



Stockmann Group's
SUSTAINABILITY REPORT 2009



STOCKMANN

SUSTAINABILITY REPORT 2009

Values and operating procedures form the basis for responsible operations

Stockmann's core values and its management and operating procedures together form the basis for responsible operations. Social responsibility is one of the Group's six core values and an integral part of Stockmann's long-term operations. The main focus of Stockmann's social responsibility is on its personnel, the environment, product safety and a responsible approach to overseas sourcing.

The Corporate Social Responsibility Steering Group, which is headed by one of the two Executive Vice Presidents, guides the implementation of corporate social responsibility (CSR) and related development work within the Stockmann Group. The Steering Group is made up of representatives from all the divisions. It is a body of experts with a coordinating role, and its task is to further the achievement within the divisions of the targeted level of social responsibility confirmed by the Management Committee and the implementation of the confirmed policies. The Steering Group prepares and updates the CSR principles and policies for consideration by management and pursues a dialogue on responsible operations and associated priorities. It is also responsible for obtaining reporting data and assessing the extent to which responsible operations are being carried out within the entire Stockmann Group.

In practice, responsible operations are monitored principally by means of various sets of financial, environmental and social responsibility indicators, through ISO 14001 environmental system audits and environmental legislation surveys, by monitoring product and service quality and by audits of the supplier chain. Monitoring and development are also carried out through Stockmann's active participation in the activities of relevant national and international bodies and organisations.

SCOPE OF REPORTING

Stockmann wishes to tell its stakeholders openly about the company's social responsibility. The reporting covers the entire Group's operations. The key financial indicators are from the statutory accounting records, and many of the key indicators for environmental responsibility are verified in connection with the ISO 14001 certifications. In calculating the key indicators, the same principles have been observed as in previous reporting years.

In compiling its financial statements, Stockmann observes the general guidelines issued by the Finnish Accounting Standards Board (KILA) concerning the recording, calculation and presentation of environmental compliance. Global Reporting Initiative (GRI) indicators have been used where appropriate in the selection of indicators most



essential for Stockmann's operations. The categories used are in line with the GRI's three-pillar concept, which views responsibility in terms of financial responsibility, social responsibility and environmental responsibility. No third party examination has been made.

Lindex has compiled a separate CSR report on its operations for 2009, which can be viewed on the Lindex website, at www.lindex.com, or on the Stockmann website, at www.stockmann.com.

Financial responsibility

Financial responsibility means meeting shareholder expectations concerning the return on investments, offering permanent jobs to employees, creating new jobs, paying taxes and, in general, enhancing the economic prosperity of society at large. The retail trade plays a role in creating this prosperity. Stockmann is a major employer and taxpayer, a big purchaser of products and services, a property developer, an investor and a partner. Competitiveness and sound financial performance enable the company to enhance the wellbeing of its personnel and of society as a whole. Socially responsible operations, in turn, create a solid foundation for the company's financial growth.

Stockmann is a listed company with approximately 44 000 shareholders. The purpose of Stockmann's disclosure policy is to ensure that, as a basis for establishing the price of Stockmann shares, all market actors have sufficient and accurate information on Stockmann plc and the Stockmann Group available to them at the same time. The disclosure policy also ensures that publishable information is provided promptly and impartially. Financial information is published on the parent company, the Group as a whole and its divisions, which are the Department Store Division, Lindex and Seppälä. In 2009 Stockmann once again achieved recognition for its investor relations (IR) communication, when CEO Hannu Penttilä was chosen as 'Best IR Communicator' in the IR Nordic Markets comparison of the CEOs of major Finnish companies by the Swedish analysis and research company Regi.

Stockmann's Board of Directors has set the dividend payout target at a minimum of half of the earnings derived from the company's ordinary operations. The financing required to grow operations is nevertheless taken into account in determining the dividend.

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

Each year, Stockmann donates money to charity, to supporting medical research and to other non-profit projects. Seppälä held a T-shirt design competition for young people on its website, in which the proceeds from the sale of the winning shirt were donated to the Walkers youth work activities of the Finnish Children of the Station association. Lindex actively raises funds for various charity organisations. For example, in 2009 Lindex together with customers in over 400 stores collected a record SEK 6.3 million for the Pink Ribbon campaign of the Cancer Foundation. The company has also participated for a number of years in projects supporting children's schooling in China and Bangladesh.



FINANCIAL KEY FIGURES

		2009	2008	2007
Revenue	EUR mill.	1 698.5	1 878.7	1 398.2
Operating profit	EUR mill.	85.3	121.9	125.2
Profit before taxes	EUR mill.	61.3	71.7	119.4
Dividends	EUR mill.	51.2	38.0	75.2
Direct taxes	EUR mill.	7.3	31.9	31.1
Material and service purchases	EUR mill.	880.8	971.7	791.2
Salaries and emoluments	EUR mill.	261.2	279.8	181.9
Pension expenses	EUR mill.	33.4	32.0	26.3
Staff expenses	EUR mill.	32.8	38.7	15.8
Expenditure on staff training (excluding direct salary and wage costs)	EUR mill.	0.6	1.0	1.2
Average number of employees		14 656	15 669	11 161
Average number of part-time employees		8 207	8 386	5 182
Number of shareholders		43 929	42 888	39 137
Donations made *	EUR mill.	0.04	0.04	0.1
Received employment contributions	EUR mill.	0.2	0.2	0.3

* Parent company

Environmental responsibility

The environmental work of Stockmann's divisions is based on the Group's environmental policy as approved by Stockmann's Board of Directors. In line with its environmental policy, Stockmann is committed to promoting and supporting the implementation of sustainable development principles in its business operations.

In its role as a product importer, Stockmann has producer liability, i.e. it is obligated to arrange the waste disposal and recycling of its products at its own cost. The Group has met this obligation by joining producer organisations that are responsible at the practical level for the collection, recycling and waste management nationwide of products discarded by consumers. The Environmental Register of Packaging PYR Ltd is responsible for the collection and recycling of packaging and packaging waste, while SERTY, the association responsible for recycling waste electrical and electronic equipment, deals with the recycling of electrical and electronic equipment and portable accumulators and batteries. Consumers can return free of charge those products which they no longer use to collection points maintained by these producer organisations.

The Group has invested in the use of phone and video conferencing systems and in training users of these systems, which reduces need to travel and allows meetings to be conducted efficiently and in an environmentally friendly manner. In IT purchases and equipment renewal the environmental perspective is taken into account by assessing such matters as the power consumption of equipment and whether, for instance, a new item of equipment can be used to perform more functions than before, thus allowing a reduction in the number of devices needed and reducing the power consumption, too. The aim in the Group's equipment purchasing is to consider the environmental effects of the equipment across its entire lifecycle. The use of electronic reporting, invoice handling and archiving systems significantly reduces the need for paper printouts. In addition, employees are advised to switch off lights and disconnect the power at their workstations when leaving the workplace, and to sort and recycle paper and other waste.

DEPARTMENT STORE DIVISION

Stockmann's department store chain in Finland has an environmental management system certified according to the ISO 14001 standard. A certified environmental management system guarantees a comprehensive approach to environmental compliance. The aim is to reduce adverse environmental effects, principally by preventing waste generation and by recycling waste, boosting the efficiency of energy use and taking environmental factors into account in decisions concerning purchases and product selections. The department stores' environmental management systems were formulated and certified in 2002–2003. The ISO 14001 certificate is voluntary and demonstrates the commitment of Stockmann's department stores to developing their environmental compliance over and above the minimum level required by law.

The ISO 14001 certification covers the functions of Stockmann's department stores and Academic Bookstores in Finland along with the Department Store Division's joint office and warehousing functions in Helsinki's Pitäjänmäki district. Almost 5 000 people work in jobs falling within the scope of the certified functions. Internal and external fixed-interval evaluations as referred to in the certification are carried out on a regular basis, and they verify that the operations meet the requirements of the standard. An external audit is performed at the Helsinki department store each year, and at the other department stores in Finland every second year. During 2009, internal audits were performed at all the department stores and at the office and warehouse premises in Pitäjänmäki, and external audits were made at the department stores in Helsinki, Tapiola and Itäkeskus, as well as at the office and warehouse premises in Pitäjänmäki.

In setting up the environmental systems for the department stores, the main environmental aspects were identified and classified, instructions for dealing with environmental matters were prepared and goals set. The responsibility for operating in accordance with the specified guidelines rests with all levels in the organisation. Along with the environmental systems, indicators for monitoring environmental

► *Fair Trade roses on sale at Stockmann.*



impacts have also been developed. The results and the action to achieve the objectives are assessed in management reviews each year.

Ever since 2005, as part of the department stores' work to reduce waste generation, BioWare biodegradable food containers have been used in the Delicatessens of the Finnish department stores and at other counters that serve ready-to-eat meals. Pastry boxes, too, have been replaced with environmentally friendly compostable boxes. Furthermore, the Stockmann Delicatessen's wide selection includes plenty of organic and Fair Trade products, and the department stores also sell environmentally labelled products. As an alternative to plastic carrier bags, Stockmann offers its customers in Finland and the Baltic countries inexpensive durable bags as an option.

In transporting goods, Stockmann uses outside partners with whom it seeks to develop a more environmentally friendly transport service, for instance by reducing the number of trips made to the department stores and switching to low emission vehicles.

Hobby Hall was integrated into the Department Store Division at the start of 2010 and the aim is to integrate also the goals and procedures related to social responsibility during 2010. Hobby Hall carries on distance retail where environmental responsibility focuses especially on the selection of packaging and catalogue materials, with all catalogues and packaging being made from environmentally friendly, recyclable materials. Suppliers of materials must meet certain requirements, and Hobby Hall actively considers the different packaging material alternatives available. Environmental declarations have been obtained from all suppliers of packaging materials, and these are renewed if the supplier is changed. Recycled materials are also used in the production of packaging material. Envelopes and covering letters are no longer used in mailing loyal customer catalogues, and the catalogues are partly printed on lighter weight paper.

The system of nationwide recycling of electrical and electronic waste works well in conjunction with distance retailing: when new items are purchased, customers can leave their old electrical and electronic waste with Hobby Hall.

LINDEX

Lindex's environmental work is based on the principles set out in the ISO 14001 standard. Lindex strives to reduce the use of packaging and increase the recycling of e.g. hangers, packaging and display

materials. The packaging materials selected are those with a low impact on the environment, and suppliers also have to meet requirements regarding choice of materials. By avoiding the use of mixed materials as much as possible, it will also be easier for customers to sort packaging waste. Goods are transported from the distribution centre to Lindex stores in foldable plastic boxes that can be used at least 55 times. The boxes are made of recyclable plastic. Thanks to these returnable boxes the use of corrugated cardboard has fallen substantially. In its Code of Conduct, Lindex lays out requirements for e.g. waste handling and water treatment and stipulates that its suppliers comply with the environmental legislation of the countries where the garments are manufactured. Lindex also stipulates that all chemicals be handled safely without jeopardizing the health of factory employees and the environment.

Lindex is a member of BCI, the Better Cotton Initiative, which strives to transform traditional cotton farming into more environmentally friendly cotton farming. It is also a member of Organic Exchange, which promotes organic cotton farming. Lindex has increased the number of ecological products in its selection in recent years. In all its departments, Lindex offers a growing range of organic cotton products labelled 'Organic Cotton by Lindex'. The organic cotton used is certified by Control Union, an international certification body.

The design and purchasing department aims to purchase products with as low an environmental impact as possible. Developing new working methods, experimenting with sustainable materials and assessing these materials, and looking for better transport routes are all part of Lindex's work for the good of sustainable fashion. In addition to organic cotton, the use of materials such as recycled polyamide and polyester is being tried out, and the product selection does not include any garments requiring dry cleaning.

SEPPÄLÄ

Seppälä takes environmental responsibility into account in its everyday work. It regularly checks the sorting and recycling options for all its stores in Finland. The majority of Seppälä's stores are located in shopping centres, where environmental and waste management issues are taken into consideration very well. For stores abroad, the basic principle is that they must observe local legislation and waste management practices. Operating instructions for sorting and recycling have been prepared for the stores. Training in waste sorting

and recycling is given on a regular basis at the head office and the logistics centre. The sorting rate at the head office and the logistics centre is excellent, whereas at stores it varies depending on the sorting possibilities permitted by each property.

Environmental responsibility is also stressed in Seppälä's relationships with suppliers. Seppälä has prepared detailed partnership guidelines for its suppliers, dealing with packaging and the use of chemicals, among other things. The aim of the guidelines is to avoid unnecessary product packaging and to influence how suppliers select packaging materials and packaging methods by requesting that they use recyclable packaging plastics and avoid the use of certain chemicals. The partnership guidelines also deal with responsible overseas sourcing and Seppälä's efforts to promote this.

WASTE MANAGEMENT AND ENERGY

Energy consumption and waste are the most significant environmental issues in the Stockmann Group's operations. Improvements are being made in Stockmann's environmental performance¹ through continuous development work, waste sorting and enhanced energy efficiency.

Waste sorting and sorting efficiency are among the primary issues in reducing the adverse environmental impacts of the operation of Stockmann's divisions. Waste is sorted where it arises: in the warehouses, department stores and other stores. Sortable waste in Finland includes combustible, biodegradable, mixed and hazardous waste, cardboard, paper, metal (small items), electrical and electronic waste. Combustible and biodegradable waste and paper, cardboard and metal are delivered to waste processing plants, whereas hazardous waste goes to hazardous waste facilities and mixed waste to landfills.

The pilot project for the separate collection of plastic film and shrinkwrap has indicated that in the Department Store Division these wrapping materials are mostly removed from products at the warehouses, resulting in very little plastic waste being generated at department stores. Based on the experiences gained, Stockmann decided to continue collection of these materials at the Pitäjänmäki

¹ Environmental performance = a company's ability to comprehensively manage the environmental issues associated with its operations

warehouse and at the department store in the Jumbo shopping centre, and to try this out at the Tampere department store as well.

Seppälä began the collection of transparent recyclable plastic in 2008, with the aim of reducing the amount of combustible waste. In 2009, a total of 6 tonnes of recyclable plastic was collected, which meant the amount of combustible waste was almost halved from the previous year's figure.

The recycling efficiency rate for waste in the Group's Finnish operations is 92 per cent. Among the factors boosting the amount of mixed waste in 2009 was the major removal of employees in connection with the integration of Hobby Hall into the Department Store Division, in which about 500 employees tidied their desks and archives. In Stockmann units outside Finland, the estimated recycling efficiency rate is 34 per cent. Recycling is carried out in accordance with local regulations and with the opportunities available for recycling, and so comprehensive data on waste management is not available. Annual targets have been set for waste management activities, and the results are monitored regularly.

The existence of different waste management practices at the various business locations somewhat limits the scope for fully consistent reporting on waste management. The solutions adopted at stores operating in shopping centres are often dependent on the waste management systems in use at these centres, and there are also variations in the waste management regulations applying in different municipalities.

The Group's energy consumption consists of electricity, district heating and water, as well as district cooling at the Helsinki department store. The reported levels of energy consumption are mainly from lighting and cooling in the stores and warehouse and office premises, and from the electrical equipment used in these areas. Real Estate Services' aim is to provide heating, ventilation and lighting conditions that are energy-efficient and cost-effective and support business operations. When improving working conditions, factors affecting employee health and wellbeing and customer satisfaction, such as indoor air quality, are taken into account.

The Group's power consumption in 2009 was 101 943 MWh, an increase of 5 per cent on the previous year. This increase was primarily due to the greater amount of retail floor space. The aim of the Group-wide power-saving campaign started in 2007 is to inform staff about the means by which electricity can be conserved and to

get them to think about how to use electrical appliances in an energy-efficient way and to change the way they do things. In monitoring power consumption in the different properties, special attention is given to consumption outside of opening hours. The alarm system can be used to respond to changes in power consumption and prevent the unnecessary or inappropriate use of electricity.

The modernized building services introduced in connection with the enlargement project at the Helsinki department store will improve relative energy efficiency. For example, the district cooling system introduced in May 2008 has cut electricity consumption per square metre at the Helsinki department store.

Stockmann signed an agreement for the procurement of lights for all the Department Store Division's operations in Finland in 2006. A number of the light fitting designs in use are such that they can be replaced with more energy-efficient models. The use of more energy-efficient lights means an annual cut in electricity consumption equivalent to a week's consumption by the Helsinki department store.

The aim of Lindex's two-year energy-saving campaign is to reduce overall power consumption per square metre in its stores by 10 per cent by the end of 2010. The combined consumption of electricity in all the Lindex stores in Sweden was cut by 7 per cent in 2009. The energy-saving campaign is progressing at three levels: in stores with high power consumption the reasons are identified and the situation rectified; in new stores a more environmentally friendly technology is being used; and in all stores more attention is being given to the range of small steps that can be taken to reduce power



▲ The star-spangled ceiling of the light well in the Helsinki department store is made up of energy-saving LED lights.

consumption. For example, escalators need only be running when there are customers in the store, and the store lighting can be adjusted at different times of day through the use of timers.

The Group's water consumption in 2009 totalled 199 673 cubic metres, or 2 per cent more than the previous year. Most of the water is used in the department stores' restaurant, kitchen and sanitary facilities.

In Stockmann units outside Finland, comprehensive data on energy consumption is not available.

The reporting on energy consumption does not include fuel used in vehicles and other transport equipment. Stockmann does not have a significant goods vehicle fleet of its own. With the aim of reducing carbon dioxide emissions from its own vehicles, the company pays the diesel tax on employees' company cars in Finland.

WASTE MANAGEMENT STATISTICS (tons)

	Dept stores, Finland			Dept stores, abroad			Lindex*			Hobby Hall*			Seppälä*			Total**		
	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007	2009	2008	2007
Recyclable waste																		
Combustible waste	993	1 185	1 233	-	-	1	27	24		22	55	59	14	23	28	1 055	1 286	1 320
Cardboard	1 629	1 783	1 945	296	443	502	1 144	1 141		237	319	290	301	370	350	3 606	4 056	3 087
Paper	193	205	183	-	-	-	15	6		9	32	29	59	56	47	275	298	259
Plastic film, glass	112	71	33	6	-	28	-	0		0	0	16	6	4	-	124	75	77
Metal	37	37	38	0	0	0	-	1		5	6	8	-	-	-	42	44	46
Bio waste	2 081	1 917	1 754	194	158	95	-	-		10	9	10	15	15		2 285	2 099	1 873
Restwaste																		
Mixed waste	420	362	357	3 318	3 608	3 176	-	3		7	20	29	9	9	9	3 754	4 001	3 570
Hazardous waste	10	5	9	-	-	-	2	-		1	2	1	0	0		13	6	9
Total	5 475	5 565	5 552	3 813	4 209	3 800	1 187	1 174		291	442	440	388	476	449	11 153	11 865	10 241
Waste utilization, %	92	93	93	13	14	16	100	100		97	95	93	98	98	98	66	66	65

Where accurate figures have not been available, the amounts have been estimated. Waste utilization, %= recyclable waste / waste in total x 100.

Waste utilization= recycling of materials and utilization of its energy content.

* Lindex figures include the head office, the Partille office and the logistics centre in Sweden. Hobby Hall figures include activities in Finland, excluding the premises in Duetto Business Park.

* Seppälä figures include the head office and the logistics centre.

** Year 2007 without Lindex figures.

ENERGY CONSUMPTION

	Electricity (MWh)			Heat (MWh)			Water (m3)		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Dept Store Division, Finland	62 375	58 318	61 224	28 241	18 554	19 073	109 906	113 987	119 253
Dept Store Division, abroad	32 052	30 524	31 615	12 721	10 990	12 148	81 961	74 676	75 697
Lindex*	2 208	2 228		653	372		3 045	1 360	
Hobby Hall*	3 530	3 871	4 553	3 060	3 101	3 321	2 617	2 830	3 381
Seppälä**	977	1 054	1 153	912	1 226	753	1 424	1 927	2 191
Others	800	806	839	580	579	328	720	729	783
Total	101 943	96 801	99 384	46 167	34 821	35 623	199 673	195 509	201 305

* Lindex figures include the head office, the Partille office and the logistics centre in Sweden. Hobby Hall figures include activities in Finland, excluding the premises in Duetto Business Park.

** Seppälä figures include the head office and the logistics centre.

Year 2007 without Lindex figures.

Social responsibility

PERSONNEL

The international dimension within Stockmann Group's personnel was further boosted during 2009 with the opening of Lindex stores in Slovakia, a new country of operation. The number of Stockmann personnel employed outside Finland was 7 683 (previous year: 8 072), or 52 per cent of the total. The total number of personnel in the Group at the end of 2009 was 14 836 (end of 2008: 15 737).

The general downturn in the economy was also reflected strongly in recruitment, as the number of hours worked in all countries of operation was adjusted in line with the decline in demand and customer

flows. Only where absolutely necessary were new employees recruited to fill the place of those departing. There was a decrease in the number of personnel in all countries of operation, with the exception of Lithuania, the Czech Republic, Ukraine and Slovakia. New stores were opened by Lindex and Seppälä in these four countries.

With the fall in demand, Stockmann cut back its commercial and administrative operations to a certain extent in several countries, and these measures also involved having to resort to job losses. Overall, the Stockmann Group nevertheless managed to retain staffing at a good level in its operations, and used every means possible to minimise costs without having to cut the number of personnel. New working procedures also enabled savings to be made.

Staff turnover in 2009 was lowest in the Baltic countries, where the general economic situation and the significant rise in unemployment were reflected in the staff. There was an increase in the general level of commitment to the employer and an increased attention was paid to internal training.

In Finland the personnel management measures taken in 2009 focused to a great extent on planning, preparing for and, in the latter part of the year, executing the process of integrating the functions of the Department Store Division and Hobby Hall. This involved both a physical transfer of jobs and the integration of different processes, working procedures and cultures. At the start of 2010, the personnel of Oy Hobby Hall Ab were transferred as existing employees to the employment of Stockmann plc.

PERSONNEL ORIENTATION AND DEVELOPMENT

Attention was also given in 2009 to further developing the personnel's skills and expertise, and with cost-efficiency as the watchword. Alongside the long-term training programmes, which have been judged a success, more use was also made of other options based on the Group's internal resources.

In the Department Store Division in Finland, the work on developing orientation practices for staff new to their jobs was continued as planned, by redesigning the 'info day' and handbook for new employees. The handbook drawn up for team leaders in the department stores was also revamped. For Delicatessen personnel the orientation modules were revised, and so too was the basic training given in the key area of meat and fish expertise. The orientation programme for personnel selling products subject to age-limit supervision was modified to require that such personnel obtain certification (under the 'ikärajapassi' scheme) regarding their knowledge and application of the rules on age-restricted products. Training covering payment by chip card was begun in autumn 2009 and is being introduced in the department stores in pace with the installation of the technology.

As a way of helping in the provision of guidance on customer service quality and sharing ideas, workshops were arranged for department store management teams. In late 2009 a major programme for improving the quality of customer service was launched at the Helsinki department store.

To support the work of department store supervisors in Finland, a new operating model and tool were developed for encouraging active everyday feedback. Separate supervisor training was also launched with the aim of ensuring that supervision conforms to in-house practices and strengthening expertise in the main employment contract issues. Stockmann was also involved as a pilot in the retail training for immediate supervisors arranged by the National Board of Education as part of its trial training for supervisors.

During the year, the Group introduced more efficient meeting practices by making telephone conferences an alternative to traditional meetings. Guidance on using the new technology was arranged by making use of telephone conferencing technology itself.

In Lindex's stores attention was given to ensuring that personnel were aware of the company's new values and its vision of a 'world-class fashion experience', and were putting these into effect



as well. Training was arranged for sales personnel in the use of visual marketing methods to attract the attention of customers, and new operating models were launched for the stores. This work will be extended in 2010 to cover all market areas. A new management model, Leadership the Lindex Way, was created and presented to all managers. The entire personnel looked for ways of improving cost-efficiency.

At Lindex's head office, training was given to all managers and staff in giving and receiving feedback, the aim being to develop a new 'feedback culture'. This training will continue in the stores. Lindex also started up an interesting programme with the Swedish My Life charity organisation, in which head office personnel were invited to act as support persons for girls with an immigrant background, with the following aims: to reduce prejudice in the workplace, give immigrants the best possible opportunities to find employment, prevent discrimination, enhance diversity in the workplace and generate the interest of young women in becoming entrepreneurs, too. The programme will continue during 2010.

In addition to familiarising personnel with their work, the focus at Hobby Hall was on maintaining the knowledge and skills needed by particular individuals in their work. Preparations were made for the transfer of personnel to the Department Store Division by drawing up an orientation programme to explain how the Division operates and to introduce the new working environment to the personnel.

Seppälä's Spirit sales training was held simultaneously in all countries of operation, the content being the same in each case. The previous two annual training events were replaced in 2009 with five events. The training was carried out in small groups and focused especially on active sales work and selling new products.

Launched in autumn 2008, the Seppälä Super Leader Academy management training programme continued in 2009. This training was provided for the country and regional managers in each of the countries in which Seppälä operates, and for the store managers in Russia. The Seppälä Super Leader Handbook put together for the training programme and translated into the languages of the countries in question was distributed to all store managers. The material encapsulates in written form the Seppälä management concept. It aims to help store managers in all countries of operation to manage sales and personnel matters according to Seppälä's in-house practices.

In the spring, Seppälä introduced a new, systematic orientation programme for its store managers. New store managers in all countries of operation are given exactly the same management training by their respective regional manager. Annual manager training events for store managers were arranged regionally in small groups. The country managers took part in presentation training. Russian language studies continued at Seppälä's head office, and the different performance appraisal practices were standardised.

CODETERMINATION AND EQUALITY

Codetermination between Stockmann's management and personnel in Finland began back in 1924, long before the advent of the legislation on 'codetermination'. Even the name of the body set up for this, the employees' council, dates back to the early years.

In Finland, the divisions and the larger workplaces each have their own employees' council, which deals with matters covered by

the codetermination legislation within the division's or the workplace's sphere of operation. These councils also manage the duties of the occupational safety and health committees.

The representatives of the local employees' councils constitute Stockmann's Group Council in Finland, which meets twice a year. The Group Council deals with shared issues of the units operating in Finland, and at each meeting Stockmann's CEO presents a summary of the Group's financial position and future plans. In the Baltic countries there are employees' councils along the same lines, which deal not only with their own matters but are also given a similar management presentation covering the entire Group.

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.

In 2009 the different companies of the Group had to hold

PERSONNEL KEY FIGURES 2009

	2009	2008	2007
Staff 31 December	14 836	15 737	16 478
Staff in Finland 31 December	7 153	7 665	8 184
Staff abroad 31 December	7 683	8 072	8 294
The proportion of people working abroad, %	52	51	50
Average number of employees	14 656	15 669	11 161
Average number of employees converted to full-time staff	11 133	11 964	8 979
Average age of staff	35	34	33
Staff turnover of permanent employees in Finland, average %	15	15	14
Staff turnover of recruited employees in Finland, %	7	15	14
Staff turnover of resigned employees in Finland, %	11	16	14
Staff turnover of permanent employees in Russia, average %	40	65	76
Staff turnover of permanent employees in Baltic countries, average %	19	43	56
Sickness absences in Finland, %	4.7	5.1	4.4
Full-time employees	4.5	4.9	4
Part-time employees	4.9	5.2	5
Full-time staff/Part-time staff total, %	44/56	46/54	44/56
Full-time/Part-time % in Finland	42/58	41/59	40/60
Full-time/Part-time % abroad	45/55	51/49	48/52
Staff expenses, share of revenue %	19.3	18.7	16
Number of reported accidents at work, Finland	231	261	244

codetermination negotiations for production and economic reasons, in both Finland and other countries. It was not possible to avoid job losses, but efforts were made wherever possible to relocate personnel to vacant positions in other parts of the Group.

All the Group companies in Finland complete an equality plan each year, with which changes in the personnel structure are monitored using various indices, and rules are established for acting in different situations. Workplace climate surveys and, within them, questions on equality, are also used, although for cost reasons these surveys were not performed in 2009.

In 2009, women comprised 86 per cent and men 14 per cent of the Group's personnel. Among the senior salaried employees, women comprised 74 per cent and men 26 per cent of the total. The proportion of women managers was 67 per cent (2008: 65 per cent). Of all the managerial staff working in Finland, 66 per cent (70 per cent) were women, and of those working abroad, 68 per cent (56 per cent) were women.

INCENTIVE SYSTEMS

Most of the Group's personnel are covered by an incentive system. The incentive systems for managers and experts are based on financial indicators and personal performance assessments. For personnel in other duties, the main incentive systems are those for specific personnel groups.

In 2009, the personnel earned a total of EUR 4.4 million in incentives of different kinds. In addition, a total of EUR 0.3 million from the 2006 key personnel share options was recognised in expenses under IFRS 2 for 2009.

The management's incentive systems and the share option systems for key personnel are explained on the Group's website, www.stockmann.com. Detailed information on the key personnel's share option plan is also given in the Annual Report, under 'Shares and share capital' on page 41.

OCCUPATIONAL HEALTH CARE

Occupational health services in the Finnish department stores are arranged through the company's own occupational health centre and in the form of purchased services. The occupational health centre is in Helsinki and serves mainly the employees of Stockmann's department stores in the Helsinki

metropolitan area, while Stockmann employees in other cities have their occupational health care as a purchased service.

The health and functional capacity of personnel in the department stores were monitored and further investigation made individually and by group according to need. Occupational health care focused on providing support for the wellbeing of employees and their ability to cope at work, as necessary. Regarding the management of sickness absence, the system of reporting and pursuing necessary measures was continued on a systematic basis. Preparations were made for the arrival of the H1N1 virus by issuing special instructions, but the virus did not substantially lead to any more absences than is normally the case with seasonal influenza.

Personal discussions on wellbeing at work were an important element in implementing the principle of early support by managers and occupational health care in preventing absences. Employees were directed to different forms of rehabilitation as necessary (ASLAK and TYK rehabilitation courses, various diagnosis-based rehabilitation courses). The supervisors of persons undergoing rehabilitation were active in cooperating with occupational health care concerning the rehabilitation process.

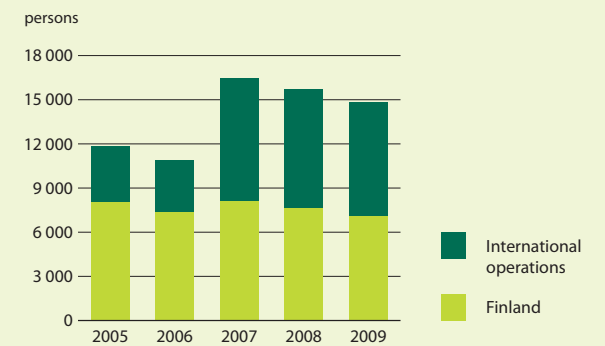
For the Lindex personnel in Finland the decision was taken to standardise their occupational health services with those of the Group's other Finnish companies, and this was put into effect by introducing a purchased service at the start of 2010.

At Seppälä occupational health care is a purchased service and the company works very closely with the relevant doctors. During 2009, health checks continued for persons over 35 years of age, and workplace visits were made at the new and renovated premises. The ASLAK rehabilitation courses continued, as did the personal discussions on wellbeing at work. The head office and the logistics centre had a joint first-aid course to update their skills in autumn 2009.

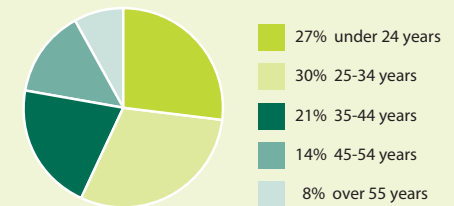
The largest diagnosis groups in sickness absences among the personnel in Finland were once again respiratory infections and musculoskeletal disorders.

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 Estonia, Lithuania, the Czech Republic and Slovakia the personnel use the national health care system.

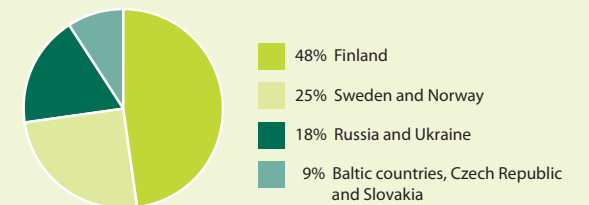
Staff at year-end 2005-2009



Age structure of the staff 2009



Distribution of staff by market 2009



Responsible importing

Stockmann's social responsibility extends beyond the company's own personnel to encompass, indirectly, the working conditions of employees all along the supply chain. The Stockmann Group does not have its own factories or production plants, but instead goods are purchased from suppliers mainly in Europe and Asia. As part of its responsible operations, Stockmann requires that its product suppliers are socially responsible in their production processes. Stockmann also pursues close cooperation with other retail and wholesale companies and groups, with the aim of developing responsible operations across the entire supply chain.

After Lindex was transferred to the ownership of Stockmann in 2007, the Lindex purchasing offices in China, Hong Kong, India, Bangladesh, Pakistan and Turkey took on the role of purchasing offices serving all divisions of the Stockmann Group. With these purchasing offices the Group can effectively supervise the entire supply chain and the quality of products, and more easily ensure that production takes place in approved conditions. Every purchasing office employs local inspectors who, by conducting inspections at the factories, supervise that the requirements are met. Usually factories are notified of the inspections in advance, but sometimes they are undertaken without prior notice.

Measures to promote responsible importing have been keenly developed for many years now. Stockmann is a member of the Network to Advance Social Responsibility in Importing, which is coordinated by the Central Chamber of Commerce. The network's members are retail and wholesale companies, manufacturers of food, clothing and footwear, and importers. Stockmann is committed to promoting the application of ethical principles in importing as defined by the network. In addition, Stockmann adheres to the principles of responsible import trade as set out by the International Association of Department Stores (IADS). The IADS principles are for the most part similar to those of the Network to Advance Social Responsibility in Importing mentioned above.

Since 2005, the Stockmann Group has been a member of the Business Social Compliance Initiative (BSCI), a body set up to pro-

mote cooperation in social compliance. The BSCI was developed by a group of European companies and associations 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 means by which suppliers are monitored in high-risk countries. The centrepieces of the system are the BSCI Code of Conduct for corporate social responsibility and the audits of suppliers carried out on the basis of the requirements set out in the Code. Audits of working conditions are carried out by external, authorised auditors. BSCI audits are performed by the same authorised certification institutions that perform SA8000 audits, which means that a company can opt to upgrade to SA8000 certification. An audit conducted by an external independent auditor guarantees the transparency and reliability of the system. More information is available about the operation of the BSCI on its own website, at www.bsci-eu.org.

In their operations, Stockmann's divisions abide by the Group's 'Commitment to Social Responsibility in Importing', which is based on the declarations and conventions of the UN and ILO, the International Labour Organization. When signing a supplier agreement with one of Stockmann's divisions, suppliers undertake not to use child labour or forced labour, nor to practice discrimination, and to ensure employees safe working conditions and adequate pay.

Stockmann is a founding member of Transparency Suomi ry, the Finnish chapter of Transparency International, an organisation that works to combat international bribery and corruption. Transparency International operates in 90 countries. The Group's rapidly growing international operations also pose challenges for resolute action in fighting corruption. The Stockmann Group's operations in each country are always in line with the Group's core values and operating instructions, and with local laws and regulations.



Only organic and free-range eggs in Delicatessen's product range

Stockmann has decided that the hens' eggs it sells in its department stores' Delicatessens in Finland will only be organic and free-range eggs. Kirsi-Marja Juvonen, who is in charge of egg purchasing, is especially proud that Stockmann is the first retail chain in Finland to cease sales of eggs

from caged hens.

"A couple of years ago I read about a British retail chain that had made a similar decision and I was interested straight away. In fact, we began to prepare for discontinuing battery hens' eggs right back then. A formal decision was made in autumn 2009, once we

had ensured the availability of organic eggs for the needs of all the Delicatessens in Finland," Juvonen explains.

"The decision to sell only organic and free-range hens' eggs was easy to make, as Stockmann Delicatessen's customers are well up on the issue. They appreciate organic and ethically produced food products, and organic and free-range eggs already accounted for a high proportion of our egg sales," says Juvonen.

Stockmann Delicatessen's decision has been well received by its customers. The move has also been welcomed by various non-governmental organisations.



The free-range eggs are from barn-reared hens which can roam around, rest on perches, scratch, peck and lay eggs in nests. The organic eggs come from barn-rearing facilities that are committed to the terms applying to organic poultry production. There must be no more than 5 hens per square metre. On organic poultry farms the hens are fed mainly with organic feed and they have access to outdoor runs when the weather permits.

The EU requires that from 2012 onwards the cages of conventional battery hen farms be redesigned as 'enriched' cages, which must include a nest box, a perch and the opportunity for dust baths. Stockmann does not sell eggs from enriched-cage egg production.

Seppälä's carrier bags are made of 100% recycled material

Seppälä switched over to recycled plastic carrier bags in autumn 2009. "Customer feedback received by the Group indicated that environmentally friendly carrier bags and responsible alternatives to conventional carrier bags are important issues for our customers. When redesigning the look of our carrier bags we also wanted them to be made from more responsible materials. We are extremely pleased that our supplier was able to offer us a carrier bag option made completely from recycled material," explains Annu Pätiälä, Seppälä's marketing manager.

"I believe that this is a meaningful step to take, as Seppälä stores serve millions of buying customers every year in six different countries. For most of them we pack their purchases in a Seppälä carrier bag. By switching over to carrier bags made of 100 per cent recycled plastic we are saving non-renewable resources and reducing the environmental impact of our activities," Pätiälä adds. The environmental impact of carrier bags made of recycled plastic is lower still if they are reused a number of times and then finally used to bag household waste.



► Seppälä carrier bags are now labelled "100% recycled material".

Lindex's new environmental code for cleaner water

Lindex works closely with about 250 suppliers at over 400 factories mainly in Asia but also in Europe. It chooses its suppliers carefully and monitors their operations by conducting regular checks in factories and arranging training events on matters such as improving working conditions for employees and taking environmental matters into account.

In Lindex's code of conduct drawn up for its suppliers, environmental requirements are laid down principally for the factories engaged in garment stitching. The textile industry's biggest environmental impact is nevertheless from wet processes like dyeing, printing and washing. This is why in 2009 Lindex introduced a new environmental code that classifies suppliers working with wet processes as either green, yellow or red suppliers in accordance with how well they meet Lindex's environmental requirements. Suppliers must sign an agreement that sets requirements for them concerning such matters as water treatment, water sample analysis and treatment of chemicals, as well as limits on emissions. Where necessary, the agreement also includes measures that must be taken before the supplier can attain a better classification on Lindex's scale. Some subcontractors for the largest suppliers have voluntarily called for an environmental audit of their factories.

"Suppliers have been very willing to cooperate and have acted openly and been interested in improving their working practices. We have also found that the environmental knowledge of suppliers has improved over the course of the project," says Ingela Lind, the project manager for the environmental code at Lindex. The most commonly found shortcomings have been the lack of written guidelines and the treatment of hazardous waste. In Bangladesh and China, the storage and handling of chemicals and the inadequate use of protective equipment are still a problem.

Fulfilment of the requirements is monitored by Lindex's own local inspectors, who train suppliers and distribute environmental information. During 2010 a joint training project is being started with suppliers, the aim of which is to rectify the most common deficiencies.

In Bangladesh, for instance, environmental and water pollution caused by the textile industry is a major problem. There is room for improvement in the treatment of untreated water, waste and sludge, and at many factories knowledge of environmental matters is limited and environmental matters are not taken into account sufficiently. One Lindex supplier in Bangladesh that dyes and prints fabrics has moved up from the red to the yellow classification. This supplier was involved in an environmental project that Lindex undertook with local organisations. During the year, the supplier built a new water treatment plant and also focused more attention on environmental work in other aspects of the operation. Its aim is to continue the work in order to achieve the green level classification.

Lindex's long-established work in Bangladesh was rewarded in 2009 when it received an award from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) for its work towards improvements in the country's economic development, environment and social responsibility.



APPENDIX:

REGULATIONS CURRENTLY IN FORCE

A number of key changes have taken place in the environmental regulations in recent years and these require monitoring as well as planning and preparation for their implementation.

Producer liability for batteries and accumulators came into force in Finland in September 2008 under the Government Decree on Batteries and Accumulators (422/2008). Retailers selling batteries and accumulators are now obligated to accept old batteries and accumulators returned by consumers. Batteries and accumulators must also meet the requirements specified in the decree.

A nationwide system for returning recyclable plastic bottles with a deposit was launched in Finland in January 2008. The system is based on the Act on Excise Duty on Certain Beverage Packages and on the Government Decree on a Return System for Certain Beverage Containers. Breweries and retailers set up a company named Suomen Palautuspakkaus Oy (PALPA) to oversee the container deposit system. The basic principle of the recycling system is that it should be comprehensive, covering all types of beverage container. The aim of the system is to reduce waste generation and the despatch of waste to landfills or for energy production.

Stockmann applies the EU Regulation on Animal By-Products

in accordance with the guidelines issued by national authorities, which currently require that statistics on the amounts of raw and rendered animal by-products be compiled and notified to the competent authority, the Finnish Food Safety Authority. The objective of the EU Regulation on Animal By-Products is to protect human and animal health by laying down requirements for animal-derived by-products which may contain pathogens.

The EU's REACH Chemicals Regulation (Registration, Evaluation and Authorisation of Chemicals, EC No. 1907/2006) came into force on 1 June 2007. There is also a regulation, currently at the drafting stage, on the implementation of the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). The Stockmann Group's divisions require from their suppliers that the goods they deliver comply with all of the stipulations of the REACH regulation. Among other things, substances included in the list of substances of special concern may not make up more than 0.1 per cent of any product, and products may not contain banned substances or more than the permitted limit of restricted substances. User safety releases for products are stored centrally on the intranet for use by stores and, if necessary, to be provided to consumers. Stores have also been instructed in how to answer possible questions from consumers about the chemical substances contained in products.

In order to ensure customer safety, Stockmann follows notifications issued by the EU's Rapid Alert System for Food and Feed (RASFF) concerning dangerous food products, and notifications concerning other consumer goods issued by RAPEX, the EU rapid alert system for all dangerous consumer products. Such product notifications cover both the EU's internal trade and products and other goods imported from outside the EU, and their aim is to provide information as quickly as possible about products that pose a risk to the health and safety of consumers. The retail trade has a key responsibility in preventing such products from reaching the market.

Additional information on corporate social responsibility:

Better Cotton Initiative (BCI): www.bettercotton.org

Business Social Compliance Initiative: www.bsci-eu.org

International Association of Department Stores: www.iads.org

Organic Exchange: www.organicexchange.org

The Environmental Register of Packaging PYR Ltd: www.pyr.fi

SER-Tuottajayhteisö ry (SERTY): www.serty.fi

Suomen Palautuspakkaus Oy PALPA: www.palpa.fi

Transparency International: www.transparency.org





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