



CORPORATE SOCIAL RESPONSIBILITY REPORT 2010



STOCKMANN

Our way of operating is ethical, just, and shows respect for environmental values



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CEO's review

Responsibility is one of the Group's six core values, and social responsibility is an integral part of Stockmann's normal long-term activities. This report presents the principal corporate social responsibility activities we carried out in 2010. Responsible business practices support the commercial goals of our business and also promote the enhancement of our operational efficiency.

TRADITIONS SINCE 1862

During its nearly 150 years, Stockmann has displayed corporate social responsibility in a number of ways. Taking the changing needs of its customers into account and developing staff competence have always been key to the company's success. The profitability of the business has provided shareholders with a return on their investment, customers with access to a wide selection of products and excellent service, personnel with a respected job and goods suppliers and service providers with a profitable partnership, while the society at large has benefited from greater wellbeing.

Today, Stockmann is an international retail company with department stores and fashion stores in 14 countries in Europe, Russia and even the Middle East. We operate under the same principle in all market areas: we comply with the law and our own values. We aim at profitable growth because success in business also allows us to be socially and environmentally responsible.

HISTORIC YEAR FOR INVESTMENT

All in all, 2010 was a very good year for the Stockmann Group. We rose from a deep recession which had held back consumer demand since the autumn of 2008. Revenue began to grow again in the beginning of 2010 and growth accelerated towards the end of the year. Net sales in 2010 amounted to EUR 1 822 million. Growth was boosted by the enlargement and renovation of the Helsinki city centre department store and the Nevsky Centre shopping centre in

St Petersburg. Both Lindex and Seppälä expanded internationally in accordance with plans.

With the new stores and department stores, we hired more than 1 000 new employees. As a result of sales growth and historically significant investments, our purchases from suppliers and capital goods providers surpassed one billion euros.

The Group's operating profit for the year increased especially because of improved performance in Russia and the Baltic countries. Net profit for the year totalled EUR 24.5 million (EUR 78.3 million). We paid EUR 58.3 million in dividends to shareholders, nearly 75 per cent of the year's result.

RESPONSIBILITY FOR THE CUSTOMER'S BENEFIT

The principal goals of our responsibility activities in 2010 included the definition of a common corporate social responsibility strategy for the Group. At the core of the strategy is the vision of Stockmann's corporate social responsibility: a responsible shopping experience. Our responsibility work is founded on customer orientation and we want to offer our customer a shopping experience in which responsibility has been taken into account comprehensively. Responsibility is influenced by safe shopping environments, responsibly manufactured products, competent customer service and many other factors that the customer does not see such as well-planned transportation and energy-efficient facilities.

While the corporate social responsibility strategy is new to the Group, many of the sustainable development practices have in fact been in place for a long time. The department stores' environmental management systems were first created and certified almost 10 years ago. Since 2005, we have been a member of the Business Social Compliance Initiative (BSCI) system which is a social responsibility co-operation body for goods suppliers.



Responsibility is part of Stockmann's long-term operations and we will continue to invest in it. This was confirmed in January 2011 when we signed the UN's Global Compact commitment. The commitment includes ten principles involving human rights, labour, environment and anti-corruption, all of which are in line with our business operations and the Group's values.

I hope the responsibility of our operations is visible to our customers in all of our divisions.

Hannu Penttilä
CEO

The CSR strategy: working for a more sustainable future

Responsibility is an integral and recognised part of Stockmann's business: it supports the business targets and promotes efficiency. Responsibility is integrated into every employee's daily work and decision-making in the Stockmann Group.

The Stockmann Group's corporate social responsibility (CSR) strategy was created in 2010. This defines the goals of the CSR activities and is implemented in all the divisions. The strategy was approved by the Group Management

Committee in January 2011. Simultaneously, Stockmann decided to commit to the UN Global Compact initiative. The ten principles of the initiative form the basis for Stockmann's CSR activities.

THE CSR GOALS

The goals of Stockmann's CSR strategy are divided into three categories: People (social responsibility), Planet (environmental responsibility) and Profit (financial responsibility).

CSR vision:

We offer our customers responsible shopping experiences.

We are committed to working for a more sustainable future.

The goals of the social dimension of the CSR particularly emphasise our own personnel and their CSR training. Moreover, the goals highlight the significance of responsibility throughout the entire supply chain, as well as product safety.

The goals of environmental responsibility include reducing the environmental impact of our activities and sustainable procurement that accommodates the entire lifecycle effect and efficiency. In the department stores and stores, customers are offered responsible products as a part of the product selection.

In order to promote the financial goals, Stockmann's CSR activities support our business targets and strengthen our brand position. Charities can be supported with donations to selected non-profit organisations or as part of commercial campaigns. Investors recognize Stockmann as a responsible and transparent company.

Stockmann's Corporate Social Responsibility Steering Group, which has representatives from all the divisions, guides the implementation of corporate social responsibility and related development work within the Stockmann Group. Matters and proposals discussed by the Steering Group are prepared by the Group's CSR Working Group. We measure our actions, set targets to reduce the environmental impact, and regularly and openly report our sustainability performance to our various stakeholders.



Stockmann's stakeholders

Stockmann's responsibility extends beyond its own business operations to the entire supply chain. Stockmann's key stakeholders introduced below were identified and selected in conjunction with drawing up the corporate social responsibility strategy. Stockmann values its stakeholders and the company's communications are based on an active dialogue with them.

CUSTOMERS

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

PERSONNEL

We value our personnel and their commitment to the company. We want to reward success and be a sought-after employer on the labour market. Stockmann is a good place

to work and we try to continuously improve our working atmosphere.

SHAREHOLDERS AND INVESTORS

Stockmann wants to be an attractive and sought-after investment target on the capital market. We have a strong brand, we operate responsibly and our business is guided by clear principles.

GOODS SUPPLIERS AND SERVICE PROVIDERS

We commit our suppliers and providers to our responsibility work. We collaborate with them to develop our partnerships in order to ensure good business environment conditions for all. The added value gained is always assessed from the customer's point of view.

AUTHORITIES AND ORGANISATIONS

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

Reporting principles

On its website www.stockmanngroup.fi, Stockmann publishes an annual corporate social responsibility report that covers the entire Group. The reporting period of this report is the financial year from 1 January to 31 December 2010. The previous report on the 2009 financial year was published in May 2010. Lindex, a Group division, also publishes its own responsibility report available at www.lindex.com.

The annual report for the 2010 financial year and the Group's website also have information on the company's financial responsibility, ownership, governance and risk management.

This report covers all operations of the Stockmann Group: three divisions and their own stores, Group administration in Finland and purchasing offices in five Asian countries. The report does not cover Lindex's franchising stores in the Middle East and Bosnia-Herzegovina. Some of the personnel and environmental indicators are reported only for Finland, which accounted for 54 per cent of net sales and 46 per cent of personnel in 2010. These exceptions and the measurement and accounting principles are mentioned in connection with the indicators. The goal is to gradually expand the reporting with regard to these indicators.

The report is set within the framework of the Global Reporting Initiative (GRI) G3 reporting guidelines. On pages 23–25 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.

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.



The Stockmann Group in brief

Stockmann plc, established in 1862, is a Finnish listed company engaged in the retail trade. Stockmann's three divisions are the Department Store Division, which includes department stores, specialty stores and distance retailing, and the Lindex and Seppälä fashion chains.

The divisions operate in fourteen countries and the Group's headquarters are located in Helsinki, Finland. Revenue in 2010 was EUR 1 822 million and the Group employs over 16 000 people. The Stockmann share is listed on NASDAQ OMX Helsinki and it has approximately 45 000 shareholders.

In 2010 Stockmann came top in the 'International Expansion' category of the competition for 'Finland's Best Company', held by the Finnish magazine Suomen Kuvalehti.

DEPARTMENT STORE DIVISION

Stockmann's 16 department stores offer a remarkably broad and high-quality product range, competitive price/quality ratio, and excellent customer service and expertise in a high-grade and international shopping ambience.

Hobby Hall, which has been integrated into the Depart-

ment Store Division, is Finland's leading distance retailing business. Its online store and mail order business offer an easy and reliable possibility to buy quality products affordably. In addition, the Department Store Division includes Academic Bookstores, Stockmann Beauty cosmetics stores, Stockmann and Academic Bookstore online stores and Zara franchising stores in Finland and Bestseller franchising stores in Russia.

Revenue for the Department Store Division totalled EUR 1 099.9 million in 2010 which is 60 per cent of the Group's total revenue. The division has 16 department stores, a shopping center and over 40 stores in 4 countries.

LINDEX

Lindex is one of the leading fashion chains in Northern Europe. Lindex's mission is to offer inspiring affordable fashion. The product offering of ladies' wear, lingerie, children's wear and cosmetics includes a variety of concepts.

The Lindex collections are characterized by well considered details, trendiness and a fast turnover of novelties. Design collaboration with guest designers has boosted Lindex's posi-

tion as an international fashion brand.

Lindex's revenue in 2010 was EUR 578.7 million which is 32 per cent of the Group's total revenue. Lindex has over 430 stores in 13 countries and an online store operating in all EU countries.

SEPPÄLÄ

Seppälä is a fashion store chain selling clothing for women, men and children, footwear, accessories and cosmetics. All collections are under the Seppälä brand and are the work of the company's own designers. Seppälä's appeal lies in its fast-changing collections and ability to offer fashion at reasonable prices.

Celebrating its 80th anniversary in 2010 Seppälä is Finland's most extensive fashion chain. Stores in Russia, the Baltic countries and Ukraine together account today for almost 40 per cent of the chain's stores.

Seppälä's revenue in 2010 amounted to EUR 143.2 million which is 8 per cent of the Group's total revenue. Seppälä has almost 230 stores in 6 countries.



Stockmann's operations around the world

Status on 30 April 2011



FINLAND

7 department stores
 7 Academic Bookstores
 Hobby Hall mail order sales, online store, 1 store
 14 Stockmann Beauty stores
 4 Zara stores
 1 Outlet store
 57 Lindex stores
 137 Seppälä stores

SWEDEN

206 Lindex stores

NORWAY

97 Lindex stores

ESTONIA

1 department store
 7 Lindex stores
 21 Seppälä stores
 1 Outlet store

LATVIA

1 department store
 7 Lindex stores
 11 Seppälä stores

LITHUANIA

9 Lindex stores
 10 Seppälä stores

RUSSIA

7 department stores
 1 shopping center
 14 Lindex stores
 44 Seppälä stores
 20 Bestseller stores
 1 Outlet store

UKRAINE

2 Seppälä stores

CZECH REPUBLIC

13 Lindex stores

SLOVAKIA

4 Lindex stores

POLAND

1 Lindex store

BOSNIA AND HERZEGOVINA

2 Lindex franchising stores

SAUDI ARABIA

15 Lindex franchising stores

UNITED ARAB EMIRATES (DUBAI)

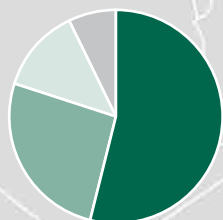
1 Lindex franchising store

ONLINE STORES

stockmann.com in Finland
 akateeminen.com in Finland
 hobbyhall.fi in Finland
 lindex.com in EU area

7 purchasing offices in China, India, Bangladesh, Pakistan and Turkey

Revenue by market 2010



- 54% Finland
- 26% Sweden and Norway
- 13% Russia and Ukraine
- 7% Baltic countries, Czech Republic and Slovakia

■ Department Store Division, Lindex and Seppälä
 ■ Lindex and Seppälä
 ■ Group's purchasing offices

Responsibility for our personnel

The year 2010 marked a time of historical enlargements at the Stockmann Group. In St. Petersburg, the Nevsky Centre shopping centre and the flagship of our Russian department stores were opened; in Helsinki, the major renovation and enlargement was completed in the department store in the city centre. Our international activities also continued elsewhere: the fifth Stockmann department store in Moscow was opened in the Golden Babylon shopping centre, and the 42nd Seppälä store was opened in the Nevsky Centre in St. Petersburg to serve as the chain's flagship store. During the year, Lindex opened 36 new stores in Russia and the Czech Republic, among others. The new department stores and stores increased the Group's personnel by 1 348 during the year. The number of Stockmann personnel totalled 16 184

(2009: 14 836) at the end of the year. The number of personnel employed outside Finland was 8 754 (7 683), or 54 per cent of the total (52).

The Stockmann Group is divided into three business divisions. At the end of 2010, 9 806 employees were employed in the Department Store Division, 4 709 in Lindex, 1 513 in Seppälä and 156 in Corporate Administration. Hobby Hall and Stockmann's Department Store Division merged on 1 January 2010. The personnel of Hobby Hall were transferred to Stockmann plc as existing employees.

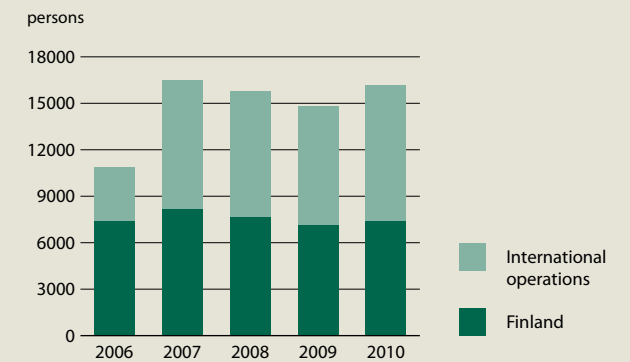
COMPETENT STAFF

In order to maintain and further develop our excellent customer service, we continued our long-term investment, particularly in

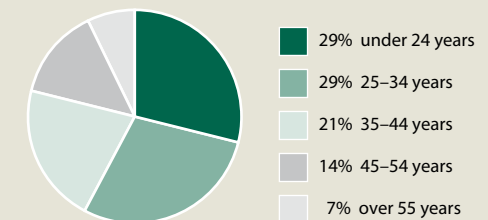
Personnel key figures

	2010	2009	2008
Staff 31 December	16 184	14 836	15 737
in Finland	7 430	7 153	7 665
abroad	8 754	7 683	8 072
Average number of employees	15 165	14 656	15 669
Average number of employees converted to full-time staff	11 503	11 133	11 964
Average age of staff	35	35	34
in Finland	36	36	35
abroad	34	34	33
Staff turnover of permanent employees, average %	24	23	23
in Finland	14	15	15
abroad	34	30	30
Sickness absences, %	4.3	5.4	5.6
in Finland	4.4	4.7	5.1
abroad	4.2	6.6	6.4
Full-time staff/part-time staff, %	42/58	44/56	46/54
in Finland	41/59	42/58	41/59
abroad	43/57	45/55	51/49
Number of reported accidents at work, Finland	271	231	261
Staff expences, EUR mill.	361.9	327.4	350.5
share of revenue %	19.9	19.3	18.7
Expences for staff education (exclusive direct staff expences), EUR mill.	0.7	0.6	1.0

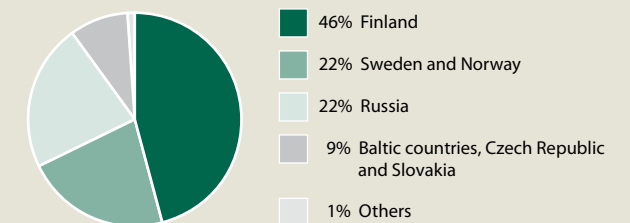
Staff at year-end 2006–2010



Age structure of the staff 2010



Distribution of staff by market 2010



CASE

Stockmann recruited 700 new employees in St. Petersburg

The Stockmann Group's biggest joint growth project in 2010 was the opening of the Nevsky Centre shopping centre in St. Petersburg and the Stockmann department store located in the complex. In order to make all this possible, Stockmann recruited about 700 new staff members from among 18 000 applicants during the autumn. Lindex, Seppälä and Bestseller also opened stores in the new shopping centre.

The new sales staff were provided with orientation in October and November, just in time for the opening of the Nevsky Centre on 11 November 2010. Each salesperson took part in the 'Welcome to Stockmann' training and a two-day sales training event. The new department store's supervisors and other experts examined the orientation programme specifically drawn up for the new staff. The supervisors were familiarised with issues such as recruiting and also took part in the sales training.

Ekaterina Zotikova, Stockmann's HR Manager in St. Petersburg, tells how the company recruited the sales staff for its new department store:

"The recruitment of the salespersons was a three-stage process. First, the applicants were given a presentation about Stockmann as a company and took part in group interviews. More than 200 applicants were interviewed each day over a period of two weeks.

In the second stage, the applicants that the managers had selected on the basis of the group interviews were invited to personal interviews that were conducted by two managers from different departments. More than 1 000 personal interviews were conducted.

Based on the interviews, a proportion of the applicants were offered a job and invited to take part in the third stage, during which they signed employment contracts and took part in orientation training provided by Stockmann. We hired and trained more than 400 salespersons during October 2010."

areas such as orientation for new employees, customer service and sales skills, as well as supervisory duties throughout the Group. At Stockmann, people are encouraged to pursue continuous self-development and versatile skills.

In the department stores, new employees go through a planned orientation programme that includes both general training and individual briefing in their own working environments. During the orientation period they are familiarised with Stockmann as a company and employer, their own work community and procedures, as well as the product and service area.

Customer service and sales skills are polished in multi-stage training. During the first stage, the new employees learn the basics with internal tutors. The final stage is intended for experienced professionals in customer service and includes themes such as interactive skills.

Active internal job rotation also furthers learning. In 2010, hundreds of Stockmann employees took the opportunity to change jobs within the company.

Lindex offers its staff continuously new internal training and activities to advance the employees' expertise. In 2010, training was carried out for instance in the fields customer service, sales, products and management. During the year Lindex also launched a new forum for business development, Innovation Space, where all employees can participate in ideating and developing the business. Further, a Travelling Companion project was carried out joining all Lindex head office employees into pairs in order to create closer internal relations and enhanced co-operation between the departments.

During 2010, the Seppälä Spirit sales training programme focussed on the creation of and support for active sales cultures in the stores. The goal was to further activate the sales personnel. The programme concentrated on themes such as training sales personnel to sell entire outfits, create additional sales and directly encourage customers to purchase, as well as more active and competent customer interaction.

Store managers trained their own teams in the stores. The programme was updated with a new item - personal training - in which the sales assistant is reviewed in a genuine customer service situation and receives immediate feedback.



TRAINING SUPPORTS CHANGE

In order to succeed, strong growth and major change processes require training and committed personnel. In the Department Store Division, a number of growth projects, such as the launch of the Stockmann online store and the opening of the Russian department stores and the enlargement of the Delicatessen in Helsinki, were boosted by organising training events and programmes.

The major enlargement and transformation project of the department store in the Helsinki city centre was completed in November 2010. As part of this transformation, the customer service development programme launched in 2009 continued. Its aim is to ensure that customers will always get first-class service in the flagship of the Stockmann department stores. In the training sessions of the programme, we have discussed topics such as the ingredients of a good customer experience and how each one of us can influence it. In the context of the programme, the staff have also experienced many nice surprises, such as competitions and the "Welcome to Work" mornings. In the development of customer service, feedback provides excellent learning material and is always processed thoroughly in the respective units.

Successful customer service in a busy department store requires support from excellent supervision. The training package for immediate supervisors in department stores starts with the internal "Supervisor at Stockmann's" training followed by events emphasising various skills necessary in supervisory work, such as feedback, interactive skills and financial key

figures. All the immediate supervisors in department stores are invited to a shared development day once a year.

A training event was arranged for Seppälä's store managers in the spring of 2010 in order to boost an active sales culture. The training focussed on giving and asking for feedback with various exercises. It was organised by regional and country managers in all the countries in which Seppälä operates. The Seppälä Super Leader Academy is still the cornerstone of store manager training.

The team training launched in 2009 continued in 2010 in all the teams in Seppälä head office. Supervisors worked as the trainers. The goal was to further intensify cooperation both in teams and between teams.

INTERNAL COMMUNICATIONS IN MANY LANGUAGES

In 2010, the staff magazine of the Stockmann Group was published in Finland, Russia, Estonia and Latvia. It was published four times during the year in all the national languages. Moreover, Lindex publishes a personnel newsletter in all its countries of operation. All divisions also use the intranet for internal communications.

One of the strategic goals in Human Resources is the development of internal communications in the Department Store Division. The aim is to implement communication methods and channels that cover the entire Division and this way promote the creation of excellent customer experiences. Launched in 2010, this project will be continued in 2011. It will particularly focus on the employment of new electronic communication channels, such as the creation of the new intranet.

COOPERATION AND EQUALITY

In 2010, women comprised 84 per cent and men 16 per cent of the Group's personnel. Among the senior salaried employees, women comprised 80 per cent and men 20 per cent of the total. The proportion of women managers was 70 per cent (2009: 67 per cent). Of all the managerial staff working in Finland, 68 per cent (66 per cent) were women, and of those working abroad, 73 per cent (68 per cent) were women.

Every year, companies in the Stockmann Group make an

equality plan, the aim of which is to promote equality. In the work community, an open discussion atmosphere, respect for basic values, acceptance of diversity and undisturbed work enable the maintenance of the company's competitive strength.

Internal cooperation at Stockmann's has a long tradition as the first Employees' Council started operations in 1924. In Finland, each unit in the Group has its own Council that discusses matters mentioned in the Codetermination Law four times a year. In Finland, personnel matters concerning the whole Group are discussed in the Group Council that convenes twice a year; in the Baltic countries, there are employees' councils that work the same way.

Lindex has its own international body for Group-level cooperation, known as the European Works Council, the Finnish operations of which are integrated into the Stockmann Group's codetermination processes.

REMUNERATION

The Group's labour expenses totalled EUR 287.6 million in 2010 (EUR 261.2 million in 2009). Most of the Group's personnel are covered by an incentive system. The incentive systems for managers and experts are based on financial indicators and personal performance assessments. For personnel on other duties, the main incentive systems are those for specific personnel groups. In 2010, the personnel earned a total of approximately EUR 7 million (2009: EUR 4.4 million) in incentives of different kinds. For the management and middle management of the Stockmann Group, there is also a share option scheme for key personnel, the expenses of which totalled EUR 0.3 million in 2010.

Employment at Stockmann's usually lasts for a long time, and the Group grants medals for long-term service. The tradition began in 1924 when a total of 152 medals were granted. These medals are granted for 10, 15, 25, 35, 40, 45, 50, 55 and 60 years of service.

In 2010, Seppälä presented medals during the celebration of its 80th anniversary. In honour of the anniversary, the entire Seppälä staff in Finland were invited to the Finlandia Hall on 5 September 2010. The idea was both to celebrate the anni-

CASE

Crazy Days – a joint effort for the Department Store Division

Crazy Days are an extremely important event for Stockmann in many respects. Each year, the Department Store Division hires more than 2,000 employees for Crazy Days alone. These temporary employees include students for whom the campaign is the first contact with working life, and many of them will later return to work at Stockmann.

Office staff are also encouraged to work as salespersons during Crazy Days. In fact, hundreds of employees from different support units take part in each Crazy Days campaign. A joint effort strengthens the company spirit and helps staff members in different parts of the organisation to understand what customer service is about.

The Crazy Days held in the autumn of 2010 broke all records – revenue increased by 22 per cent compared with the previous autumn's campaign. In 2010, for the first time, the campaign extended over five days in all market areas, a result of the relaxation of Sunday opening hours.



versary with the dignity it deserved and to learn something new about Seppälä as a Unique Fashion House.

In the Department Store Division, the medals were presented during the festivities arranged in Turku, Tampere, Tallinn and Moscow. In 2010, there were 527 medal recipients in the Group, including two medals for 50 years of service.

OCCUPATIONAL SAFETY AND HEALTH

Occupational health services in the Finnish units of the Group are arranged through the company's own occupational health centre and in the form of purchased services. In Helsinki, the occupational health centres mainly provide services for all the employees in the department stores in the metropolitan area. In other department store regions and Lindex and Seppälä in Finland, occupational health care is organised through purchased services.

Occupational health care focuses on monitoring the health and working capacity of our personnel and on providing support for the wellbeing of the employees and their ability to cope at work, as necessary. Personal discussions on wellbeing at work are an important element in implementing the principle of early support by managers and occupational health care in preventing absences. Employees are directed to different forms of rehabilitation as necessary.

In Sweden, Lindex has a staff benefit consisting of health care insurance that supplements the basic cover. In Russia, Latvia and Ukraine, the local health care is also supplemented in part with voluntary insurance in all divisions. In Estonia, Lithuania, the Czech Republic and Slovakia, the personnel use the national health care system.

In 2010, occupational safety was audited in cooperation with the Group's insurance company in all the department stores in Finland. In the future, these audits will be conducted in other units of the Stockmann Group as well. The traditional occupational safety day for occupational safety delegates and occupational safety managers was also organised in 2010.

Fifty years at Stockmann

On 1 September 1960, Kaj Nykopp, aged 17, got a permanent job at Stockmann. He retired on 30 September 2010, which means that he stayed with the company for more than the 50 years indicated by the medal he received for his service. Being employed by Stockmann for decades seems to be typical of the Nykopp family; Kaj's father Arvo worked for the company for 54 years.

By enrolling in the Stockmann's sales staff school, the young man was able to start accumulating skills from day one. He attended classes at the sales staff school every second week, studying such subjects as sales skills, product information and calculation, while the rest of the time was spent in the department store, serving customers. The school lasted for two years and during that period Kaj was promoted from a student to a trainee before he completed the training to be the holder of a salesperson's certificate.

He mostly worked in the photo department, but he also served customers in many other departments. Kaj left the 'shop floor' in 1969 and moved to the company office as an official dealing with

credit matters. During his last few years he worked in the distance retailing credit department.

However, Stockmann was not just a provider of jobs in those days. In the 1960s, the company's clubs still had a large and active membership because leisure-time activities were more limited than they are today. Many staff members spent a large portion of their leisure time at events and gatherings organised by their employer. Kaj, who was a keen photographer, remembers the many hours he spent printing images in Stockmann's darkroom, sometimes even in the middle of the night.

He also found his life companion at Stockmann. When taking part in a badminton match organised by the company's sports club, he got Anja, a pretty young woman working on the customer service desk, as his opponent. That match was the start of a relationship that is still continuing. Kaj and Anja were married in May 1965.

Kaj sums up the past 50 years: "To put it briefly, Stockmann was a good and secure workplace."



Responsible import

Stockmann's social responsibility extends beyond the company's own personnel to the working conditions of employees all along the supply chain. The Stockmann Group does not have its own factories or production plants. Instead, goods are purchased from suppliers, mainly in Europe and Asia.

Since 2005, the Stockmann Group has been a member of the Business Social Compliance Initiative (BSCI). Comprising more than 600 European retail industry companies, BSCI aims to improve the working conditions in the production facilities of goods suppliers, clarifying and harmonising the monitoring of suppliers in high-risk countries. These countries include all of Asia, excluding Japan and Singapore, as well as all Latin American and African countries, excluding South Africa. European high-risk countries include Turkey, Romania and Russia, among others. A considerable part of Stockmann's import purchases are made in high-risk countries.

Through its membership of BSCI, Stockmann manages the social responsibility risks related to its imports. BSCI's operations are guided by its Code of Conduct, which focuses on factory audits, training and cooperation with stakeholders and factory owners.

FACTORY AUDITS

Factory audits are performed to monitor compliance with

the BSCI Code of Conduct. These audits can only be carried out by independent auditing companies approved by BSCI. Factories are notified of audits in advance, so that managers and other key personnel will be available for interviews. The results are entered into a database that is available to all BSCI members.

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

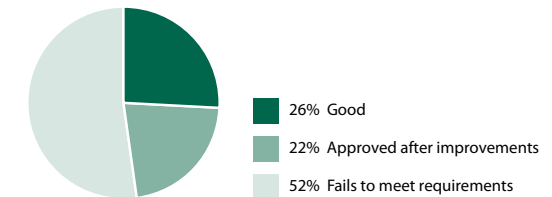
with grade 2 (good) and 22 percent were issued with grade 1 (approved after improvements). Grade 0 (fails to meet requirements) was given to 52 percent of the audited factories. This distribution of grades is very similar to the global distribution of grades given in BSCI audits in 2009. A total of 6,337 factories were audited that year.

The factories that are given the highest grade will be audited again within three years. The factories that fail to

The audits examine such aspects as working hours, salaries, employees' working conditions, age structure, rights of association and residential quarters as well as environmental protection.

As many as 80 percent of the Stockmann Group's import purchases in the product areas fashion and home in high-risk countries are made from BSCI-audited suppliers. The number of Stockmann's suppliers listed in the BSCI information system grew considerably in 2010. In addition, six of Stockmann's suppliers have SA8000 certification. A total of 184 factories supplying goods to Stockmann were audited in 2010. Of these factories, 26 percent were issued

Stockmann's BSCI audits in 2010 (184 audits)



meet all requirements (grade 1 or 0) prepare an action plan to correct the shortcomings. This plan includes a date for a re-inspection to confirm that corrective measures have been taken. The results of re-inspections show that the detected shortcomings can usually be corrected. If the shortcomings are severe and a factory fails to meet the minimum requirements, Stockmann discontinues cooperation with the factory.

Stockmann's purchasing personnel also carry out factory audits regularly. The Stockmann Group has seven purchasing offices, located in China, India, Bangladesh, Pakistan and Turkey. Each purchasing office has at least one Compliance Officer, who focuses on social responsibility and environmental issues. When concluding purchasing agreements, a Compliance Officer visits new suppliers to confirm that they meet the minimum requirements.

TRAINING

In addition to factory audits, Stockmann participates in training and development projects offered by BSCI to its members and their suppliers. Stockmann encourages all of its suppliers to participate in training on good and safe working conditions before beginning the BSCI auditing process. Training programmes are also customised based on the primary development needs detected in factory audits in different high-risk countries. In terms of improving work-

ing conditions, it is of paramount importance that suppliers participate in training programmes offered by BSCI.

Stockmann and its suppliers also contribute to development projects in high-risk countries. In 2010, these projects were related to improving suppliers' environmental management in China and India and promoting electrical and fire safety in Bangladesh, to name just a few examples. In 2011, Stockmann and its suppliers will participate in new development projects in India, China, Turkey and Bangladesh.

STAKEHOLDER COOPERATION

Many of the problems related to working conditions in high-risk countries are not limited to individual factories. Instead, these problems concern an entire sector or the whole country. These issues can best be improved through collaboration among stakeholders. In high-risk countries, BSCI promotes interaction between such stakeholders as governments, trade unions, non-governmental organisations, retail industry companies and suppliers. In 2010, Stockmann participated in BSCI Round Table discussions on topical issues in India and Bangladesh. These events focused on many aspects of social responsibility, such as occupational safety. In addition, Stockmann actively participated in cooperation projects launched by retail industry companies in high-risk countries.

Stockmann also promoted stakeholder cooperation on social responsibility in Finland and Sweden, the home countries of the Group companies. In 2010, Stockmann actively participated in BSCI National Contact Groups in the two countries. In October, Stockmann held a seminar on the tools of responsible overseas sourcing. Intended for Finnish importers and agents in particular, the seminar was offered in collaboration with other major retail industry companies, Clean Clothes Campaign Finland and the Central Organisation of Finnish Trade Unions.

ANTI-CORRUPTION WORK

Stockmann is a founding member of Transparency Finland, the Finnish chapter of Transparency International, an organisation that fights bribery and corruption. Transparency International operates in 90 countries. The Group's rapidly

growing international operations also pose challenges for anti-corruption activities. In all of its markets, Stockmann's operations are based on local laws and regulations as well as the Group's core values and guidelines.

▼ All departments at Lindex have a range of ecological products. In 2010 the company produced over one million organic garments. Sustainable fashion means for Lindex, besides ecological garments, working with the whole chain and ultimately reducing the total environmental impact.



PRODUCT SAFETY

Stockmann is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. Purchasing operations are responsible for ensuring that all products meet the requirements of product safety laws and regulations. All products must also meet the requirements of the European Community Regulation on chemicals and their safe use (REACH). According to REACH, substances included in the list of substances of special concern may not make up more than 0.1 percent of any product. In addition, products may not contain banned substances or more than the permitted limit of restricted substances. Stores have also been instructed in how to answer consumers' questions regarding the chemical substances contained in their products.

Product safety is integral to the food trade. Stockmann Delicatessens, as well as its central kitchen, which began operation in 2010, have an extensive internal quality assurance system for food safety. Stockmann has an annual risk-based sampling plan for food, focusing especially on food products prepared by the company and fresh food products sold under the company's brands. Random tests are carried out to ensure the chemical and microbiological safety of products.

The retail trade has a key responsibility in preventing faulty products from reaching the market. If a fault is detected in a product or product information, the product will be recalled from the market in accordance with the particular division's guidelines. If the fault poses a risk to customers' health, the product will be subject to a public recall, which is always reported to the relevant authorities. Stockmann follows product notifications issued by the European Union on food as well as other consumer goods. The purpose of product notifications is to inform consumers as quickly as possible about products that pose a risk to their health and safety.

Responsible sourcing for Seppälä

Seppälä paid particular attention to responsible sourcing in 2010. The work was started by sending all goods suppliers the Stockmann Group guidelines, in which the expectations concerning the goods suppliers are clearly defined.

Not all goods suppliers have rushed to give the guidelines their approval. Mari Hartig, who started as the HR and CSR coordinator at Seppälä's purchasing organisation in 2010, says that people in different countries have vastly different attitudes and approaches: "For example, in China, people never say 'no' to any proposal, which means that in order to influence them you must coax them into expressing what they really think." When all the problems have been solved and all the questions answered, the goods suppliers are expected to sign the agreement and commit themselves to observing the guidelines. They are also asked to provide details of all plants and subcontractors that manufacture products for Seppälä.

Mari got a summer job in a Seppälä store in 1986, decided to stay and, while working at different tasks in the purchasing organisation, has gradually been promoted to higher positions. A career in Seppälä spanning more than 25 years and close and long-standing contacts with goods suppliers have provided Mari

with extensive knowledge of the clothing trade and, consequently, made her well qualified for her present job. After entering her new post, Mari studied the manner in which Lindex, the second fashion chain of the Stockmann Group, manages its responsibility matters. This allowed her to make use of the vast amount of know-how that her colleagues at Lindex have amassed over the years.

Seppälä has hundreds of goods suppliers and as new suppliers are introduced and others dropped, the sector is in a state of constant change. About 200 of the goods suppliers operate in high-risk countries and it goes without saying that these suppliers are under the closest scrutiny.

The work has got off to a good start. All goods suppliers, large and small, have now been charted and more than half of them have been audited in accordance with the BSCI standard. However, in many production plants the work has only begun. "This, if anything, is sales work and lobbying," says Mari, describing the effort. "I'm selling our goods suppliers an idea of what responsible operations actually mean. I'm happy to say that in most cases the response has been positive, which is really rewarding."



Responsible products

Consumers are increasingly interested in the environmental and social effects of the products they purchase. Stockmann offers responsible products as part of its range. In 2010, the ranges available in Stockmann department stores included organic and fair trade food products, products with the Nordic ecolabel (the Swan label) and the EU ecolabel (the EU flower), MSC certified seafood products, fashion and textiles made from organic materials, FSC and PEFC certified wood and paper products, Energy Star electronics and products made from recycled materials. In 2010, Stockmann invested particularly in its organic food range. Stockmann's range currently includes more than 800 organic products.

Stockmann Delicatessens invest in healthy alternatives in their product development and production of ready-to-eat meals. Special attention has been paid to the amount of fat, saturated fat, salt and fibre in the Meals Wellbeing product line. These products are prepared in Stockmann's kitchens. Some of the Meals Wellbeing products were granted the right to use the Finnish Heart Symbol in January 2008.

These were the first service-counter products to be issued with this right; previously, the symbol had only been granted to packed products. In 2011, five ready-to-eat Meals Wellbeing meals have the right to use the Heart Symbol. Issued by the Finnish Heart Association and Finnish Diabetes Association, the symbol indicates that a product represents a better choice in its product group in terms of fat and sodium.

Lindex offers responsible products in all of its product areas. For example, as much as 8 percent of all underwear sold in 2010 was made of organic cotton. In addition to organic cotton, Lindex offers products made of recycled nylon, polyester and cotton. Lindex has also invested in the labelling of responsible products. In the stores, products made of organic or recycled materials are marked with a specific label. At the online store, responsible products have a separate section.

Lindex promotes the improvement of cotton growing methods through its membership in the Better Cotton Initiative (BCI), which aims to reduce the effects of traditional cotton growing on the environment and employees.

Responsibility policies in product trade

EGGS

Stockmann Delicatessens in Finland only sell organic and free-range eggs. Free-range eggs are from barn-reared hens, which can roam around, rest on perches, scratch, peck and lay eggs in nests. Organic eggs come from barn-rearing facilities that are committed to the terms of organic poultry production. There must be no more than five hens per square metre. The hens on organic poultry farms are fed mainly with organic feed, and they have access to outdoor runs when the weather permits. Stockmann does not sell eggs from conventional battery hen farms or farms with what are known as enriched cages.

FADED JEANS

Faded jeans made by sandblasting can be hazardous to the employees' health if the sandblasting is done without appropriate training and protection. The sandblasting method is prohibited in the European Union and in Turkey, for example. The production of jeans sold under the Stockmann Group companies' brands does not involve sandblasting.



Environmental responsibility

Energy consumption, transportation and waste are the most significant environmental issues in the Stockmann Group's operations. In addition, Stockmann pays special attention to environmental issues related to the goods and services it acquires for its own use.

Environmental strategy at Stockmann is based on the Group's social responsibility strategy and environmental policy as approved by the Board of Directors. The social responsibility strategy specifies the Group's environmental goals. Operative environmental management is integrated into the management of the different divisions.

Stockmann's department stores in Finland have long had an ISO 14001 environmental management system. The voluntary ISO 14001 certificate shows that the Department Store Division's all units in Finland are committed to developing their environmental compliance beyond the minimum level required by law. The ISO 14001 certification covers the operations of Stockmann's department stores and Academic Bookstores in Finland as well as the Department Store

Division's joint purchasing and warehousing operations in Pitäjänmäki, Helsinki. The certified operations cover about 70 percent of the Group's employees in Finland. The environmental management system is evaluated regularly via internal and external audits. In 2010, internal audits were carried out at all department stores as well as the office and warehouse facilities in Pitäjänmäki. External audits were carried out at the department stores in Helsinki, Turku, Tampere and Oulu and the Jumbo shopping centre in Vantaa. Stockmann does not have an environmental management system in its other countries of operation.

As a product importer, Stockmann has producer liability; in other words, it is responsible for the waste disposal and recycling of its products at its own cost. The Group has met this requirement by joining producer organisations for the collecting and recycling of products discarded by consumers. In 2010, Stockmann returned 4 900 tonnes of packaging materials to the market.

No environmental damage, accidents or offences were

recorded during the reporting period.

ENERGY AND WATER CONSUMPTION

The Group's energy consumption consists of electricity, heating and district heating, as well as district cooling at the Helsinki department store. The reported energy consumption mainly results from lighting, ventilation, heating and cooling in stores and office and warehouse facilities as well as from the equipment in these facilities, including lifts, escalators, refrigeration and IT equipment.

Recorded electricity consumption at the Stockmann Group was 151 223 MWh in 2010. This is almost 50 percent more than the reported consumption in 2009. The difference is explained by increased retail floor space and the inclusion of more locations in the energy consumption monitoring. For example, all of the Seppälä stores in Finland were included in the recorded electricity consumption for the first time. Comparable electricity consumption decreased in many locations, including the department store in Riga, the office and

Stockmann waste management statistics 2008–2010 (tons)

	Dept stores, Finland			Dept stores, abroad			Lindex			Seppälä			Total		
	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008	2010	2009	2008
RECYCLABLE															
Cardboard and paper	1 741	2 068	2 339	262	296	443	1 144	1 159	1 147	378	360	426	3 525	3 883	4 355
Combustible waste	1 052	1 015	1 240				24	27	24	16	14	23	1 092	1 056	1 287
Bio waste	2 132	2 091	1 926	386	194	158				9	12	15	2 527	2 297	2 099
Other (plastic film, metal, glass)	88	69	67	6	6		3		1	7	6	4	104	81	72
LANDFILL WASTE	587	427	382	6 113	3,318	3 608	6	6	3	16	9	9	6 722	3 760	4 002
HAZARDOUS WASTE	14	11	7	0			0	2		0	0	0	14	13	7
TOTAL	5 614	5 681	5 961	6 767	3 814	4 209	1 177	1 194	1 175	425	401	477	13 984	11 090	11 822
WASTE UTILIZATION %	89	92	93	10	13	14	100	100	100	96	98	98	52	66	66

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

CASE

warehouse facilities in Pitäjänmäki, Lindex stores and the IT equipment room, as well as Seppälä's head office and logistics centre.

In 2010, Stockmann launched Group-level collaboration to increase energy efficiency and share best practices, focusing on monitoring and comparing specific consumption among divisions. Specific consumption reporting helps identify locations that consume more energy than other comparable locations. The purpose is to find the locations with the greatest energy-saving potential. Energy efficiency was also an important consideration in the planning of the new lighting concept for the department stores and other stores. The lighting solutions in the department stores in Golden Babylon shopping centre and St. Petersburg, which opened in 2010, were based on the new concept.

The Department Store Division improved its electricity consumption monitoring by introducing a monthly feedback system and specific consumption reporting. Special attention was paid to the control and manage-

Stockmann energy and water consumption 2008–2010

	2010	2009	2008
DIRECT			
Heating fuel (l)	4 570		
Natural gas (m3)	638 200		
INDIRECT			
Electricity (MWh)	151 223	101 943	96 801
District heating and cooling (MWh)	103 811	46 167	34 821
Water (m3)	211 678	199 673	195 509

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

A new energy-efficient central kitchen

In November 2010, Stockmann opened a new central kitchen in the district of Viinikkala in Vantaa. The new kitchen produces Meals, Deli and Sushi products. The new facility replaced the kitchens operating adjacent to the Delicatessens at the department stores in Helsinki, Tapiola, Itäkeskus and the Jumbo shopping centre. The department stores in Turku and Tampere will also become the kitchen's customers in 2011. Efficient operations in a single location mean lower energy costs, and energy efficiency was also a consideration in the design of the new facility.

Logistically, the new central kitchen is excellently situated. The department stores to which the products are delivered can be reached quickly, which helps to keep the cold chain short. As a result, there is no need to store finished products in the central kitchen, which, in turn, obviates the need for cold storage rooms and freezers.

The new central kitchen has a staff of almost 50. The kitchen has a total area of 1 750 square metres and as the space is efficiently used, none of the energy goes wasted. The ceiling heights are also optimised; they are kept as low as possible, which helps to minimise the space requiring cooling.

About 90 per cent of the equipment is brand new and energy efficiency and life cycle were important criteria when it was purchased. ISO 9001 and ISO 14001 environmental

certificates were minimum requirements for all equipment suppliers.

Ensuring stable conditions in the facility accounts for 20–30 per cent of the energy costs of the kitchen's operations. Heating of ovens, cooling of warm food and washing of dishes account for most of the costs. The selection of new products was made on the basis of the energy-saving programmes incorporated in the equipment. For example, the dishwashing centre uses water and detergents in accordance with the actual need rather than as standard amounts. Before packing, all warm meals are cooled in cooling tunnels in a manner that saves energy.

Stockmann will send the equipment and furniture from the old department store kitchens for new use or recycling in the spring of 2011.



CASE

ment of building automation in the renovated department store in the heart of Helsinki. Ventilation and temperature control have improved considerably since the extension of the department store was completed. Energy consumption, however, has not increased. Lighting procurement was enhanced by replacing old lighting sources with more energy-efficient models. In 2010, as many as 53 percent of the lamps and fluorescent lamp tubes acquired for Stockmann's department stores in Finland were environmentally friendly in terms of energy efficiency, mercury content or longevity. Light fittings were replaced with energy-efficient LED lights as part of a pilot project in the Tallinn department store. Stockmann Delicatessens continued to install lids and doors to refrigeration equipment already in use. In addition, Stockmann's department stores in Finland participated in the national energy saving week in October.

Lindex continued its Energy Hunt programme that was launched in 2008. In addition to energy saving, the programme focuses on increasing energy awareness and enhancing the efficiency of energy use in stores. In 2010, the average energy consumption per square metre of retail space decreased by 8 percent compared to 2009 in the Swedish stores participating in the Energy Hunt program. This was achieved by sharing and reproducing best practices and by preparing energy-saving plans for locations with comparably higher specific consumption.



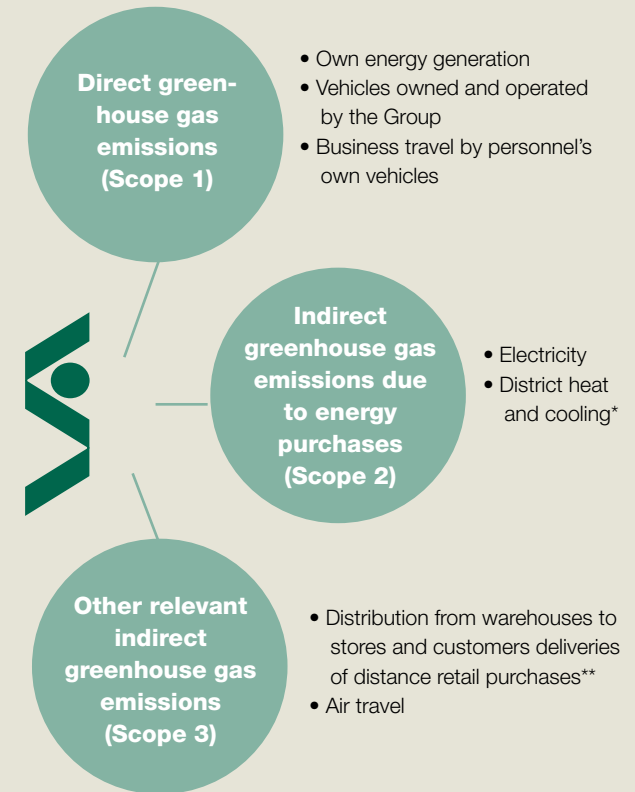
Stockmann's carbon footprint

Adjusting to climate change and cutting down the greenhouse gas emissions are major challenges. Stockmann aims to operate in an energy-efficient manner, which also brings economic benefits. Stockmann's reporting of greenhouse gas emissions covers the Department Store Division, the Finnish operations of Seppälä and all operations of Lindex. The operations covered by the carbon calculations account for more than 80 per cent of the Group's revenue and 72 per cent of the Group's personnel.

The calculations were carried out by an external party and were done in accordance with the international Greenhouse Gas Protocol reporting principles. The direct greenhouse gas emissions resulting from Stockmann's own operations are low. Energy purchases, particularly the generation of electricity, account for most of the emissions.

The calculation of the greenhouse gas emissions will provide the Group with a management tool and a basis for determining where and how much emissions should be cut in the coming years. Stockmann plans to develop carbon calculations so that they would cover all countries in which the Group has operations and the indirect emissions that are of greatest importance for the operations.

Emission sources based on the GHG Protocol reporting standard



Greenhouse gas emissions	tCO ₂ e
Direct emissions	
Vehicles	526
Own energy generation	362
	888
Indirect emissions due to energy purchases	
Electricity	18 856
District heat and cooling	10 914
	29 770
Other relevant indirect emissions	
Distribution and deliveries	2 493
Air travel	1 570
	4 063
Total	34 721

* Excluding district heat at Seppälä stores

** Excluding deliveries of Lindex Store Online purchases

Energy efficiency was also considered when creating the new store concept. The IT equipment room began operation in 2007. By the end of 2010, its total energy consumption had decreased by 37 percent. The IT equipment room's capacity has improved markedly.

Seppälä launched an action, monitoring and guidelines project that focuses on enhancing energy efficiency in its stores. Seppälä also continued to integrate its stores into the automatic energy monitoring system. Along with the other divisions, Seppälä focused on identifying the locations with the greatest energy-saving potential by monitoring specific consumption in different locations. In 2011, Seppälä will pay special attention to the energy efficiency of new stores by considering the requirements related to quality and technical properties.

The Group's recorded water consumption was 211 700 cubic metres in 2010, which is 6 percent higher than in 2009. The increase is explained by the inclusion of new locations, because comparable water consumption decreased compared to the previous year. Most of the water, which comes from local waterworks, is used in the department stores' restaurant, kitchen and sanitary facilities.

ELECTRONIC SOLUTIONS AND PURCHASES FOR OWN USE

In 2010, Stockmann continued to implement video and telephone conference equipment and offer related training to users. Most regularly held international meetings are organised as video and telephone conferences, which decreases travelling. Electronic reporting, invoice handling and archiving systems significantly reduce the need for paper printouts and the related document transport. Seppälä has enhanced the use of electronic services by replacing most of the reporting and guidelines materials from the head office to the stores with intranet communications.

Environmental issues are considered more extensively than before when purchasing goods and services for the Stockmann Group's own use. When acquiring, for example, logistics services for the Stockmann department store in the centre of Helsinki, special attention was paid to the efficiency

of the transport fleet and the transport companies' opportunities to report the greenhouse gas emissions from the operations. The efficiency of the transport of goods purchased for the Finnish department stores' own use was enhanced by

centralising purchases. The most important purchasing partners have an ISO 14001 or an EMAS environmental management system.

▼ *The packaging material selections at the department stores were revised in 2010, and gift boxes were replaced with more material-efficient gift bags. All previous packaging materials were recycled or reused.*



Financial responsibility

In the Stockmann Group, financial responsibility refers to good financial management that meets shareholders' profit expectations, creates permanent jobs and generates financial wellbeing for society. Stockmann is a major employer and taxpayer, a significant purchaser of products and services, an investor and a partner. Competitive strength and sound financial performance enable the company to invest in the well-being of its employees and society as a whole. Socially responsible operations create a solid foundation for the efficient operations and financial growth.

A FINNISH LISTED COMPANY

Stockmann Oyj Abp, the parent company of the Stockmann Group, is listed on Nasdaq OMX Helsinki. The parent company has approximately 45 000 shareholders. Stockmann's disclosure policy serves to ensure that, as a basis for establishing the price of Stockmann shares, all market actors have sufficient and accurate information available to them at the same time. The disclosure policy also ensures that the information is provided promptly and impartially. All investor information is published in Finnish, Swedish and English on the Stockmann Group's website at www.stockmanngroup.fi. Financial information is published on the parent company, the Group as a whole and its three divisions: the Department Store Division, Lindex and Seppälä.

Stockmann's Board of Directors has set an aim of distributing more than half of the profit from the company's ordinary operations in dividends. However, the finance needed for business growth is taken into account when deciding the level of dividends.

Stockmann is included in the Kempen SNS Smaller Europe SRI sustainable development index maintained by the Dutch investment companies Kempen Capital Management and SNS Asset Management. The companies in the index are considered to operate in accordance with high ethical, social and environmental criteria. Since 2010, Stockmann



has also been included in the OMX GES Finland Sustainability index. Maintained by Nasdaq OMX Helsinki, this index consists of 40 leading sustainable development companies in Finland.

LOYAL CUSTOMERS ARE IMPORTANT

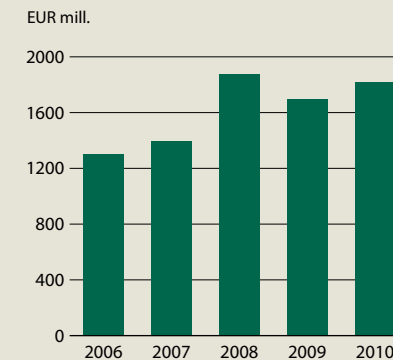
The Stockmann Group's divisions have four popular loyal customer programmes: the Stockmann Loyal Customer programme, Lindex Club, Seppälä Klubi and Hobby Hall. These cover more than 6 million customers. The loyal customer programmes have customer registers, which include information needed for customer relationship management as well as customer service and marketing purposes. Stockmann adheres to the laws and regulations that protect the privacy of customers. The company received no complaints regarding breaches of customer privacy in 2010.

In 2006 and 2008, the Annual General Meeting passed the Board of Director's proposal on issuing share options to Stockmann's loyal customers. This significant reward also improves Stockmann's competitive position. Each option entitles its holder to subscribe to a Stockmann B share during specific subscription periods between 2008 and 2012. In 2010, a total of 52 047 shares were subscribed with the share options.

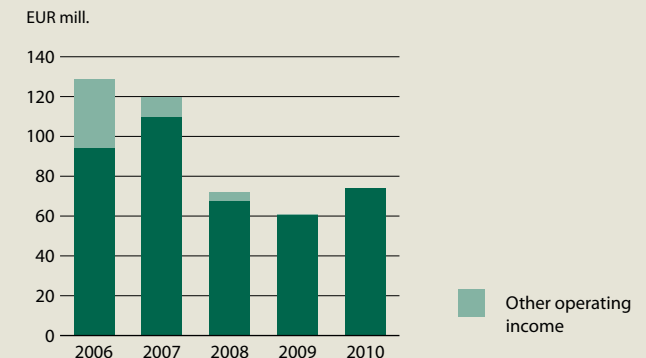
FINANCIAL PERFORMANCE IN 2010

Recovering from a severe crisis, the world economy resumed growth more rapidly than expected in 2010. With the

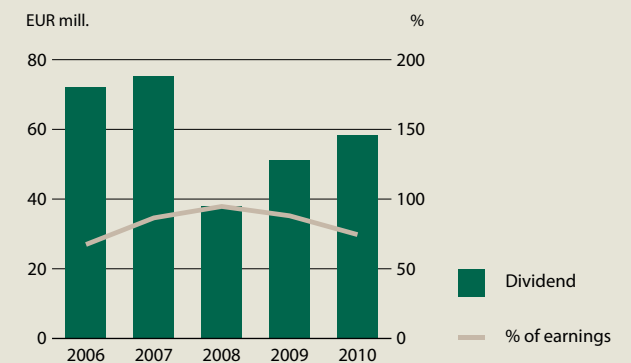
Revenue 2006–2010



Profit before taxes 2006–2010



Dividend for the financial years 2006–2010



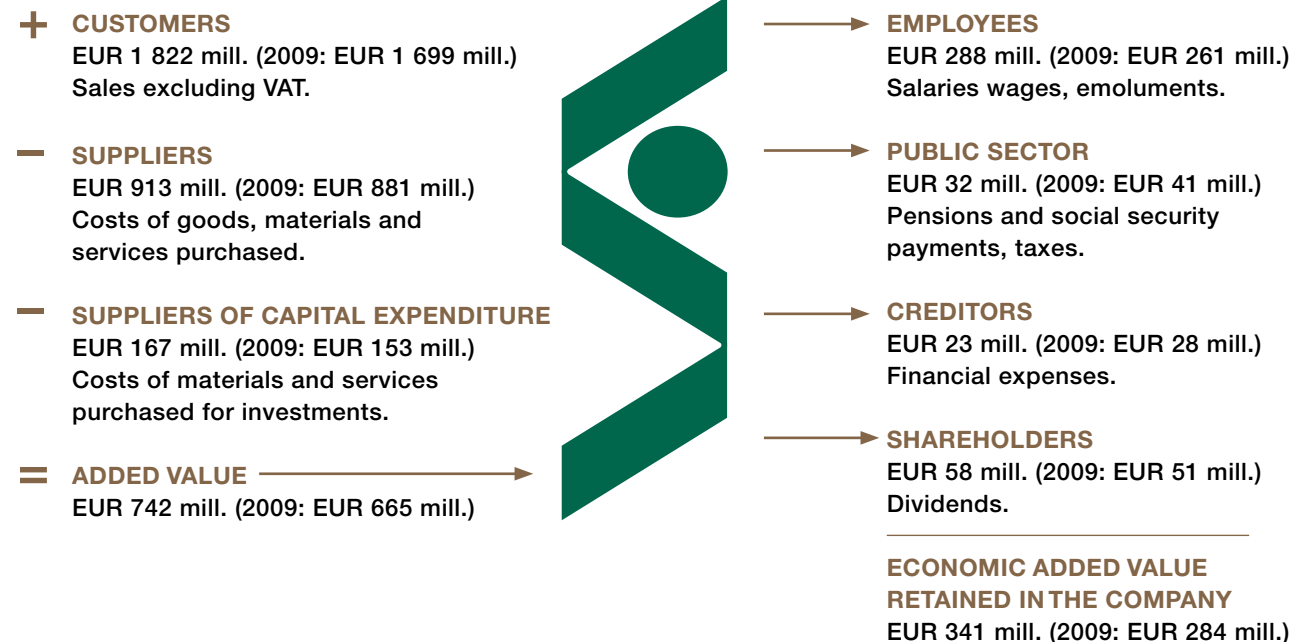
rise in energy prices, the growth was strongest in Russia. The general economic situation was favourable in the Nordic countries as well. The Baltic countries saw an upswing in late 2010.

The recovered consumer demand and strengthened consumer confidence, as well as Stockmann's divisions' measures to enhance their competitive position, were evident in the Stockmann Group's revenue, which was up by 7.3 percent. This was boosted by Stockmann's historically important projects completed late in the year: the enlargement and renovation of the Helsinki city centre department store and the Nevsky Centre shopping centre in St Petersburg. Lindex opened 36 new stores and Seppälä opened 12 new stores in 2010, which was reflected in an increase in revenue for both divisions.

The major enlargement and renovation project at the

Helsinki city centre department store, for which construction work began in 2006, was completed as planned in November 2010. The project involved expanding the department store's commercial premises by about 10 000 square metres. This was done by converting existing premises to commercial use and by building new space. In St. Petersburg, the Nevsky Centre shopping centre, constructed on Stockmann's own site in the city centre, was opened on November 11. The Nevsky Centre comprises a total of approximately 100 000 square metres, including about 50 000 square metres of retail and office space, a Stockmann department store of 20 000 square metres as well as Lindex, Seppälä and Bestseller stores and more than 70 other stores, plus restaurants and services. In addition, the fifth Stockmann department store in Moscow was opened in the Golden Babylon shopping centre in the Rostokino

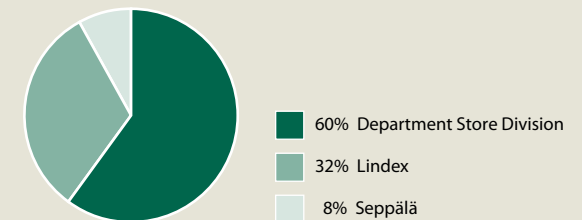
Economic added value to stakeholders 2010



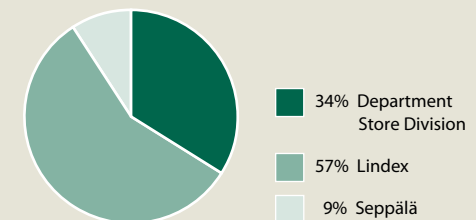
Financial key figures

EUR mill.	2010	2009	2008
Operating profit	88.8	85.3	121.9
Profit before taxes	74.2	61.3	71.7
Dividends	58.3	51.2	38.0
Direct taxes	-4.2	7.3	31.9
Material and service purchases	913.0	880.8	971.7
Investments	165.4	152.8	182.3
Salaries and emoluments	287.6	261.2	279.8
Pension expenses	36.5	33.4	32.0
Average number of employees	15 165	14 656	15 669
Number of shareholders 31 Dec.	44 596	43 929	42 888

Revenue by division 2010



Operating profit by division 2010



district in north Moscow in March 2010.

Consolidated operating profit increased by EUR 3.7 million in 2010, totalling EUR 88.8 million. The Stockmann Group has considerable krona-denominated assets, which are hedged against changes in foreign exchange rates with krona-denominated loans. Most long-term loans were refinanced in 2010. Profit for the financial period increased considerably more than operating profit because of lower financial expenses and changes in tax items. Earnings per share were EUR 1.10 in 2010 (EUR 0.82 in 2009). A dividend of EUR 0.80 per share was paid on the financial year.

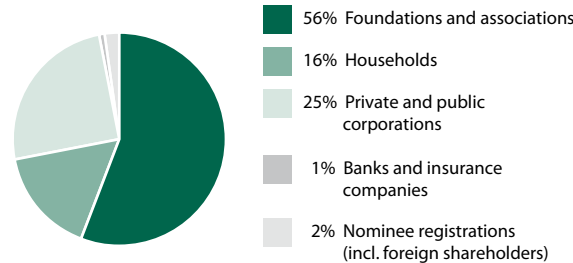
LONG-TERM FINANCIAL TARGETS

Stockmann aims for an efficient capital structure, which ensures favourable operating conditions for the Group under all circumstances in the capital market, regardless of the sector's sensitivity to changes in the economic situation. The Stockmann Group uses the equity ratio to monitor the development of its capital structure. The Group's strategic goals include an equity ratio of 40 percent. At the end of 2010, the Group's equity ratio was 43 percent. Other long-term financial goals by 2015 include sales growth that exceeds market growth, a minimum operating profit margin of 12 percent and a minimum profit on capital employed of 20 percent.

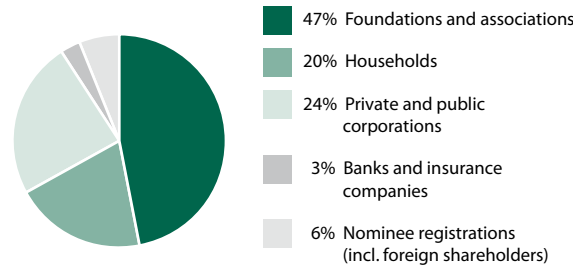
Major shareholders 31 December 2010

	% of shares	% of votes
1. HTT Holding Oy Ab	11.8	10.7
2. Föreningen Konstsamfundet Grouping	9.5	15.0
3. Society of Swedish Literature in Finland	7.6	15.7
4. Niemistö Grouping	5.9	9.4
5. Etola Group	4.3	6.1
6. Stiftelsen för Åbo Akademi	4.1	6.3
7. Varma Mutual Pension Insurance Company	3.5	0.7
8. Ilmarinen Mutual Pension Insurance Company	3.5	1.3
9. Samfundet Folkhälsan i svenska Finland r.f.	2.2	2.7
10. Jenny and Antti Wihuri's fund	1.9	2.1

Distribution of votes 2010



Distribution of shares 2010



CASE

The Pink Ribbon is much more than a ribbon

Each year, the Stockmann Group donates money for charity and other worthy causes. In 2010, the Group focused its support on education in Finland by donating EUR 20 000 to each university operating in the locations of Stockmann department stores. The donation totalled EUR 160 000.

Occasionally, Stockmann and its customers also join forces to support worthy causes. In 2010, Lindex launched the Pink Collection created by Narcisco Rodrigues, an American designer. Ten per cent of the sales price of each item went to the Pink Ribbon campaign of the Finnish Cancer Foundation. More than 400 Lindex stores and their customers raised almost EUR 800 000 for the breast cancer research fund.

"For me and other people who have suffered from breast cancer, the Pink Ribbon is a ribbon symbolising hope and opportunity," says Heidi, who works in Lindex customer service. Heidi contracted breast cancer at the age of 25. In her case, the disease was malignant and spread rapidly. Several operations, chemotherapy and drugs were required. "Even though I lost a lot during the disease, I got much more in return. Now, I feel that I'm more alive than before and I'm joyful about each day."

Heidi is proud of her employer: "In my opinion, the commitment Lindex has shown during the Pink Ribbon campaign is a great thing. It's both inspiring and touching. That's why I wanted to share my story and thank all those who took part in the campaign."



GRI content comparison

GRI recommendation		Stockmann's report		
Disclosure	GRI description	Reported	Page	Explanation
1.	Strategy and Analysis			
1.1	Statement from the CEO	Fully	4	
2.	Organizational Profile			
2.1	Name of the organization	Fully	5	
2.2	Primary brands, products, and services	Fully	5	
2.3	Operational structure of the organization	Fully	5	
2.4	Location of organization's headquarters	Fully	5	
2.5	Number of countries where the organization operates	Fully	6	
2.6	Nature of ownership and legal form	Fully	5, 22	See also Corporate Governance Statement in the Annual Report 2010.
2.7	Markets served	Fully	5	
2.8	Scale of the reporting organization	Fully	6	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully		Hobby Hall's business was transferred to the Department Store Division as of the start of 2010, and Oy Hobby Hall Ab was merged with the parent company on 30 June 2010.
2.10	Awards received in the reporting period	Fully	6	
3.	Report Parameters			
3.1	Reporting period	Fully	5	
3.2	Date of most recent previous report	Fully	5	
3.3	Reporting cycle	Fully	5	
3.4	Contact point for questions	Fully	25	
3.5	Process for defining report content	Partially	4–5	
3.6	Scope and boundary of the report	Fully	5	Deviations mentioned in connection with each key indicator.
3.7	Specific limitations on the scope or boundary	Fully		
3.8	Basis for reporting on subsidiaries and leased facilities that can affect comparability	Fully	5	Leased out commercial premises in the Nevsky Centre not included.
3.10	Re-statements of information provided in earlier reports	Fully		Since the start of 2010 Stockmann has been reporting its revenue exclusive of value added tax (VAT), instead of including VAT in the sales figures.

GRI recommendation		Stockmann's report		
Disclosure	GRI description	Reported	Page	Explanation
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Fully	5	The first report according to the GRI recommendation. Changes mentioned in connection with the key figures.
3.12	GRI content comparison	Fully	23–25	
4.	Governance, Commitments, and Engagement			
4.1	Governance structure of the organization	Fully		Corporate Governance Statement in the Annual Report.
4.2	Position of the chairman	Fully		Corporate Governance Statement in the Annual Report.
4.3	Independence of the members of the Board	Fully		Corporate Governance Statement in the Annual Report.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board	Fully		Corporate Governance Statement in the Annual Report. At the meetings of the Board of Directors, personnel representatives have the right to attend and to speak.
4.14	List of stakeholder groups engaged by the organization	Fully	5	
4.15	Basis for identification and selection of stakeholders with whom to engage	Partially	5	
5.	Performance Indicators			
	Economic			
EC1*	Direct economic value generated and distributed	Fully	20	
	Environmental			
EN1*	Materials used	Partially	16	Reported the amount of packaging material put to the market.
EN3*	Direct energy consumption	Fully	16	
EN4*	Indirect energy consumption	Fully	16	
EN5	Energy saved due to conservation and efficiency improvements	Partially		
EN8*	Total water withdrawal	Fully	17	
EN16*	Total direct and indirect greenhouse gas emissions	Fully	19	
EN17*	Other relevant indirect greenhouse gas emissions	Fully	19	
EN22*	Total weight of waste	Fully	17	
EN23*	Significant spills	Fully		No spills in the report period.
EN28*	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	Fully		No fines or non-monetary sanctions in the report period.

GRI recommendation		Stockmann's report		
Disclosure	GRI description	Reported	Page	Explanation
	Social			
LA1*	Total workforce	Fully	8	
LA2*	Employee turnover	Fully	8	
LA7*	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Partially	9	
LA11	Programs for skills management and lifelong learning	Partially	8–9	
	Human Rights			
HR2*	Significant suppliers and contractors that have undergone screening on human rights	Partially	12	Included in BSCI audits.
	Product Responsibility			
PR8	Substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	20	

* GRI core indicator

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