

Corporate Governance Statement of the Stockmann Group

Stockmann complies in its decision-making and corporate governance with the Finnish Companies Act and Securities Markets Act. The corporate bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations, are the general meeting of shareholders, the Board of Directors and the chief executive officer (managing director).

The Finnish Corporate Governance Code, aimed at Finnish listed companies on the Helsinki exchange (NASDAQ OMX Helsinki Ltd), was issued by the Board of the Securities Market Association in June 2010. The Code came into force on 1 October 2010 and replaced the earlier code issued in October 2008. The Code can be accessed on the website of the Securities Market Association, at www.cgfinland.fi. Stockmann adheres to the Code in full.

General Meeting of Shareholders

The highest decision-making body of Stockmann plc is the general meeting of shareholders. The Annual General Meeting shall be held each year before the end of June. Stockmann has two series of shares, of which each Series A share confers ten votes at a general meeting and each Series B share one vote.

The business of the Annual General Meeting includes approval of the company's annual financial statements and the passing of resolutions on the dividend and the election of members of the Board of Directors.

Board of Directors

Under Stockmann's Articles of Association, the company's Board must have at least five and no more than nine members. The term of Board members begins from the Annual General Meeting in which they are elected and ends at the conclusion of the subsequent Annual General Meeting.

To be elected as a member of the Board, a person must have the qualifications required for the duties and sufficient time to carry them out. The majority of Board members must also be independent of the company, and at least two of these members must also be independent of major shareholders of the company.

Composition of the Board

At present, the Board of Directors has eight members, none of whom are full-time members. The members of the Board of Directors are:

- **Christoffer Taxell** (b. 1948). LL.M. Member of the Board since 1985, Chairman of the Board since 2007. Chairman of the Board's Appointments and Compensation Committee. Independent of the company.
- **Erkki Etola** (b. 1945). M.Sc.(Eng), managing director, Oy Etola Ab. Member of the Board since 1981, Vice Chairman of the Board since 1992. Member of the Board's Appointments and Compensation Committee. Independent of the company and major shareholders.
- **Kaj-Gustaf Bergh** (b. 1955). LL.M., B.Sc. (Econ), managing director, Föreningen Konstsamfundet r.f. Member of the Board since 2007. Independent of the company.
- **Eva Liljebloom** (b. 1958). D.Sc. (Econ.), rector, professor, Hanken School of Economics. Member of the Board since 2000. Independent of the company and major shareholders.

- **Kari Niemistö** (b. 1962). M.Sc. (Econ.), managing director, Selective Investor Oy Ab. Member of the Board since 1998. Independent of the company and major shareholders.
 - **Charlotta Tallqvist-Cederberg** (b. 1962). M.Sc.(Econ.), managing director, CTC Consulting Oy Ab. Member of the Board since 2010. Member of the Board's Appointments and Compensation Committee. Independent of the company and major shareholders.
 - **Carola Teir-Lehtinen** (b. 1952). M.Sc., professional Board member. Member of the Board since 2004. Independent of the company and major shareholders.
 - **Henry Wiklund** (b. 1948). M.Sc. (Econ.), managing director, Svenska litteratursällskapet i Finland r.f. 1986–2008. Member of the Board since 1993. Member of the Board's Appointments and Compensation Committee. Independent of the company.
- More information on the members of the Board of Directors is provided on Stockmann's website at www.stockmanngroup.fi.

Representatives of the company's management participating regularly in meetings of the Board of Directors are the chief executive officer, the executive vice presidents and the director of legal affairs, none of whom is a member of the Board of Directors. The director of legal affairs acts as secretary to the Board of Directors. Two employee representatives who are not members of the Board of Directors also participate in meetings of the Board of Directors. One of these representatives is elected by the employee representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

Duties of the Board

Under the Limited Liability Companies Act, the board of directors attends to the company's administration and ensures the appropriate organisation of its operations. The Board must also ensure that supervision of the company's accounting and financial management is appropriately arranged.

It is the Board's duty to promote the interests of the company and all of its shareholders. In order to carry out its duties, the Board:

- convenes general meetings of shareholders
- directs and oversees the company's management
- appoints and discharges the company's chief executive officer
- approves the chief executive officer's service agreement and other benefits
- approves the salaries and other benefits of the executives in the Group Management Committee
- approves the company's risk management principles
- approves the company's long-term strategic and financial objectives
- approves the budget
- decides on significant individual investments and corporate and property acquisitions.

The Board conducts an annual internal self-evaluation of its working practices under recommendation 7 of the Finnish Corporate Governance Code.

The Board of Directors has adopted rules of procedure defining the principles governing the Board's composition and method of election, its tasks, decision-making procedure and meeting practice as well as the principles of the Board's self-assessment. The

Board of Directors' rules of procedure are available at www.stockmangroup.fi.

The Board of Directors convened 9 times in 2010. The average rate of attendance was 96 per cent.

Board Committees

The Board has established an Appointments and Compensation Committee. It attends to the duties defined in recommendations 28-30 of the Finnish Corporate Governance Code as being the responsibility of the Appointments Committee, and in recommendations 31-33 as being the responsibility of the Compensation Committee. The Board attends to the duties of the Audit Committee referred to in recommendations 24-27.

The duties of the Appointments and Compensation Committee are the preparation of appointment and compensation matters concerning the chief executive officer, the executive vice presidents and the other members of the Management Committee, preparations concerning the election of members of the Board of Directors for proposal to the general meeting of shareholders, and the preparation of compensation matters concerning the Board of Directors. The Committee meets as necessary, but at least once a year. The Committee's rules of procedure are available at www.stockmangroup.fi.

The Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. At its meeting held on 16 March 2010, the Board of Directors re-elected Christoffer Taxell as the Committee's Chairman, and elected managing director Erkki Etola, managing director Charlotta Tallqvist-Cederberg and Henry Wiklund as its other members. The chief executive officer has the right to attend meetings of the Committee. The Committee met six times during the financial year 2010. The rate of attendance was 100 per cent.

Chief Executive Officer

The Board of Directors appoints the company's chief executive officer (CEO) and decides on the terms and conditions of the post. These terms and conditions are set forth in writing in a CEO agreement. The CEO is in charge of the company's line operations in accordance with the instructions and regulations issued by the Board of Directors.

Mr. Hannu Penttilä, born 1953, has been the company's CEO since 1 March 2001. He has been in Stockmann's service since 1978. More information about the CEO is available on the Group's website at www.stockmangroup.fi.

Other Executives

Apart from the chief executive officer, the Board of Directors appoints the executive vice presidents and the other members of the Management Committee. Maisa Romanainen, director of the Department Store Division and Pekka Vähähyppä, chief financial officer, have acted as the company's executive vice presidents since 6 November 2008.

The Group's Management Committee comprises the chief executive officer, the executive vice presidents, the other directors of the divisions, the development director for the Group's international operations, as well as the director of legal affairs, who acts as secretary to the Management Committee. Headed by the chief execu-

tive officer, the Management Committee is responsible for directing line operations and for preparing strategic and financial plans. More information about the management committee members is available on the Group's website at www.stockmangroup.fi.

Audit

The auditors elected by the Annual General Meeting examine the company's accounting records, financial statements and administration. The company has a minimum of one and a maximum of three auditors, who have a minimum of one and a maximum of three deputies.

The Annual General Meeting of 2010 elected Jari Härmälä, Authorized Public Accountant, and Henrik Holmbom, Authorized Public Accountant, representing KPMG, a firm of authorized public accountants, as regular auditors and KPMG Oy Ab, Authorized Public Accountants, as the deputy auditor. As auditors for the company's subsidiaries in different countries have acted member firms of the KPMG network of independent firms located in the countries in question.

Main features of the internal control and risk management systems pertaining to the financial reporting process

Stockmann's risk management principles are approved by Stockmann's Board of Directors. The risk management process includes assessment of the risks pertaining to financial reporting and the related management measures are determined as a part of the risk management process. Stockmann's internal control is linked to the risk management process in that some of the aspects which are subject to control are selected on the basis of risk assessments.

The Group's chief financial officer and the Finance and Control Department are responsible for ensuring that the Group's financial reporting is undertaken. Group-level directions are complied with in Stockmann's financial reporting. The reporting is based on information from commercial and administrative processes and data produced by the financial management systems. The Group's Finance and Control Department determines the control measures applied to the financial reporting process. These control measures include various process descriptions, reconciliations and analyses used for ensuring the validity of the information used in the reporting and of the reporting itself.

The financial reporting results are monitored and any anomalies in relation to forecasts or in comparison with the previous year's figures are analysed on a regular basis. Such analyses are used to detect any reporting errors and to produce materially accurate information on the company's finances.

All of the divisions and the Group's Finance and Control Department are responsible for the effectiveness of control within their own sphere of responsibility. The Group's Finance and Control Department is responsible for assessments of the reporting processes. In addition, Internal Audit conducts audits of the business and financial reporting processes. The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting.

Approved by the Board of Directors of Stockmann plc on 9 February 2011