CORPORATE GOVERNANCE STATEMENT OF THE STOCKMANN GROUP

Stockmann complies in its decision-making and corporate governance with the Finnish Companies Act, the Finnish Corporate Governance Code, the rules of the company's Articles of Association, the NASDAQ OMX Helsinki Guidelines for Insiders, and other applicable legislation and rules. The Corporate Governance Code can be accessed on the website of the Securities Market Association at cgfinland.fi. Stockmann adheres to the Code in full.

This Corporate Governance Statement of the Stockmann Group is compiled in accordance with the Code's recommendation 54 and it is also accessible on the company's website stockmanngroup.com. The statement covers the corporate bodies of the parent company Stockmann plc, which are responsible for the Group's administration and operations. These corporate bodies are the general meeting of shareholders, the Board of Directors and the chief executive officer (CEO). It also deals with the election and working processes of the Board of Directors, the Board Committee's duties, Stockmann's management organisations and compensation of the Board and senior management. In addition, Stockmann publishes a remuneration statement according to the Code's requirements.

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. The Annual General Meeting for 2012 was held on 15 March 2012 in Helsinki. All the members of the Board of Directors and the company's auditors were present at the Annual General Meeting. There were 967 shareholders present personally or represented by proxy at the meeting.

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 Notice of Annual General Meeting, the documents and the proposals for the decisions at the Annual General Meeting are accessible for the shareholders at least three weeks prior to the meeting at the company's headquarters and at the website stockmanngroup.com.

The Annual General Meeting approves the company's annual financial statements, decides on the dividend and the election of members of the Board of Directors as well as decides on release from responsibility for the members of the Board of Directors and the CEO.

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. The Board of Directors elects amongst its members a chairman and a vice chairman. The present Board has eight members, which were elected at the Annual General Meeting 2012 and of which none is full-time: as Board members continued Chairman Christoffer Taxell, Kaj-Gustaf Bergh, Eva Liljeblom, Kari Niemistö, Charlotta Tallqvist-Cederberg, Carola Teir-Lehtinen and Dag Wallgren. Managing Director Per Sjödell was elected as a new member. M.Sc. (Eng.) Erkki Etola (b. 1945), Managing Director for Oy Etola Ab, was Vice Chairman of the Board and member of the Board's Appointments and Compensation Committee until the Annual General Meeting 2012. M.Sc. (Econ.), managing director, Kari Niemistö was elected as new Vice Chairman at the Board's organising 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. Additional information on the members of the Board of Directors is available on pages 26 and 27.

Duties of the Board

The duties and liabilities of the Board are determined by the Articles of Association, the Limited Liability Companies Act and other applicable legislation. 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 self-evaluation of its working practices under recommendation 7 of the Finnish Corporate Gov-

ernance Code. The results of the evaluation are used to develop the Board's working processes.

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.

Board meetings

Of the company's active management, the following regularly attend the Board meetings: the CEO, the executive vice presidents, the director for the Fashion Chain Division, and the director of legal affairs acting as secretary at the meeting. Two staff representatives, Rolf Feiring and Rita Löwenhild, also attend. One of these is elected by Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees. The staff representatives are not members of the Board. The Board of Directors convened 10 times in 2012. The rate of attendance was 98 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 CEO, 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 Appointments and Compensation Committee comprises four members of the Board of Directors, who are independent of the company. In March 2012 the Board re-elected Christoffer Taxell as the Committee's Chairman, and elected managing director Kari Niemistö, managing director Charlotta Tallqvist-Cederberg and managing director Dag Wallgren as its other members. The CEO has the right to attend meetings of the Committee.

In February 2013 the Committee gave its proposal for the Annual General Meeting, to be held on 21 March 2013. According to the proposal Managing Director Kjell Sundström is elected as a new Board member. Managing Director Kaj-Gustaf Bergh is no longer available as a Board member. It is proposed that all other Board members continue to serve on the Board.

In addition, the Committee proposes the following compensation be paid to the Board members: to the Chairman of the Board EUR 76 000, to the Vice Chairman of the Board EUR 49 000, and to each Board member EUR 38 000. In addition there will be a EUR 500 compensation for each meeting. Around 50 per cent of the yearly compensation is paid in company shares and the rest in money. There are no special terms relating to the owning of the shares.

The Committee met six times during the financial year 2012. 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 operations in accordance with the instructions and regulations issued by the Board of Directors. The Board assesses the CEO's work and decides on the remuneration and benefits of the CEO.

Hannu Penttilä has been the company's CEO since 1 March 2001. He has been in Stockmann's service since 1978. Information on the CEO's remuneration is available in the tables on pages 24 and 25.

Other Executives

In addition to the CEO, 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 Vähähyyppä, Chief Financial Officer (CFO), have acted as the company's Executive Vice Presidents since 6 November 2008.

The Group's Management Committee comprises 8 members including the CEO, who the members of the Committee report to. The director of legal affairs acts as secretary to the Management Committee. The Committee convenes regularly to discuss the Group strategy, business plans and earnings development.

From the beginning of 2013 the following members form the Management Committee: CEO Hannu Penttilä, Executive Vice President, Director for the Department Store Division Maisa Romanainen, Executive Vice President, CFO Pekka Vähähyyppä, Director for the Fashion Chain Division, CEO of Lindex Göran Bille, Development Director for the Group's International Operations Lauri Veijalainen, Director of Legal Affairs Jukka Naulapää, and as a new member HR Director Heini Pirttijärvi. CEO of Seppälä Nina Laine-Haaja left the Committee on 31 December 2012.

Headed by the CEO, the Management Committee is responsible for directing operations and for preparing strategic and financial plans. Information on the remuneration of management is available in the tables on page 25.

Internal control and internal audit

Internal control is under the Board of Director's responsibility. Internal control's function is, for example, to ensure the efficiency and profitability of operations, the reliability of information, and adhering to rules and regulations. Internal control is a part of day-to-day management and company administration.

An essential part of internal control is the Internal Audit, which operates as a separate unit under the CEO and reports its observations to the Board of Directors. The Internal Audit supports the Group's management in directing operations by inspecting and evaluating the efficiency of business operations, risk management and internal control, and by producing information and recommendations to enhance efficiency. Internal Audit also inspects the processes of business operations and financial reporting. Internal Audit's directive has been approved by Stockmann's Board of Directors. The operations of the Internal Audit are guided by being risk-focused and emphasising the development of business operations.

Risk management

The Board of Directors has approved the company's risk management principles.

Their goal is to secure the Group's earnings development and to ensure the company may operate without any disturbances by controlling risks in a cost efficient and systematic manner in all divisions. Risk management is a part of Stockmann Group's day-to-day operations and management. Risk management is supported by internal control systems and directions. Risk management directions have been drawn up for e.g. IT and information security, finance operations, environmental issues, malpractice, security, and insurances.

The Group's Management Committee evaluates risks for business operations and the sufficiency of risk management actions as a part of the strategy process. The divisions' management committees are responsible for making financial and strategic plans in their own units; analysing risks in operations and evaluating actions for their management is a part of strategy planning. Risks for business operations are also analysed outside the strategic process, especially in connection with significant projects and investments. They are reported to the Board of Directors as needed.

The Group has a risk management steering group, whose task it is to support business operations in recognising and managing such risks that may endanger or prevent the Group from achieving its strategic goals. The steering group, which comprises the company's head of internal audit, director of legal affairs and group consolidation manager, reports its findings and recommendations to the Group's Management Committee.

The most significant risk factors and uncertainties are covered in the Report by the Board of Directors.

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

The company's Board of Directors is responsible for the implementation of internal control in regard to financial reporting and attends also to the duties of the Audit Committee. The Group's CFO 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 directions, process descriptions, reconciliations, and analyses used for ensuring the validity of the information used in the reporting and the validity 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.

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. Assessment of the risks pertaining to financial reporting and the related management measures are determined as a part of the risk management process.

Audit

The auditors elected by the 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 term of the auditors begins from the Annual General Meeting in which they were elected, and ends at the end of the next Annual General Meeting.

The Annual General Meeting of 2012 elected Jari Härmälä, Authorized Public Accountant, Stockmann's regular auditor since 2007 and Henrik Holmbom, Authorized Public Accountant, Stockmann's regular auditor since 2003, both representing KPMG, as regular auditors and KPMG Oy Ab, Authorized Public Accountants, as the deputy auditor. At the moment KPMG, Authorized Public Accountants acts as auditors for all the company's subsidiaries in all countries of operation. The remuneration in 2012 relating to the auditing process was EUR 0.7 million and EUR 0.5 million for tax counseling and other services.

Approved by the Board of Directors of Stockmann plc on 12 February 2013

TERMS AND CONDITIONS OF THE CEO AGREEMENT

Incentive pay systems	Stockmann's CEO is covered by the 2010 Key personnel share options scheme. The terms of the share option scheme can be found at stockmanngroup.com.
Age of retirement	The CEO has a right to retire when turning 60. It has been agreed in 2012 to continue Hannu Penttilä's CEO term from April 2013 onwards under an agreement that remains valid until further notice.
Retirement benefits	The CEO's pension is determined on the basis of TyEL insurance under the Employees Pensions Act (TyEL), and a separate insurance taken by the company. The pension is 60 per cent of the pensionable salary, which is determined on the basis of the earnings in 2009–2012 and as an average of the two middle years of these. Pension payments of the supplementary pension begin when the CEO retires. The insurance cost was EUR 325 960 in 2012 (2011: EUR 160 135).
Ending the contract and compensation upon termination	The CEO's post is subject to a period of notice of 6 months applicable to both parties. Should the company give notice of termination, the CEO has the right to compensation equivalent to 12 months' fixed salary after the notice period has expired. An additional compensation upon termination is not paid after the CEO has turned 60.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS IN 2012, EUR AND SHARES

	Fixed annual fees*, EUR	Fees paid for attendance, EUR	Committee attendance fees, EUR	Remuneration in cash in total, EUR	Number of shares	Share value, EUR
Christoffer Taxell (Chairman)	76 000	4 500	3 000	83 500	2 088	34 971.96
Kari Niemistö (Vice Chairman)	49 000	4 500	1 000	54 500	1 658	26 631.50
Kaj-Gustaf Bergh	38 000	4 000	–	42 000	1 155	19 522.50
Eva Liljeblom	38 000	4 500	–	42 500	753	12 730.00
Per Sjödell**	38 000	2 500	–	40 500	1 462	24 704.90
Charlotta Tallqvist-Cederberg	38 000	4 500	3 000	45 500	1 619	27 360.00
Carola Teir-Lehtinen	38 000	4 500	–	42 500	1 425	23 565.57
Dag Wallgren	38 000	4 500	3 000	45 500	899	15 200.00
Erkki Etola***	–	2 000	2 500	4 500	–	–
Board members, total	**353 000**	**35 500**	**12 500**	**401 000**	**11 059**	**184 686.43**

* Around 50% of the compensation is paid in company shares.
** Elected as a new member of the Board in Annual General Meeting 2012.
*** Board member until Annual General Meeting 2012.

SHARES AND SHARE OPTIONS OF THE MANAGEMENT 31 DECEMBER 2012*

	Shares		**Share options**		
	Series A	Series B	2010A	2010B	2010C
Hannu Penttilä	111	15 036	40 000	27 000	27 000
Pekka Vähähyyppä		5 813	24 000	16 000	16 000
Maisa Romanainen		1 500	24 000	16 000	16 000
Göran Bille		15 877	24 000	16 000	16 000
Nina Laine-Haaja	450	110	6 000	4 000	12 000
Lauri Veijalainen		1 125	18 000	12 000	12 000
Jukka Naulapää			12 000	8 000	12 000
Heini Pirttijärvi		1 164	10 000	6 600	6 600
Management Committee, total	**561**	**40 625**	**158 000**	**105 600**	**117 600**

* Including the Stockmann plc shares and share options in the personal ownership as well as in the ownership of their related persons.

REMUNERATION OF CEO
AND OTHER MANAGEMENT COMMITTEE MEMBERS

EUR	**2012**	2011
CEO		–
Fixed salary	**606 320**	585 369
Incentive pay	**–**	55 220
Fringe benefits	**20 880**	19 100
In total	**627 200**	659 689
Other management committee members		
Fixed salary	**1 763 356**	1 734 024
Incentive pay	**12 268**	141 912
Fringe benefits	**76 647**	67 090
In total	**1 852 271**	1 943 026

Additional information
on the members of the Board of Directors, the CEO and the members of the Management Committee as well as the rules of procedure of the Board and the Board's Appointments and Compensation Committee are available at
stockmanngroup.com

BOARD OF DIRECTORS

Christoffer Taxell
b. 1948
Finnish citizen
LL.M.

Chairman of the Board since 2007, member since 1985
Chairman of the Board's Appointments and Compensation Committee

Independent of the company
Shareholding 31 Dec. 2012: A 2 375, B 14 956
Principal positions of trust: Föreningen Konstsamfundet r.f, member of the Board 1996–, chairman of the Board 2004–; Stiftelsen för Åbo Akademi, member of the Board 1988–2012, chairman of the Board 2003–2012; Sampo plc, member of the Board 1998–; Rettig Group Ltd, member of the Board 2012–

Kari Niemistö
b. 1962
Finnish citizen
M.Sc.(Econ.)

Managing Director, Selective Investor Oy Ab

Vice Chairman of the Board since 2012, member since 1998
Member of the Board's Appointments and Compensation Committee

Independent of the company and major shareholders
Shareholding 31 Dec. 2012: A 3 168 650, B 1 028 496
Principal positions of trust: Ars Fennica Art Foundation, chairman of the Board 2004–; Oy Dextra Ab, chairman of the Board 2003–; Raisio plc, member of the supervisory Board 2008–

Kaj-Gustaf Bergh
b. 1955
Finnish citizen
LL.M., B.Sc.(Econ.)

Managing Director, Föreningen Konstsamfundet r.f.

Member of the Board since 2007

Independent of the company
Shareholding 31 Dec. 2012: A 1 077, B 7 828
Principal positions of trust: Ramirent Plc, member of the Board 2004–; Fiskars Corporation, chairman of the Board 2006–; Veritas Pension Insurance Company Ltd, member of the Board 2007–; Wärtsilä Corporation, member of the Board 2007–; Ålandsbanken Plc, chairman of the Board 2012–

Eva Liljeblom
b. 1958
Finnish citizen
D.Sc.(Econ.)

Rector, Professor, Hanken School of Economics

Member of the Board since 2000

Independent of the company and major shareholders
Shareholding 31 Dec. 2012: A 257, B 7 731
Principal positions of trust: Municipality Finance Plc, chairman of the Board 2011–; Fennia Mutual Insurance Company, member of the Board 2003–; Veikkaus Oy, member of the Board 2010–

Per Sjödell
b. 1972
Swedish citizen
M.Sc.(Econ.)

Managing Director, Fiskars Sverige AB

Member of the Board since 2012

Independent of the company and major shareholders
Shareholding 31 Dec. 2012: B 1 885
Principal positions of trust: Nils Johan AB, member of the Board 2012–; Fiskars Sweden AB, member of the Board 2012–



Charlotta Tallqvist-Cederberg
b. 1962
Finnish citizen
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
Shareholding 31 Dec. 2012: B 4 697
Principal positions of trust: Handelsbanken Rahasto-yhtiö Oy, member of the Board 2012-

Carola Teir-Lehtinen
b. 1952
Finnish citizen
M.Sc.

Professional Board member

Member of the Board since 2004

Independent of the company and major shareholders
Shareholding 31 Dec. 2012: B 9 257
Principal positions of trust: The Finnish Children and Youth Foundation, member of the Committee 2004-; Sweco AB (publ), member of the Board 2011-; Arcada Foundation, vice chairman of the Board 2011-; WWF Finland, member of the supervisory Board 2011-

Dag Wallgren
b. 1961
Finnish citizen
M.Sc.(Econ.)

Managing Director, Svenska litteratursällskapet i Finland r.f.

Member of the Board since 2011
Member of the Board's Appointments and Compensation Committee

Independent of the company
Shareholding 31 Dec. 2012: B 2 687
Principal positions of trust: Aktia Plc, chairman of the Board 2010-; Söderströms & C:o förlags Ab, member of the Board 2009-; Veritas Pension Insurance Company Ltd, member of the supervisory Board 2012-

Personnel representatives
At meetings of the Board of Directors, personnel representatives have the right to attend and to speak. They are not members of the Board of Directors.

Rolf Feiring
b. 1979
Finnish citizen
B.Sc.(Econ.)

Administrative Manager, Department Store Division

Personnel representative on the Board, elected by Stockmann's senior salaried employees.

Rita Löwenhild
b. 1952
Finnish citizen

Chief shop steward, Department Store Division

Personnel representative on the Board, elected by Stockmann's Group Council.

Details of the Board of Directors at 31 Decmber 2012.
More information on the main job experience of the Board of Directors and their principal positions of trust is available on Stockmann's website **stockmanngroup.com**



MANAGEMENT COMMITTEE

Hannu Penttilä
b. 1953, LL.M.
CEO 2001-

Joined Stockmann in 1978
Essential job experience: Stockmann, Executive Vice President 1994–2001, Director, Department Store Division 1992–2001, Director, Helsinki department store 1986–1991, Director, Tapiola department store 1985–1986, Lawyer 1978–1984
Principal positions of trust: Mutual Insurance Company Kaleva, member of the Supervisory Board 1995-; Nokia Tyres plc, member of the Board 1999-; Varma Mutual Pension Insurance Company, member of the Supervisory Board 2001-; Jääkiekon SM-liiga Oy, chairman of the Board 2012-

Pekka Vähähyyppä
b. 1960, M.Sc.(Econ.), EMBA
Executive Vice President 2008- and CFO 2000-

Joined Stockmann in 2000
Essential job experience: Svenska Nestlé, CFO 1997–2000; Nestlé Norden, Head of Finance and Control 1997–2000; Suomen Nestlé, CFO 1994–1997; OKO Venture Capital, Director 1990–1994
Principal positions of trust: Lyy-Invest Oy, member of the Board 2002-; Leinovalu Oy, vice chairman of the Board 2010-; Hartela-yhtiöt Oy, member of the Board 2012-

Maisa Romanainen
b. 1967, M.Sc.(Econ.)
Executive Vice President and Director for the Department Store Division 2008-

Joined Stockmann in 1996
Essential job experience: Stockmann, Director, department stores in Finland and the Baltic countries 2008, Director, department stores abroad 2005–2007, Director, Tallinn department store 2000–2005, Director, Smolenskaya department store, Moscow 1998–2000
Principal positions of trust: The Finnish Grocery Trade Association, member of the Board 2008-; Tuko Logistics Cooperative, member of the Board 2009-; Atria Plc, member of the Board 2010-

Göran Bille
b. 1955, B.Sc.(Econ.)
Director, Fashion Chain Division 2012–,
CEO, Lindex 2004–

Joined Stockmann in 2007
Essential job experience: H&M Rowells, Managing director 2003–2004; H&M, Country Manager, Sweden 1998–2003, Buying Manager 1987–1998
Principal positions of trust: Gunnebo Ab (publ), member of the Board 2008-; Synsam Nordic Ab & Synsam Holding Ab, member of the Board 2008-

Nina Laine-Haaja
b. 1961, EMBA
Member of the Management Committee until 31 December 2012.
CEO, Seppälä 2012–

Joined Stockmann in 1986
Essential job experience: Seppälä, Director, store operations 2006–2011, Member of the Management Committee 2001–, Field Manager 1994–2006



Lauri Veijalainen
b. 1968
Development Director for the Group's international operations 2010–

Joined Stockmann in 2010
Essential job experience: Ikea Russia and CIS, Chief Financial Officer 2003–2010; Skanska Moscow, CFO and Administrative Director 1998–2003
Principal positions of trust: Veikkaus Oy, member of the Board 2012-

Jukka Naulapää
b. 1966, LL.M.
Director, Legal Affairs 2006-

Joined Stockmann in 1998
Essential job experience: Stockmann, Secretary to the Management Committee 2001-, Lawyer 1998–2006; Law Firm Hepo-Oja & Lunnas Oy, Attorney 1991–1998

Heini Pirttijärvi
b. 1966, M.Sc.(Econ.)
Member of the Management Committee from 1 January 2013.
HR Director 2011–

Joined Stockmann in 1993
Essential job experience: Stockmann, HR Director, Department Store Division 2009-, Sales Director, Helsinki Department Store 2005–2007, Director, Tapiola department store 2004–2005, Sales Manager, Helsinki Department Store 1996–2003

Details of the members of the Management Committee at 31 December 2012.



Information on the remuneration of the Board of Directors and the Management Committee is available on page 25 of the Annual Report.

Up-to-date information on shares and share options in the ownership of the members of the Board of Directors and the Management Committee is available on the website **stockmanngroup.com**