



# CSR *report* 2012

 **STOCKMANN**



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**Stockmann** is a Finnish listed company engaged in the retail trade. Its business divisions are the Department Store Division and the Fashion Chain Division. Stockmann was established in 1862 and celebrated its 150th anniversary in 2012. The Group's revenue in the anniversary year was up by 5.5 per cent, to EUR 2 116 million. This was the first year ever when revenue from international operations was higher than revenue from Finland.

Stockmann Group's operating profit increased to EUR 87.3 million in 2012. Revenue and operating profit increased most in Russia. Profit for the

period was EUR 53.6 million and earnings per share came to EUR 0.74. Stockmann plc shares are listed on NASDAQ OMX Helsinki. The company has almost 60 000 shareholders.

The Stockmann Group has 16 department stores and over 700 other stores in 16 countries. In 2012 operations expanded to Croatia and Serbia, where Lindex franchising stores were opened. Operations in Ukraine were discontinued, when the two Seppälä stores located there were closed down in October. The Stockmann Group has six purchasing offices in five Asian countries. The company headquarters are located in Helsinki.



**Countries with stores:** ① Finland, ② Sweden, ③ Norway, ④ Russia, ⑤ Estonia, ⑥ Latvia, ⑦ Lithuania, ⑧ Poland, ⑨ Czech Republic, ⑩ Slovakia, ⑪ Iceland, ⑫ Croatia, ⑬ Bosnia and Herzegovina, ⑭ Serbia, ⑮ Saudi Arabia, ⑯ United Arab Emirates. **Purchasing offices:** Bangladesh, India, China, Pakistan and Turkey.

**Online stores:** Lindex (EU countries and Norway), Seppälä (Finland), Stockmann, Hobby Hall and Academic Bookstore (Finland).

# STOCKMANN INTERNATIONAL LEADER IN RETAILING

*The Stockmann Group has customer-focused and profit-oriented operations. Its expertise in the department store business and fashion retailing is very strong.*

## Diverse Department Store Division focused on its core business

Stockmann's 16 department stores in four countries offer an extensive and high-quality product range, a competitive price/quality ratio, and excellent and professional customer service in an inspiring shopping environment with an international ambience. The Department Store Division also includes Hobby Hall's online store, mail order sales and store, the Nevsky Centre shopping centre in St Petersburg, Academic Bookstores, Stockmann Beauty cosmetics stores, and Stockmann and Academic Bookstore online stores. Stockmann ended its loss-making Bestseller franchising operations in Russia in 2012. The Zara franchising operations in Finland were discontinued in spring 2013.

In 2012 the Department Store Division's revenue increased by 5.3 per cent to EUR 1 302.7 million. Operating profit was EUR 48.0 million, up EUR 12.8 million from the previous year.

## Seppälä and Lindex combined their forces to achieve success

Stockmann Group's organisational structure was renewed in 2012 when Lindex and Seppälä formed a new Fashion Chain Division. Lindex is one of the leading fashion chains in Europe. At the end of

2012 Lindex had 469 stores in 16 countries. Its range covers a variety of fashion concepts within women's and children's wear, lingerie, and cosmetics. Lindex's business idea is to offer inspiring affordable fashion. At the end of 2012 the Seppälä fashion chain had 220 stores in Finland, Russia, and the Baltic countries. Seppälä offers a diverse and affordable fashion product range to women, children, and men. Seppälä's brand renewal began in 2012, and the fashion chain's target is to be the bold challenger in international fashion markets.

The Fashion Chain Division's revenue grew in total by 6.0 per cent and was EUR 814 million. Lindex accounted for 82 per cent of the division's revenue. The division's operating profit was EUR 50.0 million, up EUR 7.3 million from the previous year.

## Purchasing offices monitor buying and production

Stockmann Group's purchasing offices are located in China, Hong Kong, India, Bangladesh, Pakistan, and Turkey. They purchase the garments for Lindex, Seppälä and the Department Store Division's own fashion brands from a network of about 500 factories.

Close relations with garment suppliers provide an important competitive advantage. In addition to

this, Stockmann's presence in its supplier countries increases the company's ability to ensure that its suppliers' factories have good and safe working conditions. There are social responsibility experts in every purchasing office. They monitor production processes and the responsibility of the operations.

Stockmann's operations in every country comply with local laws and regulations and are in accordance with the Group's core values and guidelines.

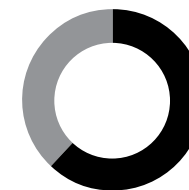
The Group's growing international operations also pose challenges for resolute anti-corruption action. Stockmann has prepared guidelines for personnel in situations of abuse and conflicts of interest. In addition, Stockmann is a founding member of Transparency Suomi ry, the Finnish chapter of Transparency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

REVENUE BY MARKET 2012



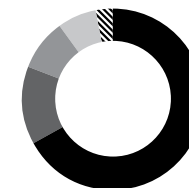
- 50% Finland
- 25% Sweden and Norway
- 18% Russia
- 7% Baltic countries and Central Europe

REVENUE BY DIVISION 2012



- 62% Department Store Division
- 38% Fashion Chain Division

REVENUE BY MERCHANDISE SECTOR 2012



- 67% Fashion and cosmetics
- 14% Food
- 9% Leisure
- 7% Home
- 3% Books, publications, stationery



# STOCKMANN 150 YEARS TAKING RESPONSIBILITY EVERY DAY

Stockmann has been operating in the retail trade for just over 150 years. The company has always taken a responsible approach to its business, which began in 1862 with the opening of Stockmann's first store in Helsinki. Over the years the company has grown into an international corporate group with more than 700 stores in 16 countries. Responsibility has also become global. To be able to provide responsible shopping experiences for our customers – millions of people daily – we strive to ensure the safety and quality of the products on sale and the responsibility of the supply chain.

Throughout its history Stockmann has been a leader in corporate social responsibility and in taking the needs of its personnel into account. In Finland we have been an innovator in matters such as employee health care and children's day care, and in codetermination between employer and employees. We also made history in 2012: our climate reporting was recognised when Stockmann gained first place in the Nordic Consumer Discretionary sector of the Climate Disclosure Leadership Index. We intend to continue as leaders in environmental matters, and during 2013 we will be taking our good practices and environmental management models to new Stockmann's operating countries.

## Reasonable financial result

Although the operating environment was challeng-

ing in 2012, Stockmann was able to report reasonable earnings. The earnings growth allowed us to pay our shareholders a higher dividend than the previous year, and we also offered significant financial added value to our other key stakeholders.

Despite this, the way ahead for 2013 is not simple. Europe's financial crisis is still unresolved, consumer confidence has weakened and the markets are uncertain. What is more, the slackening of growth in the economy means that all retail operators are under pressure to cut their costs. It is essential that our cost structure is in right proportion to revenue growth. Therefore we launched a major cost savings programme in April 2013, which will have an effect on our employees in particular in Finland.

## Loyal and long-serving partners

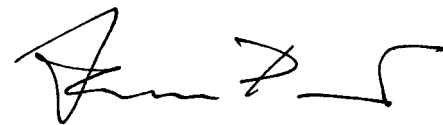
Customer orientation is one of Stockmann's core values and underlies the company's sustained success. I am very pleased that our skilled and committed personnel know how to provide the right service and products for our customers. Solid customer loyalty creates opportunities to succeed even in commercially challenging times.

Purchases by our loyal customers form a considerable proportion of total sales, which means we shall continue to focus on staff training to ensure we can provide an enhanced customer experience. During the anniversary year, we succeeded in

expanding the number of loyal customers very significantly. The Group's combined total of loyal customers now exceeds seven million.

One of our key strengths is that we have long-standing partnerships with our suppliers. Working with key stakeholders over many years produces added value for both parties. To improve our corporate social responsibility work, we shall be carrying out a stakeholder survey during 2013, which is aimed at deepening our understanding of responsibility work and focusing on the wishes of stakeholders. We will continue to work closely with our personnel, customers and other stakeholders for a sustainable future.

Helsinki, 25 April 2013



Hannu Penttilä  
CEO





STOCKMANN 150 VUOTTA STOCKMANN 150 ÅR STOKMANN 150 ЛЕТ STOCKMANN 150 GADI STOCKMANN 150 AASTAT STOCKMANN 150 VUOTTA STOCKMANN 150 ÅR STOKMANN 150 ЛЕТ STOCKMANN 150 G

## HIGHLIGHTS OF RESPONSIBLE OPERATIONS IN 2012

### Department Store Division



#### Environmental management system in use for 10 years

The ISO 14001 environmental management system has been in use in the Department Store Division in Finland for 10 years already. Environmental operations have been developed on the basis of a long term approach, and the department stores' sorting rates are among the best in the retail sector. *More about our environmental responsibility on page 18.*

#### New certificates

Stockmann Delicatessen's fresh fish counters were the first in Finland to receive Marine Stewardship

Council (MSC) certification, an international labelling system for sustainable fish products. In addition to this, Stockmann's central kitchen was granted ISO 22000 certification for food safety management. *More about the new certificates on pages 15 and 17.*

#### Building success together

Thousands of Stockmann employees participated in a value discussion of the Department Store Division. The results of the value discussion that began in 2011, as well as the new value courage, were published in the autumn. The jointly assembled values support the Department Store Division's vision of being the best European department store chain. *More about our personnel practices on page 10.*

### Fashion Chain Division



#### Responsible collections

Seppälä's new baby clothing collection was

launched in April. Eco-friendly materials are favoured in the clothes. Lindex launched a collection in September in cooperation with Missoni, the Italian fashion house. The collection was a success in many different ways. 10 per cent from the sales of the Lindex Missoni products were donated to the Pink Ribbon Fund in full. Lindex donated a total of EUR 1.8 million in 2012 to fund breast cancer research and the battle against breast cancer. The donated amount almost doubled from 2011. *More about the responsible product selections on page 14.*

#### HER project increases young women's well-being

Stockmann Group aims to increase local well-being by working in cooperation with different stakeholders. In 2012, Lindex commenced a new project in co-operation with BSR (Business for Social Responsibility). The Health Enables Returns (HER) project focuses on young women's health and well-being in two factories in Bangladesh and Pakistan. *More about the local operations on page 15.*

### Awards

- First place in the Nordic Carbon Disclosure Leadership Index in Consumer Discretionary series.
- Second best reputation in the retail sector in Finland in the Finnish Corporate Reputation and Responsibility survey 2012 by TNS Gallup.
- Fourth place in consultant and research company Universum's Finland's Ideal Employers 2012 survey among students from the field of economics.
- Hobby Hall the best contact centre for 2012 in Finland.

*More about the awards on page 25.*

# STRATEGY FOR A MORE SUSTAINABLE FUTURE

**WE ARE  
COMMITTED**  
*to work*  
for a more  
sustainable future.

**WE OFFER**  
*our customers*  
responsible  
shopping  
experiences.

- Responsibility is one of the company's core values.
- Responsibility work is guided by the corporate social responsibility strategy and policy, and the 10 principles of the United Nations Global Compact initiative.
- The guidelines and operating policies ensure responsible operations in day-to-day activity.

Responsibility has formed an important part of the Stockmann Group's business operations for over 150 years since the company was founded. Responsibility is one of the company's core values. Stockmann operates in a highly ethical manner, complying with international laws and regulations and with the national laws and regulations in the countries in which it operates. Stockmann's operations are also guided by international agreements and recommendations.

The CSR strategy, which was approved in 2011, supports the goals of business operations and improves efficiency. Stockmann's vision is to be a leader in the retail trade. We are committed to working for a sustainable future, and we offer our customers responsible shopping experiences.

The company's responsibility work is based on the CSR strategy and policy, and the 10 principles of the UN Global Compact. In accordance with the UN Global Compact initiative, Stockmann promotes human rights, labour rights, environmental work and anti-corruption measures. Responsibility is a part of every employee's daily work and decision-making,

which is supported by the guidelines, operating policies and training.

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

## Corporate social responsibility goals

The goals of the Stockmann Group's CSR strategy are divided into the following categories: People (social responsibility), Planet (environmental responsibility) and Profit (financial responsibility). The extent to which the goals under the focus areas are achieved is measured and monitored regularly. In 2013, the focus areas will also be discussed in conjunction with an extensive stakeholder analysis.

The Stockmann Group provides information about its responsible operations transparently and regularly on an annual basis in its CSR report, and about climate change management in the Carbon Disclosure Project (CDP) report, and on the company's website at [stockmanngroup.com](http://stockmanngroup.com).

## *People – responsibility with individuals and entities*

The goals of the social dimension of CSR focus particularly on our own personnel and their training and

well-being. The company's responsibility also extends indirectly to the supply chain, product manufacturing and product safety.

Stockmann celebrated its 150th anniversary together with stakeholders. As is customary, medals of merit were awarded to long-serving employees. In this anniversary year, a total of 564 employees received a medal of merit, 54 of whom had more than 30 years' service with the company. In 2012, the Group's organisational structure was revised and resulted in new job descriptions being created at Seppälä and Lindex. Through an active internal labour market, new career opportunities were offered throughout the Group to hundreds of employees.

One of the challenges for Stockmann Group, and the entire retail sector, is responsibility across the supply chain. The Stockmann Group has six fashion purchasing offices in five countries (China, India, Bangladesh, Pakistan and Turkey). Stockmann's presence in its supplier countries increases the company's ability to ensure that its suppliers' factories have good and safe working conditions. Since 2005, the Stockmann Group has also been a member of the Business Social Compliance Initiative (BSCI), which aims to develop and monitor social responsibility in the supply chain.

## *Planet – we work for the good of the environment*

Stockmann's environmental objectives concern management of the environmental impacts of busi-

## People

We show respect for our people

Our personnel is aware and trained in CSR

Responsibly and fairly produced goods

We fulfil the product safety laws and regulations as well as meet the self imposed requirements

## Planet

We work to reduce our impact on the environment

Sustainable procurement

We offer our customers sustainable products as a part of our assortments

## Profit

Our CSR work supports our core business targets and strengthens our brand position

Charity programs

Stockmann is recognized as a responsible and transparent company among investors

ness operations, systematic consideration of environmental aspects in procuring goods and services for the Group's own use, and inclusion of responsible products in the product selection.

In 2012 in the Stockmann Group's Fashion Chain Division, Seppälä successfully launched a baby collection that favours ecological materials. Lindex's customers bought considerably more products made with responsible materials than before. During 2012, Lindex had in its selection 8.9 million products made from organic cotton or recycled fibre. The responsible selections at Stockmann department stores in Finland have also been expanded, for example through the MSC certification for the Delicatessen food departments' fish counters.

Stockmann department stores in Finland are investing in energy efficiency through various voluntary measures and projects and agreements. In environmental matters, Stockmann's Finnish department stores lead the way in the Department Store Division. The next goal is to introduce these successful and efficient environmental practices to the Baltic countries.

### *Profit – we are profitable*

Financial responsibility means good financial management that meets shareholders' profit expectations, creates permanent jobs and generates economic well-being extensively for the whole of society. In 2012, Stockmann's financial performance was reasonably good in a demanding market environment. Stockmann's longer-term objective is to continue achieving profitable growth.

### **Operating challenges and opportunities**

In all operations, the aim is to take social impacts into account and to make use of opportunities, and to

manage risks with the help of the risk management principles confirmed by the Board of Directors and with the unit and function-specific guidelines.

For Stockmann, 2012 was characterised by the uncertain economic situation and the difficulty in predicting the outlook. The company's near-term challenges are also connected closely with the general economic situation and consumer behaviour. Customer expectations in regard to product selections and types of services offered are growing. This is creating growth opportunities for the Group's online stores and for expanding the range of responsible products.

Long-term risks associated with climate change include increases in energy prices and the availability of raw materials. Stockmann is constantly developing its climate-positive operations and is searching for new, cost-effective solutions for improving energy

efficiency. To ensure that Stockmann's divisions can fulfil their longer term operating potential, they must take natural resource sustainability and raw material availability issues into account. Close cooperation with the Group's own brand designers and the purchasing offices is one way of seeking to ensure that from the product planning stage onwards the selected materials and the product manufacturing process have a minimal adverse impact on the environment. If the availability of existing raw materials and finished products deteriorates, the importance of eco-friendly products and especially recycled materials will grow further. In addition, changes in the operating environment as a result of climate change, for example through droughts and floods, may have an impact on procurement sources in the future, and for certain product groups it may lead to an expansion of local purchasing.



*As part of the Department Store Division's value discussion, an online discussion involving the different countries of operation was arranged in which senior management invited all employees to take part. Around 1 350 people participated in the discussion, which was held on the intranet over two days, and nearly 500 comments and questions were submitted.*

*Planner Minna Mähönen participated in the art workshop about the company values in the department store day which was arranged in autumn 2012 in Finland. Altogether around 440 pieces of art were made in the workshop.*



## KEY STAKEHOLDERS AND DISTRIBUTION OF ADDED VALUE



*Stockmann's 150th birthday was celebrated in February 2012 in a variety of ways. The Helsinki city centre department store hosted a special event for more than 7 000 First loyal customers and other stakeholders. The company's success and long history were celebrated with the staff of the Department Store Division in Finland for example with a celebratory lunch.*

In the 2012 financial year, the Stockmann Group's operations brought economic added value to all its key stakeholders: **customers, employees, shareholders and investors, goods suppliers and service providers, public authorities and organisations.** The key stakeholders were identified and selected in conjunction with drawing up the corporate social responsibility strategy.

Stockmann works closely with its key stakeholders and makes its expertise available to its stakeholders through various working groups and initiatives. Stockmann strives to promote sustainable development and to increase stakeholders' understanding and awareness of responsibility issues.

### Creation of economic added value

Stockmann is a major employer, purchaser of products and services, investor, taxpayer and partner. The breakdown of the added value from Stockmann's operations is presented in the table on the next page.

The majority of the economic added value goes into personnel salaries and other remuneration. In 2012, Stockmann employed an average of 15 603 people, who were paid EUR 361 million in salaries, other remuneration and pension contributions.

As part of its corporate social responsibility, Stockmann also makes donations to worthy causes each year. The goal of these donations is to support education, culture, research and other social projects across Finland and extending to

several of the Group's countries of operation.

During its 150th anniversary year, Stockmann supported a range of projects including the Clean Baltic Sea project of the John Nurminen Foundation, the Four Generations Meet challenge campaign organised by the Central Union for the Welfare of the Aged, and HelsinkiMissio's Save a Generation campaign. Stockmann's involvement with charity organisations is guided by its donation procedures, which can be found on the company's website.

The Group's divisions may support worthy causes in their commercial campaigns, the most prominent example of which is Lindex's cooperation with the cancer fund's Pink Ribbon campaign. Lindex donated a total of EUR 1.8 million in 2012 to fund breast cancer research and the battle against breast cancer. The donated amount almost doubled from 2011.

*The successful Lindex Missoni collection and the Pink Ribbon cooperation raised an unprecedented amount to breast cancer research.*



### Improving Stakeholder cooperation

**The Stockmann Group** will carry out an extensive stakeholder analysis in

# 2013

the aim of which is to determine the views and wishes of the key stakeholders regarding the Stockmann Group's CSR and its reporting.





For the customer: over 15 million customers visit the Stockmann flagship store in the Helsinki city centre annually.

## DISTRIBUTION OF ECONOMIC ADDED VALUE TO DIFFERENT STAKEHOLDERS

EUR million		2012	2011	2010
<b>Producing added value</b>				
Customers*	Sales excluding VAT, other operating income, financial income	<b>2 118.8</b>	2 006.1	1 830.1
	One of our core values is customer orientation, which guides us strongly to put our customers' needs first. We want to improve our dialogue with our customers and better understand their needs and expectations towards Stockmann.			
Goods suppliers and service providers*	Costs of goods, materials and service purchased, includes capital goods and paid rents	<b>-1 610.4</b>	-1 533.8	-1 474.8
	We commit our suppliers and providers to our responsibility work. We collaborate with them to develop our partnerships in order to ensure good business environment conditions for all and the best possible service to our customers.			
<b>Added value produced by Stockmann</b>		<b>508.4</b>	472.3	355.3
<b>Distribution of added value</b>				
Personnel*	Salaries, wages and pension contributions	<b>-361.0</b>	-348.6	-324.0
	Stockmann is a good place to work. Our working atmosphere is great and we try to continuously improve it. We value our personnel and their commitment to the company. We reward success. Our goal is to be a sought-after employer on the labour market.			
Shareholders	Dividends	<b>-43.2</b>	-35.9	-58.3
Investors	Financial expenses	<b>-34.2</b>	-34.9	-22.8
	Stockmann wants to be an attractive and sought-after investment target on the capital market. We have rewarded our Loyal Customers and gained a substantial amount of new shareholders by organising Loyal Customer share option programmes.			
Public sector*	Other social security payments, taxes	<b>-45.4</b>	-46.4	-33.7
	We work actively with the authorities and various organisations. We network and promote sustainable future.			
<b>Distributed to stakeholders in total</b>		<b>-483.8</b>	-465.8	-438.8
<b>Retained in the company to develop operations</b>		<b>24.6</b>	6.5	-83.5

\*Accounting principles have been adjusted to better meet the GRI guidelines.

# PEOPLE

## RESPONSIBILITY FOR PERSONNEL

### STOCKMANN GROUP'S CORE VALUES:

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

- Over 500 long-serving employees were awarded a medal of merit.
- Department store supervisors received more than 600 days of coaching.
- Cooperation between Seppälä and Lindex strengthened due to the establishment of the Fashion Chain Division.

The Stockmann Group is a major employer, and the goals of the company's social responsibility focus particularly on own personnel. The Group employs own personnel in 15 countries. The Stockmann Group complies with local legislation in all its countries of operation and treats its employees equally and according to the equality principle in all personnel matters.

Stockmann values its employees and provides regular training. The aim is to be a sought-after and well-liked employer on the labour market. In addition to employees' personal and professional development, attention is also given to ensuring a healthy and safe working environment. The personnel are also encouraged to look after their own well-being.

#### Human resource management practices

The company's human resource practices are based on its core values and the human resource strategy. The divisions comply with the common rules, but they also have their own, more detailed personnel practices that support the division's performance and the personnel's well-being. On 1 January 2013, the HR

Director, who is responsible for the company's human resources matters, was appointed a member of the Group's Management Committee.

The implementation of good HR practices is monitored through regular personnel surveys, performance reviews and other feedback channels. For example, an extensive discussion of values was held in the Department Store Division in 2012, and this resulted in the division's values being revised. In 2013, the Department Store Division will carry out a SOUND personnel survey in Latvia, Russia and Estonia. The fashion chains will continue their own Spirit and Souls programmes. The strength of these coaching programmes is their reciprocal feedback, which has given rise to new, efficient and productive ways of working that benefit the entire chain.

#### Long tradition of employee-management cooperation

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

In Finland, the divisions have their own Employees' Councils, which convene four times a year. A similar model is followed in the Baltic countries. Human resources matters concerning Finland are handled at the Group Council, which is held twice annually. In 2012, the employees launched an initiative to estab-

lish a European Works Council (EWC) in the Stockmann Group and negotiations between the employer and trade unions on the issue have commenced. If an agreement on the EWC's activity was concluded during 2013, it would begin to operate in 2014.

Two employee representatives participate in meetings of Stockmann's Board of Directors. One of these representatives is elected by the employee representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees. The employee representatives have the right to attend and speak at Board meetings. They are not Board members.

In Finland, around 85 per cent of the Stockmann Group's personnel are covered by collective agreements. Stockmann respects its personnel's freedom of association and right to engage in collective agreement activity. The company does not monitor the extent of union membership, but it does compile statistics on those employees in Finland whose trade union membership fee is deducted from their salary. In 2012, these employees accounted for 26 per cent of the Group's personnel working in Finland. In other countries of operation, statistics on union membership have not been collected.

#### Diverse and international personnel

At the end of 2012, the Stockmann Group employed 16 041 people. With 9 634 employees at the end of the year, the Department Store Division employed the most people. At the close of 2012, the fashion chains

employed a total of 6 121 people, of whom 4 702 were employed by Lindex and 1 419 by Seppälä. Seppälä's number of personnel was lower than in the previous year, due to the closure of 13 stores. Lindex opened 21 stores of its own in 2012, which increased its number of personnel. A total of 132 people worked in Stockmann's Corporate Administration, and 154 people worked in the company's purchasing offices.

Personnel turnover was 26 per cent in 2012, which is average for the sector. However, this figure is dependent to a great extent on the local labour market. In Finland, the personnel turnover was 13 per cent which is significantly lower than in the retail sector in general, whereas in Russia, for example, the personnel turnover is greater. In total, the Group had 6 761 full-time employees and 9 280 part-time employees. The number of full-time employees decreased by 348 compared with the previous year. The need for fixed-

term employees is high in the retail sector. In all, 16 per cent of the Stockmann Group's employees were fixed-term employees in 2012. The proportion of fixed-term and seasonal employees is larger during the Crazy Days campaign and the summer and Christmas seasons in the retail trade.

The Department Store Division and Fashion Chain Division provide many young people with an opportunity to become familiar with working life through the practical training periods arranged by various educational and training institutions. For example, 382 practical training positions were offered to students in 2012, providing a valuable opportunity to become familiar with retail sector operations and customer service duties.

In 2012, women comprised 84 per cent and men 16 per cent of the Group's personnel. The proportion of women managers was high in all functions: of all the

managerial staff working in Finland and abroad, 65 per cent were women. On the Stockmann Board of Directors three out of eight members are women. There are two women in the Group's Management Committee.

At the end of 2012, 53 per cent of the personnel, 8 488 people, worked abroad. One of the factors behind the international success is that the company makes use of the local expertise of the country in question. Using local personnel brings additional expertise and diversity to the company's operations and produces knock-on economic effects for the local area. In operations outside Finland, over half of senior and middle management are local retail sector professionals. In 2012, all the members of the Department Store Division's Management Committee and the Finnish department stores' management were Finns. In total, 69 per cent of the management and

## *Personnel creating the future* OF THE FASHION CHAINS



The strength of the **Lindex Souls** coaching programme is using its personnel's expertise for Lindex's advantage. The programme's participants are carefully chosen, and they work in different roles in different parts of the organisation. What all the participants have in common, is that they are inspiring role models in Lindex. Lindex Souls develops the company's operations for example by pondering which are the success factors of the future. The goal is to create new tools and practises that will benefit the whole chain, from buying functions to the stores. In 2012, 8 members of staff participated in the Lindex Souls coaching programme. Their task was to find out how Lindex

would be meeting its customers' needs in 2020.

**Seppälä's Spirit** is a coaching programme that provides information and job familiarisation for the fashion chain's new and long-term employees. The coaching is carried out by store managers, who coach their own personnel, and Spiritors, who are specially trained to coach new store managers. In addition to the head office's own Spiritor team (pictured), the chain has 25 Spiritors operating in five countries. The Spiritors hold monthly coaching sessions in the stores. The amount of Spirit coaching during the year 2012 came to a total of more than 1 000 hours.





*Crazy Days campaign and retail trade's seasons offer a chance to get acquainted with the retail trade's everyday routine.*

## Valuing long employment relationships

Every year, the company awards medals of merit to some of its employees. The tradition started in 1924, and **almost 20 000 medals have been distributed over the years.**

Medals of merit are awarded for careers of 10, 15, 20, 25, 30, 35, 40, 45 and 50 years with the Stockmann Group. In the 150th anniversary year, medals were awarded to 564 Group employees in four countries.

members of the Country Management Committees of the Baltic and Russian department stores were locals. In 2012, all the members of Lindex's top management were Swedish. Sixty per cent of Lindex's country directors were locals. In 2012, Seppälä's Management Committee consisted of 7 Finnish members and also one Estonian member, who was the country director for the Baltic countries.

### Occupational health and safety of key importance

Occupational health care is arranged in accordance with local laws and regulations in all countries of operation. In 2012 in Finland, all employees whose employment had lasted over 4 months, were covered by the basic-level of occupational health care. The amount of these employees was around 6 000. In Finland, occupational health care costs totalled EUR 2.1 million. Employee well-being and occupational safety are discussed regularly in the employees' councils, which operate in accordance with the requirements of local legislation and represent all personnel groups.

An extensive coaching programme focusing on working ability was arranged in 2012 and was attended by nearly all the supervisors in Finland. This training is intended to increase employee well-being and to reduce absences and the costs incurred from absences. Preventative work is also focused on in the whole Group's occupational safety day, which is organized every other year. In the reporting year 64 employees, who act as safety delegates, deputy safety delegates or safety officers, or whose work is related to occupational health care, real estate management or HR, participated in an extensive training. Online notification forms for internal accidents and close call situations have also had a significant effect on a safer

working environment and a decrease in working accidents. The e-notifications have made the processing of improvement measures faster, and the number of allocated safety directions for workers has grown. The most common accidents in Finland are accidents on the way to work, mainly slipping.

During the year, the Department Store Division's supervisors took part in various training programmes, amounting to over 600 days altogether.

### Wages and salaries, incentives and benefits

Although the Group's average number of personnel fell slightly during the year, the total payroll

remained unchanged from 2011 due to pay increases. Employee benefit expenses totalled EUR 405.1 million, or 19.1 per cent of revenue.

Employees are rewarded for succeeding, and are thus encouraged to contribute to the company's performance, productivity and growth. A significant part of the personnel are covered by an incentive system. The incentive systems for supervisors and experts are based on financial indicators. For personnel in other duties, the main incentive systems are those for specific personnel groups. In 2012, the personnel were paid a total of EUR 5.8 million in incentives of different kinds from the company's 2011 earnings. Key senior and middle management of the

#### PERSONNEL KEY FIGURES

	2012	2011	2010
Staff 31 December	<b>16 041</b>	15 960	16 184
in Finland	<b>7 553</b>	7 237	7 430
abroad	<b>8 488</b>	8 723	8 754
Average number of employees	<b>15 603</b>	15 964	15 165
Average number of employees converted to full-time staff	<b>11 898</b>	12 172	11 503
Average age of staff	<b>34</b>	34	35
in Finland	<b>34</b>	34	36
abroad	<b>34</b>	37	34
Staff turnover of permanent employees, average %	<b>26</b>	30	24
in Finland	<b>13</b>	15	14
abroad	<b>37</b>	42	34
Sickness absences, %	<b>4.5</b>	4.9	4.3
in Finland	<b>4.2</b>	4.5	4.4
abroad	<b>4.8</b>	5.6	4.2
Full-time staff/part-time staff, %	<b>42/58</b>	45/55	42/58
in Finland	<b>42/58</b>	43/57	41/59
abroad	<b>42/58</b>	46/54	43/57
Number of reported accidents at work, Finland	<b>212</b>	243	271
Staff expenses, share of revenue %	<b>19.1</b>	19.4	19.9



Stockmann Group are also covered by a key personnel option scheme, the costs of which amounted to EUR 1.5 million in 2012. More detailed information on management's salaries and bonuses (Remuneration Statement 2012) can be found on the company's website.

The Stockmann Group offers the personnel benefits required by local legislation in all countries of operation. In most countries, employees are offered benefits that clearly go beyond the requirements set by legislation, such as health insurance and meal benefits. Employee benefits also include a company phone and car for those duties that require these. All employees are entitled to a purchase benefit to buy products at a personnel rate in Stockmann Group stores.

Stockmann supports recreational and leisure activities for permanent employees, for instance by

supporting sports and through various staff clubs and the opportunity to rent holiday cabins. In 2012, the company's support for such activities amounted to over EUR 0.4 million.

#### Job rotation between divisions

Continuous career development and an active internal labour market are Stockmann's strengths. Opportunities to switch duties between divisions, functions and countries promote learning and the retention of competent personnel in the company's service. Many members of the Group's management have worked in customer service duties earlier, and many also have experience from various parts of the company.

In 2012, the Department Store Division gave considerable attention to efficient and team-oriented purchasing through the adoption of a new buyer-planner operating model. The aim of this major

organisational change was to make use of in-house knowledge as much as possible.

In the Fashion Chain Division, the year's most important project was the adoption of an operating model based on the new organisational structure and the associated renewal of processes. The organisational changes offered new internal careers paths for the personnel of the Stockmann Group. In addition to this, it was decided to recruit new people for the completely new positions in Seppälä to help develop the fashion chain's brand and support its success.

## From department manager TO DEPARTMENT STORE DIRECTOR

**Maria Martynova** began her career at Stockmann in 1998 as a department manager at the Nevsky store in St Petersburg. Martynova later worked as store director for several years until she changed divisions and became Country Manager for Lindex in Russia in summer 2008. Martynova returned to the world of department stores in 2010, when she assumed the leadership of Stockmann's flagship department store in St Petersburg.

Stockmann's success in Russia is due to the local and motivated personnel, who are committed to the Department Store Division's values and to Stockmann's customer-focused operating

model. The St Petersburg department store has over 500 employees in whose recruiting Martynova has been involved. "As Department Store Director, I interview each permanent salesperson and ensure the suitability of the potential employee by discussing values at this recruitment stage", says Martynova.

"Stockmann is a responsible employer, and our personnel are proud to be Stockmann employees. We value the opportunities for personal development as the company moves forward. Our goal is to improve our operations continuously and to be part of Europe's best department store chain",

says Martynova.

Martynova has actively participated in internal training programmes. She is also taking part in Stockmann's new LEAD coaching programme. The objective of the training programme is to further develop supervisor skills and strengthen the management culture based on strategy and values. Participants also have the opportunity to learn more about Stockmann's international operations and to get to know colleagues working in different positions and in different countries.



"Stockmann's success in Russia is due to the local and motivated personnel", says Maria Martynova, director for the department store in St. Petersburg.

## RESPONSIBLE PRODUCTS AND THE SUPPLY CHAIN



- The fashion chains had about 9 million garments made from organic cotton or recycled fibre in their selections.
- Stockmann Delicatessen food departments lead the field with their MSC certification.
- Nearly 350 audits of supplier factories were performed: 173 external BSCI audits and 170 own inspections.

The Stockmann Group strives to ensure the safety of the products it sells and the responsibility of the supply chain and production. In 2012, the range of clothing made from organic cotton or recycled fibre in the fashion chains' selections was expanded. The selection of responsible products in the department stores' Delicatessens in Finland grew as well.

The majority of the product selection in Stockmann's department stores consists of international and domestic brand products in which responsibility issues are assessed during purchase negotiations. Over half of the Department Store Division's own brand fashion products are procured through the Group's own purchasing offices. All of Lindex's products and a significant portion of the products in Seppälä's selection are procured through the same purchasing offices. The purchasing offices are located in China, Hong Kong, India, Bangladesh, Pakistan and Turkey. They purchase the garments from a network of circa 500 factories and almost 220 garment suppliers.

The Stockmann Group does not have its own factories or production facilities.

The Stockmann Group requires that the Supplier Code of Conduct, which is based on the principles of the Business Social Compliance Initiative (BSCI), is complied with in supply chains for its own brand products. Stockmann does not condone child or forced labour in any shape or form and requires its goods suppliers to abide by this principle. Stockmann does not permit any treatment of individuals or working conditions that contradict international treaties or accepted international conventions. If deficiencies in the supply chain are identified, an action plan for correcting these will be drawn up and the implementation of this plan will be monitored.

### Social responsibility in the supply chain

Stockmann's social responsibility extends to encompass, indirectly, the working conditions of employees all along the supply chain. Since 2005, the Stockmann Group has been a member of the BSCI, a body set up to promote cooperation in social compliance. The BSCI was developed by European companies, trade unions and other organisations and is administered by the Brussels-based Foreign Trade Association (FTA). The purpose of the BSCI is to improve the working conditions in the production facilities of goods suppliers, at the same time clarifying and harmonizing the monitoring process. In addition, the department

stores adhere to the principles of responsible import trade as set out by the International Association of Department Stores (IADS). In addition, 16 goods suppliers had SA8000 certification in 2012, which is an indication that these companies have adopted sufficient internal processes to ensure workers' basic human rights.

A significant number of the Stockmann Group's own products come from areas classified as risk countries by the BSCI, such as China and Bangladesh. The recognised social responsibility risks of Stockmann's supply chains in risk countries include deficiencies identified in audits and in public discussion concerning overtime, remuneration and employee-related documentation in particular. To improve practices, Stockmann encourages its suppliers that are involved in the BSCI auditing process to participate in training concerning good and safe working conditions.

### Regular factory audits

In 2012, a total of 173 BSCI audits were carried out at factories located in risk countries which manufacture Stockmann department store and fashion chain own brand products. Nearly half of the audited factories were assessed as being "Good", and 23 per cent were found to be "Non-compliant". Of all the audits conducted in 2012, 128 were initial audits.

The BSCI audits are conducted by internationally accredited independent auditors. In addition to



**BSCI CODE OF CONDUCT**

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

these external audits, Stockmann carried out 170 of its own inspections of supplier factories through its purchasing offices in 2012. Each purchasing office has responsibility experts who monitor the production processes and the responsibility of operations. The purchasing offices review the operating models and quality levels of each factory that they use before entering into a contract and starting production. Own inspections focus on employees' working conditions and environmental issues. In addition to this, the fire safety of factories in Bangladesh has been given special attention for several years in cooperation with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA). Training materials were distributed to factories, and fire safety inspections were carried out in 40 factories during 2012 and in the beginning of 2013. In 2012 there were several fires at factories in Bangladesh, though these were not factories supplying garments to the Stockmann Group's divisions. In order to improve the fire safety of the factories, external inspectors will carry out electrical inspections during 2013 in the factories that are used by the Group.

**Participation in local operations**

Many challenges relating to working conditions in risk countries are not limited to individual factories, but affect the entire country or industry. The Stockmann Group strives to enhance local well-being and good and safe working conditions through cooperation with various stakeholders. In 2012, Lindex commenced cooperation with Business for Social Responsibility (BSR) and committed itself to the Health Enables Returns (HER) project. Through the HER project, women working in selected factories in Bangladesh and Pakistan

receive training on matters related to well-being that interest them. During the year, the HER project and its principles have reached a wider audience through the women working at the factories, as those who participated in the training have passed on information and good practices to others. Through the project, women's knowledge about their personal health and that of their families has increased, and absences at the factories have decreased. During 2012, Lindex continued with two projects for school pupils that it had started earlier: the School of Hope in Bangladesh and the Shanghai Sunrise in China, respectively.

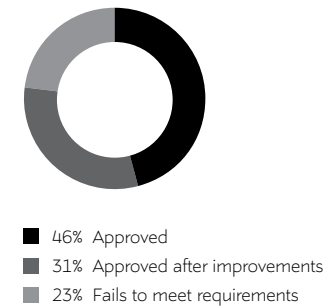
**Responsible selections expanded**

*Stockmann department stores*

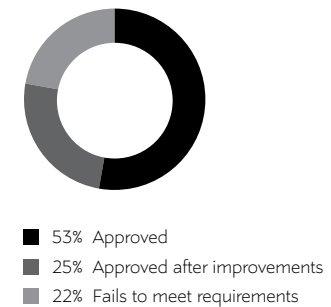
Stockmann department stores offer an extensive range of products, consisting of over 1.5 million product titles. In the areas of fashion, cosmetics and household products, the choice includes products made from organic and recycled materials and eco-labelled products. The range also includes wood and paper products with FSC (Forest Stewardship Council) and PEFC (Programme for the Endorsement of Forest Certification) certification, and electronics that comply with Energy Star requirements.

Plenty of organic and Fair Trade food products are available at Stockmann Delicatessen food departments. The Delicatessens' selections include nearly 1 400 organic products. Stockmann Delicatessen reached an important milestone in 2012 when the fresh fish counters were the first in Finland to receive Marine Stewardship Council (MSC) certification, an international labelling system for sustainable fish products. The MSC

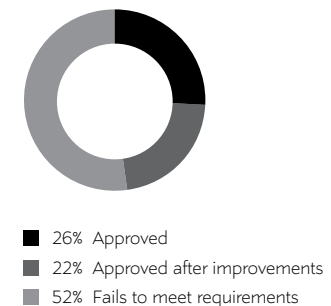
BSCI AUDITS IN 2012 (N=173)



BSCI AUDITS IN 2011 (N=199)



BSCI AUDITS IN 2010 (N=184)







products sold in Stockmann Delicatessens are part of a wider range of fish products available to customers. The MSC certified fish products consist of imported wild fish that is caught responsibly, without endangering fish stocks, and the origin of the fish is traceable all the way to where it was caught.

**Fashion chains**

In 2012, Lindex had in its sortiment 8.9 million products manufactured from organic cotton,

recycled fibre or Tencel fabric. Sales of products manufactured from responsible materials grew by 6 per cent from the previous year. Products manufactured using materials complying with Lindex’s sustainable development principles are clearly marked with own labels in the stores, and are displayed on a separate page in the online store. These products account for nearly 13 per cent of Lindex’s selections. Collections includes more materials of cotton that complies with the Better

Cotton Initiative (BCI), which aims to reduce the environmental impacts of cotton farming. In 2012, Lindex sold 80 000 products manufactured from BCI cotton.

Seppälä has increased the use of organically grown cotton in its products. The new Seppälä Baby collection was launched in 2012, and eco-friendliness is favoured in the materials used. Seppälä’s “Organic Cotton” label on garments also indicates to customers that organic cotton is used.



*Delicatessens’ fresh fish counters in the department stores in Finland have been the first to achieve the international environmental certificate of the Marine Stewardship Council (MSC).*





The selection of these products will be expanded in 2013 to cover women's and men's T-shirts available in the collection.

#### Product safety and internal quality assurance

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. The company's purchasing organisation makes sure that products comply with the valid requirements set in chemical and product safety legislation. In addition to Finnish Customs, products are tested regularly by their manufacturers and importers, and by Stockmann in the case of own brand products. Testing ensures that the products fulfil all quality and safety requirements set by legislation or the stricter requirements set by Stockmann. In

addition, Stockmann follows product notifications issued by the European Union in order to inform customers as quickly as possible about products that pose a risk.

One public product recall involving a Stockmann department store own brand product was made in 2012. The product was a LED book, sold in the Helsinki city centre department store during the Christmas season. Only a few customers had bought the product, and they were advised to quit using the product immediately and to return the product. Stockmann made a refund to the customers. During 2012 Seppälä recalled one product, which was a leather glove. There was a defect in the chromium content of a decoration of the glove, which caused the product recall.

Stockmann Delicatessens and the company's central kitchen have an extensive internal quality

assurance system for product safety. Stockmann's central kitchen has been certified in accordance with the ISO 22000 international food safety standard. The central kitchen complies with the legal requirements and those of the authorities, and is seeking to further improve its operations. In 2012, there were no product recalls regarding the central kitchen's products.



**"We are close to the garment production, and can control the production and working conditions",** says Elisabeth Hedberg, *director in charge of Stockmann Group's purchasing offices.*

## Working in the core of buying FOR 20 YEARS

**Elisabeth Hedberg** started working at Lindex nearly 20 years ago as a buyer of children's wear. Her career at the company, which began in 1994, has featured a range of different jobs. These have included her involvement in establishing Lindex's operations in Turkey, and also various duties concerning products and purchasing. As the director in charge of the Stockmann Group's purchasing offices, Hedberg is very knowledgeable regarding Lindex's countries of operation and store network, and is in contact with the purchasing offices on a daily basis.

"Having our own purchasing offices, we are close to the garment production facilities and can control the production and working conditions in the factories. Due to our presence in local operations, we can also listen to the wishes and expectations of the local people relating to our social responsibility", says Hedberg and continues: "We do not merely ensure that the factories meet our requirements; we also want to help them to improve their operations".

# PLANET

## ENVIRONMENTAL RESPONSIBILITY



*Eco-friendliness is taken into account in the manufacturing processes of the fashion chains' own brands. Lindex sold 80 000 products manufactured from BCI cotton.*

- Top ranking in the Nordic Consumer Discretionary sector of the Carbon Disclosure Project (CDP) survey.
- Stockmann's Finnish department stores have complied with the ISO 14001 system for 10 years.
- The fashion chains have an environmental code that addresses sewage treatment, waste management, and chemicals and emissions control in the supply chain.

Stockmann's objective is to manage the environmental impact of the company's business operations. Stockmann takes environmental considerations into account in the planning and management of operations and in the procurement of products and services for its own use. Operations are continuously being developed with energy saving in mind, and the most environmentally friendly solutions are sought in store furnishing, lighting and maintenance.

Environmental work at Stockmann is based on its corporate social responsibility strategy and on the environmental policy approved by the Board of Directors. The management of environmental responsibility is organised as a part of the divisions' day-to-day management.

The divisions (Department Store Division and Fashion Chain Division) independently set specific environmental targets, define indicators for monitoring the achievement of these targets, and establish management practices. In 2012, waste sorting and energy efficiency were further developed in the

Department Store Division. The department stores in Finland reached their sorting rate target, which was 95 per cent. In addition, the total amount of waste decreased by 2 per cent compared with 2011. Stockmann's Finnish department stores are the division's leaders in environmental matters, and the next objective is to extend the effective and efficient environmental practices to the department stores in the Baltic countries. The fashion chains continued their own environmental programmes, which focus on preventing the adverse effects of cotton production and reducing the environmental impacts of manufacturing.

### Managing environmental responsibility

In developing their operations, all of Stockmann's department stores in Finland take environmental issues into account to an extent greater than the law requires. These Finnish department stores have operated under an ISO 14001 certified environmental system for 10 years already. The ISO 14001 certification covers the functions of Stockmann's department stores and Academic Bookstores in Finland, as well as the Department Store Division's support functions. Over 80 per cent of the Group's personnel in Finland work in jobs falling within the scope of the certified functions.

Audits of the ISO 14001 environmental system are carried out on a regular basis, and an internal audit of the environmental system was carried out in 2012 in all of Stockmann's Finnish department stores and

warehouses, the Outlet, and the stores at Helsinki-Vantaa Airport. External audits were carried out at the Helsinki, Jumbo, Turku, Tampere and Oulu department stores. In addition, the central kitchen received an ISO 14001 certificate. Seven external and 15 internal audits were carried out during the year.

Stockmann department stores in Finland are investing in energy efficiency through voluntary measures and various projects and agreements. For example, the Stockmann department stores in Helsinki and Tampere took part in the WWF's global Earth Hour event by turning off the lights on their façades and in display windows and vestibules for the hour. The Helsinki city centre department store also joined the Climate Partners network, through which a commitment has been made to reduce the energy consumption of the Department Store Division's Finnish stores in accordance with the energy efficiency agreement scheme for the Finnish retail sector.

The Fashion Chain Division does not use a certified environmental management system. The Lindex and Seppälä stores mainly operate in leased premises in shopping centres, which means that in addition to the store's energy-efficient concept, environmental issues are taken into account to the extent possible within the property in question.

For several years, Stockmann's purchasing offices have made efforts to assess and minimise the harmful environmental impacts of their suppliers' factories. Lindex has drafted an environmental code that

addresses sewage treatment, waste management, and chemicals and emissions control in the supply chain. The personnel of the purchasing offices conduct environmental inspections of factories and monitor compliance with environmental protection legislation and the requirements set by the Group's Supplier Code of Conduct. In 2012, Lindex participated in three projects that improved the level of environmental protection at production facilities in China and Bangladesh.

Since 2008, Lindex has participated in the Better Cotton Initiative (BCI), which aims at reducing the harmful environmental impacts of traditional cotton cultivation. During the last three years, a total of 2 000 farmers have been trained to grow cotton using less water, chemicals and fertilizers. In addition, the BCI works to improve workers' conditions and encourages farmers to cooperate and share tried-

and-tested practices.

Bangladesh is one of the most important production locations for the Group's own brand clothing. Since large batches of clothes are produced in Bangladesh, the fashion chains have committed themselves to the Cleaner Production project, which aims to achieve more efficient and cleaner production. Through the project and in cooperation with various players, the use of water, chemicals and energy has been reduced at various factories and their production costs have also decreased in 2011 and 2012. Employee health and occupational safety matters have also shown an improvement.

#### Key environmental impacts constantly monitored

The most significant environmental impacts of the Stockmann Group's own operations arise from

energy consumption, waste, and transportation. Environmental impacts are monitored closely within the divisions and at the different business locations. This enables any divergences in consumption or waste to be addressed quickly. The Group also provides training and information to improve the personnel's environmental awareness.

The department stores and stores of the company are located on areas zoned for business properties. Because the commercial activities are not located on properties with protection or high biodiversity requirements, the Group's effects on biodiversity are small. No environmental damage, accidents or offences were recorded during 2012.

Environmental matters are taken into account in the office functions. For example, online salary payment was adopted in the Group's Finnish operations in 2012. Stockmann's divisions hold most of their

## A dream job FOR PROMOTING SUSTAINABILITY

**Emilia Gädda** has responsibility for environmental matters at the Helsinki city centre, Jumbo and Turku department stores, the Pitäjänmäki offices and the Department Store Division's warehouses. Key aspects of her work as environmental expert include training Stockmann employees, conducting audits and replying to environment-related customer feedback.

"Environmental issues are continuously discussed in department meetings and on the stores' information screens. I also hold extensive environmental training every month for new employees of the Helsinki city centre department store. The results of my work are visible to the customers as well. Exper-

tise in environmental matters forms part of our excellent customer service", Emilia Gädda says.

#### Environmental friendliness of department stores constantly improved

The employees of Stockmann's Finnish department stores work with determination to achieve environmental objectives. "We engage in active dialogue with our partners so that we can learn about the best environmental practices and incorporate them. We also continuously monitor waste volumes and divergences in real time. New objectives are set every year for environmental matters so that we can continue to improve and develop our operations", says Gädda.

Emilia Gädda joined Stockmann in February 2008. She has held various positions, for example as an hourly-paid employee and then team supervisor at the service point at Jumbo, and as a purchasing assistant in Pitäjänmäki. As an environmental expert, she is now in her dream job: "I believe in sustainable development. My work is important both for the company and for society at large. The best things about the job are its diversity and constant variation and the challenges. I also get a lot of encouragement from my wonderful colleagues and our external partners. Working together spurs us on to achieve the objectives."



**"Expertise in environmental matters forms part of our excellent customer service", Stockmann's environmental expert Emilia Gädda says.**

## ENERGY AND WATER CONSUMPTION 2010–2012

	2012	2011	2010
DIRECT CONSUMPTION			
Heating fuel(l)	<b>532</b>	4 325	4 570
Natural gas (m <sup>3</sup> )	<b>1 352 649</b>	1 505 546	638 200
INDIRECT CONSUMPTION			
Elektricity (MWh)	<b>171 585</b>	169 900	151 223
District heating and cooling (MWh)	<b>90 058</b>	96 883	103 811
Water (m <sup>3</sup> )	<b>287 297</b>	267 185	211 678

Heating fuel does not include the energy used by vehicles. Electricity covers all Group operations, excluding franchise operations. Heating and cooling energy covers all the Group's operations, excluding franchise operations, as well as the Stockmann Beauty and Seppälä store consumptions. Water covers all the functions of the department store division (excluding the Stockmann Beauty stores, as well as, Jumbo and Itäkeskus department stores), Group administration, Seppälä HQ and logistics center, as well as Lindex logistic center and part of the HQ functions. Electricity and water consumption data for 2011 restated due to an error.

regular internal international meetings with the aid of video and telephone conferencing equipment. The company also pays attention to emissions caused by business travel undertaken by its personnel, and alternatives with low emissions are favoured. For example, business travel between Helsinki and St Petersburg is done by train when possible. In addition, it was decided that starting from 2014, the company headquarters will gradually move to new premises. The solutions used in these premises will emphasise energy efficiency and sustainable development.

**Energy consumption**

The Group's energy consumption mainly consists of electricity, heating and district heating. Energy is consumed by the lighting, ventilation, heating and cooling systems in the stores, warehouses and offices, as well as by the equipment and machinery in these facilities, including lifts, escalators, refrigeration and IT equipment. Increasing attention is being given to environmental matters in the store modifications and new store concepts within the Department Store Division and the Fashion Chain Division. For exam-

ple, the stores in the Lindex fashion chain succeeded in reducing energy consumption by around 8 per cent per store square meter over two years. In 2012, energy savings were sought by optimising the department stores' ventilation and general lighting. For example, the lighting at the Helsinki city centre department store's One Way department was renewed and replaced with LED technology. Drawing on the lessons of this, the entire Department Store Division's lighting concept was renewed. LED technology will be incorporated more widely throughout the chain in conjunction with future renovation and enlargement projects.

At the St Petersburg shopping centre, an energy consumption monitoring system with alarms was introduced. The resulting reports enabled the energy efficiency of the property to be improved substantially. Based on the good experience gained in 2012, it was decided to link the other Russian department stores to the reporting system.

**Water consumption**

Most of the water is used in the department stores' restaurant, kitchen and sanitary facilities. In the divi-

sions and the Group's support functions, the water used at the different business locations is supplied by the local water utility. Water consumption is minimised by instructing personnel, preventing and repairing even the smallest leaks and procuring more efficient water fittings to replace older ones. The wastewater from operations goes to municipal sewer systems. Stockmann has no emissions into the water system, nor is water recycled or reused in the operations.

**Waste management and recycling**

The waste generated by the divisions' operations is mainly packaging waste, such as cardboard and plastic. The Department Store Division also generates biodegradable waste as a result of the operations of the central kitchen, the Delicatessen food department and restaurants and cafés. The waste sorting results for the various business locations are monitored on a monthly basis, and the aim is to keep the amount of landfill waste as low as possible. The Finnish department stores have provided training for personnel in waste sorting and recovery, and have also improved the guidance issued on these and

## STOCKMANN'S WASTE MANAGEMENT STATISTICS 2010–2012 (tons)

	Department stores, Finland			Department stores, abroad			Lindex			Seppälä			Total		
	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010	2012	2011	2010
RECYCLABLE WASTE															
Cardboard and paper	<b>2 201</b>	2 242	1 741	<b>536</b>	300	262	<b>3 181</b>	1 166	1 144	<b>277</b>	309	378	<b>6 195</b>	4 017	3 525
Combustible waste	<b>1 344</b>	1 227	1 052	<b>102</b>	n/a	n/a	<b>21</b>	28	24	<b>17.2</b>	19.7	16	<b>1 483</b>	1 274	1 092
Bio waste	<b>2 310</b>	2 433	2 132	<b>256</b>	354	386	<b>2</b>	1	n/a	<b>5.1</b>	5.1	9	<b>2 573</b>	2 794	2 527
Other (plastic film, metal, glass)	<b>131</b>	81	88	<b>21.9</b>	26.3	6	<b>103.5</b>	83.4	3	<b>4</b>	7	7	<b>260</b>	198	104
LANDFILL WASTE	<b>334</b>	484	587	<b>7 104</b>	6 115	6 113	<b>0</b>	4	6	<b>5.3</b>	6.9	16	<b>7 444</b>	6 610	6 722
HAZARDOUS WASTE	<b>10</b>	7	14	<b>4.9</b>	n/a	n/a	<b>0.5</b>	n/a	n/a	<b>0.2</b>	0.4	0	<b>16</b>	7	14
<b>TOTAL</b>	<b>6 330</b>	6 474	5 614	<b>8 021</b>	6 796	6 767	<b>3 307</b>	1 282	1 177	<b>308</b>	348	425	<b>17 972</b>	14 899	13 984
WASTE UTILIZATION, %	<b>95</b>	93	89	<b>11</b>	10	10	<b>100</b>	100	100	<b>98</b>	98	96	<b>59</b>	56	52

Waste disposal contractors defined the waste disposal methods. Figures for the department store division in Finland cover all division's functions. Figures for the department store division in other countries, cover department stores and logistics centers in the Baltic states and Russia, as applicable. Lindex figures cover the distribution center and part of the HQ functions. Seppälä figures cover the HQ and the logistics center.





Environmental matters are taken into account at the Lindex logistics centre.

made sorting practices more convenient. In 2013, the metal and glass collection system will be expanded at the Finnish department stores, and the scope for increasing the collection of film and shrinkwrap will be assessed.

In 2012, nearly 95 per cent of the waste generated by the Department Store Division's functions in Finland was either recycled or converted into energy. A total of 99 per cent of the waste generated at the head offices and logistics centres of Lindex and Seppälä was utilised, which was about the same as in 2011. The waste recycling efficiency rates of the Department Store Division's international operations are considerably lower than those in Finland due to differences in recycling systems and limited recycling possibilities.

Attention has been focused on reducing all waste

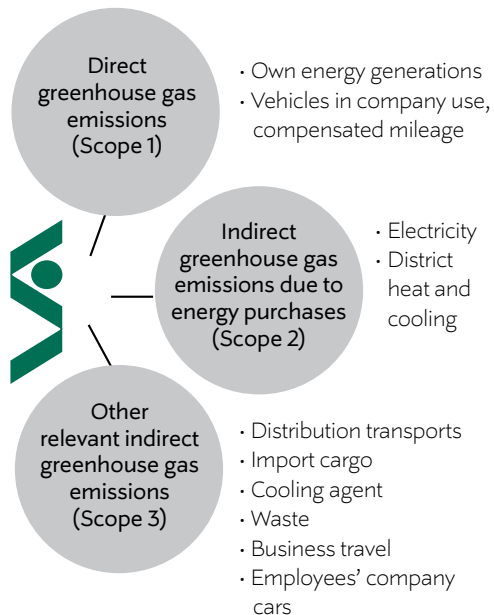
in the operations of the department stores and fashion chains. The department stores donate bread products to their partners in compliance with product safety guidelines and legislation. In addition, Finland's department stores has begun cooperation with a number of partners on the re-use of items that are removed from stock items, such as old work uniforms and office furniture, surplus materials or products. Seppälä provided fashion students with an opportunity to create their own collection from Seppälä's samples.

In their role as product importers, Stockmann's divisions have producer liability, i.e. they are obligated to arrange the waste disposal and recycling of certain products and their packaging at their own expense. Consumers can return free of charge those products which they no longer use to collection points main-

tained by these producer organisations. Portable batteries and disposable batteries, household electrical and electronic appliances, fluorescent lamps and energy-saving lamps can be returned to Stockmann department stores.

### Transport

The Stockmann Group comprises 16 department stores and over 700 other stores. The stores extend from the Nordic countries to Russia and Saudi Arabia. We serve customers in different countries and continents, and so emissions are produced in the distribution of goods to our stores. Attention is focused on the efficient and environmentally friendly movement of product flows. In 2012, for example, Seppälä's air freights decreased over ten per cent compared to the previous year.



### Stockmann's carbon footprint

Stockmann extensively reported its greenhouse gas emissions for the first time in 2010. The carbon footprint calculation was developed in 2012 to include the Baltic and Russian functions of the department store division. Reporting covers now Seppälä's operations in Finland, as well as the operations of the department store division and Lindex in all countries.

Stockmann's total reported emissions doubled from the previous year. This is mainly due to new functions that have been added to the scope of reporting. In particular, the purchased energy of the Baltic and Russian operations raised the total reported emissions substantially. The largest emissions came from purchased energy, especially electricity production. Other major emissions came from import freight.

Greenhouse gas emission reporting is a management tool and provides the basis for defining emission reduction priorities and targets. Reporting will be developed in the future to cover all emissions in all countries. Stockmann's carbon footprint was calculated by a third party according to the international Green House Gas (GHG) Protocol reporting guidelines. Stockmann reports its carbon footprint annually in the international CDP survey.

### GREENHOUS GAS EMISSIONS 2012 (tCO<sub>2</sub>e)

	2012
<b>Direct emissions (Scope 1)</b>	
Vehicles and own energy generation	<b>742</b>
<b>Indirect emissions due to energy purchases (Scope 2)</b>	
Electricity	<b>50 748</b>
District heat and cooling	<b>22 011</b>
<b>Other relevant indirect emissions (Scope 3)</b>	
Distribution transports*	<b>3 393</b>
Import cargo	<b>14 969</b>
Cooling agent	<b>3 391</b>
Air travel**	<b>1 536</b>
Waste***	<b>1 350</b>
<b>Total</b>	<b>98 139</b>

The Baltic and Russian department store operations were added to the reporting in 2012. The figures are not comparable with earlier years.

\* Internal logistics and customer deliveries (avoided emissions deducted).

\*\*Air, train and bus travel, and employees' company cars.

\*\*\*Only the Department Store Division's operations in Finland and the Baltics.

# PROFIT

## FINANCIAL RESPONSIBILITY



- Revenue was up by 5.5 per cent and operating profit improved by EUR 17 million.
- For the first time in our history, revenue abroad was greater than in Finland.
- A bond issue expanded our financing sources and brought new investors.
- In our 150th anniversary year, the number of department store loyal customers increased by around 350 000.
- Lindex began the new More at Lindex loyal customer programme with a launch in Norway.
- The number of members in the Seppälä Club exceeded one million.

Profitable growth forms the core of Stockmann's strategy. Competitiveness and positive financial performance create an opportunity for the Group to meet investors' return expectations and focus on personnel development and wider social responsibility. Socially responsible operations, in turn, create a solid foundation for efficient operations and the company's financial growth, and strengthen the corporate image. The aim is that Stockmann should be recognised as a responsible and transparent company among investors.

### 150-year-old Finnish listed company

Stockmann plc, the parent company of the Stockmann Group, is listed on NASDAQ OMX Helsinki. In its decision-making and administration, Stockmann complies with the Finnish Limited Liability Companies

Act, the provisions of its Articles of Association, and other applicable legislation. Stockmann complies in full with the Finnish Corporate Governance Code, which is issued by the Securities Market Association.

At the end of 2012, Stockmann had nearly 60 000 shareholders. The increase in the number of shareholders was mainly due to the share subscriptions by more than 5 000 loyal customers using loyal customer share options. Stockmann launched new loyal customer share options in accordance with the decision of the General Meeting of shareholders.

Stockmann plc's highest decision-making body is the General Meeting, which approves the company's financial statements, grants release from liability to the Board of Directors and the Chief Executive Officer and elects the Board of Directors. A total of 967 shareholders participated in the 2012 General Meeting of shareholders.

At present, the Board has eight directors, none of whom are full-time and all of whom are independent of the company. The majority are also independent of the company's major shareholders. The personnel have elected two representatives who have the right to attend and speak at Board meetings. The Board of Directors appoints the CEO, who is responsible for the company's operations in accordance with the instructions and policies issued by the Board. The Board also appoints the other members of the Group Management Committee. More detailed information on Stockmann's corporate governance is available in the Annual Report and on the Group's website, where

the Corporate Governance Statement for 2012 has been published.

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

The purpose of Stockmann's disclosure policy is to ensure that, as a basis for establishing the price of Stockmann shares, all those operating on the market have sufficient and accurate information on Stockmann available to them simultaneously, promptly and impartially. All investor information is published on the website [stockmanngroup.com](http://stockmanngroup.com) in Finnish, Swedish and English. Financial information is published on the parent company, the Group as a whole and its divisions.

Stockmann's Board of Directors has targeted a dividend distribution of more than half of the earnings derived from the company's ordinary operations. In 2012, a total of EUR 35.9 million, equivalent to EUR

0.50 per share, was paid to shareholders in dividends from the 2011 earnings. In spring 2013, the Annual General Meeting resolved to pay EUR 43.2 million in dividends from the 2012 earnings, or EUR 0.60 per share, which is more than 80 per cent of the earnings per share.

### Revenue and operating profit improved

In 2012, the European debt crisis created uncertainty in consumer behaviour and affected growth prospects in the Nordic markets. The Russian market performed favourably in 2012, and the Stockmann Group achieved a positive operating profit in Russia for the first time since 2008, when the economic crisis began. All the units in the Baltic countries also continued to perform well. In Finland, retail trade growth slowed down in the second half of 2012, and the earnings of Stockmann's Finnish functions declined. Although it was a challenging year, the Stockmann Group's operating profit grew by 17 million to EUR 87.3 million in 2012.

The Stockmann Group's revenue grew by 5.5 per

cent in 2012. The company reached an important milestone in its international expansion, as revenue was greater abroad than in Finland for the first time in Stockmann's 150-year history. This trend is also expected to continue in the future.

In the Department Store Division, the revenue of the Russian department stores, in particular, grew substantially. In the Fashion Chain Division, Lindex raised its market share in nearly all its countries of

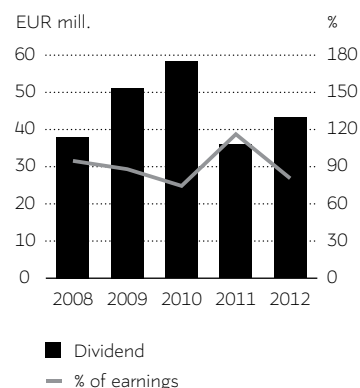
operation, while 2012 was a challenging year for Seppälä. A new joint division, comprising the Seppälä and Lindex fashion chains, was created in summer 2012. The aim of this is to improve together the efficiency of operations on international markets. Seppälä also started a comprehensive brand renewal in 2012 that is intended to support the success of the fashion chains and increase Seppälä's competitiveness and profitability.

### MAJOR SHAREHOLDERS 31 DECEMBER 2012

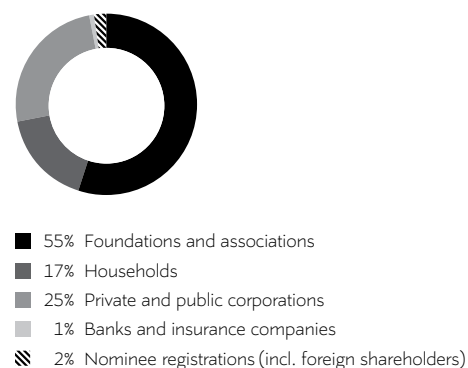
	Percentage of shares	Percentage of votes
1. HTT STC Holding Oy Ab	11.7	10.7
2. Föreningen Konstsamfundet grouping	9.4	15.0
3. Society of Swedish Literature in Finland	7.6	15.7
4. Niernistö grouping	5.8	9.4
5. Stiftelsen för Åbo Akademi	4.3	6.7
6. Etola Group	4.2	6.1
7. Varma Mutual Pension Insurance Company	3.1	0.7
8. Samfundet Folkhälsan i svenska Finland r.f.	2.2	2.7
9. Jenny ja Antti Wihuri's Fund	1.9	2.1
10. Inez och Julius Polins Fond	1.5	0.8

59 283  
SHAREHOLDERS  
31 DECEMBER 2012.

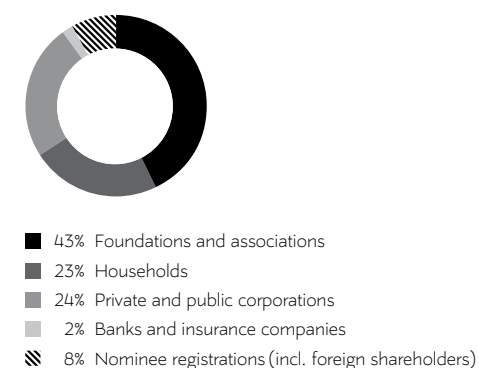
DIVIDEND FOR THE FINANCIAL YEARS 2008-2012



DISTRIBUTION OF VOTES 2012



DISTRIBUTION OF SHARES 2012



## The loyal customers

of the Stockmann Group's divisions are committed and long-term customers.

In the **Department Store Division**

# 70%

of sales are from loyal customers.

Due to the prolonged period of economic uncertainty, the Board of Directors of the Stockmann Group decided in summer 2012 to abandon the previously agreed timetable for achieving the long-term financial targets, but the targets themselves remained unchanged. Stockmann aims for an efficient capital structure that will ensure favourable operating conditions regardless of the sector's sensitivity to changes in the economic situation. In 2012, Stockmann issued a corporate bond and expanded its financing sources. As a result of the bond issue, Stockmann also got new institutional investors.

### Over seven million loyal customers

The Stockmann Group's divisions have four loyal customer programmes: Stockmann's and Hobby Hall loyal customer programmes in the Department Store Division and the Seppälä Club and More at Lindex - launched in the latter half of the year - in the Fashion Chain Division. These have more than 7 million customers in total. The companies keep in touch with their loyal customers on a regular basis and offer them benefits with a monetary value. In 2012, the Stockmann department stores focused strongly on acquiring more loyal customers by offering free loyal customer membership to celebrate the 150th anniversary. Stockmann gained approximately 350 000 new loyal customers during the year, representing an increase of 20 per cent. The Seppälä Club also successfully increased the number of its loyal customers, as the number of Seppälä Club members exceeded one million in the latter part of the year.

All the loyal customer programmes have their own customer registers, which are compiled in order to manage customer relationships and for customer service and marketing purposes. The personal data of Stockmann's customers and of shareholders

attending its General Meetings is handled confidentially in accordance with the applicable legislation. In 2012, Stockmann received some queries from customers regarding how we use personal data. These cases were dealt with and did not lead to follow-up measures. There were no complaints or cautions about the loyal customer systems from the authorities. The loyal customer systems' data file descriptions can be found on the respective units' websites.

### Key importance of customer satisfaction

The Stockmann department stores are known for their customer-oriented service. Top-rated, professional customer service does not happen by itself, but instead requires regular personnel training from the recruitment stage onwards, including comprehensive induction arrangements for employees. Customer orientation strongly guides the company's operations, and considerable attention is given to

providing a first-class service that exceeds expectations.

Customer satisfaction surveys and customer and employee feedback provide valuable information that guides the Group's divisions in developing their operations. Information concerning customer relationships is utilised in improving customer service and sales, in daily management of personnel, in developing the skills, remuneration and commitment of supervisors, and in the design of training programmes.

Customer satisfaction is regularly assessed, as is recognition of the Group's own brands and the different units. Tools that are used include online surveys and exit polls, and in the Department Store Division mystery shopper method. Customer satisfaction is monitored actively in relation to the wider competitive situation and the general retail market.

In the Stockmann Group, the divisions use sepa-







Young people value Stockmann as a workplace. Trainee Martti Kähkönen in the Helsinki city centre department store.

rate customer feedback channels for each retail brand. The principle of replying to customer feedback is the same in all units: a reply is made to all customers who request this. The use of different social media services as a customer feedback channel alongside the traditional feedback channels increased in all units in 2012.

#### Awards achieved during 2012

Stakeholders value Stockmann. During 2012, Stockmann got recognition for the Group's carbon reporting, and rose to top places in customer service, reputation and employer surveys.

#### Carbon reporting to a new level

The Stockmann Group's carbon emissions reporting and management received in the Carbon

Disclosure Leadership Index the score 87/100, which was the highest score in the Consumer Discretionary series. Stockmann improved 26 points on its last year's result. The report lists the company's operations relating to climate change on a level from A to E. Stockmann's operations were evaluated to be at level B, which is the second best level, improving 3 levels on its 2011 classification.

#### A popular and valued workplace

Stockmann achieved fourth place in consultant and research company Univesum's Finland's Ideal Employers 2012 survey among students from the field of economics.

Stockmann was rated as the company with the second best reputation in the retail sector in Finland

in the Finnish Corporate Reputation and Responsibility survey 2012 by TNS Gallup. 57 companies from six different sectors were evaluated in the survey. The focus was on such aspects as public image, quality of products and services, trustworthiness, financial success and corporate social responsibility of the companies. 22 000 Finnish consumers were interviewed for the survey.

#### Finland's best customer service

Finnish customers selected Hobby Hall as the best contact centre for 2012. Hobby Hall managed to raise customer service satisfaction 18 per cent from the previous year. The selection was based on customer satisfaction surveys sent via SN4Mobiles, and the survey data covers feedback from over 50 000 Finnish customers.



# CORPORATE SOCIAL RESPONSIBILITY REPORTING PRINCIPLES



This report provides information about the focus areas and results of the Stockmann Group's responsibility work. The report is directed at Stockmann's main stakeholders (p. 8). The reporting period of this report is the financial year from 1 January to 31 December 2012. The previous report, concerning year 2011, was published in April 2012.

This CSR report for 2012 covers all Stockmann Group's own operations, which include two divisions (Department Store Division and Fashion Chain Division) in 10 countries of operation, Group administration activities in Finland, and purchasing offices in five Asian countries. The report does not cover Lindex's franchising stores, which are located in six countries and run by four partners. Some of

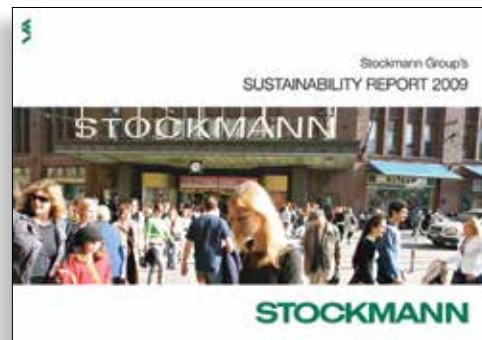
the personnel and environmental indicators are reported only for Finland, which accounted for 50 per cent of revenue and 47 per cent of personnel in 2012. These exceptions and the measurement and accounting principles are mentioned in connection with the indicators. The goal is to gradually expand the reporting with regard to these indicators.

The report is set within the framework of the Global Reporting Initiative (GRI) G3 reporting guidelines. On page 27 the content of the report is compared with the GRI recommendation and there is also an index of GRI indicators. The report complies with the GRI accounting principles where applicable. The Group's financial indicators have been prepared in compliance with IFRS standards.

The annual report for the 2012 financial year and the Group's website [stockmanngroup.com](http://stockmanngroup.com) also have information on the company's financial responsibility, ownership, governance and risk management. Lindex, one of the Group's fashion chains, also publishes more specific information about its responsibility on their website [lindex.com/csr](http://lindex.com/csr).

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

*On its website [stockmanngroup.com](http://stockmanngroup.com), Stockmann publishes an annual corporate social responsibility report that covers the entire Group.*



# GRI CONTENT COMPARISON

	GRI References	Level	Location (page) and notes
Strategy and analysis	1.1. CEO's statement	●	4
Organisation profile	2.1–2.9	●	2–3, AR, WWW.
	2.10	●	25
Report parameters	3.1–3.4	●	26. Back cover: contact information.
	3.5	●	Relevancy is mainly based on Group's internal factors.
	3.6, 3.7, 3.10, 3.11	●	26. Possible changes or specific limitations mentioned in connection with the text or chart relating to the key indicator in question.
	3.8	●	Leased out commercial premises in the Nevsky Centre shopping centre not included.
Governance, commitments and engagement	3.12	●	27
	4.1–4.4, 4.14	●	22, AR: Corporate Governance Statement.
Social performance indicators	4.15	●	8–9
	LA1*, LA11, LA13*	●	10–13
	LA2*, LA3, LA4*, LA6, LA7*, LA8*	●	10–13
Product responsibility performance indicators	HR2*, HR6*, HR7*	●	Included in BSCI audits and own inspections.
	PR5	●	24
Environmental performance indicators	PR2, PR8	●	17, 24
	EN3*, EN4*, EN8*, EN10, EN11*, EN16*, EN17*, EN21*, EN22*, EN23*, EN25, EN28*, EN29	●	18–21, EN23 and EN28: None, EN29: CO <sub>2</sub> emissions mentioned in connection with EN17.
Economic performance indicators	EN1*, EN5, EN7, EN12, EN26*	●	18–21, EN26: 15, EN1: The reported amount of packaging material put to the market.
	EC1*, EC4*, EC7*, SO7	●	EC1: 9 (adjusted accounting principles), EC7: 11–12, EC4: Stockmann Group has not received significant financial assistance from government in the reporting period. SO7: No legal acts or fines in year 2012.
	EC2*	●	7. The overall economic effects of the climate change's risks and possibilities on the company's business operations have not been evaluated.

Reported ●  
 Partially reported ●  
 AR Annual Report 2012  
 WEB Stockmanngroup.com  
 \* GRI core indicator

WE OFFER  
**RESPONSIBLE**  
*shopping*  
*experiences.*



**Contact information**

Corporate Communications  
P.O. Box 70, 00621 Helsinki, Finland  
Tel. +358 9 121 3089

[www.stockmanngroup.com/en/responsibility](http://www.stockmanngroup.com/en/responsibility)

Questions and feedback concerning the  
report and CSR: [csr@stockmann.com](mailto:csr@stockmann.com)