark) reporting and improve reporting further.

# Taxation

## Taxes and tax-like payments resulting from Sponda's operations

Sponda reports on the economic effect on society created by its operations through taxes and tax-like payments. Transparent reporting is one element of our responsibility.

Each year, Sponda's business operations result in the accrual and payment of taxes to the tax authorities in the form of many different taxes and tax-like payments. Sponda's taxes resulting from business operations in Finland include income tax collected on the company's taxable income, property taxes collected on the basis of property ownership, and excise taxes collected as part of electricity prices. In addition, a proportion of the value added taxes paid for goods and services remains as a balance payable by the company. As an employer, Sponda pays contributions related to pension and social security as well as deducts withholding taxes from wages and salaries and pay them to the tax authorities.

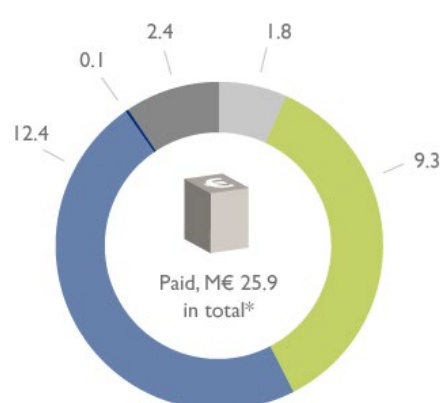
In 2015, the taxes arising from Sponda's business operations amounted to EUR 25.9 million. In addition, Sponda paid withholding

taxes deducted from wages and salaries at a total amount of EUR 3.6 million. The difference between remitted and deducted value added tax was EUR 9.4 million. The chart below illustrates the most significant taxes arising from Sponda's operations and the withheld taxes. Sponda has not received substantial financial support for its operations from the public sector.

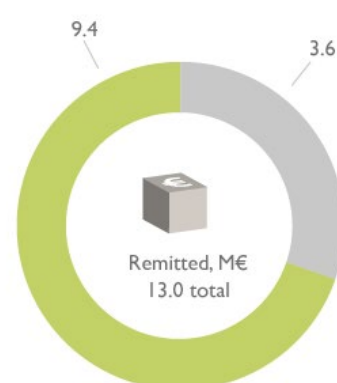
Sponda Group's result calculated in accordance with IFRS deviates from the Group subsidiaries' total combined taxable result. The IFRS does not permit annual depreciation of investment properties, instead requiring that properties are recorded at their current fair value. The annual changes in fair value are then recorded in the company's result.

In taxation, the company applies normal depreciation on the purchase price of properties pursuant to tax law. These factors constitute a significant difference between the result recorded in the consolidated financial statements according to IFRS and the taxable result. The effects of the differences between the requirements of tax law and IFRS are taken into account in Sponda's deferred taxes.

Tax footprint in 2015, M€



- Personnel-related tax-like payments in total 1.8
- Income taxes 9.3 (excl. deferred taxes)
- Property taxes 12.4
- Insurance taxes 0.1
- Energy taxes 2.4
- Asset transfer tax 0



- Taxes withheld from salaries 3.6
- Value added tax, difference between remittances and deductions 9.4\*\*

\* Not inclusive of non-deducted value added taxes

\*\* Value added tax, remittances 91.7

\*\* Value added tax, deductions 82.3

# Taking the industry forward

*Sponda is an active participant in real estate and construction industry organisations in order to enhance the operating conditions in the industry and develop industry practices. Sharing Sponda's own expertise and professional competencies is a significant aspect of this effort.*

## The key aspects of the priority are:

- Active participation in development work in real estate and construction industry organisations
- Sharing expertise and professional competencies
- Sponda's own research and development work

## Why is this a priority?

We want to promote best practices and prerequisites in the real estate industry by being an active participant in the activities of industry organisations. The industry faces many common challenges, such as those related to zoning and energy efficiency, which the companies and industry organisations can best overcome through co-operation.

Sponda also engages in its own research and development activities to create innovative and customer-focused solutions that benefit all of our customers. Sponda's development work has a particular focus on the energy efficiency of properties, the effectiveness of customer service, and creating the business premises of the future. We also promote the sharing of knowledge and taking the industry forward by having our employees give lectures at industry events and educational institutes.

Our goal is to be the forerunner and the most responsible player in the real estate sector, particularly in environmental matters, such as the mitigation of climate change.

## Developing the real estate industry

We are an active participant in the Finnish

Association of Building Owners and Construction Clients (RAKLI). The association is an opinion leader in the real estate and construction industry, which strives to actively develop the industry, promote networking of experts and provide information about the economic situation, for instance. We develop consistency and transparency in financial reporting for the real estate sector through our activities in EPRA (European Real Estate Association), the umbrella organisation for listed European property investment companies. We also engage in wide-ranging co-operation with several other organisations in areas such as aiming to reduce the environmental load of the property sector and promoting corporate responsibility as well as consistency and transparency in financial reporting in the property sector.

We also participate in the development of cities in co-operation with cities, other property owners and various partners. The vitality of the city environment is also important for the appeal and rental demand of Sponda's own properties.

Sponda is involved with the following organisations:

- WWF Finland, main partner in co-operation
- Green Building Council Finland (FiGBC), founding member
- Russian Green Building Council (RuGBC), member
- RAKLI (the Finnish Association of Building Owners and Construction Clients), member
- Finnish Business and Society ry (FIBS ry), member
- Finnish Council of Shopping Centres, member
- European Real Estate Association (EPRA), member
- Helsinki City Markkinointi (Helsinki City Marketing) ry, member
- Design District Helsinki, supporting member
- European Association for Investors in Non-listed Real Estate Vehicles (INREV), member
- Climate Partners network of businesses and the City of Helsinki, member

# Objectives and measures: Taking the industry forward

## Measures taken in 2015

Sponda introduced a new communal service concept, Mothership of Work (MOW), in 2015. MOW is Finland's first coworking space in this scale and it was opened in February 2016 in central Helsinki. MOW allows independent entrepreneurs to benefit from flexible services and communality.

Another example of Sponda's research and development work is the Citycenter VIP Key, which was developed jointly by Sponda and the advertising agency TBWA. The VIP Key is intended for loyal customers of the Citycenter shopping centre property and it is equipped with a small RFID tag. It allows customers to be identified as soon as they enter the shopping centre in order to offer personalised services to them.

We were an active participant in the operations of the Finnish Association of Building Owners and Construction Clients (RAKLI) in 2015. RAKLI working groups aim to prevent the grey economy and determine the actual tax base of properties, as the increase in energy tax also results in higher taxes for the real estate industry. We also participated in the operations of Green Building Council Finland (FiGBC) in working groups focused on subjects ranging from the environmental certification of properties and classification tools to the use and maintenance of properties.

In 2015, the Climate Partners network launched the Climate Street project, which is aimed at creating test areas in central Tikkurila in Vantaa and Iso Roobertinkatu in Helsinki to pilot and present climate solutions. Sponda is participating in the project by calculating the carbon footprint of its Iso Roobertinkatu property and taking measures to reduce it. The City of Helsinki will carry out a street renovation of Iso Roobertinkatu with a focus on environmental perspectives and making the street more attractive. The duration of the Climate Street project is two years and its energy savings target is 20 per cent. We also participated in the production of the KTI

Property Information publication Responsible Property Business 2015.

## Energy-efficient co-operation

Sponda is a signatory to the voluntary business premises energy efficiency action plan (TETS), which is part of the real estate sector's energy efficiency agreement. The agreement is coordinated by the Finnish Ministry of Employment and the Economy, the Ministry of the Environment and the Finnish Association of Building Owners and Construction Clients (RAKLI). The objective of the energy efficiency agreement is to decrease energy consumption in the properties included in the agreement by six per cent during 2011-2016. Sponda reports annually on its actions and results related to the achievement of this energy saving target. We are making progress towards achieving our TETS target within the framework of Sponda's Energy efficiency programme. We also co-operate with tenants under our Environmental Partnership model, which is based on jointly monitoring and developing the environmental efficiency of participating properties.

In spring 2015, Sponda again participated in the global WWF Earth Hour environmental awareness initiative, involving organisations and private individuals around the world switching off their lights for one hour. The event's purpose is to unite people to protect the planet. Sponda switched off the lights at eleven of its properties, including all of its shopping centres in Finland.

## Long-term objective

- Sponda promotes best practices in the property sector by being an active participant in the activities and projects of organisations such as the Finnish Association of Building Owners and Construction Clients RAKLI and EPRA, the umbrella organisation for listed European property investment companies.

# GRI index

*The scope of the GRI G4 guidelines that Sponda uses in this report is Core.*

The report presents the General Standard Disclosures according to the GRI G4 guidelines as well as Specific Standard Disclosures, namely disclosures concerning

the management approach and environmental responsibility indicators.

The Specific Standard Disclosures are reported in accordance with the GRI G4 Core requirements for aspects that are identified as material.

## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>General Standard Disclosures</b>							
<b>Strategy and Analysis</b>							
<b>G4-1</b>	Statement from the President and CEO	Yes	Chief Executive's Review				
<b>G4-2</b>	Key impacts, risks and opportunities	Yes	Strategy; Risk management; Responsibility priorities				
<b>Organisational Profile</b>							
<b>G4-3</b>	Name of reporting organisation	Yes	Sponda				
<b>G4-4</b>	Primary brands, products and services	Yes	Sponda, Business units in brief				
<b>G4-5</b>	Location of the organisation's headquarters	Yes	Contact details				
<b>G4-6</b>	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Yes	Business units in brief, Supply chain				
<b>G4-7</b>	The nature of ownership and legal form	Yes	Corporate Governance, Shares and shareholders				
<b>G4-8</b>	Markets served	Yes	Business units in brief				
<b>G4-9</b>	Scale of the organisation	Yes	Investing in employees, Key figures				
<b>G4-10</b>	Number of employees by employment contract and gender	Yes	Investing in employees			Yes	
<b>G4-11</b>	Percentage of total employees covered by collective bargaining agreements	Yes	Investing in employees			Yes	
<b>G4-12</b>	The organisation's supply chain	Yes	Supply chain				
<b>G4-13</b>	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Yes	Report by the Board of Directors, Strategy				
<b>G4-14</b>	Whether and how the precautionary approach or principle is addressed by the organisation	Yes	Risk management, Report by the Board of Directors				



## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>G4-15</b>	Externally developed charters, principles or other initiatives to which the organisation subscribes or which it endorses	Yes	Energy and environmental efficiency, Managing responsibility, Taking the industry forward, Transparent and ethical operations				
<b>G4-16</b>	Memberships of associations and national or international advocacy organisations	Yes	Taking the industry forward				
<b>Identified Material Aspects and Boundaries</b>							
<b>G4-17</b>	List of all entities included in the organisation's consolidated financial statements	Yes	Scope of reporting, Financial statements				
<b>G4-18</b>	The process of defining the report content and the Aspect Boundaries	Yes	Scope of reporting, Materiality analysis				
<b>G4-19</b>	Material Aspects	Yes	Responsibility priorities, Materiality analysis, Scope of reporting				
<b>G4-20</b>	For each material Aspect, the Aspect Boundaries within the organisation	Yes	Scope of reporting				
<b>G4-21</b>	For each material Aspect, the Aspect Boundaries outside of the organisation	Yes	Scope of reporting				
<b>G4-22</b>	Effect of any restatements of information provided in previous reports	Yes	Scope of reporting				
<b>G4-23</b>	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Yes	Scope of reporting				
<b>Stakeholder Engagement</b>							
<b>G4-24</b>	List of stakeholder groups engaged by the organisation	Yes	Sponda's stakeholders				
<b>G4-25</b>	Basis for identification and selection of stakeholders with whom to engage	Yes	Sponda's stakeholders				Stakeholders were reviewed in conjunction with the Materiality Analysis conducted in 2014.
<b>G4-26</b>	The organisation's approach to stakeholder engagement	Yes	Sponda's stakeholders				
<b>G4-27</b>	Key topics and concerns that have been raised through stakeholder engagement	Yes	Sponda's stakeholders, Materiality analysis, Enhancing the customer experience				
<b>Report Profile</b>							
<b>G4-28</b>	Reporting period	Yes	Scope of reporting				
<b>G4-29</b>	Date of most recent previous report	Yes	Scope of reporting				
<b>G4-30</b>	Reporting cycle	Yes	Scope of reporting				
<b>G4-31</b>	Contact point for questions regarding the report or its contents	Yes	Contact details				
<b>G4-32</b>	GRI Content Index	Yes	GRI Index				

## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>G4-33</b>	The organisation's policy and current practice with regard to seeking external assurance for the report	Yes	Scope of reporting, GRI Index, Assurance report				Certain energy and emissions data in Finnish has been assured by an independent third party.
<b>Governance</b>							
<i>Governance structure and composition</i>							
<b>G4-34</b>	Governance structure of the organisation, including committees of the highest governance body	Yes	Board of Directors, Board committees and working groups, Executive Board				
<b>G4-38</b>	Composition of the highest governance body and its committees	Yes	Board of Directors				
<b>G4-39</b>	Whether the Chair of the highest governance body is also an executive officer	Yes	Board of Directors				
<b>G4-41</b>	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Yes	Board of Directors				
<i>Highest governance body's role in setting purpose, values and strategy</i>							
<b>G4-42</b>	Highest governance body's role in the setting the organisation's purpose, values and strategy	Yes	Duties of the Board of Directors				
<i>Highest governance body's role in risk management</i>							
<b>G4-45</b>	The highest governance body's role in the identification and management of risks	Yes	Risks and risk management				
<b>G4-46</b>	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes	Yes	Risks and risk management				
<b>G4-47</b>	Frequency of the highest governance body's review of risks	Yes	Risks and risk management				
<i>Highest governance body's role in sustainability reporting</i>							
<b>G4-48</b>	The highest committee or position that formally reviews and approves the organisation's sustainability report	Yes					The company's senior management reviews and approves the report.
<i>Remuneration and incentives</i>							
<b>G4-51</b>	Remuneration policies for the highest governance body and senior executives	Yes	Remuneration and other financial benefits paid to the Board of Directors				

## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<i>Ethics and Integrity</i>							
<b>G4-56</b>	The organisation's values, principles, standards and norms of behaviour	Yes	Strategy; Vision and strengths; Managing responsibility; Transparent and ethical operations			Yes	
<b>G4-57</b>	Internal and external mechanisms for seeking advice on ethical and lawful behaviour		Investing in employees, Transparent and ethical operations			Yes	
<b>G4-58</b>	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour		Investing in employees, Transparent and ethical operations			Yes	
<b>Specific Standard Disclosures</b>							
<i>Specific Standard Disclosures are reported for identified Material Aspects</i>							
<b>Code</b>							
<b>Management Approach</b>							
	Disclosures on Management Approach (DMA)	Yes	Managing responsibility, Responsibility priorities				
<b>Economic responsibility</b>							
<i>Economic performance</i>							
<b>G4-EC1</b>	Direct economic value generated and distributed	Yes	Tax footprint, Cash flows between stakeholders				
<b>G4-EC2</b>	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Yes	Spondability, Energy and environmental efficiency, Risk management, Value chain				The implications of climate change are assessed as part of Sponda's regular risk assessment
<i>Indirect Economic Impacts</i>							
<b>G4-EC7</b>	Development and impact of infrastructure investments and services supported	Yes	Property locations				Sponda has no assessment programmes related to the needs of local communities.
<b>G4-EC8</b>	Significant indirect economic impacts, including the extent of impacts	Partially	Sponda's stakeholders, Tax footprint, Taking the industry forward, Transparency in operations				The extent of impacts has not been specified.
<b>Environmental responsibility</b>							
<i>Energy</i>							
<b>G4-EN3</b>	Energy consumption within the organisation	Yes	Energy and environmental efficiency, Key figures, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes: Elec-Abs, DH&C-Abs, Fuels-Abs	Yes	Sponda did not have any energy production or fuel consumption of its own during the reporting period.

**GRI Content Index**

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>G4-EN5</b>	Energy intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes: Elec-LfL, DH&C-LfL, Fuels-LfL	Yes	Energy intensity refers to the energy consumption of Sponda-owned properties in proportion to gross floor area.
<b>CRE I</b>	Building energy intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources		Yes, Energy-Int		G4 Construction and Real Estate Sector Disclosures
<b>G4-EN6</b>	Reduction of energy consumption	Yes	Property development in 2015, Energy and environmental efficiency; Energy consumption and energy sources; Energy efficiency programme and environmental partners	Yes, assurance report		Yes	Includes the reduction in energy consumption achieved through Sponda's Energy efficiency programme. The monetary savings achieved through energy conservation measures are not reported.
<b>G4-EN7</b>	Reductions in energy requirements of products and services	Yes	Energy and environmental efficiency; Energy efficiency programme and environmental partners	Yes, assurance report		Yes	Includes the reduction in energy consumption achieved through Sponda's Environmental Partnership Programme compared to the previous year. Covers Sponda's environmental partners in 2015.
<i>Water</i>							
<b>G4-EN8</b>	Total water withdrawal by source	Yes	Energy and environmental efficiency; Energy consumption and energy sources, Key figures		Yes: Water-Abs, Water-LfL	Yes	
<b>CRE 2</b>	Water intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources		Yes: Water-Int		G4 Construction and Real Estate Sector Disclosures
<i>Emissions</i>							
<b>G4-EN15</b>	Direct greenhouse gas (GHG) emissions (scope 1)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint; Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes: GHG-Dir-Abs, GHG-Dir-LfL	Yes	Sponda did not have any direct greenhouse gas emissions during the reporting period.
<b>G4-EN16</b>	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Key figures; Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes: GHG-Indir-Abs	Yes	Based on the emission factors reported by energy companies. For emissions in Russia, the IEA three-year country-specific average 2011–2013 was used.

**GRI Content Index**

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>G4-EN17</b>	Other indirect greenhouse gas (GHG) emissions (scope 3)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report		Yes	Covers carbon dioxide emissions during the reporting period.
<b>G4-EN18</b>	Greenhouse gas (GHG) emissions intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes: GHG-Indir-LfL	Yes	Greenhouse gas emissions intensity refers to the greenhouse gas emissions caused by the energy consumption (Scope 2) of Sponda-owned properties in proportion to gross floor area.
<b>CRE3</b>	Greenhouse gas intensity of building's energy consumption	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint		Yes: GHG-Int		G4 Construction and Real Estate Sector Disclosures
<b>G4-EN19</b>	Reduction of greenhouse gas (GHG) emissions	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint; Energy efficiency programme and environmental partners	Yes, assurance report		Yes	Includes the reduction in carbon dioxide emissions achieved through Sponda's Environmental partnership programme (Scope 2). Covers Sponda's environmental partners in 2015.
<i>Effluents and Waste</i>							
<b>G4-EN23</b>	Total weight of waste by type and disposal method	Yes	Energy and environmental efficiency; Waste management, Key figures		Yes: Waste-Abs, Waste-LfL	Yes	
<i>Products and Services</i>							
<b>G4-EN27</b>	Extent of impact mitigation of environmental impacts of products and services	Yes	Energy and environmental efficiency; Energy efficiency programme and environmental partners			Yes	
<i>Supplier Environmental Assessment</i>							
<b>G4-EN32</b>	Percentage of new suppliers that were screened using environmental criteria	Partially	Supply chain, Transparent and ethical operations				The significance of environmental responsibility and environmental responsibility in Sponda's procurement practices are described.

**GRI Content Index**

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<b>Social responsibility</b>							
<b>Labour practices and decent work</b>							
<i>Employment</i>							
<b>G4-LA1</b>	Total number and rates of new employee hires and employee turnover by age group, gender and region	Yes	Investing in employees			Yes	
<i>Occupational Health and Safety</i>							
<b>G4-LA6</b>	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Yes	Investing in employees				An accurate breakdown cannot be provided due to the small number
<i>Training and Education</i>							
<b>G4-LA9</b>	Average hours of training per year per employee by gender, and by employee category	Yes	Investing in employees				
<b>G4-LA10</b>	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Yes	Investing in employees				If an employment relationship is terminated on the employer's initiative for a reason deriving from the employer, the employee is offered the opportunity to participate in employment search training and career counselling.
<b>G4-LA11</b>	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Yes	Investing in employees			Yes	All of Sponda's personnel are covered by performance reviews.
<i>Diversity and Equal Opportunity</i>							
<b>G4-LA12</b>	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Yes	Board of Directors, Executive Board, Management and personnel, Investing in employees			Yes	
<i>Equal Remuneration for Women and Men</i>							
<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Yes	Investing in employees			Yes	

## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Global Compact	Comments
<i>Supplier Assessment for Labour Practices</i>							
<b>G4-LA14</b>	Percentage of new suppliers that were screened using labour practices criteria	Partially	Supply chain, Transparent and ethical operations				Occupational safety practices in Sponda's procurement procedure are described.
<b>Human rights</b>							
<i>Non-discrimination</i>							
<b>G4-HR2</b>	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained		Investing in employees			Yes	
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken	Yes	Investing in employees			Yes	No incidents of discrimination in the reporting period.
<b>G4-HR12</b>	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms		Investing in employees			Yes	No reported cases during the period.
<b>Society</b>							
<i>Anti-corruption</i>							
<b>G4-SO4</b>	Communication and training on anti-corruption policies and procedures	Yes	Transparent and ethical operations			Yes	
<b>G4-SO5</b>	Confirmed incidents of corruption and actions taken	Yes				Yes	No incidents of corruption in 2015
<i>Supplier Assessment for Impacts on Society</i>							
<b>G4-SO9</b>	Percentage of new suppliers that were screened using criteria for impacts on society	Partially	Supply chain, Responsible management of the subcontracting chain				Sponda's procurement procedures and practices concerning the prevention of the grey economy and financial crime are described.
<b>Product responsibility</b>							
<i>Customer Health and Safety</i>							
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Yes	Enhancing the customer experience				
<b>Product and Service Labelling</b>							
<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	Yes	Enhancing the customer experience, Key figures				
<b>CRE 8</b>	Certificates	Yes	Responsibility targets and results, Energy and environmental efficiency		Yes, Cert-Tot		G4 Construction and Real Estate Sector Disclosures



# The scope and principles of the report

## Description of the report

The Annual Report contains general information about Sponda's financial, social and environmental operations between 1 January and 31 December 2015, unless otherwise indicated.

## Scope of reporting

Sponda reports on its corporate responsibility according to the guidelines of the Global Reporting Initiative (GRI) G4 Core reporting guidelines. Additionally, the GRI G4's Construction and Real Estate Sector Disclosures reporting guideline has been applied in reporting. In particular the CRE indicators related to the real estate sector are reported on where applicable.

In addition to the GRI G4 reporting guidelines, certain portions of the report also comply with the European Public Real Estate Association's EPRA recommendations (EPRA Best Practices Recommendations on Sustainability reporting, 2014), separately indicated in the GRI index. Sponda's Consolidated Financial Statements are compiled according to the IFRS (International Financial Reporting Standards). This report meets the UN Global Compact reporting requirements.

## Assurance

Selected information in Finnish about energy and emissions has been assured by an independent third party, PricewaterhouseCoopers Oy, and congruence between the Finnish and English versions has been checked. The assured information is identified in the GRI Content Index. The Independent Assurance Report is available in the Annual Report in the section Operations and results.

## Structure of the report

Sponda's corporate responsibility reporting for 2015 follows the GRI G4 reporting guidelines. Additionally, the principles and perspective of Integrated Reporting (IR) have been applied in reporting. Information pertaining to corporate responsibility operations is provided in the

following sections:

- The Strategy section discusses the strategic significance of responsibility for Sponda.
- Sponda's approach to corporate responsibility is described in the Spondability section.
- Responsibility targets and actions in 2015 section describes Sponda's responsibility priorities as well as the results and measures taken by Sponda in 2015 in the area of corporate responsibility.
- A chart showing the correspondence between the GRI G4 aspects defined as material, GRI guidelines, and Sponda's reporting can be found in the GRI index.
- Reporting boundaries corresponding to material aspects of corporate responsibility are presented in a separate table.

## Scope of the report and data collection

The figures that appear in the report are based on the figures of Sponda's operations in Finland, unless otherwise indicated. Figures for the company's subsidiaries are mentioned separately. Unless otherwise indicated, there have been no changes in the scope or method of calculation of the reporting principles.

There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environmental figures.

## Calculation principles for environmental reporting

The calculation of environmental indicators takes into account Sponda's properties located in Finland. The figures cover all Sponda-owned properties for which the responsibility for maintenance lies with the property owner. The figures also include 14 per cent of the properties that Sponda owns partially, or for which the responsibility for maintenance lies with the tenant (properties leased cold).

Russian operations are reported separately for the indicators that include them. For Russia, electricity and water consumption

data is reported for two office properties.

There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environmental figures. For this reason, the comparable energy consumption has been reported separately.

The energy consumption of Sponda's properties consists of purchased energy. The company has no energy production of its own. Carbon dioxide emissions caused by purchased energy also constitute the majority of the total greenhouse gas emissions reported.

#### **Energy consumption monitoring**

extends to all properties for which Sponda is responsible for energy purchasing. A total of 136 of Sponda's fully or partially owned properties were subject to energy consumption monitoring in 2015, representing 89 per cent of Sponda's property portfolio. Of these, 121 properties are subject to hourly monitoring, while consumption at 15 properties is monitored by means of manual meter reading. Cooling is monitored separately for those properties that use district cooling. If cooling is performed by compressors, it is included in the electricity consumption.

The unit used in monitoring the consumption of purchased energy is the MWh. Total energy consumption is also reported in GJ using the conversion rate 1 MWh = 3.6 GJ (Source: IEA, International Energy Agency). In specific consumption information, data on gross floor area (GFAM<sup>2</sup>) corresponds to consumption data. Properties that were sold or bought, properties that were covered by consumption monitoring only for part of the year and properties under renovation are not included in the calculations on specific consumption. Energy consumption is divided by the number of Sponda's properties excluding sold properties and properties included under property development. The figures presented by segments do not include properties of Property Development.

#### **Water consumption monitoring**

extended to 126 of Sponda's fully or partially owned properties in 2015, representing 83 per cent of Sponda's property portfolio. Of these, 116 properties are subject to hourly monitoring, while consumption at 10 properties is monitored by means of manual meter reading.

**Information on waste** covers all

properties for which the responsibility to arrange waste management lies with a Sponda-owned property or mutual real estate company. At the end of 2015, waste monitoring covered 74 per cent of the properties owned by Sponda in Finland. Waste covered in tenants' own waste management agreements is not included in the reporting. The reported information on waste is based on waste volumes reported by waste management service providers.

**CO<sub>2</sub> emissions and the use of renewable energy sources** have been estimated using publicly available information provided by energy companies on the specific emissions of energy production and the energy source distribution of energy production. For the sake of comparison, Sponda's total CO<sub>2</sub> emissions are also reported using Finland's country-specific factor for electricity production, which is based on the most recent average electricity and district heating emission factors for Finland, published by Motiva Oy. The calculation of CO<sub>2</sub> emissions for 2015 is based on emission factors reported by energy companies in 2014. For heating, CO<sub>2</sub> emissions are calculated based on normalised (weather-adjusted) heating consumption. For district heating, municipality-specific emission factors have been used. Data for other reported years has been calculated using the actual emission factor for each year. At present, Sponda does not report on greenhouse gas emissions other than carbon dioxide, or their global warming potential. The amount of guarantees of origin, 1.6 per cent out of emissions rising from electricity use in 2015, is reduced the CO<sub>2</sub>-emissions.

With respect to **indirect greenhouse gas emissions** (scope 3), Sponda reports on carbon dioxide emissions from waste management, business air travel and leased cars. The waste management emission calculations are based on the GHG protocol and they cover 99 per cent of the waste management Sponda is responsible for, including both waste transportation and treatment. Emissions from business air travel are based on flight miles and the emission factors reported by airlines. The emissions from leased cars are based on Sponda's emissions data on leased cars and kilometres driven per year. Indirect greenhouse gas emissions are reported at the company level.

## Earlier reports

The previous corporate responsibility report was published as a part of Sponda's annual report in February 2015. Sponda reports on its progress in terms of responsibility each year. Sponda's corporate responsibility report also serves as a Communication on Progress

(COP) report on the implementation of the UN Global Compact principles. In the 2015 report, Sponda has expanded its reporting from the previous year; for example, by including new indicators that help Sponda measure its progress with respect to compliance with the principles.

<b>Sponda's material aspects and GRI G4 boundary table</b>		
<b>GRI G4 Aspect</b>	<b>Material Aspect of Sponda's corporate responsibility</b>	<b>Aspect Boundary</b>
	<b>(Materiality assessment 2014)</b>	<b>(G4 - 20-21)</b>
<b>Economic responsibility</b>		
Economic performance	Economic value generated for stakeholders	Sponda
Indirect Economic Impacts	Property locations	Sponda and Society
<b>Environmental responsibility</b>		
Energy	Energy efficiency of properties	Sponda and Customers
Water	Water consumption at properties	Sponda and Customers
Emissions	Greenhouse gas emissions and renewable energy	Sponda and Customers
Effluents and Waste	Sorting and recovery of property waste	Sponda and Customers
Products and Services	Energy and environmental efficiency, Property locations	Sponda, Customers and Partners
Supplier Environmental Assessment	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Social responsibility</b>		
<b>Labour practices and decent work</b>		
Employment	Wellbeing of employees	Sponda
Occupational Health and Safety	Safety of personnel	Sponda
Training and Education	Improving professional expertise	Sponda
Diversity and Equal Opportunity	Equal and non-discriminatory treatment of employees	Sponda
Equal Remuneration for Women and Men	Equal and non-discriminatory treatment of employees	Sponda
Supplier Assessment for Labour Practices	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Human rights</b>		
Non-discrimination	Equal and non-discriminatory treatment of employees	Sponda
<b>Society</b>		
Anti-corruption	Business principles	Sponda
Supplier Assessment for Impacts on Society	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Product responsibility</b>		
Customer Health and Safety	Enhancing the customer experience	Sponda and Customers
Product and Service Labelling	Enhancing the customer experience, Environmental certification of properties	Sponda and Customers

# Independent Practitioner's Assurance Report

(Translation from the Finnish original)

## To the Management of Sponda Plc

We have been engaged by the Management of Sponda Plc (hereinafter also the Company) to perform a limited assurance engagement on selected information on energy and emissions for the reporting period 1 January 2015 to 31 December 2015, disclosed in Sponda Plc's Annual Report 2015 on the Company's website (hereinafter Corporate Responsibility Information). The assured information is indicated in the Company's GRI index 2015.

## Management's responsibility

The Management of Sponda Plc is responsible for preparing the Corporate Responsibility Information in accordance with the Reporting criteria as set out in Sponda Plc's reporting instructions, the G4 Sustainability Reporting Guidelines and the G4 Construction and Real Estate Sector Disclosures of the Global Reporting Initiative and the EPRA Best Practices Recommendations on Sustainability Reporting (September 2014) of the European Public Real Estate Association. The Management of Sponda Plc is also responsible for such internal control as the management determines is necessary to enable the preparation of Corporate Responsibility Information that is free from material misstatement, whether due to fraud or error.

## Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control

including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Corporate Responsibility Information based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform the engagement to obtain limited assurance about whether the Corporate Responsibility Information is free from material misstatement.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Corporate Responsibility Information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Corporate Responsibility Information.

Our work consisted of, amongst others, the following procedures:

- Interviewing a representative of senior management of the Company.
- Visiting the Company's Head Office and interviewing employees responsible for collecting and reporting the information presented in the Corporate Responsibility Information.
- Assessing the application of the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of

the information from original documents and systems on a sample basis.

- Testing the consolidation of information and performing recalculations on a sample basis.

### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Sponda Plc's Corporate Responsibility Information for the reporting period ended 31 December 2015 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Sponda Plc for our work, for this report, or for the conclusions that we have reached.

Helsinki, 18 February 2016

**PricewaterhouseCoopers Oy**

Maj-Lis Steiner  
Authorised Public Accountant

## RISKS AND RISK MANAGEMENT

*Sponda uses effective risk management to ensure the continuity of the company's business operations, a good operating capacity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. The Group's risk-bearing capacity is taken into account in its risk management.*

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks, and financing risks.

Environmental responsibility is one of Sponda's strategic priorities and its importance is reflected also in the risk management process. The risks and opportunities presented by climate change were incorporated into Sponda's regular risk assessment in 2014.

### Integrated risk management as a key strength

Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The

risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The risk survey is updated every autumn in conjunction with budgeting. The Group's risk management guidelines and the operations handbook are updated to reflect the decisions made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox of risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

## Main features of internal control related to financial reporting

The risk management in Sponda's financial reporting process constitutes a part of

the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the company form of ownership of properties.

The company's internal control is a Group-wide process that involves the Board of Directors, executive directors, other staff members and internal audit. Internal control aims to ensure the effectiveness and appropriateness of the company's operations, the reliability of financial information and reporting as well as compliance with laws and regulations.

More detailed information on risks and risk management can be found on the company website.

# Main risks and risk management actions

The most significant risks for Sponda's operations in 2015 were the sale of properties that are significant with regard to the implementation of the company's strategy, a decline in economic occupancy rates resulting from a slowdown in economic growth, a loss of rental income due to tenant insolvency, the availability of financing, and interest rate fluctuations. With regard to Sponda's Russian business operations, general macroeconomic development, the exchange rate risk and differences between Russian and Finnish legislation and the way the authorities operate in the two countries were the main factors causing risks and uncertainty.

Sponda's risk management was in line with its objectives in 2015 and no substantial risks materialised.

By implementing effective risk management measures, Sponda was successful in significantly reducing the probability of key risks materialising and mitigating their estimated effects.

## Risk assessment for 2015 without risk management actions and after risk management actions



### 1. Fall in economic occupancy rate

Sponda's property ownership is mainly located in prime areas in Helsinki and Tampere, which are attractive areas regardless of the market situation. Sponda is selling properties that are not within these strategic areas. Sponda is continuously developing its customer service through measures such as more detailed property service surveys and the launch of more flexible lease models.

### 2. Decline in tenants' solvency

Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to three to six months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors. Due to its broad tenant base, Sponda is not dependent on individual major clients.

### 3. Availability of financing

Risks related to the availability of financing are mitigated by using credit agreements of varying lengths, a broad financing base, credit limits and by maintaining the company's reputation as a reliable debtor. In 2015, Sponda refinanced a bilateral loan of EUR 115 million and a syndicated credit limit of EUR 80 million, and issued a EUR 175 million corporate bond.

### 4. Interest rate risk

Sponda's hedge level for interest rate must be at least 60 per cent and at most 100 per cent. Fixed-rate loans and interest rate derivatives are used to balance the effect of changes in the market interest rates.

### 5. Exchange rate fluctuations

Sponda's rental income in Russia is paid in US dollars and Russian roubles. Large part of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges foreign currency-denominated future net cash flows for a period of six months. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.

### 6. Russian macroeconomic development

Sponda is a local operator with an office in Moscow. The company's portfolio in Russia consists of high-quality properties in prime locations. According to Sponda's updated strategy, the company is planning to exit the Russian market within 1–3 years. Sponda uses a local external partner in its operating activities to ensure the continuity of operations.



A close-up photograph of a woman with blonde hair and black-rimmed glasses, looking down at a laptop screen. She is holding a black pen in her right hand. The background is blurred, showing warm, bokeh lights. The text '3 CORPORATE GOVERNANCE' is overlaid on the bottom left of the image.

3

CORPORATE  
GOVERNANCE

# CORPORATE GOVERNANCE

Sponda Plc is a public limited company registered in Finland and listed on the NASDAQ OMX Helsinki Stock Exchange. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda complies with the rules and regulations for listed companies issued by Nasdaq Helsinki Ltd and the Finnish Corporate Governance Code 2010 issued by the Securities Market Association in its entirety. Following the financial year 2015, Sponda

will comply with the Corporate Governance Code 2015 issued by the Securities Market Association on 1 October 2015 and applicable from 1 January 2016.

As required by the Finnish Limited Liability Companies Act and Sponda's articles of association, control and governance of the company is divided between the shareholders represented at General Meetings, the Board of Directors and the President and CEO. The President and CEO is assisted by an Executive Board.

## THE GENERAL MEETING

The highest decision-making power in the company is exercised by its shareholders in the Annual General Meeting (AGM).

The company's AGM is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers the matters stipulated in the Finnish Limited Liability Companies Act and Sponda's articles of association. These include confirmation, among others, of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the members of the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their fees.

Sponda publishes the notice of the AGM in accordance with its articles of association on the company website and a notice of the AGM's time and place, as well as the website address where the notice of the AGM can be found, in at least one daily national newspaper determined by the Board of Directors. Shareholders wishing to attend the AGM are required to be registered before the AGM in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the AGM notice.

Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

# THE SHAREHOLDERS' NOMINATION BOARD

The shareholders' Nomination Board assists the Annual General Meeting in the nomination of members for Sponda's Board of Directors and with regard to their compensation.

The permanent shareholders' Nomination Board appointed by the Annual General Meeting on 18 March 2013 prepares proposals on candidates for the Board of Directors and their compensation for the next Annual General Meeting.

The Nomination Board is composed of three members appointed by the shareholders. In addition, the Chairman of the Board of Directors shall act as an expert member of the Nomination Board. The three shareholders who are entered in the company's shareholders' register maintained by Euroclear Finland Ltd and whose portion of the votes produced by all the shares in the company according to the shareholders' register are the greatest on 30 September of the calendar year preceding the Annual General Meeting have the right to appoint members representing shareholders. If a shareholder does not wish to exercise its right to appoint a member to the Nomination Board, the right shall be transferred to the next largest shareholder according to the shareholders' register who otherwise would not have the right to appoint a member.

The Nomination Board is convened by the Chairman of the Board of Directors. The member appointed by the largest shareholder shall act as the Chairman of the Nomination Board, unless otherwise decided by the Nomination Board. The Nomination Board shall submit its proposal to the Board of Directors by 30 January before the Annual General Meeting.

**The three largest shareholders (holdings on 30 September 2015) and their representatives on the Nomination Board were:**

- Oy PALSK Ab, 14.89% of the shares and votes, represented by Kaj-Gustaf Bergh (b. 1955), BSc (Econ.), LL.B., Managing Director, Föreningen Konstsamfundet r.f.;
- Varma Mutual Pension Insurance Company, 10.27% of the shares and votes, represented by Pekka Pajamo (b. 1962), MSc (Econ.), CFO, Varma Mutual Pension Insurance Company;
- HC Fastigheter Holding Oy Ab, 10.06% of the shares and votes, represented by Ole Johansson (b. 1951), BSc (Econ.), Chairman of the Board, Hartwall Capital Oy Ab

All members of the Nomination Board are independent of the company.

# BOARD OF DIRECTORS

Under Sponda Plc's articles of association, the company has a Board of Directors composed of four to seven (4–7) members. The AGM appoints the members of the Board of Directors based on the proposal of the shareholders' Nomination Board and their appointments are valid until the conclusion of the next AGM. The Board of Directors elects a Chairman and Deputy Chairman from among its members.

Until the AGM of 16 March 2015, the members of the Board of Directors were Kaj-Gustaf Bergh (Chairman), Arja Talma (Deputy Chairman), Christian Elfving, Paul Hartwall, Juha Laaksonen, Leena Laitinen and Raimo Valo.

The AGM of 16 March 2015 confirmed the number of Board members as seven and re-elected Kaj-Gustaf Bergh, Christian Elfving, Paul Hartwall, Juha Laaksonen, Leena Laitinen, Arja Talma and Raimo Valo.

In its constitutive meeting after the Annual General Meeting of 16 March 2015, the Board of Directors elected Kaj-Gustaf Bergh

as its Chairman and Arja Talma as its Deputy Chairman.

The Board of Directors considers that, of its members, Juha Laaksonen, Leena Laitinen, Arja Talma and Raimo Valo are independent of both the company and its major shareholders, and that Kaj-Gustaf Bergh, Christian Elfving and Paul Hartwall are independent of the company. Kaj-Gustaf Bergh and Christian Elfving are considered not to be independent of a major shareholder due to their Board membership in Oy PALS Ab, which is a major shareholder of Sponda. Paul Hartwall is considered not to be independent of a major shareholder due to his Board membership in Hartwall Capital Oy, whose subsidiary HC Fastigheter Holding Oy Ab is a major shareholder of Sponda Plc.

Sponda's Board members represent broad experience in the real estate, industrial, financial and commercial sectors. More detailed information on the members of the Board is available under Governance/Board of Directors/ Introduction of the Board of Directors.

Members of the Board of Directors in 2015	Year of birth	Board membership	Education	Main occupation	Company of main occupation	Shareholding in Sponda (31 Dec 2015)
Bergh Kaj-Gustaf (Chairman)	1955	Member and Chairman of the Board since 18 March 2013	BSc (Econ.), LL.B.	Managing Director	Föreningen Konstsamfundet r.f.	79,332
Elfving Christian	1947	Member of the Board since 18 March 2013	MSc (Econ.), MBA (Univ. of Chicago)	CEO	Sigrid Jusélius Foundation	9,918
Hartwall Paul	1981	Member of the Board since 19 March 2014	MSc (Econ.)	CEO	Kusinkapital Ab	6,697
Laaksonen Juha	1952	Member of the Board since 18 March 2013	BSc (Econ.)	Member of the Directors' Institute of Finland		9,918
Laitinen Leena	1970	Member of the Board since 19 March 2014	MSc (Econ.)	CEO	Oy Snellman Ab	6,697
Talma Arja (Deputy Chairman)	1962	Member of the Board since 2007 and Deputy Chairman since 19 March 2014	MSc (Econ.), eMBA	Member of the Directors' Institute of Finland		23,092
Valo Raimo	1955	Member of the Board since 2011	LL.M.	President and CEO	East Office of Finnish Industries Ltd	17,405

# The Board of Directors

## 31 December 2015



### **KAJ-GUSTAF BERGH**

#### **Chairman**

BSc (Econ.), LL.B., born 1955

Managing Director, Föreningen Konstsamfundet r.f.

Chairman and member of Sponda Plc's Board of Directors since 2013

#### **Career history:**

Föreningen Konstsamfundet r.f., Managing Director 2006–

SEB Asset Management, Director 1998–2001

Ane Gyllenberg Ab, Chief Executive Officer 1986–1998

#### **Main positions of trust:**

Stockmann Plc, Chairman of the Board

Oy PALS Ab, Chairman of the Board

Julius Tallberg Oy Ab, Chairman of the Board

KSF Media Ab, Chairman of the Board

Fiskars Oyj Abp, Board Member (until 12 Mar 2015)

Wärtsilä Oyj Abp, Board Member

JM AB, Board Member

Ramirent Oyj, Board Member

**Owns** 79,332 Sponda shares

### **ARJA TALMA**

#### **Deputy Chairman**

MSc (Econ.), eMBA, born 1962

Member of Sponda Plc's Board of Directors since 2007 and Deputy Chairman since 2014

#### **Career history:**

Kesko Corporation, Senior Vice President, Store Sites and Investments, 2013–2015

Rautakesko Ltd, President, 2011–2013

Kesko Corporation, Senior Vice President, Chief Financial Officer, 2005–2011

Kesko Corporation, Vice President, Corporate Controller, 2004–2005

Oy Radiolinja Ab, Executive Vice President, Finance and Administration, 2001–2003

KPMG Wideri Oy Ab, APA 1992–2001, Partner, 2000–2001

#### **Main positions of trust:**

Aktia Bank Plc, Board Member

Varma Mutual Pension Insurance Company, Supervisory Board Member (until 19 Mar 2015)

Norvestia Oyj, Board Member (since 12 Jun 2015)

**Owns** 23,092 Sponda shares





## **CHRISTIAN ELFVING**

### **Member**

MSc (Econ.), MBA (Univ. of Chicago), born 1947  
CEO, Sigrid Jusélius Foundation  
Member of Sponda Plc's Board of Directors since 2013

### **Career history:**

Sigrid Jusélius Foundation, CEO, 2007–  
Iridium Partners Oy Ab, Chairman of the Board, Senior Partner  
1996–2007  
Ingeris Oy Ab, Chairman of the Board, Senior Partner 1992–1995  
Oy Terrasilvana Ab, Managing Director 1986–1991

### **Main positions of trust:**

Oy PALSJ Ab, Board Member  
Oy Kelonia Ab, Board Member  
Oy Kelonia Placering Ab, Board Member

**Owns** 9,918 Sponda shares



## **PAUL HARTWALL**

### **Member**

MSc (Econ.), born 1981  
CEO, Kusinkapital Ab  
Member of Sponda Plc's Board of Directors since 2014

### **Career history:**

Kusinkapital Ab, CEO 2008–

### **Main positions of trust:**

Hartwall Capital Oy Ab, Board Member  
Ultivista Oy, Board Member

**Owns** 6,697 Sponda shares



## **JUHA LAAKSONEN**

### **Member**

BSc (Econ.), born 1952

Member of Sponda Plc's Board of Directors since 2013

### **Career history:**

Fortum Corporation, Executive Vice President and CFO, 2000–2012

Fortum Corporation, Vice President, Mergers & Acquisitions, 2000

Fortum Oil & Gas Oy, Executive Vice President, Finance & Planning, 1999

Neste Oy, Chief Financial Officer, 1998

### **Main positions of trust:**

SATO Corporation, Chairman of the Board (until 3 Mar 2015)

Kemira Oy, Board Member

Taaleritehdas Oy, Board Member

Caruna Networks Oy, Chairman of the Board

Suomalaisten Taidesäätiöiden yhdistys, Chairman of the Board

Fortumin Taidesäätiö, Chairman of the Board

Alfred Kordelin Foundation, Chairman of the Board

**Owns** 9,918 Sponda shares

## **LEENA LAITINEN**

### **Member**

MSc (Econ.), born 1970

CEO, Oy Snellman Ab, 2014–

Member of Sponda Plc's Board of Directors since 2014

### **Career history:**

Oy Snellman Ab, CEO 2014–

SOK, Executive Vice President Consumer Goods Trade, Helsinki 2009–2013

SOK, Prisma, Chain Director, Helsinki 2007–2009

SOK, Country Manager; Managing Director, Tallinn, Estonia 2006–2007

SOK, Managing Director, Tallinn, Estonia 2004–2006

SOK, Prisma Director, Jyväskylä 2000–2004

SOK, Prisma Director, Iisalmi 1997–2000

SOK, Customer Service Manager, Kuopio 1996–1997

### **Main positions of trust:**

ETL, Board Member

Mehiläinen Oy, Board Member (until 4 Jan 2016)

ETL, Commercial Committee Member

Deputy Member as a representative for ETL at EK delegation

**Owns** 6,697 Sponda shares







## **RAIMO VALO**

### **Member**

LL.M., born 1955

CEO, East Office of Finnish Industries Ltd

Member of Sponda Plc's Board of Directors since 2011

### **Career history:**

East Office of Finnish Industries Ltd, CEO, 2013–

Septem Partners Oy, Partner, 2010–2013

OAO Swedbank, Russia, Chairman of the Board and CEO, 2008–2010

Glitnir, Russia, Asset Management, Private Banking, CEO, 2007–2008

Svenska Handelsbanken ZAO, Moscow, Chairman of the Management Board and CEO, 2004–2007

Bank Svenska Handelsbanken (Polska) Sp.A., Chairman of the Management Board and CEO, 2000–2005

### **Main positions of trust:**

Nassim Investments Oy, Chairman of the Board

Spinverse Group Oy, Board Member

M-X Sport Oy, Chairman of the Board

Neo Industrial Oyj, Board Member

Septem Partners Oy, Board Member

2Cool Finland Oy, Board Member (since 18 Sep 2015)

**Owns** 17,405 Sponda shares

## Board operations

The Board of Directors meets according to a pre-arranged schedule, 7–11 times per year, and holds additional meetings as necessary. In 2015, there were a total of 12 Board meetings with an average attendance rate of 97.6%. Sponda's Board of Directors evaluates its own performance and working procedures once a year. The evaluation of performance was based on an external evaluation of the Board's performance carried out in November 2015. The Board addressed the results of the survey and considered further actions in its meeting in December 2015. Among other issues, the evaluation focused on the composition of the Board, its work and the material delivered to the Board. The results of the survey will be used to improve the work of the Board of Directors.

The Board has established two permanent committees to assist the Board

by preparing matters for which the Board is responsible. These permanent committees are the Audit Committee and the Structure and Remuneration Committee. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare matters for the Board's consideration and decision-making.

The President and CEO attends Board meetings regularly. Sponda's Chief Financial Officer, the President and CEO and the Senior Vice President, Corporate Planning and IR, acted as secretaries of the Board of Directors in 2015.

# Duties of the Board of Directors

Sponda's Board of Directors has prepared rules of procedure for itself and its committees as a guideline for operations. The rules of procedure define the tasks and responsibilities of the Board, its Chairman and Deputy Chairman and the committees. According to the rules of procedure, the Board is responsible for the company's administration and for the appropriate organisation of its operations. The Board guides and supervises the company's executive management, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective functionality of its management

systems. The Board also approves the annual budget and decides on significant individual investments. In addition, the Board approves corporate responsibility policies such as Sponda's Code of Conduct.

The Board of Directors appoints the President and CEO of the company, chooses the members of the Executive Board based on the President and CEO's proposal, and decides their terms of employment and incentive schemes. The Board also decides on remuneration schemes for employees.

The Board of Directors has quorum when more than half of its members are present.

## Board committees and working groups

The Board appoints the members and chairmen of the committees from among its number. The committee members' term of office is one year, ending at the conclusion of the Annual General Meeting following their election. Both committees have at least three (3) members. A committee meeting has quorum when the chairman and at least one other member are present.

**The Audit Committee** comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. The main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2015, the Audit Committee comprised Arja Talma as Chair, Raimo Valo as Deputy Chair, and Paul Hartwall and Juha Laaksonen as ordinary members. The Chief Financial Officer of Sponda acted as secretary to the Audit Committee until May 2015, followed by the President and CEO of Sponda starting from June 2015. In 2015, the Audit Committee held

a total of four (4) meetings with an average attendance rate of 100%.

**The Structure and Remuneration Committee** comprises at least three Board members who are independent of the company. In 2015, the Structure and Remuneration Committee comprises Kaj-Gustaf Bergh as Chair, Christian Elfving as Deputy Chair and Leena Laitinen as an ordinary member. Sponda's President and CEO also attended meetings of the Structure and Remuneration Committee. The Chief Financial Officer of Sponda acted as secretary to the Structure and Remuneration Committee until May 2015, followed by the President and CEO of Sponda starting from June 2015. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration as well as matters relating to strategy and corporate structure. The Structure and Remuneration Committee met four (4) times in 2015 and the average attendance rate was 100%.

# Remuneration and other financial benefits paid to the Board of Directors

The Annual General Meeting confirms in advance the remuneration payable to the Board of Directors annually. At the Annual General Meeting held on 16 March 2015, the following were confirmed as the annual remunerations for the members of the Board of Directors:

Chairman	EUR 66,000
Deputy Chairman	EUR 40,000
Other Board members	EUR 33,000

Additionally, the Chairman of the Board will be paid a fee of EUR 1,000 and members EUR 600 per Board meeting attended.

Board members are paid EUR 600 for each committee meeting and the Chairman of the Audit Committee is paid EUR 1,000 for each meeting of the Audit Committee.

Of the annual remuneration, 40 per cent is paid in Sponda Plc shares purchased on the market. The shares shall be purchased within two weeks of the release of the interim report of the first quarter.

The Board of Directors has no other remuneration schemes. Members of the Board of Directors are not in an employment or service relationship with the company.

In 2015, members of Sponda's Board of Directors were paid a total of EUR 338,200 in remuneration (including annual remuneration and meeting fees) as follows:

Member of the Board	Annual remuneration, €	Remuneration for meetings, €	Number of shares included in the annual remuneration	Total remuneration (incl. annual and meeting fees), €
Kaj-Gustaf Bergh (Chairman)	66,000	13,400	6,760	79,400
Christian Elfving	33,000	7,800	3,380	40,800
Paul Hartwall	33,000	9,000	3,380	42,000
Juha Laaksonen	33,000	9,000	3,380	42,000
Leena Laitinen	33,000	9,000	3,380	42,000
Arja Talma	40,000	10,600	4,097	50,600
Raimo Valo	33,000	8,400	3,380	41 400
Total remuneration of the Board of Directors	271,000	67,200	27,757	338,200
Information on Board members' shareholdings in Sponda Plc is available on the company website at <a href="http://www.sponda.fi">www.sponda.fi</a> .				

# THE PRESIDENT AND CEO

Sponda's President and CEO is appointed by the company's Board of Directors. The President and CEO manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President and CEO is responsible for ensuring that the company's accounting complies with legal provisions and that the company has sufficient capital funds for its purposes. The President and CEO is assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957) has served as Sponda's President and CEO since 2005.

The President and CEO's terms of employment are set out in a written contract approved by the Board. Under the terms of the service contract, the President and CEO's term of notice is six months. Should the company terminate the President and CEO's service contract, he is entitled to compensation equivalent to twelve (12) months' salary. The retirement age of the President and CEO is 63, and his pension is determined in accordance with the Finnish Employees Pension Act (TEL). The President and CEO is covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the President and CEO reaches the age of 63. The insurance premium amounts to 7.5 per cent of the President and CEO's fixed annual salary.

The President and CEO is paid a total salary, and in addition he participates in the company's annual remuneration scheme. The maximum remuneration payable under the company's annual remuneration scheme is 40 per cent of the President and CEO's annual salary.

The President and CEO also participates in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The incentive scheme has been in effect in its current form since the beginning of 2012. The three three-year vesting periods of the incentive scheme that came into effect in 2012 correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. Remuneration was paid in spring

2015 based on the vesting period 2012–2014 and the commitment period for that vesting period is still in effect. Sponda's Board of Directors decided on a new incentive scheme in 2015. The incentive scheme comprises three three-year vesting periods, corresponding to the calendar years 2015–2017, 2016–2018, and 2017–2019. The terms and conditions of the scheme are the same as those of the previous incentive schemes. The Board of Directors decides separately on the earning criteria applicable to each vesting period and the targets to be established for them.

The earning criteria for the 2013–2015 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2013–2015, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2013–2015, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2014–2016 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2014–2016, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2014–2016, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2015–2017 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2015–2017, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2015–2017, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The Board of Directors monitors the fulfilment of the targets set for the earning criteria regularly.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company.

Shares received on the basis of the share-based incentive scheme may not be disposed of within a set commitment period following their receipt. The commitment period for the 2012–2014 vesting period ends on 31 December 2017, the commitment period for the 2013–2015 vesting period on 31 December 2018, the commitment period for the 2014–2016 vesting period on 31 December 2019, and the commitment period for the 2015–2017 on 31 December 2020. Following the end of the commitment period, a key person must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the amount of his or her gross annual salary. This ownership obligation shall be in effect for as long as the employment contract of the key person continues.

The value of the remuneration to be paid for each vesting period shall be no more than the gross annual salary of the key person participating in the scheme. The gross annual salary refers to the person's total annual salary at the start of the three-year vesting period in question, including fringe benefits and excluding remunerations paid on the basis of the annual remuneration system and the long-term share-based incentive scheme.

In 2015, salaries paid to the President and CEO amounted to EUR 464,855.54 and other remuneration to EUR 523,964.43, in total EUR 988,819.97. Remunerations paid to the President and CEO in 2015 consist of the annual remuneration and the remuneration based on the long-term share-based incentive scheme in effect in 2015, based on which 50,682 Sponda Plc shares were purchased for the President and CEO.

**Salaries and remuneration paid to the President and CEO**

	Annual salary, € **)	Fringe benefits, € ***)	Annual salary and fringe benefits, total, €	Annual remuneration, €	Incentive remuneration, €	Total remunerations, €	All in total, €
<b>2015 *)</b>	450,353.04	14,502.50	464,855.54	84,085.00	439,879.43	523,964.43	988,819.97
<b>2014</b>	430,322.00	14,340.00	444,662.00	64,398.55	270,415.59	334,814.14	779,476.14
<b>2013</b>	427,290.78	12,590.00	439,880.78	129,892.30	499,647.55	629,539.85	1,069,420.63

\*) The amounts in this table are those actually paid in 2015. The variable remunerations (annual remuneration and incentive remuneration) are based on the 2014 results. (The amounts for the comparison years 2014 and 2013 are also based on actual amounts paid, which means that the variable remunerations for these years are based on the 2013 and 2012 results respectively).

\*\*) Annual salary excluding fringe benefits

\*\*\*) company car and phone benefit

## EXECUTIVE BOARD

The Executive Board prepares the business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. The Executive Board comprises the President and CEO, the CFO, the SVP for Corporate Planning and IR, and the heads of the business units, in total six persons.

In addition to the President and CEO Kari Inkinen, the company's Executive Board

comprises Pia Arrhenius, Senior Vice President, Corporate Planning and IR; Ossi Hynynen, Senior Vice President, Investment Properties; Niklas Nylander, Chief Financial Officer; Sirpa Sara-aho, Senior Vice President, Russia; and Veli-Pekka Tanhuanpää, Senior Vice President, Property Development.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc pays the annual insurance premium until the member reaches the age of 63. The insurance premium

amounts to 7.5 per cent of each member's fixed annual salary.

The members of the Executive Board participate in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. The incentive scheme has been in effect in its current form since the beginning of 2012. The three three-year vesting periods of the incentive scheme that came into effect in 2012 correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. Remuneration was paid in spring 2015 based on the vesting period 2012–2014 and the commitment period for that vesting period is still in effect. Sponda's Board of Directors decided on a new incentive scheme in 2015. The incentive scheme comprises three three-year vesting periods, corresponding to the calendar years 2015–2017, 2016–2018, and 2017–2019. The terms and conditions of the scheme are the same as those of the previous incentive schemes. The Board of Directors decides separately on the earning criteria applicable to each vesting period and the targets to be established for them.

The earning criteria for the 2013–2015 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2013–2015, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2013–2015, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2014–2016 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2014–2016, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2014–2016, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2015–2017 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial

periods 2015–2017, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2015–2017, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The Board of Directors monitors the fulfilment of the targets set for the earning criteria regularly.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company.

Shares received on the basis of the share-based incentive scheme may not be disposed of within a set commitment period following their receipt. The commitment period for the 2012–2014 vesting period ends on 31 December 2017, the commitment period for the 2013–2015 vesting period on 31 December 2018, the commitment period for the 2014–2016 vesting period on 31 December 2019, and the commitment period for the 2015–2017 on 31 December 2020. After the commitment period ends, a member of the Group's Executive Board must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the amount of his or her gross annual salary. This ownership obligation shall be in effect for as long as the employment contract of the member of the Executive Board continues.

The value of the remuneration to be paid from each vesting period shall be no more than the gross annual salary of the key person participating in the scheme. The gross annual salary refers to the person's total annual salary at the start of the three-year vesting period in question, including fringe benefits and excluding remunerations paid on the basis of the annual remuneration system and the long-term share-based incentive scheme.

**Salaries and remuneration paid to the members of the Executive Board (excluding the President and CEO)**

	Annual salaries, € **)	Fringe benefits, €***)	Annual salaries and fringe benefits, total, €	Annual remunerations, €	Incentive remunerations, €	Total remunerations, €	All in total, €
<b>2015 *)</b>	713,995.09	54,588.81	768,583.90	148,543.00	934,008.45	1,082,551.45	1,851,135.35
<b>2014</b>	869,684.70	63,355.20	933,039.90	147,931.91	536,928.85	684,860.76	1,617,900.66
<b>2013</b>	856,007.84	75,620.58	931,628.42	236,444.00	945,945.18	1,182,389.18	2,114,017.60

\*) The amounts in this table are those actually paid in 2015. The variable remunerations (annual remuneration and incentive remuneration) are based on the 2014 results. (The amounts for the comparison years 2014 and 2013 are also based on actual amounts paid, which means that the variable remunerations for these years are based on the 2013 and 2012 results respectively).

\*\*) Annual salary excluding fringe benefits

\*\*\*) Company car and phone benefit

**Sponda Plc shares owned by members of the Executive Board as of 31 December 2015:**

Executive Board member	Number of shares
Inkinen Kari	465,245
Arrhenius Pia	74,335
Hynynen Ossi	206,841
Nylander Niklas	0
Sara-aho Sirpa	135,662
Tanhuanpää Veli-Pekka	26,426*
* related parties own a further 1,625 shares	

## The Executive Board 31 December 2015


**KARI INKINEN**  
**President and CEO**

MSc (Eng.), born 1957

**Career history:**

Sponda Plc, President and CEO, 2005–

Kapiteeli Plc, President and CEO, 1999–2005

YIT Corporation, Director, 1985–1998

YIT Corporation Residential Construction, Director, 1995–1998

YIT Corporation, Regional Director, 1992–1995

**Main positions of trust:**

Rake Oy, Board member

Certeum Oy, Board Member (until 16 Dec 2015)

**Owns** 465,245 Sponda shares





#### **PIA ARRHENIUS**

##### **Senior Vice President, Corporate Planning and IR**

EMBA, born 1968

Member of the Executive Board since 2009

##### **Career history:**

Sponda Plc, Senior Vice President, Corporate Planning and IR, 2014–

Sponda Plc, Senior Vice President, Communications and IR, 2009–2014

Sponda Plc, Communications and IR Manager, 2004–2008

Sponda Plc, Communications assistant, 2003–2004

**Owns** 74,335 Sponda shares



#### **OSSI HYNYNEN**

##### **Senior Vice President, Investment Properties**

MSc (Eng.), born 1955

Member of the Executive Board since 2007

##### **Career history:**

Sponda Plc, Senior Vice President, Investment Properties, 2009–

Sponda Plc, Senior Vice President, Office and Retail Properties, 2007–2008

Kapiteeli Plc, President and CEO, 2005–2006

Kapiteeli Plc, Senior Vice President, Office and Retail Property, 2003–2006

Kapiteeli Plc, Senior Vice President, Real Estate Development, 1999–2002

ProPaulig Ltd, Director of Marketing, 1993–1999

Haka Ltd, Construction Manager, 1988–1993

##### **Main positions of trust:**

RAKLI – The Finnish Association of Building Owners and Construction Clients, Member of the Board (until 19 Mar 2015)

**Owns** 206,841 Sponda shares



#### **NIKLAS NYLANDER**

##### **Chief Financial Officer**

MSc (Econ.), born 1973

Member of the Executive Board since 2015

##### **Career history:**

Sponda Plc, Chief Financial Officer 2015–

Tamro Oyj, GFD 2012–2015

Apotek1 Group (Norway), GFD 2011–2012

Tamro Oyj, Director Group Control and Financial Planning 2006–2011

Tamro Oyj, Controller Mergers & Acquisitions 2003–2006

**Owns** 0 Sponda shares



#### **SIRPA SARA-AHO**

##### **Senior Vice President, Russia**

Commercial college graduate, born 1963  
Member of the Executive Board since 2007

##### **Career history:**

Sponda Plc, Senior Vice President, Russia 2007–  
Sponda Plc, Regional Manager, Russia and the Baltic Countries, 2006  
Nordea Bank Finland Plc, Vice President, 1985–2005

##### **Main positions of trust:**

Solteq Oyj, Board Member (until 19 Oct 2015)

**Owns** 135,662 Sponda shares



#### **VELI-PEKKA TANHUANPÄÄ**

##### **Senior Vice President, Property Development**

MSc (Eng.), CREM, born 1967  
Member of the Executive Board since 2012

##### **Career history:**

Sponda Plc, Senior Vice President, Property Development, 2012–  
Sponda Plc, Director, Project Development, 2007–2011  
Kapiteeli Plc, Project and Construction Manager, 2003–2007  
NCC Construction, Project Manager, 1998–2003

**Owns** 26,426 Sponda shares

## EXTERNAL AND INTERNAL AUDITS

### Auditors

The company has two auditors: a firm of authorised public accountants and an auditor approved by the Central Chamber of Commerce. In accordance with the Finnish Auditing Act, the auditors are responsible for auditing the company and Group's financial statements, accounts and administration, and for submitting a report on their audit to the Annual General Meeting.

Sponda Plc's auditors for the period from 1 January to 16 March 2015 were Esa Kailiala

(APA) and authorised public accountants KPMG Oy Ab, with Kai Salli (APA) as the principal responsible auditor and Lasse Holopainen (APA) as deputy auditor. The AGM held on 16 March 2015 elected APA Esa Kailiala and authorised public accountants KPMG Oy Ab as the company's auditors, with APA Lasse Holopainen as the principal responsible auditor and APA Petri Kettunen as the deputy auditor. Esa Kailiala has served as Sponda Plc's auditor from 2013, Kai Salli in 2008–2015 and Lasse Holopainen in 2003–2004 and again from 2013.

The auditing fees paid to the auditors in 2015 amounted to EUR 176,078. A further EUR 710,143 was paid to the auditors for other consulting services. These fees, totalling EUR 886,221, include all the fees paid by Group companies.

## Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

# INSIDERS

Sponda complies with the Insider Guidelines issued by Nasdaq Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so only at times when the market has the fullest possible information on matters that may have a material impact on the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim reports or annual results.

The company's statutory public insiders are its Board of Directors and the Executive Board and the auditors. In addition, the company maintains a company-specific insider register, comprising a permanent company-

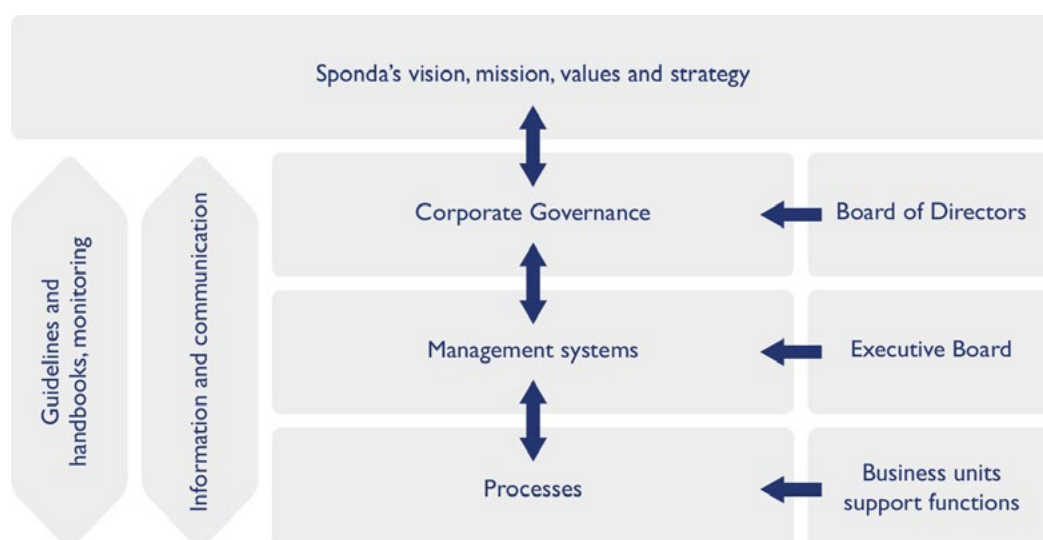
specific insider register and a project-specific insider register. The permanent insider register lists the names of individuals who, pursuant to their position or duties, have regular access to insider information. The project-specific insider register lists the names of individuals to whom the company discloses specific insider information pertaining to a particular project. The insider register maintained by Euroclear Finland Oy includes information on the holdings of the individuals in the company's public insider register subject to the disclosure obligation. The company's public insider register is also available on its website at [www.sponda.com](http://www.sponda.com).

# RISK MANAGEMENT

Sponda uses effective risk management to secure the company's operations, their continuity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. Risk management takes into account the Group's risk-bearing capacity. Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

## Risk management organisation



Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The Group's risk

management instructions and guidelines and the operations manual are updated according to the decisions concerning risk management made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox of risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

Key risks in terms of the company's operations are listed in the Annual Report's Risks and Risk management section.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of enterprise resource planning.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves the internal audit plan annually.

The Corporate Governance Statement is available on the company website.

# SPONDA AS AN INVESTMENT

*Sponda is a property investment company that specialises in leasing, developing and owning commercial properties.*

Sponda aims for profitable growth through customer-focused operations, active property development and by purchasing properties. For its owners, Sponda is a good and stable investment. Sponda looks to increase shareholder value and pay a regular annual dividend. According to Sponda's dividend policy, Sponda pays a dividend of approximately 50 per cent of the operating cash flow per share for the financial year, taking into account the economic situation and the company's development needs.

Sponda's strengths are a property portfolio largely concentrated in the best locations in the growing Helsinki metropolitan area, and a high-quality, diverse and balanced lease portfolio. Active property development operations and professional, experienced and committed management and personnel give the company an even more significant competitive edge.

The property portfolio comprises a broad selection of office, retail and shopping centre properties. The company aims to optimise cash flow from operations through active management of the existing property portfolio. The company has a considerable land bank and numerous potential sites for property development.

## Shares and share ownership

Sponda's shares are quoted on NASDAQ OMX Helsinki on the Large Cap list. The share's trading code is SDAIV.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative marketplaces.

The weighted average price of Sponda's share in 2015 was EUR 3.79. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.57 and the lowest EUR 3.29. Turnover during the year totalled 121.6 million

shares or EUR 461.5 million. The closing price of the share on 30 December 2015 was EUR 3.92 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,109.7 million.

At the end of 2015, Sponda had a total of 10,092 shareholders (8,841 in 2014). Nominee-registered and foreign shareholders accounted for 50.0 per cent of these (52.9% in 2014).

## Annual General Meeting

The 2016 Annual General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall (Mannerheimintie 13 e, Helsinki, doors M4 and K4) on Monday, 21 March 2016, starting at 2:00 p.m. Instructions for registering for the AGM are given on Sponda's website, in the Investors section.

To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 9 March 2016.

## Extraordinary General Meeting

The 2016 Extraordinary General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall (Mannerheimintie 13 e, Helsinki, doors M4 and K4) on Monday, 29 February 2016, starting at 11:00 a.m. Registration has been closed on 24 February 2016.

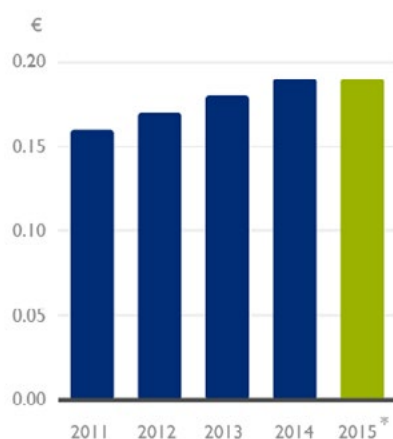
## Dividend payment

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share be distributed for the 2015 financial year. The dividend approved by the AGM will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on 23 March 2016, the record date confirmed by the Board. The Board proposes to the Annual General meeting that the dividend be paid at the close of the settlement period on 1 April 2016.

## Changes of name and address

Shareholders are kindly requested to notify their bank or Euroclear Finland Ltd, whichever holds the shareholder's book-entry securities account, of any changes of address.

### Dividend per share



\* Board's proposal

### Share price and turnover



### Sponda share price compared to indices



Source: Sponda website and Investis

# Financial information 2016

## **Sponda will publish its interim reports in 2016 on the following dates:**

Interim report January–March 2016  
on Wednesday 4 May 2016

Interim report January–June 2016  
on Thursday 4 August 2016

Interim report January–September 2016  
on Friday 4 November 2016

Sponda publishes all of its material for investors in Finnish and in English. The material is available on the company website, in the Investors section.

Releases can be ordered from the company website or by contacting Sponda's communications:

Sponda Plc, Corporate Communications  
P.O. Box 940, FI-00101 Helsinki  
tel. +358 (0)20 431 31  
e-mail: [nina.saajasto\(at\)sponda.fi](mailto:nina.saajasto@sponda.fi)

## **Sponda's Investor Relations**

The main task of Sponda's Investor Relations

is to provide the market with sufficient and accurate information so that investors can assess the company's appeal as an investment today and in the future. Investor Relations ensures that the company's communications are balanced, timely and transparent.

Sponda's Board of Directors is responsible for the publication of the company's interim and annual financial statements. The President and CEO, the Chief Financial Officer and the Senior Vice President, Corporate Planning and IR are responsible for communications with Sponda's investors. The quiet period begins three weeks before the publication date of the financial results. Sponda does not issue comments or meet with representatives of the capital markets during the quiet period.

Information on the banks and stockbrokers who have announced that they conduct investment analyses of Sponda's business operations is provided on the company website at [www.sponda.com](http://www.sponda.com). The list may be incomplete and Sponda takes no responsibility for the assessments contained in these analyses.

# Contact details

## **Sponda Plc**

P.O. Box 940  
FI-00101 Helsinki

Street address:  
Korkeavuorenkatu 45  
FI-00130 Helsinki

Telephone +358 (0)20 431 31  
Fax +358 (0)20 431 3333  
[www.sponda.com](http://www.sponda.com)  
[firstname.lastname\(at\)sponda.fi](mailto:firstname.lastname@sponda.fi)

## **Investor relations and communications**

Pia Arrhenius  
Senior Vice President, Corporate Planning and Investor Relations  
Tel. +358 (0)20 431 3454  
[pia.arrhenius\(at\)sponda.fi](mailto:pia.arrhenius@sponda.fi)

Anita Riikonen  
Marketing and Communications Manager  
Tel. +358 (0)20 431 3470  
[anita.riikonen\(at\)sponda.fi](mailto:anita.riikonen@sponda.fi)

Minna Lehtovaara  
Communications Officer  
Tel. +358 (0)20 431 3466  
[minna.lehtovaara\(at\)sponda.fi](mailto:minna.lehtovaara@sponda.fi)

Nina Saajasto  
Communications Assistant  
Tel. +358 (0)20 431 3390  
[nina.saajasto\(at\)sponda.fi](mailto:nina.saajasto@sponda.fi)



**Sponda Plc**

Korkeavuorenkatu 45

P.O. Box 940, FI-00101 Helsinki

Tel. +358 20 431 31

[www.sponda.com](http://www.sponda.com)