

SPONDA

Annual Report 2014



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## Sponda

Sponda Plc is a real estate investment company that specialises in business premises in the Helsinki metropolitan area and Tampere. Sponda's business concept is to own, lease and develop office, retail and shopping centre properties into environments that promote the business success of its clients.

Sponda is organised into three business units: Investment Properties, Property Development and Russia.

## Chief Executive's review

Sponda's core operations remained stable in 2014. The sales of properties during the year led to a slight year-on-year decline in total revenue, but cash flow remained strong.

In the office market, vacancy rates have increased particularly in Helsinki, and Sponda's occupancy rate also decreased slightly from the previous year. However, Sponda's prime areas in the Helsinki metropolitan area, the central business district and Ruoholahti in particular, still remain desired locations. The shopping centre business continues to be hampered by low consumer confidence in the economy, but there are signs of a slight positive turn. In spite of the difficult situation, we managed to maintain the occupancy rate of our shopping centres at the previous year's level, and even increase it slightly.

### Property ownership focused on the Helsinki metropolitan area and Tampere

We continued to implement our strategy, which was revised in 2013. We sold our shares in three real estate funds and approximately half of our logistics property portfolio to Certeum Oy. The transaction was significant not only to Sponda, but also the Finnish property market.

During the year, we also sold most of our properties located in Turku. The transactions see us focus our property ownership even more strongly on our key strategic areas, namely the Helsinki metropolitan area and Tampere.

### Development projects increase property quality

Our property development operations were active in 2014, particularly in light of the prevailing economic situation. The largest projects in 2014 were the new office properties under construction in Helsinki's Lassila and Ilmala districts. We also had major renovation investments underway, which will allow us to offer increasingly high-quality business premises solutions to our customers. Increasing the quality of our property portfolio improves our property stock and reduces its risk.

Two new construction projects and two extensive refurbishment projects will be completed in 2015. The pre-letting rates for the projects are high, and their completion will bring a valuable addition to Sponda's total revenue and property portfolio. Our aim is to start at least one new property development project in 2015.

### Changes in how work is done are challenging the property sector

There are many questions surrounding the future of the property industry. Changes in how work is done, changing business premises requirements and general trends in urban development are presenting new challenges to industry operators. It is necessary to assess how properties will be used in the future, and what areas will see growth. We must have an open mind and a broad-based approach to various alternatives. For example, converting an old logistics property for residential use may be a sensible move for all concerned, and promoting such projects requires effective co-operation between parties such as businesses and the public administration.

I am confident that focusing our property ownership on growing areas in the Helsinki metropolitan area and Tampere will prove to be a good strategy. Sponda has a good property portfolio and the capacity to adapt business premises according to customer needs. We also have a strong capacity for change. We want to not only develop properties, but also develop Sponda as a company.

The credit for the development of our company must go to our personnel, who have a high level of professional competence and the willingness to think beyond the conventional approaches in our industry. I would also like to thank our shareholders for their trust in Sponda and our customers for their valuable partnership. We are well positioned to move forward in 2015.

Kari Inkinen  
President and CEO

## Strategy

### Profitable growth through focused property ownership

Sponda is a property investment company that owns, leases and develops office and shopping centre properties in Helsinki and Tampere. Sponda seeks growth and profitability through customer-focused operations, active property development and property acquisitions in Finland.

The main goals of Sponda's strategy are simplification of the business structure, more focused property ownership and profitable growth. The company's operations are focused on office properties, shopping centres and property development serving these segments. Sponda's geographical focus is on prime areas in the Helsinki metropolitan area, particularly in the central business district and Ruoholahti, as well as Tampere. Focusing property ownership on strategically important areas, where Sponda already has a strong position, gives the company a better capacity to develop its market intelligence and grow profitably.

To achieve its goals, Sponda will divest its Russian operations, logistics properties and properties located in Turku within two to four years. In line with this strategy, Sponda sold its shares in three real estate funds and half of its logistics property portfolio in 2014.

In addition to the company's strategic direction, the criteria applied by Sponda in selecting properties for acquisition and ownership include energy efficiency, flexibility, central location and access to public transport.

### Strategic focus

Sponda's strategic focal points are the customer experience and environmental responsibility. The energy consumption of the properties included in Sponda's Energy efficiency programme has decreased in line with previously set targets. At the same time, a growing percentage of the waste generated at the properties is being recovered. Sponda's customer relationships are based on interactive partnership. With the help of a process to support the development of the customer experience, Sponda aims to identify the best ways of working from the customer's perspective.

Environmental responsibility is an integral part of Sponda's operations. The company's long-term goal is to develop its environmental expertise and to share this expertise with customers and partners.

## Sponda's vision and strengths

### Mission

Sponda is a leading property investment company that owns, leases and develops office and shopping centre properties in the largest cities in Finland. Sponda develops business environments that promote the business success of customers.

## Vision

Sponda's vision is to be the first choice for customers looking for business premises. In accordance with this vision, Sponda creates added value for its customers by offering business premises solutions that take into account the customers' individual needs, operating culture and the nature of their work.

## Values

The most important values for Sponda are innovation, professionalism and reliability. We live these values every day. They guide our conduct towards our customers and each other.

## Sponda's key strengths

<b>Property portfolio focused on the best locations in the Helsinki Metropolitan Area</b>	Sponda's property portfolio includes some of the highest quality and best known properties in the Helsinki Metropolitan Area, particularly in the central business district and Ruoholahti in Helsinki.
<b>Diversified property portfolio that offers customers a wide choice of premises</b>	Sponda's property portfolio includes a wide range of office and shopping centre properties. Thanks to its extensive business premises offering, Sponda is able to offer its clients alternative premises also when their space requirements change.
<b>Diverse, high-quality tenant base and balanced lease portfolio</b>	Sponda's largest clients include major retail stores, the finance industry and the public sector. The company has a diversified tenant base, which reduces the risks related to individual customer segments or tenants.
<b>Leading property development operations</b>	Sponda owns a considerable amount of land and numerous potential property development sites. In 2014 the company started two new property development projects in Helsinki. As market conditions improve and demand grows, the company has the flexibility to launch new property development projects.
<b>Experienced, committed management and personnel</b>	The members of Sponda's Executive Board have long-term operational experience with the company and in the real estate business. In addition, Sponda's personnel have strong expertise and extensive experience of the property markets, which enables Sponda to offer its clients competitive solutions and services.
<b>Responsible business operations</b>	Responsibility is an integral part of Sponda's day-to-day operations and business expertise, supporting the company's profitability and long-term viability. The company's operations are planned and assessed from the perspectives of responsibility.

## Sponda's value chain

Sponda engages in active property development and buys and leases properties to create value for its shareholders, customers, surrounding communities and society at large.

The creation of value is based on Sponda's capital, which includes not only human capital and the necessary natural resources, but also the financial, manufactured, intellectual and social capital that is concentrated in the company. The focus on responsibility also strengthens the company's profitability and long-term viability, creating value in future as well.

The core strengths of Sponda include a diversified property portfolio focusing on the best locations, leading property development operations and highly skilled personnel. They allow Sponda to provide its customers with comfortable, safe and energy-efficient business premises.



**Financial capital**

- Sponda's equity M€ 1,411.5
- Sponda's liabilities M€ 2,037.7
- Value of investment properties EUR 3.1 billion



**Human capital**

- Number of personnel 105
- Educational structure: university or polytechnic 62.5%, college education 35.4%, other 2.1%
- Training days per person 2.19
- Employee survey index 70.5/100



**Manufactured capital**

- Quantity of properties 169
- Sqm of properties 1.2 million
- Value of land M€ 88.3
- Property maintenance investment M€ 42
- Property development projects M€ 83.3



**Intellectual capital**

- Environmental partners: 22
- Properties in energy efficiency scheme: 113
- Development of business premises and services, incl. corporate planning



**Social and relationship capital**

- Activity in industry organisations
- Extensive subcontractor network



**Natural capital**

- Water consumption, Finland 371,917 m³
- Electricity consumption, Finland 150,728 MWh
- Heat consumption, Finland 156,124 MWh
- District cooling consumption, Finland 9,818 MWh

**SPONDA'S CAPITAL**



Sponda's business operations: Sponda owns, leases and develops office, retail, shopping centre and logistics properties. With innovative customer-focused solutions and high-quality property maintenance, we provide our customers with comfortable, safe and energy-efficient business premises.

Sponda's vision: The first choice for customers looking for business premises

**VALUE CREATED BY SPONDA**



**Value for shareholders**

- Dividend € 0.19 (Board's proposal)
- Net assets/share (NAV) € 5.45



**Value for customers**

- Business premises that support operations
- Savings on energy costs for customers



**Value for society**

- Taxes paid in 2014 M€ 18.9
- Development of the urban environment



**Value for the community**

- Employment
- Sharing knowledge and expertise



**Impact on the environment**

- Minimization of carbon dioxide emissions as well as energy and water consumption
- Maximisation of waste recovery



## *Sponda in 2015*

Forecasts indicate that the Finnish economy will grow slightly in 2015 by 0.9 per cent (2014: 0.1%). Sponda expects the property rental market to remain tight. On the other hand, the market situation supports the implementation of property development projects, as resources for construction are readily available and costs are lower in relative terms.

Sponda's operational focal points for 2015:

- Maintaining the economic occupancy rate at least at the level of year end 2014.
- Continuing the sale of non-core properties.
- Maintaining a stable dividend payout capacity.
- Starting at least one new property development project. Four major property development projects will be completed in 2015.

### **Financial objectives**

Sponda's long-term goal is to maintain its equity ratio at above 40 per cent. The equity ratio was 41 per cent at the end of 2014 (2013: 41). The company pays a dividend of approximately 50 per cent of the cash flow from operations per share for each accounting period. Dividend payment takes into account the financial situation and the company's development needs.

### **Prospects for 2015**

#### **Net operating income**

Sponda expects net operating income for 2015 to amount to EUR 158–168 million. The estimate is based on the company's view of property sales to be completed and the development of rental operations during the year.

#### **EPRA Earnings**

Sponda estimates that company adjusted EPRA Earnings will amount to EUR 95–105 million in 2015. This outlook is based on the development of net operating income and the company's estimate of the development of financial expenses.

## *Future trends*

It is not possible to predict the future. Nevertheless, there are certain trends evident in society that affect Sponda's operations and the development of the property sector as a whole. Sponda has identified urbanisation, climate change, a growing need for communality and digitalisation as the trends that are most significant to its operations.

More information on how trends affect Sponda, and company's responses to them, is available in the Megatrends section.



## Urbanisation

In the future, the world's population will become increasingly concentrated in urban areas. At present, 70 per cent of Finns<sup>1</sup> live in cities or on the outskirts of cities, and the trend of migration to growth centres in southern Finland, in particular, is expected to continue. Sponda is focusing its property portfolio on central areas in Helsinki and Tampere. In addition to zoning and property development, good public transport plays a key role in the sustainable growth of urban areas.



## Climate change

The Earth's average temperature is predicted to rise in Finland by as much as six degrees<sup>2</sup> by 2100 if greenhouse gas emissions continue to increase at the current rate. The built environment plays a significant role in mitigating climate change – the energy efficiency requirements for properties and the industry as a whole will increase further due to climate change. Environmental requirements are an area of particular focus in Sponda's property development operations, property maintenance, and the use of properties.



## Communality

Modern urban communality is often created through digital interaction. However, people will have a need to meet face to face, both at work and in their free time. Finland is one of the European leaders in remote work, with 45 per cent of Finns performing part of their work duties outside the workplace<sup>3</sup>. Variability in how work is performed is set to increase in the future. This will see increased significance for the workplace as a social and pleasant meeting place: an effective work environment provides space for collaborative idea generation as well as the performance of tasks that require greater concentration. Multispace offices have been estimated to create a greater sense of cohesion in workplaces<sup>4</sup>. Shopping centres will also play an important role in creating a sense of community in the future.



## Digitalisation

In the future, various digital services will make daily life more convenient, and goods and services will be increasingly purchased online. Online commerce has grown significantly in Finland, nearly 20 per cent in a period of three years<sup>5</sup>. The transformation of retail presents new challenges and opportunities to brick-and-mortar shops and shopping centres.

<sup>1</sup>Finnish Ministry of Employment and the Economy 2013

<sup>2</sup>Sitra 2013

<sup>3</sup>Eurofound 2012

<sup>4</sup>Building Information Foundation RTS, Building Information Ltd and the Association of Finnish Construction Managers and Engineers AMK RKL

<sup>5</sup>TNS Gallup 2014

## Sponda's future solutions

Future trend	Effect on the industry and Sponda	Sponda's actions
<b>Urbanisation</b>	<ul style="list-style-type: none"> <li>Population concentrates in cities</li> <li>An increasing need for business premises and retail services in growth centres</li> <li>Development of public transportation</li> </ul>	<ul style="list-style-type: none"> <li>Focusing the property portfolio on the city centres of Helsinki and Tampere, and the developing districts of these cities</li> <li>Property assets with good public transport access</li> <li>Active property development</li> <li>Urban development in co-operation with the authorities</li> </ul>
<b>Climate change</b>	<ul style="list-style-type: none"> <li>Increasing requirements related to the energy efficiency of properties and the industry as a whole</li> <li>Properties are exposed to extreme weather phenomena</li> <li>Increasing upward pressure on energy costs</li> </ul>	<ul style="list-style-type: none"> <li>Energy-efficient construction in both new property development and renovation projects</li> <li>Preparing for extreme weather phenomena in co-operation with the maintenance network</li> <li>Drafting proactive energy contracts</li> <li>Co-operation with customers and partners to reduce the environmental impact of properties</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>As working remotely becomes increasingly common, there is a growing need for office spaces that support communality</li> <li>Shopping centres play an increasingly significant role in supporting communality and providing entertainment</li> </ul>	<ul style="list-style-type: none"> <li>Developing solutions that support communality in office spaces</li> <li>Developing shopping centre concepts</li> <li>Creating flexible business premises</li> </ul>
<b>Digitalisation</b>	<ul style="list-style-type: none"> <li>The digitalisation of retail presents new challenges and opportunities to brick-and-mortar shops and shopping centres</li> <li>Changes in purchasing behaviour</li> <li>Work irrespective of time and place creates new demands on office environments</li> </ul>	<ul style="list-style-type: none"> <li>Utilising digital services in retail premises</li> <li>Improving digital capacity in office premises</li> <li>Development of Sponda's services and business premises solutions</li> <li>Creating flexible business premises</li> </ul>



## Climate expert wants to dispel myths about energy

Climate change cannot be stopped, but it can and must be slowed down. This is best achieved by improving energy efficiency and cutting back on energy consumption. The climate expert's vision also includes a healthy dose of sun and wind.

The ongoing climate change is the result of increased amounts of greenhouse gases in our atmosphere. Greenhouse gases act like the glass roof of a greenhouse, containing heat within the Earth's atmosphere. When the amount of greenhouse gases increases, the greenhouse effect is intensified and the Earth's average temperature rises.

– Rising average temperature leads to an increase in extreme weather phenomena such as heavy rain and its opposite, severe drought. Marine ecosystems are threatened by rising water temperatures and the acidifying effect carbon dioxide has on the seas. In Finland, winters will become even gloomier due to increased cloudiness, says **Hanna-Liisa Kangas**, who worked as a Climate Coordinator at WWF Finland until the turn of the year and is currently a climate policy researcher at the Finnish Environment Institute.

## Controlling emissions from chimneys

The greenhouse gas with the most significant effect on rising temperatures is carbon dioxide, which is primarily released into the atmosphere from the chimneys of power plants that use fossil fuels.

– For this reason, energy conservation and energy efficiency play a central role in slowing down climate change. Buildings are real gluttons for energy, accounting for approximately 40 per cent of Finland's total energy consumption. Reducing the energy consumption of buildings is essential, Kangas says.

The key avenues for achieving this include improving the energy efficiency of properties, which is best done by renovating properties to make them more energy-efficient and informing the users of properties about ways to save energy.

*It is a myth that Finland doesn't get enough sun or wind.*

– The lower the total consumption of energy, the larger the share of our energy requirement that can be met by zero-emission and renewable sources, such as geothermal energy, wind and solar power, Kangas explains.

– It is a myth that Finland doesn't get enough sun or wind. In fact, we are extremely well positioned to make more effective use of renewable energy sources, she adds.

## Electric cars as energy storage units?

In this climate expert's future vision, energy generated by solar and wind power would be stored in large quantities in storage units such as the batteries of electric vehicles.

– I believe electric cars can serve as significant storage units for electricity in the future. There are also many other innovations related to the production, storage and use of energy, we just need to put them into practice, Kangas says.

– One example is the development of smart devices, which will see equipment that uses electricity do so when it is cheapest due to the prevailing conditions, such as sunshine or windy weather, she envisions.

### *Climate change increases the Earth's average temperature*

- Climate change results in a rise in the Earth's average temperature.
- Climate change causes an increase in extreme weather phenomena, such as drought and flooding. Energy conservation and energy efficiency play a significant role in slowing down climate change.
- With regard to properties, the key is to renovate buildings to make them energy efficient and inform their users of how to save energy.
- When energy consumption decreases, a larger proportion of our energy requirements can be covered by zero-emission and renewable energy sources.



## *Building a more condensed and comfortable city*

The trend of urbanisation is continuing in Finland, as the population concentrates in areas where jobs are located and, in particular, the cities at the heart of such areas. According to the Urban Helsinki collective, growing cities should focus on condensing the urban structure. This would also provide opportunities for creating an even more comfortable and attractive urban environment.

– In Finland, the Helsinki region has a particularly strong pull, but other major cities are also growing as a result of migration and natural population growth. The population is concentrating in major cities, and within these, the city centres are gaining new strength. A growing number of young people want to live in an urban environment, says **Miika Norppa**, a member of the Urban Helsinki collective.

The aim of the Urban Helsinki collective is to help Helsinki and other Finnish cities respond to the challenges presented by population growth and, in particular, the wishes of young adults to live in city centre type surroundings.

The Urban Helsinki group says the best response to this challenge is condensing the urban structure. The concept for a more condensed city of the future is described in the Pro Helsinki 2.0 shadow city plan, Urban Helsinki's alternative to the City of Helsinki's official city plan.

– In our shadow city plan, we propose that building a more condensed city with effective public transportation will make it possible to offer hundreds of thousands of new residents homes in a comfortable urban environment, says **Timo Hämäläinen**, a member of Urban Helsinki.

*Encounters between people promote the exchange of ideas and the creation of innovations, and they also help prevent social exclusion.*

### **Space for meetings and innovations**

In many Finnish cities, the areas where jobs are located are separate from the areas where people live. According to Norppa and Hämäläinen, it is important from the perspective of comfort and attractiveness that condensing the urban structure involves the development of new properties with offices and apartments as well as retail space on the ground level. Their services could be used in the daytime by people who work in the area, and in the evenings by the residents of the area.



– A condensed and lively urban environment where various functions are blended together also provides opportunities for the development of a sense of community, Hämäläinen adds.

– The benefits of the communal and social aspects supported by the urban environment are perhaps not yet fully understood. Encounters between people promote the exchange of ideas and the creation of innovations, and they also help prevent social exclusion, Norppa points out.

Hämäläinen characterises the existing urban environment as a space in which the walls of buildings enclose and hide everything that happens inside. The current large expanses of closed walls make the urban environment rather lifeless from the pedestrian perspective.

– The more doors and services we add to buildings, the livelier the urban

environment becomes, he explains.

### *Urbanisation is an ongoing process*

- In Finland, the process of urbanisation is still rather incomplete compared to Sweden, for example.
- The Helsinki region, in particular, has a strong pull, and other cities are also seeing population growth. New jobs are concentrated in growing cities.
- Urbanisation results in the need to create a condensed city in which residents enjoy life and businesses prosper.



## *The many faces of the shops of the future*

In the vision of Consultant and Senior Advisor Marjaana Toiminen, the shops of the future are very versatile. What they have in common is a smooth customer experience, but the shops themselves may be anything from simple walls with images of products to entertainment centres providing unique experiences.

With the growth of e-commerce, especially retailers in traditional brick and mortar shops are wondering how to reach consumers that seem to be disappearing into the world of online stores.

– Even though luring people into stores might be more difficult in the future, there are ideas that can be implemented easily and affordably to raise the importance of brick and mortar shops and shopping centres in the everyday lives of city dwellers and as part of urban culture, says Consultant and Senior Advisor **Marjaana Toiminen**.

For example, events and entertainment do not need to be confined to restaurants and theatres—shopping centres could also feature more and different kinds of events.

– If life in shopping centres adjusted better to different seasons and target groups, it would create opportunities to foster a new sense of community, which would also have a positive effect on cash flow, says Toiminen.

According to Toiminen, the growth of online retail is a clear trend, but at the same time, the increasing ease of shopping offers retail new opportunities as the purchasing threshold is becoming lower or even disappearing. In future, the customer will be increasingly reachable and more liable to make purchases.

*At its most minimal, the shop of the future may be just a wall or show case with products or images of products. At the other end of the spectrum is a concept store that is an experience and entertainment space.*

### **Encounters in different channels**

According to Toiminen, for a brick and mortar business to be successful, it needs to take advantage of different communications channels to reach its customers.





– In the future, a brick and mortar shop may serve as a service point where customers can collect their online purchases or search for information using a mobile device. The service point could also send real-time offers for people with smartphones passing the store. It is very important to adopt the idea of multi-channel communication because customer behaviour has already changed, Toiminen explains.

– All in all, the customer wants shopping to be quick and easy, different from what they are used to in brick and mortar shops. The consumer of the future may, for example, try on clothes easily in a virtual dressing room. Speed is also a priority in paying, whether done using a mobile wallet or other discrete method, Toiminen adds.

Virtual dressing rooms are one example of how changes in shopping behaviour shape the services as well as the physical space of shops.

– At its most minimal, the shop of the future may be just a wall or show case with products or images of products accompanied with QR codes that can be read with a smartphone for mobile purchasing. There would be no need for personnel. At the other end of the spectrum is a concept store that is an experience and entertainment space where shopping for items may even feel secondary, says Toiminen.

-I have noticed that retailers are well-aware of these opportunities but their implementation has been surprisingly slow. Have courage and try out new things, Toiminen encourages.

### *Ease and entertainment*

- Ease of shopping as well as interesting experiences will be the focus of the stores of the future.
- A brick and mortar shop may serve as a service point where customers can collect their online purchases or search for information, comparison reviews and recommendations on different products.
- Shopping centres also have what it takes to become part of the city and urban culture, and to create a new sense of community.

## *Spondability*

Responsibility is an integral part of Sponda's strategy and day-to-day operations, and it supports the company's profitability and long-term viability. Sponda's goals include increasing shareholder value, ensuring the sustainability of operations and continuously developing the company. The term Spondability communicates the holistic approach to responsibility.

The company has set annual targets and defined key actions for its strategic priorities, namely environmental responsibility and managing the customer experience. The Executive Board and the Board of Directors regularly monitor the achievement of targets and implementation of actions.

Sponda encourages its employees to work towards the goals related to environmental responsibility and the customer experience. These two priorities are included as factors in the incentive scheme that covers all personnel.

### **Spondability in 2014**

Sponda's most significant step in the development of responsibility in 2014 was updating the responsibility priorities based on a materiality analysis carried out by the company. Sponda's responsibility priorities are: energy and environmental efficiency, property locations, enhancing the customer experience, investing in employees, transparent and ethical operations and taking the industry forward.

In 2014, Sponda drafted a Code of Conduct that lays the foundation for the company's responsibility efforts, the management of responsibility, and stakeholder relations. The Code of Conduct was approved by the Executive Board and the Board of Directors. Additionally, in 2014, Sponda

signed the UN Global Compact and committed to its ten responsibility principles related to human rights, labour, the environment, and anti-corruption.

Sponda's risk management process was adjusted in 2014 to place a greater emphasis on environmental responsibility by including the climate change risks and opportunities related to Sponda's operations in the company's regular risk assessment.

As an industry leader, Sponda aims to continuously develop not only its financial reporting, but also its reporting on responsibility. In 2014, the company reported on its responsibility efforts in accordance with the Global Reporting Initiative (GRI) G4 guidelines. Sponda received also international recognition in 2014 for its environmental and corporate responsibility reporting. The company was ranked as the best property investment company in the Nordic region according to the Carbon Disclosure Project (CDP) assessment and was awarded a Green Star for the second time in the Global Real Estate Sustainability Benchmark (GRESB) study.

## *Managing responsibility*

The principles and practices Sponda applies to the management of its business operations also apply to the management of responsibility to a large extent. The advantage of this integrated approach is that responsibility matters are linked to existing management processes.

Sponda's practices for managing responsibility are based on the company's strategy, as well as the following guidelines and commitments:

- Sponda's Code of Conduct
- The UN Global Compact
- The company's internal operations handbook

### **Managing responsibility priorities**

Sponda has six responsibility priorities that are based on its strategy. The management of the key aspects of these priorities at the Executive Board level is allocated to the Senior Vice President, Corporate Planning and IR, who is responsible for strategy, the Senior Vice President, Property Development, and the Chief Financial Officer who is responsible for human resources. At the Executive Board level, the Senior Vice President, Corporate Planning and IR is in charge of corporate responsibility, while the Senior Vice President, Property Development, is in charge of environmental responsibility. The President and CEO is in charge of the overall management of responsibility and the achievement of the targets set.

Where necessary, responsibility matters are also discussed at Sponda's Board of Directors' meetings.

The management of **Energy and environmental efficiency** is the responsibility of the Sustainability Manager. She reports to the Senior Vice President, Property Development, who is in charge of environmental responsibility at the Executive Board level. The environmental responsibility steering group, which meets approximately six times per year, consists of the Sustainability Manager and four members of the Executive Board. The Executive Board monitors the progress of company-level environmental targets on a monthly basis.

The management of the **Property locations** responsibility priority is assigned to the President and CEO in co-operation with the Senior Vice President, Corporate Planning and IR, the Senior Vice President of Property Development and the Senior Vice President of Investment Properties.

**Enhancing the customer experience** is the responsibility of the Customer Experience Manager. He reports to the Senior Vice President, Corporate Planning and IR, who is responsible for the customer experience at the Executive Board level. The customer experience steering group, which meets approximately six times per year, consists of the Customer Experience Manager and three members of the Executive Board.

The management of the **Investing in employees** priority is the responsibility of the HR Manager. She reports to the Chief Financial Officer, who is responsible for human resources at the Executive Board level.

At the Executive Board level, the priorities **Transparent and ethical operations** and **Taking the industry forward** are the responsibility of the Senior Vice President, Corporate Planning and IR, and the Senior Vice President, Property Development. Operational management responsibility is allocated between the Purchasing and Quality Manager, the Sustainability Manager and the Chief Legal Counsel, depending on the area of operations in question.

## Materiality analysis

Sponda defined the responsibility priorities most material to its operations for the first time in 2011, at which time seven responsibility priorities stemming from the company’s strategy were identified. In 2014, Sponda updated its materiality analysis in accordance with the GRI G4 reporting guidelines. Based on the results of the analysis, the responsibility priorities and their most material aspects were updated.

As a result of the analysis, Sponda’s existing responsibility priorities of energy efficiency and material efficiency were combined into a priority named energy and environmental efficiency. In addition, the priority transparent and ethical operations replaced the previous priority of transparency in operations.

The material corporate responsibility aspects that correspond with Sponda’s responsibility priorities are depicted in the table below and in the GRI index.

### Sponda’s responsibility priorities 2014: Transparent and ethical operations form the basis

Energy and environmental efficiency	Property location	Enhancing the customer experience	Investing in employees	Taking the industry forward
<ul style="list-style-type: none"> <li>Energy efficiency of properties</li> <li>Greenhouse gas emissions and renewable energy</li> <li>Increasing environmental awareness among customers and employees</li> <li>Sorting and recovery of property waste</li> <li>Environmental certification of properties</li> <li>Water consumption at properties</li> </ul>	<ul style="list-style-type: none"> <li>Taking environmental aspects into account in making decisions on property investments</li> <li>Focusing on properties located in cities, accessible by public transportation</li> <li>Concentrating on prime areas</li> <li>Investments in property assets</li> </ul>	<ul style="list-style-type: none"> <li>Working environments and property services that support the customer’s operations</li> <li>Comfort of indoor environment</li> <li>Customer safety and health</li> <li>Supporting the customer’s responsibility goals</li> </ul>	<ul style="list-style-type: none"> <li>Improving professional expertise of employees</li> <li>Wellbeing of employees</li> <li>Safety of personnel</li> <li>Equal and non-discriminatory treatment of employees</li> </ul>	<ul style="list-style-type: none"> <li>Active participation in development work in real estate and construction industry organisations</li> <li>Sharing expertise and professional competencies</li> <li>Own research and development work</li> </ul>
<p><b>Transparent and ethical operations</b></p> <p>Economic value generated for stakeholders                      Transparent communications and reporting                      Business principles                      Purchasing management and responsible purchasing                      Good governance and risk management</p>				

### Stages of the materiality analysis

1. Identifying the material aspects of Sponda’s corporate responsibility in the value chain.
2. Prioritising the material aspects in co-operation with significant stakeholders.
3. Impacts of the material aspects on Sponda’s operations.

Sponda’s materiality analysis began with an industry and background analysis on the most significant aspects of responsibility in the property sector and in companies used as benchmarks. The background analyses provided a comprehensive understanding of key issues and trends relevant to business operations in the property sector.

In summer 2014, Sponda conducted an online survey to assess the views of its key stakeholders—customers, investors, business partners and employees—regarding the importance of various aspects of responsibility, their impression of Sponda’s performance, the overall score they

would give Sponda for responsibility in relation to its competitors, and the quality of Sponda's responsibility communications.

The survey responses were used to identify and analyse the material responsibility aspects in Sponda's value chain. The external stakeholders indicated that the most important themes related to responsibility are the professional competence of Sponda's personnel, the energy efficiency of properties, customer health and safety, the comfort of indoor environments, providing a working environment that supports the customer's operations, and ethical business principles.

A joint workshop between Sponda employees and management continued the work of prioritising the material aspects and assessed their effects on Sponda's operations. The prioritisation also took Sponda's strategy into account. In the workshop, the most material responsibility themes with regard to Sponda's operations were identified as property locations, working environments that support the customer's operations, professional competence of Sponda's employees, transparent communications, and the energy efficiency of properties. The updated responsibility priorities are based on Sponda's strategy, industry analysis, stakeholder survey and the identification of business impacts.

Sponda's Executive Board approved the updated responsibility priorities based on the materiality analysis process, and their material aspects.

## *Responsibility priorities*

Sponda has identified six responsibility priorities stemming from the company's strategy:

- energy and environmental efficiency
- property locations
- enhancing the customer experience
- investing in employees
- transparent and ethical operations
- taking the industry forward

## *Energy and environmental efficiency*

Construction and completed buildings are responsible for more than 40 per cent of Finland's total energy consumption. Sponda recognises this and pays particular attention to the energy efficiency and carbon footprint of its properties, but also to other environmental impacts, such as the recycling and recovery of waste, and water consumption.

### **The key aspects of the priority are:**

- The energy efficiency of properties
- Greenhouse gas emissions and renewable energy
- Increasing environmental awareness among customers and employees
- Environmental efficiency of own operations
- Environmental certification of properties
- The sorting and recovery of property waste
- Water consumption at properties

### **Why is this a priority?**

The significance of environmental responsibility in the property business is growing. The drivers of Sponda's development of energy and environmental efficiency include the significant role the property sector plays in fighting climate change, increasing customer demands, tighter regulation, the cost savings achieved through energy-related measures, as well as reputation and image.

In its new climate policy, the European Union has made a commitment to reduce its greenhouse gas emissions by 40 per cent from 1990 levels by 2030. A further binding target at the EU level is to increase the use of renewable energy by 27 per cent, and an indicative target has been set to improve energy efficiency by 27 per cent. The EU has a further target of reducing emissions by 80–95 per cent by 2050. According to a directive that will enter into force at the start of 2021, all new buildings must be nearly zero-energy buildings. A nearly zero-energy building's energy requirement is covered to a very significant extent by energy from renewable sources produced on-site or nearby.

Finland is preparing the national implementation of the EU Energy Efficiency Directive as well as the new business sector Energy Efficiency Agreement period, which will begin from 2017. Finland's Energy and Climate Roadmap 2050 was published in 2014. The Roadmap 2050 serves as a strategy guide on the journey towards achieving Finland's long-term objective of being a carbon-neutral society. Building a carbon-neutral society requires contributions from all sectors.

Sponda aims to respond to the requirements and the targets set by the EU and Finland, and energy efficiency is an important consideration in all of the company's property development projects as well as in renovation, maintenance and use of properties. Improving the energy efficiency of buildings also reduces carbon dioxide emissions. Going forward, the use of renewable energy will play a significant role in achieving the targets set. Through its involvement in various organisations, Sponda is actively monitoring the progress of EU and Finnish projects, legislation and agreements related to energy efficiency.

Every day approximately 30,000 people work in premises owned by Sponda. As much as 60 per cent of the total energy consumption of a building occurs during the use of the building, which means that co-operation between the landlord and tenants aimed at reducing energy consumption is of crucial importance. Through its Energy efficiency and Environmental partnership programmes, Sponda encourages its clients to be energy efficient and to take environmental aspects into consideration in the use of properties, and provides guidance to its clients on energy efficiency and environmentally friendly building use.

Sponda monitors the energy and water consumption, as well as waste management volumes of its properties located in Finland on a monthly, quarterly and annual basis. For properties in Russia, the consumption of electricity and water are monitored on a monthly and annual basis.

## Environmentally responsible property development

At Sponda, new construction, property renovation and the design of low-energy office buildings are all subject to the company's design guidelines, which are reviewed and updated annually and are in many ways more extensive than the generally applied standards and regulations. The guidelines help the company develop adaptable and energy efficient properties that offer functional working environments.

Sponda pays particular attention to environmental requirements in its property development operations. Sponda applies for international environmental classification, an environmental certificate, for all new buildings and major renovation projects. At the end of 2014, Sponda had eight environmentally certified properties and several certification projects in progress.

## Sponda's Energy efficiency programme is aimed at conserving energy

The energy efficient use of properties is supported particularly through Sponda's Energy efficiency programme, which is aimed at achieving energy savings in co-operation with clients. The properties included in the programme carry out regular energy reviews to determine the energy consumption of each property and to examine the different technical systems relating to energy consumption. Based on these reviews, adjustments, repairs and investments that are in line with properties' use and profitable from a technical-economic standpoint are made.

Sponda's Energy efficiency programme's target of achieving energy savings of 10 per cent by 2016, using the average consumption in 2001–2005 as the baseline, was achieved ahead of schedule in 2013. The long-term target is to achieve a 20 per cent reduction in energy consumption by 2020, compared to the average consumption in 2001–2005. Sponda's progress with respect to the achievement of the long-term target is on schedule.

Energy-saving goals and measures for achieving them are set individually for each property in co-operation with the users. Developments are then monitored in regular meetings with clients. The cost savings achieved through the Energy efficiency programme are reinvested in the property. Sponda's partners Corbel Oy and Ovenia Oy are responsible for property service and maintenance operations as well as for collecting and monitoring consumption data.

## Sponda's environmental partnerships

In 2011, Sponda's Energy efficiency programme was complemented by an Environmental partnership programme aimed at reducing the environmental load resulting from the use of properties by engaging in closer co-operation with customers. In addition to energy consumption, the programme takes into account the broader environmental impact of properties and customers' operations.

Sponda and its environmental partners organise environmental events to distribute information to the users of properties on property-specific environmental matters and energy efficiency, and responsibility in general.

## Sponda's Green Lease

In the Green Lease model, the customer and Sponda agree on joint objectives and compensation models to encourage the use of environmentally friendly solutions and the reduction of energy consumption. Under the agreement, savings and excesses in energy costs are divided annually between the tenant and the landlord.

## Environmental information for employees

The environmental expertise of Sponda's employees is improved with the help of the WWF Green Office programme. Sponda's head office is a Green Office. Environmental awareness is also increased in other ways, such as the annual Green Day environmental event, internal training events as well as Green Office tips published regularly on the company intranet and Sponda's Facebook page.

Employees are encouraged to make ecological choices through a company car policy that supports low-emission options. Employees are also provided with company bicycles. As part of Sponda's Green Office environmental programme, employees are also trained in economical driving.

# Property locations

**Sponda takes environmental considerations into account in deciding on the locations for its property investments. The company's properties are in key areas in major cities and in locations easily accessible by public transportation, which helps reduce the environmental impacts of the properties during their use.**

## The key aspects of the priority are:

- Taking environmental aspects into account in making decisions on property investments
- Focusing on properties located in cities, accessible by public transportation
- Concentrating on prime areas
- Investments in property assets

## Why is this a priority?

For Sponda, the central location of its properties is a key strategic choice: the company's properties are in key areas in the Helsinki metropolitan area and Tampere, in locations with good public transport links. Approximately 75 per cent of Sponda's properties are located in these areas. In its building projects Sponda takes into account not just the building itself but also the close surroundings and that the building as a whole fits in with the urban-scape.

Sponda's investment strategy is sustainable both financially and environmentally. Accessibility is an increasingly important factor in the decisions companies make regarding business premises. It is perceived as a way of supporting the mobility of customers and employees, as well as an opportunity to reduce emissions caused by commuting. Companies located in areas with high traffic flows also achieve a competitive advantage through greater visibility.

The demand and rental levels for properties located in the central areas of cities are more stable, even in economically uncertain times. In line with its strategy, Sponda aims to concentrate its property portfolio in the city centres and other rapidly growing areas of Helsinki and Tampere, while divesting properties located in sparsely populated areas or on the fringes of cities.

Location is one of the criteria applied in the environmental certification of business properties. The BREEAM® and LEED® certification processes take into account not only the energy consumption of the building, but also factors such as public transport links and bicycle parking facilities.

## *Enhancing the customer experience*

**At Sponda, the customer experience consists of comfortable business premises that meet customer needs, as well as competent and professional customer service. Sponda aims to develop interactive long-term partnerships with its customers.**

### **The key aspects of the priority are:**

- Working environments and property services that support the customer's operations
- Comfort of the indoor environment
- Customer safety and health
- Supporting the customer's responsibility goals

### **Why is this a priority?**

The significance of the customer experience will continue to grow in the property sector as companies that seek business premises are increasingly focusing not only on prices per square metre, but also other factors. Trends such as the transformation in working culture, changes in purchasing behaviour, and awareness of environmental impacts are placing greater requirements on business premises and their suppliers.

The key building blocks of the customer experience are functional and high-quality business premises as well as competent personnel who understand the customer's needs. Sponda offers comfortable and flexible working environments that support the customer's operations. The safety and health of business premises customers is ensured by focusing on the comfort of the indoor environment, specifically cleanliness, air quality and temperature.

In the property sector, customer relationships are typically long term: the process of finding the right business premises takes time, and leases are signed for periods of several years. In customer relationships, Sponda's goal is to achieve a long-term interactive partnership rather than a unilateral lessor-tenant relationship. This allows the customer to receive the maximum benefit from Sponda's strengths, namely the expertise of its personnel and its comprehensive portfolio of business premises.

At the end of 2014, Sponda had a total of 1,887 customers and 2,923 lease agreements. The largest client sectors were the public sector, retail and banking.

### **Continuous focus on customer service**

The customer experience often begins even before the actual customer relationship is established, as customers search for different business premises alternatives and suppliers. With this in mind, Sponda's aim is to be easily approachable via a variety of channels, and the company continuously develops various forms of customer service.

During the lessor-tenant relationship, the emphasis is on property services, the continuous development of the customer relationship, and maintaining active contact with the customer. The aim of customer service operations is to allow the customer to focus on their own business while Sponda handles all property-related services in co-operation with its property management partners.

**Sponda's customers by sector 2014**

Sector	% rental income
Professional, scientific and technical activities	6.5
Energy	0.5
Public sector	12.9
Wholesale/retail	25.4
Education	1.3
Logistics/Transport	3.7
Hotel and catering business	5.1
Media /Publishing	4.1
Other services	14.2
Banking/Investment	10.5
Construction	1.2
Industry/manufacturing	4.0
Healthcare	4.9
Telecommunications	5.6
Others	0.3

**Top 10 tenants 2014**

State of Finland

Kesko Group

HOK-Elanto

Danske Bank Plc

City of Espoo

Sanoma Media Finland Oy

Diacor

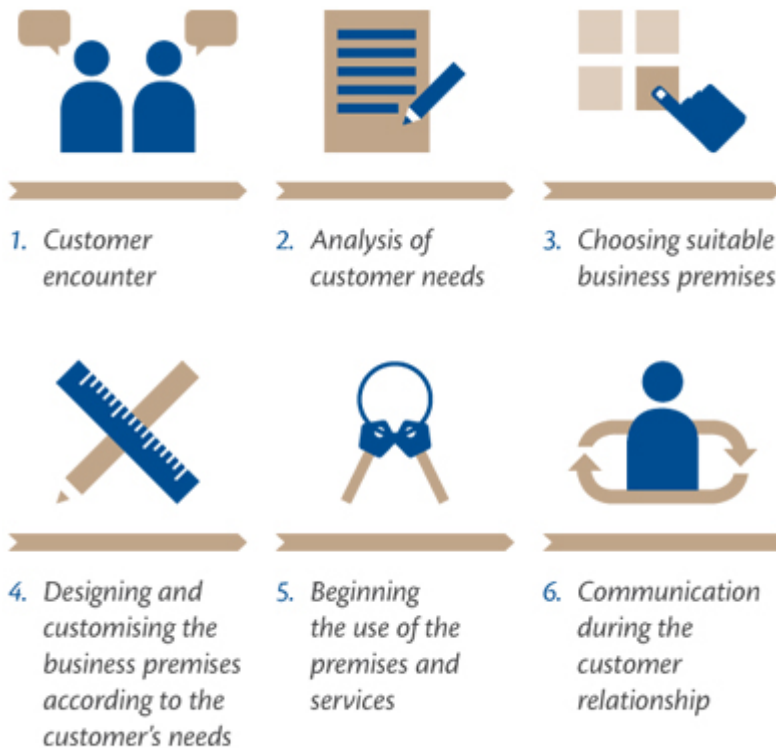
Nordea Bank Finland Plc

Elisa Corporation

Evli Bank Plc



## Sponda's customer process



Building the customer experience begins from the very first meeting between the client and Sponda. Sponda's expertise helps customers find business premises that are tailored to their unique needs. As business premises solutions are long-term decisions, the analysis of the client's needs takes into account the client organisation's future prospects and objectives.

Business premises are tailored to these needs in close cooperation with the client. Flexible solutions can be easily adapted as the client's operations develop and change.

The customer experience does not end when the right business premises are found. Instead, it develops and strengthens throughout the customer relationship. Sponda maintains regular contact with its customers and analyses customer satisfaction annually. The aim is to create interactive long-term customer relationships.

## Investing in employees

Sponda's employees are characterised by their professional and motivated approach and good team spirit. Employee wellbeing and expertise are key success factors for Sponda. Sponda wants to invest in the high-quality training of personnel and good leadership.

### The key aspects of the priority are:

- Improving professional expertise
- Occupational wellbeing and job satisfaction
- Safety and equal treatment of employees

## Why is this a priority?

In addition to high-quality business premises, highly competent employees are one of Sponda's key strengths. Continuous personnel development and good leadership enable Sponda to achieve its strategic objectives and make the company a more attractive employer.

Sponda's goal in all operations is continuous improvement and learning. Personnel development is guided by customer orientation: training is planned based on strategy, customer and stakeholder feedback, and appraisal discussions. Sponda organises common training programmes for its personnel and offers the opportunity to participate in training outside the company. Sponda also encourages employees to adopt an independent and active approach to their work and self-development.

## Aiming for employee wellbeing and equality

The realisation of equal opportunities is important at Sponda. Sponda's key objective is to ensure that employees do not experience any unequal treatment on the basis of gender, age, religion, health or other such factors. Fair and non-discriminatory treatment applies to the entire employment relationship, from recruitment to termination.

Wellbeing at work is the cornerstone of good work performance and work fitness. Sponda's investment in the wellbeing and job satisfaction of its employees includes the provision of extensive and versatile occupational healthcare services, the objective of which is to prevent illnesses and problems resulting from stress and other work-related psychological factors, and to support work fitness. In addition, Sponda has a special wellbeing programme to support the work fitness of employees who have been in working life for a long time.

Sponda also looks after occupational health and wellbeing by supporting its employees' physical exercise and cultural activities, and by encouraging employees to adopt environmentally friendly and sporty commuting habits by offering them company bicycles.

## Employees are involved in development efforts

Sponda monitors job satisfaction and organisational effectiveness with the help of an annual employee survey. Everyone's understanding of the connection between their own work and Sponda's strategy and goals is ensured in appraisal discussions. The progress and achievement of each employee's personal goals is assessed with the help of appraisal discussions, customer feedback and employee surveys.

Sponda uses an incentive scheme that covers the entire personnel and is based on the company's common goals and on personal annual targets set specifically for each employee. Sponda also has an employee share programme that gives employees the opportunity to use net remuneration earned pursuant to the incentive scheme for the purpose of acquiring merit pay shares and, in addition, receive funds from Sponda to acquire additional shares.

# *Transparent and ethical operations*

**The transparency and accuracy of information regarding the company's operations is of utmost importance to Sponda. Openness and transparency are promoted through developing the company's operating models and by engaging in open dialogue with stakeholders.**

## The key aspects of the priority are:

- Economic value generated for stakeholders
- Transparent communications and reporting
- Business principles
- Purchasing management and responsible purchasing
- Good governance and risk management

## Why is this a priority?

All of Sponda's operations are based on transparent and ethical operating methods and good governance. Sponda's Code of Conduct provides ethical guidelines for the company and creates the foundation for its business operations and stakeholder co-operation. Responsible business operations and effective risk management aimed at minimising risks also generate value for stakeholders and increase the company's profitability.

For Sponda, transparency means, above all, reliable communications and reporting. These aspects are continuously developed on the basis of interaction with investors and other stakeholders. In its customer communications, Sponda's aim is interactive and regular communication, and communicating responsibility as part of routine customer meetings. More detailed information on Sponda's key stakeholder groups and the company's interaction with them can be found in Sponda's stakeholder groups in the Annual Report and on the company website.

Sponda's financial reporting complies with existing legislation and standards. The company also serves investors by providing information on its operating environment and development in line with EPRA (European Public Real Estate Association) recommendations, among others. As part of its annual report, Sponda also publishes information on its annual tax footprint, which describes the taxes and tax-like payments arising from its operations.

## Reporting on responsibility plays a key role

Sponda regularly reports on its measures and results related to corporate and environmental responsibility in accordance with the GRI reporting guidelines. Sponda also reports annually as part of the Carbon Disclosure Project (CDP) and Global Real Estate Sustainability Benchmark (GRESB) reporting systems. The importance of international reporting frameworks is recognised, as their continuously updated criteria provide Sponda with guidelines on developing its operations.

## Responsible management of the subcontracting chain

Companies, organisations and authorities in the construction and real estate industry have an important role in protecting against the grey economy and commercial crime. Sponda also promotes responsible operating methods in the property sector in co-operation with its subcontractors by requiring that they operate transparently, comply with all applicable legislation and regulations issued by the authorities, and conduct their communications in a timely and appropriate manner.

The main goal of Sponda's purchasing strategy is improving customer satisfaction and the quality of property maintenance. A further goal is to create the conditions for improving the productivity of property maintenance partners and Sponda's own purchasing operations, and to ensure that the required level of quality and service is achieved. Measures in line with the objectives, and their practical implementation, are aimed at achieving the following results and effects:

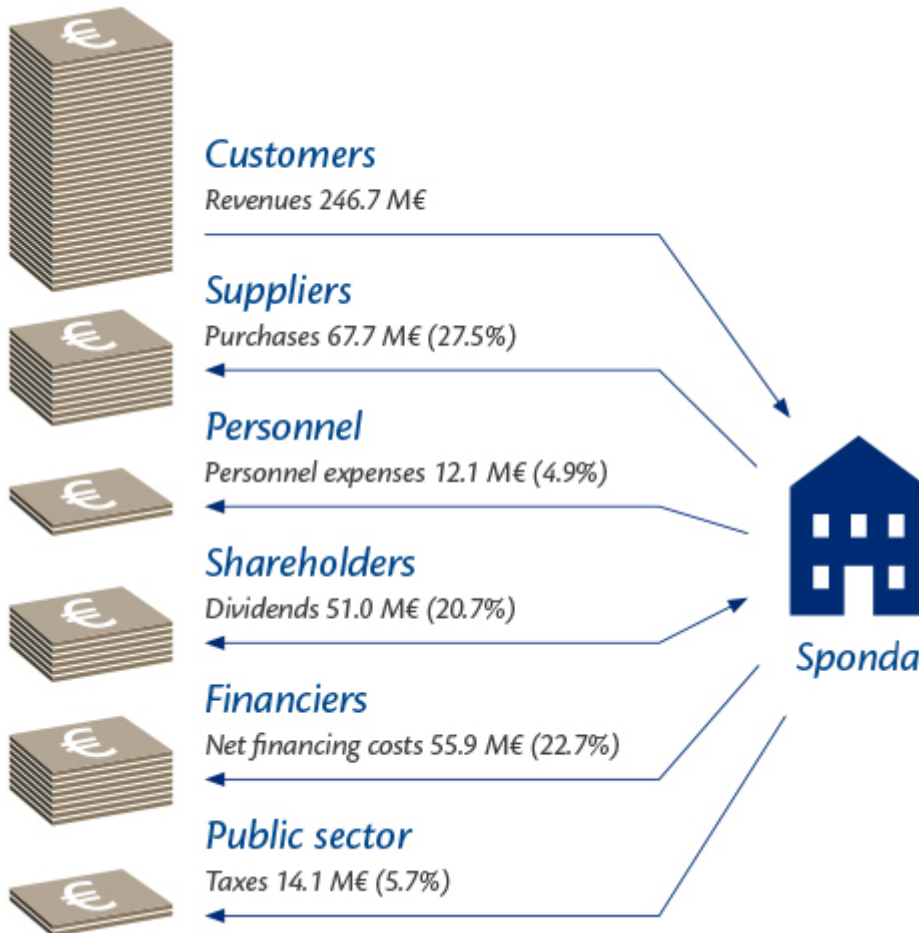
- Ensure that Sponda produces high-quality property maintenance services in an optimal manner.
- Ensure that the contract models for property services are flexible and create incentives for service providers to introduce innovations that improve services.
- Energy efficiency and other environmental impacts will be taken into consideration and optimised in property development and renovation projects, as well as during the use of properties.
- Service evaluation criteria and service provider selection criteria are determined on the basis of providing incentives and guidance for producing good quality and improving service solutions.
- Ensure that service providers receive training and guidance on the requirements set by Sponda on maintenance operations.

Sponda's contractual partners must have their own existing environmental systems and programmes that define the operating principles for taking environmental issues into consideration and operating in accordance with procedures. Contractual partners are required to take the general objectives and operating principles defined in Sponda's environmental policy into account in their operations, and consider site-specific environmental perspectives and impacts, such as the provisions of the Finnish Waste Act.

Subcontractors must satisfy the provisions laid out in the Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out. As a contractor, Sponda is bound by the contractor's obligations stipulated by the aforementioned legislation.

## Cash flows between stakeholders

(share of Sponda's turnover,%)



## Taking the industry forward

Sponda is an active participant in real estate and construction industry organisations in order to enhance the operating conditions in the industry and develop industry practices. Sharing Sponda's own expertise and professional competencies is a significant aspect of this effort.

### The key aspects of the priority are:

- Active participation in development work in real estate and construction industry organisations
- Sharing expertise and professional competencies
- Sponda's own research and development work

### Why is this a priority?

Sponda promotes best practices in the real estate industry by participating in projects and collective activities with industry organisations and by sharing its expertise. The industry faces many common challenges, such as those related to zoning and energy efficiency, that the companies and industry can best overcome through co-operation.

Sponda also engages in its own research and development activities to create innovative and customer-focused solutions that benefit all of its customers. Sponda's development work has a particular focus on the energy efficiency of properties, the effectiveness of customer service, and creating the business premises of the future. Sponda's employees are active in giving lectures and presentations at industry events and universities, which further promotes the sharing of knowledge in the industry.

Sponda's goal is to be the forerunner and the most responsible player in the real estate sector, particularly in environmental matters, such as the mitigation of climate change. Sponda also participates in the development of cities in co-operation with cities, other property owners and various partners. The vitality of the city environment is also an important factor for the appeal and rental demand of Sponda's own properties.

## Developing the real estate industry

Sponda participates actively in the Finnish Association of Building Owners and Construction Clients (RAKLI). The association is an opinion leader in the real estate and construction industry, which strives to actively develop the industry, promote networking of experts and communicate information about the economic situation.

RAKLI working groups aim to prevent the grey economy and determine the actual tax base of properties, as the increase in energy tax also results in higher taxes for the real estate industry. RAKLI promotes healthy and safe construction by ensuring that, despite strict energy regulations and energy conservation measures, buildings remain healthy working and living environments.

Sponda aims to reduce the environmental load caused by the real estate industry by co-operating with WWF Finland and through active participation in the activities of Green Building Council Finland (FIGBC). Sponda is one of the main partners of WWF Finland. The aim of the partnership is to promote the environmental responsibility of Sponda and its client companies, particularly with respect to energy efficiency and the sustainable use of natural resources. The goal of FIGBC is to promote practices for sustainable development in the real estate and construction industry along with environmental classification of properties, to communicate information and expertise and to activate discussion.

## Participation in the development of cities

Sponda participates in the development of cities through several different organisations. The company is a member of Elävä Kaupunkikeskusta (Living City Centre) ry, whose goal is continuous development of city and municipal centres into more vital, comfortable and competitive environments. As a member of Helsinki City Markkinointi ry and Design District Helsinki Sponda supports the revitalization of Helsinki. Sponda is also a member of the City of Helsinki Climate Partners network aimed at co-operation to reduce climate emissions in the area.

Sponda promotes responsibility in corporate activities as a member of Finnish Business and Society ry (FiBS). The company develops consistency and transparency in financial reporting for the real estate sector through its activities in EPRA, the umbrella organisation for listed European property investment companies.

## Sponda is involved with the following organisations:

- WWF Finland, main partner in co-operation
- Green Building Council Finland (FIGBC), founding member
- Russian Green Building Council (RuGBC), member
- RAKLI (the Finnish Association of Building Owners and Construction Clients), member
- Elävä Kaupunkikeskusta (Living City Centre) ry, member
- Finnish Business and Society ry (FiBS ry), member
- Finnish Council of Shopping Centres, member
- European Real Estate Association (EPRA), member
- Helsinki City Markkinointi (Helsinki City Marketing) ry, member
- Design District Helsinki, supporting member
- European Association for Investors in Non-listed Real Estate Vehicles (INREV), member
- Climate Partners network of businesses and the City of Helsinki, member

## *Sponda's supply chain*

The contractual partners in Sponda's supply chain provide property maintenance services and participate in property repair and renovation projects. The clients are primarily property companies owned by Sponda. Sponda purchases the management of property services for the properties it owns from external property managers. These purchased services include the management of the properties' energy efficiency, technical building management and leasing administration services.

In the service production for its properties, Sponda uses external property managers' contractual partners that are reliable and meet the company's quality criteria. The normal service production for properties includes property maintenance, technical maintenance, cleaning services and waste management.

Sponda's property managers manage the safety of properties by ensuring that the contractual obligations of the partners used by property managers are fulfilled in accordance with occupational safety regulations at each property. Sponda's contractual partners are responsible for fulfilling occupational safety obligations pursuant to applicable legislation.

Sponda uses framework agreements to specify the general terms for its supply chain, and property managers and other contractual partners operate according to these terms during each contract period. Sponda complies with applicable legislation in all of its operations. The Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out sets out special obligations for contractors regarding the use of contracting. By demanding accounts pursuant to the Act on the Contractor's Obligations and Liability when Work is Contracted Out, Sponda as the contractor ensures that its contractual partners operate in compliance with the law.

In Sponda's property development operations, the implementation of new construction and renovation projects involves the contractor's consulting services as well as consulting services in various fields, such as architecture, structural design, building technology, design of foundation structures, and environmental certification. The required consulting services are assessed and the procurement method is determined on a project-specific basis (framework agreement, negotiated procedure, competitive bidding or other). In projects for which international environmental certification (LEED® or BREEAM®) is sought, the services of a separate certification consultant are used to ensure the quality of the certification process. The method of implementation and contracting used in projects is decided on a case-by-case basis with consideration for each project's special characteristics, such as scope, schedule and location. In addition to the purchasing of consulting services and contracting services, projects may involve separate purchases that are implemented by either framework agreement partnerships or competitive bidding.

Sponda's contractual partners must have an effective environmental system, environmental programme or similar system that defines the general operating principles for taking environmental issues into account. Each contractual partner is responsible for the operating methods and procedures of its subcontractors. In its operations, the contractual partner takes into consideration the general objectives and operating principles defined in the client's and property manager's environmental policy, and ensures that site-specific environmental perspectives and impacts are taken into account in the performance of duties.

Sponda's supply chain operations are limited to Finland, primarily the Helsinki metropolitan area, Tampere and Oulu. Sponda did not specifically monitor the number of 2014 operators in its supply chain during the year, but counting property managers and their framework agreement partners, the number of suppliers is in the hundreds.

Sponda's objective is to continue to develop the quality and monitoring of the services provided by its supply chain.

## Strategic operations in 2014

Sponda implemented its strategy successfully in 2014 by selling its shares in three real estate funds and 12 logistics properties – approximately half of its logistics property portfolio – to Certeum Oy. With the transaction, Sponda became a shareholder in Certeum with a holding of 38 per cent. Sponda aims to divest its share in Certeum in the future. In addition, Sponda sold most of its properties in Turku in 2014.

The divestments support Sponda's strategy of simplifying the business structure and focusing property ownership on lower-risk prime properties in the Helsinki metropolitan area and Tampere. The proceeds from the sales were mainly used in property development projects, to acquire a new office property in Tampere, and to pay off debt.

Sponda's total revenue and net operating income declined from 2013 mainly due to property sales. In 2014, total revenue was EUR 246.7 million (2013: EUR 264.3 million) and net operating income was EUR 176.0 million (EUR 190.9 million). In spite of the difficult market situation, Sponda's economic occupancy rate decreased only slightly from late 2013, and cash flow remained strong. Sponda also achieved its goal of stable dividend payout and maintaining its equity ratio at above 40 per cent. The equity ratio was 41 per cent at the end of 2014.

### Property development projects progressing on schedule

Sponda's property development projects progressed on schedule in 2014. The most significant new property development projects are the office properties under construction in Helsinki's Ilmala and Lassila districts. There were also two extensive property renovation projects underway during the year. When completed, the property development projects will strengthen the company's balance sheet and support profitable growth.

#### Action

#### Strategic impact

##### Change in business structure

Sponda sold 12 logistics properties and its holdings in the Sponda Fund I, Sponda Fund II and Sponda Fund III real estate funds to Certeum Oy.

With the transaction, Sponda exited the real estate fund business and reduced its logistics property portfolio. The transaction supports the simplification of the business structure, more focused property ownership and profitable growth.

##### Properties sold and bought

Sponda reduced its property ownership in Turku. At the end of 2014, Sponda owned only two properties in the city.

The sale of the properties is part of the implementation of Sponda's strategy of focusing property ownership on Helsinki's central business district, the Helsinki metropolitan area and Tampere.

Sponda bought an office property located at Åkerlundinkatu 11 A–D in central Tampere.

The property purchase strengthens Sponda's strategic property ownership in Tampere city centre.

##### Property development

Construction began in spring 2014 on the Ilmalanrinne office complex in Helsinki's Ilmala district.

The new low-energy building will increase Sponda's property ownership in the growing areas of cities, with excellent public transport links.

The planning of the Ratina shopping centre project in central Tampere moved ahead.

The progress of the plan will support the strategic focusing of property ownership in Tampere.

Work progressed on Estradi, an office building under construction in Helsinki's Lassila district, along the Kehä I ring road and Hämeenlinnanväylä. The property will be completed in summer 2015.

The new office building, which has excellent access to public transport, strengthens Sponda's portfolio of energy-efficient office properties in a strategically significant area.

Modernisation work continued on an office building at Porkkalankatu 20 in Helsinki's Ruoholahti district for use by Sanoma Magazines Finland Ltd and Sanoma Pro Ltd. The project will be completed in spring 2015.

The office building, which benefits from the excellent public transport links in Ruoholahti, is part of Sponda's portfolio of energy-efficient office properties in a strategically significant area.

##### Refinancing and other financial arrangements

Sponda Plc signed an agreement with Pohjola Bank Plc for a five-year unsecured loan of EUR 100 million.

The loan is being used in its entirety for partially refinancing an existing syndicated loan that matures in November 2015.

Sponda Plc signed an agreement with Swedbank AB (publ), Finnish Branch for a five-year unsecured loan of EUR 100 million.

The loan is being used in its entirety for partially refinancing an existing syndicated loan that matures in November 2015.

**Business development: responsibility, the environment and the customer experience**

Sponda updated its responsibility priorities based on a materiality analysis conducted by the company.	Responsibility themes that are material to the company's operations will provide even better support to the implementation of Sponda's strategy.
Sponda drafted a Code of Conduct. Sponda also became a signatory to the UN Global Compact initiative.	The Code of Conduct and Global Compact lay the foundation for the company's responsibility efforts, the management of responsibility, and stakeholder engagement.
The risks and opportunities presented by climate change were incorporated into Sponda's regular risk assessment.	Increasing emphasis will be placed on environmental responsibility in Sponda's risk management process. Environmental responsibility is one of Sponda's strategic priorities.
Sponda conducted a service experience survey and a qualitative customer relationship survey among its customers.	The surveys help Sponda develop the collection and utilisation of customer feedback.
Sponda started a development project aimed at anticipating the future customer situation. The continued development of the CRM system adopted in 2014 plays a key role in the project.	The continued development of the CRM system will improve customer information management, which in turn supports the development of customer service.
Sponda was awarded a Green Star in the GRESB survey for the second year running. Sponda received particular recognition with respect to the management of corporate responsibility as well as the management of risks and opportunities.	Good management and reporting of the corporate responsibility enables Sponda to achieve its strategic goals.
In 2014, Sponda was ranked by the Carbon Disclosure Project (CDP) as the best property investment company in the Nordic region with regard to climate reporting.	Environmental responsibility is one of Sponda's strategic priorities. Sponda supports the actions against climate change in its own operations by improving the energy efficiency of its properties and reducing their environmental impact.

## Key figures

### Financing key figures

	2014	2013	2012	2011	2010
Interest Cover Ratio (ICR)	3.3	3.1	2.8	2.7	3.0
Average loan maturity, yrs	2.1	2.5	2.7	3.1	3.2
Average fixed interest rate period, yrs	2.3	2.3	1.9	2.2	2.2
Average interest rate,%	2.9	3.2	3.4	4.0	3.8
Hedging rate of interest risk,%	76	79	72	77	84
Equity ratio,%	41	41	41 <sup>1)</sup>	38	39

1) 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

### Group's Key figures

	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Total revenue, M€	246.7	264.3	264.6	248.2	232.1
Operating profit, M€	151.7	153.0	210.5 <sup>1)</sup>	209.6	216.2
Profit before taxes, M€	95.7	93.2	151.8 <sup>1)</sup>	134.0	157.7
Cash flow from operations/share, €	0.37	0.40	0.40	0.37	0.37
NAV/share, €	4.65	4.64	4.45 <sup>1)</sup>	4.06	3.86
Earnings/share, €	0.24	0.34	0.37 <sup>1)</sup>	0.39	0.40
Return on investment, %	5.4	5.5	7.9 <sup>1)</sup>	7.7	7.9
P/E ratio	14.98	10.16	9.71 <sup>1)</sup>	8.02	9.60
Equity ratio, %	41.0	40.7	41.2 <sup>1)</sup>	37.9	39.0



Gearing, %	121.2	125.6	117.9 <sup>1)</sup>	134.9	128.7
Dividend, €	0.19 <sup>3)</sup>	0.18	0.17	0.16	0.15
Payout ratio, %	78.60 <sup>3)</sup>	53.49	45.86 <sup>1)</sup>	41.15	37.12
Effective dividend yield, %	5.25 <sup>3)</sup>	5.26	4.72	5.13	3.87

### Key figures according to EPRA Best Practices Recommendations

	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
EPRA Earnings, M€	101.6	111.5 <sup>2)</sup>	111.9 <sup>1) 2)</sup>	75.4	74.0
EPRA Earnings per share, €	0.36	0.39 <sup>2)</sup>	0.40 <sup>1) 2)</sup>	0.27	0.27
EPRA NAV/share, €	5.45	5.29 <sup>2)</sup>	5.20 <sup>1) 2)</sup>	4.84	4.59
EPRA Net Initial Yield (NIY), %	5.18	5.84	6.61	6.39	6.37
EPRA "topped-up" NIY, %	5.19	5.84	6.63	6.40	6.38

1) 2012 figure was adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

2) In 2013, Sponda has changed the calculation and the presentation of EPRA key figures to match better to the EPRA Best Practices Recommendations.

3) Board's proposal

### Responsibility key figures

<b>Enhancing the customer experience</b>	<b>2014</b>
Overall satisfaction index regarding co-operation with the lessor <sup>1)</sup>	3.67
<b>Personnel</b>	
People Power index <sup>2)</sup>	70.5
<b>Environmental responsibility<sup>3)</sup></b>	
Energy consumption, kWh/GFAM <sup>2</sup>	203.1
Carbon footprint, kg CO <sub>2</sub> /GFAM <sup>2</sup>	34.4
Waste recovery rate, %	96.0
Waste recycling rate, %	44.0
Water consumption, l/GFAM <sup>2</sup>	246.8

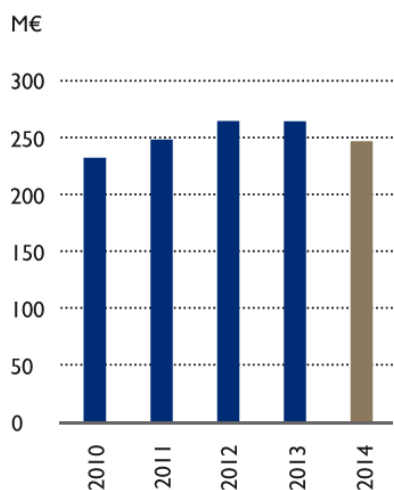
1) Based on Sponda's annual service experience study for customers. The index includes five indicators that are equally weighted on a scale of 1–5: Sponda's ability to make decisions, Sponda's ability to realise matters agreed on, the professional skills and expertise of Sponda's contact persons, the reachability of Sponda's personnel, and Sponda's ability to recognise the customer's needs.

2) The index is calculated from the personnel survey that measures the commitment of personnel, the quality of management, organisational effectiveness and the level of dedication of personnel at Sponda on a scale of 0 to 100. The index provides an overall view of the state of Sponda as an organisation and its capability to take on challenges.

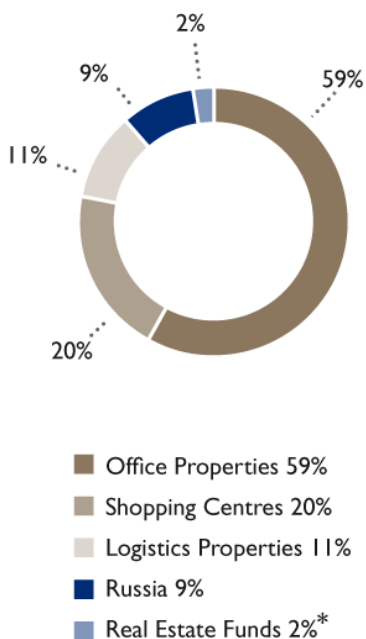
3) Sponda's properties in Finland

## Key figures in graphs

Total revenue

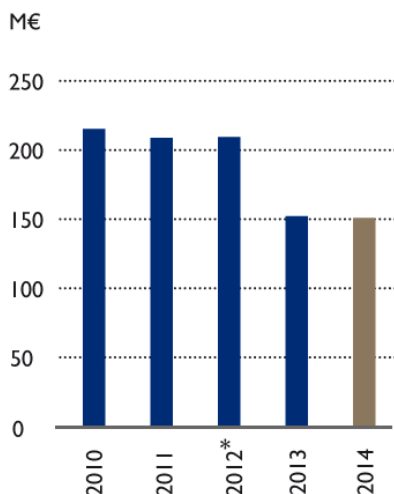


Net operating income by business unit 2014



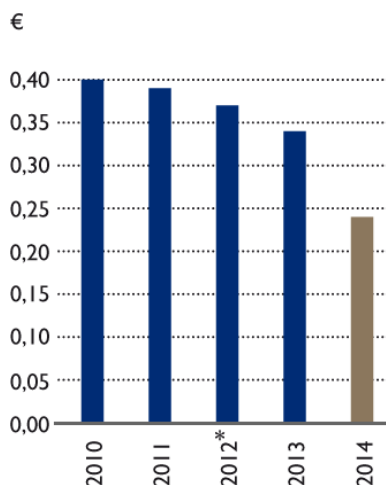
\* At the end of September 2014, Sponda sold its shares in Sponda Fund I, Sponda Fund II and Sponda Fund III to Certuum Oy

Operating profit



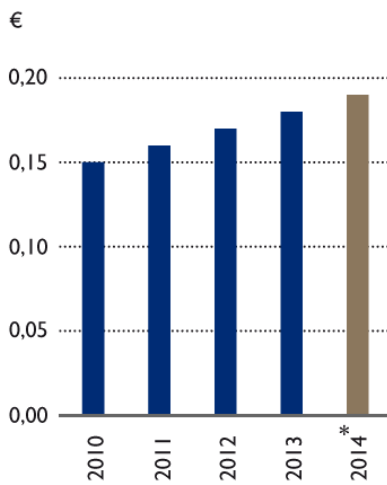
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

Earnings per share



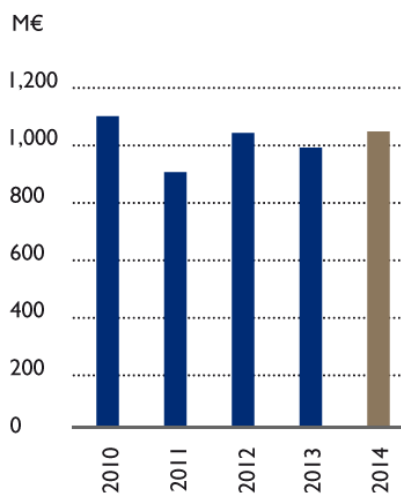
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

**Dividend per share**

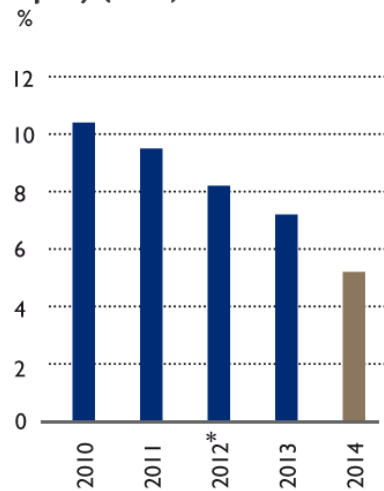


\* Board's proposal

**Market capitalization**

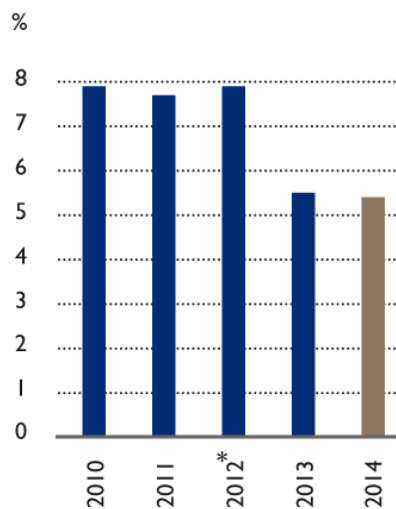


**Return on shareholders' equity (ROE)**



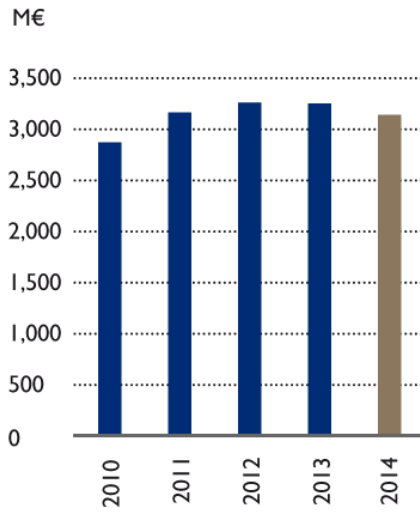
\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

**Return on investment**

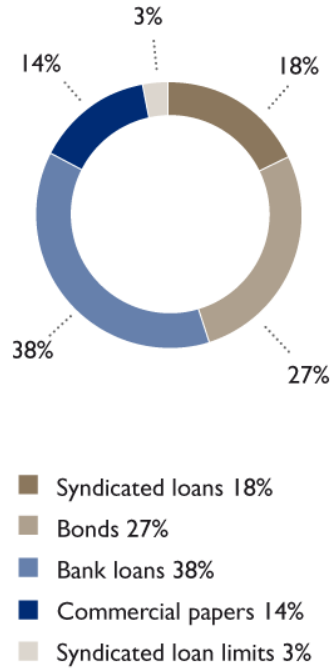


\* 2012 figures were adjusted following the voluntary amendment of accounting principles with regard to IAS 12 and the amendment of IAS 19

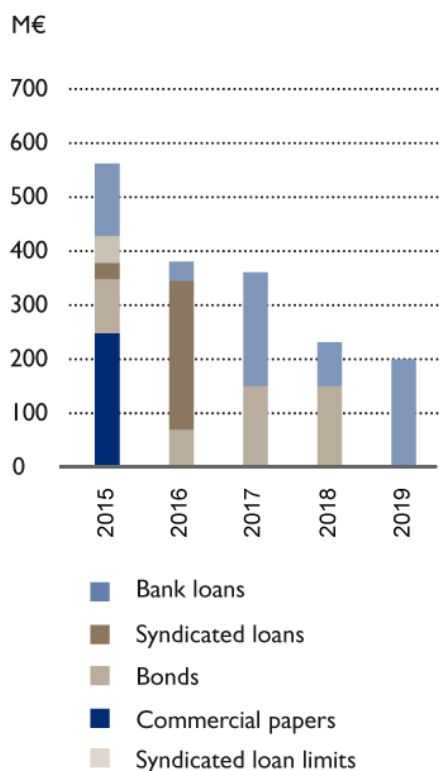
**Fair value of investment properties**



**Sponda Group,  
Loan instruments 31 Dec 2014**



### Sponda Group, Loan maturities 31 Dec 2014



## Business units in brief

Sponda is organised in three business units: Investment Properties, Property Development and Russia.

### Investment Properties

The Investment Properties business unit is divided into three segments: Office Properties, Shopping Centres and Logistics Properties. The Investment Properties unit leases office, retail, shopping centre and logistics premises as well as purchases and sells properties in Finland.

The office properties are primarily located in the Helsinki's central business district, the Helsinki metropolitan area and Tampere. The shopping centres are located in Helsinki, the Tampere region and the Oulu region. The logistics properties are primarily located in the Helsinki metropolitan area.

According to its strategy, the company is planning to divest its entire logistics property portfolio as well as property ownership in Turku within 2-4 years. Going forward, the company will focus on office premises and shopping centres in prime areas in Helsinki and Tampere.

#### 2014 key figures

	Office Properties	Shopping Centres	Logistics Properties
Net operating income, M€	103.0	35.2	18.9
Occupancy rate, %	88.5	91.2	64.9
Leasable area, m <sup>2</sup>	766,500	151,000	248,500

Share of total portfolio by fair value,%	59	23	7
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## Property Development

The Property Development business unit is responsible for the company's property development projects in Finland. Business premises are developed by renovating properties in the portfolio, or developing new properties on land areas owned by Sponda. The company is also active on the markets to identify properties with development potential.

### 2014 key figures

Investments, M€	21.1
Balance sheet value of property development portfolio, M€	133.1
Share of total portfolio by fair value,%	4

## Russia

Sponda's Russia business unit leases, manages and develops business premises in Russia for use by companies and organisations. Sponda owns three office properties, two shopping centres, a logistics property and two land areas, all in the Moscow and St. Petersburg regions. In line with its strategy, Sponda plans to divest its Russian operations within the next 2-4 years.

### 2014 key figures

Net operating income, M€	15.8
Occupancy rate,%	90.4
Leasable area, m <sup>2</sup>	44,500
Land areas, hectares	66.0
Share of total portfolio by fair value,%	7

## Real Estate Funds

Sponda was a non-controlling holder in four real estate funds until 30 September 2014. At the end of September 2014, Sponda sold its shares in Sponda Fund I, Sponda Fund II and Sponda Fund III to Certuum Oy.

### Key figures

	2014	2013	2012	2011	2010
Total revenue, M€	4.9	6.8	6.5	6.4	7.2
Operating expenses, M€	-0.8	-1.6	-1.3	-1.4	-1.5
Net operating income, M€	4.1	5.2	5.2	5.0	5.7

Management fees and share of profit	1-12/2014	1-12/2013
Management fees	4.9	6.8
Realised gains by real estate funds	5.5	10.7
Total	10.4	17.5

## Investment Properties in 2014

Sponda's Investment Properties business unit is responsible for the leasing, purchase and sales of office, retail and logistics properties. The year 2014 was a challenging one for the leasing market, but a busy one with respect to purchases and sales.

Sponda's office properties and retail premises are primarily located in the Helsinki city centre, the Helsinki metropolitan area and Tampere. In Finland Sponda owns five shopping centres, which are located in Helsinki and in the districts of Tampere and Oulu. The largest of these is the Citycenter property in Helsinki's central business district.

The Investment Properties segment's total revenue in 2014 was EUR 218.4 million and the economic occupancy rate was 86.7 per cent at year end. Economic uncertainty made the leasing market challenging, and Sponda fell short of its targeted economic occupancy rate. The factors contributing to this include the decreased need for business premises as companies reduce personnel, the dragging on of decision-making regarding business premises, and the transformation of the retail sector, where traditional retail is threatened by the growth of online retail. At the same time, the amount of vacant premises on the market increased. There was also an increase in bankruptcies and debt structuring among the customer base.

### Strategic property investment

The implementation of Sponda's strategy proceeded as planned in 2014. In September, the company divested its real estate fund business and sold 12 logistics properties to Certeum, a new investment company focused on logistics and industrial properties, for EUR 216.7 million.

In line with its strategy, Sponda reduced its property ownership also in Turku during the year. At the end of 2014, Sponda owned only two properties in Turku. In July Sponda purchased an office property located in central Tampere from UBS Real Estate Kapitalanlagegesellschaft mbH for EUR 63.7 million. The property is almost fully occupied. The acquisition supports Sponda's growth in Tampere.

At the end of 2014, the total fair value of Sponda's Finnish property portfolio comprised 67 per cent office properties, 26 per cent shopping centres and 7 per cent logistics properties. Properties were sold at a value of EUR 237.3 million during the year (2013: EUR 23.1 million). The company invested EUR 41.5 million in property maintenance and improving the quality of properties during the year (EUR 22.3 million).

Sponda expects the market to remain challenging in 2015. Sponda's key goals include improving the economic occupancy rate and selling logistics properties as well as properties located in Turku.

### Office properties, key figures

	2014	2013	2012	2011	2010
Total revenue, M€	141.8	143.0	143.9	132.8	122.6
Operating expenses, M€	-38.8	-39.0	-39.0	-37.2	-34.0
Net operating income, M€	103.0	104.0	104.9	95.6	88.6
Fair value of properties, M€	1,853.5	1,753.3	1,705.7	1,644.0	1,459.1
EPRA, Net Initial yield,%	5.4	6.2	6.3	6.0	

### 10 largest office properties 2014

Property	Location	Leasable area m <sup>2</sup>	
Helsingin Salmisaarentalo Koy	Porkkalankatu 13	Helsinki	49,202
Kaupintie 3 Koy	Kaupintie 3	Helsinki	44,103
Kilon Ritari	Kutojantie 2	Espoo	28,558
Unioninkatu 20-22 Koy	Unioninkatu 20-22	Helsinki	24,777
Arkadiankatu 4-6 Koy	Arkadiankatu 6	Helsinki	21,881
Tulli 1 Koy	Åkerlundinkatu 11 A-D	Tampere	20,572

Espoon Upseerinkatu 1-3 Koy	Upseerinkatu 1-3	Espoo	19,951
Helsingin Kaivokatu 8 Koy (office properties)	Kaivokatu 8	Helsinki	19,838
Kasarmikatu 36 Koy	Kasarmikatu 36	Helsinki	17,063
Länsi-Keskus Koy	Pihatörmä 1	Espoo	15,737

### Geographical location of office properties by fair value

Location	%
Helsinki, CBD	41.34
Helsinki, Ruoholahti	23.7
elsewhere in Helsinki Metropolitan Area	25.41
Tampere	8.34
Turku	0.65
Oulu	0.56

### Shopping centres, key figures

	2014	2013	2012	2011	2010
Total revenue, M€	45.8	45.9	42.0	40.4	39.7
Operating expenses, M€	-10.6	-11.0	-9.7	-8.8	-8.3
Net operating income, M€	35.2	34.9	32.3	31.7	31.4
Fair value of properties, M€	726.0	717.5	736.7	586.1	557.1
EPRA, Net Initial yield,%	4.7	4.4	6.1	6.7	

### Shopping centres 2014

Property	Location	Leasable area m <sup>2</sup>
Citycenter	Helsinki	27,610
Helsingin Kaivokatu 8 Koy	Kaivokatu 8	22,074
Aleksi-Hermes KOy	Aleksanterinkatu 19	3,931
Kaivokadun Tunneli Oy	Asematunneli	1,605
Helsingin Itämerenkatu 21 Koy	Itämerenkatu 21	32,458
Kauppakeskus Zeppelin	Zeppeliintie 1	27,964
Elovainion Kauppakiinteistöt Koy	Elotie 1	23,982
Helsingin Vanhanlinnantie 3 Koy	Vanhanlinnantie 3	20,05
Heimola Koy (retail premises)	Yliopistonkatu 5	3,724
Hämeenkatu 20 Koy (retail premises)	Hämeenkatu 20	3,561
Kauppa-Häme Koy (retail premises)	Hämeenkatu 16	3,384
Tampere / II / 9 / 9 Kauppakeskus (retail premises)	Hämeenkatu 18 / Kauppakatu 3	2,549
Mansku 4 Koy (retail premises)	Mannerheimintie 4	1,958
Keskuskatu 1 B Koy (retail premises)	Keskuskatu 1 B	1,355
Mannerheimintie 6 Koy (retail premises)	Mannerheimintie 6	1,219
Bulevardi 1 Koy (retail premises)	Bulevardi 1/Mannerheimintie 2	1,190

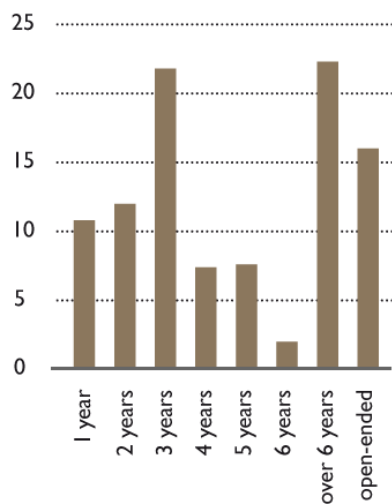


# 218.4

*The Investment Properties segment's total revenue in 2014 was EUR 218.4 million*

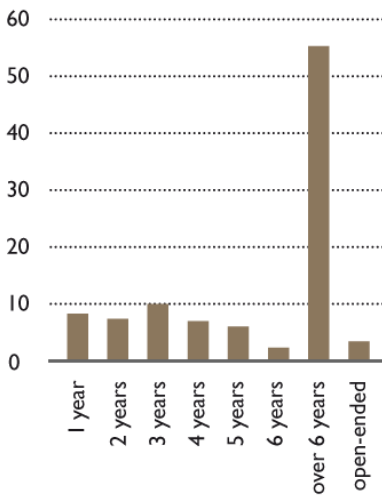
## Expiry of lease agreements, Office Properties

% of rental income



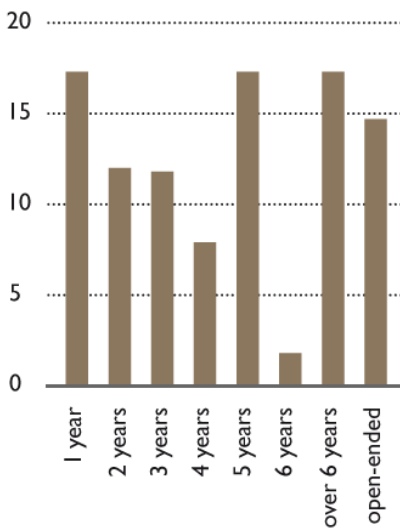
**Expiry of lease agreements,  
Shopping Centres**

% of rental income



**Expiry of lease agreements,  
Logistics Properties**

% of rental income



## Property Development in 2014

Sponda's Property Development business unit is responsible for the company's property development projects in Finland. In 2014, Sponda moved forward with its property development operations in line with previously set objectives.

Sponda seeks growth and profitability through active property development. Business premises are developed by renovating properties in the portfolio, or developing new properties on land areas owned by Sponda. All properties are developed for long-term ownership and leasing.

In 2014, there were large-scale searches for premises in new and existing office properties in the market, but companies were cautious about making business premises decisions and investments. Sponda performed well in a highly competitive market, and the company's projects constituted significant part of the few new property development projects in Helsinki.

### Significant new property development projects in Ilmala and Lassila

Sponda moved ahead with a number of property development and renovation projects in 2014. Construction began in spring 2014 on the Ilmalanrinne office complex in Helsinki's Ilmala district. The office complex will be situated in a prominent location with excellent transport links, with the first section to be completed at the beginning of 2016. The project is one of the largest ongoing projects in the Helsinki metropolitan area. At the end of 2014, the pre-let rate for Ilmalanrinne stood at 97 per cent.

Sponda's second new property development project in progress is Estradi, an office building in Helsinki's Lassila district, along the Kehä I ring road and Hämeenlinnanväylä. The building will be completed in summer 2015 and the pre-let rate at the end of 2014 was approximately 50 per cent.

Planning for the Ratina shopping centre project in the central business district of Tampere continued, but the final decision to invest was not yet made in 2014.

### Modern office space through renovation

The most significant renovation projects during the year were the modernisation of an office building at Porkkalankatu 20 in Helsinki's Ruoholahti district, the renovation of Keskuskatu 1 B to create modern office space, and the partial renovation of Arkadiankatu 2. The office building in Ruoholahti is renovated for the use by Sanoma Magazines Finland Ltd and Sanoma Pro Ltd and it will be completed in spring 2015.

The value of Sponda's property development portfolio stood at EUR 133.1 million at year end 2014 (2013: EUR 108.2 million). Of this amount, land value represented EUR 49.8 million and property development projects EUR 83.3 million.

Sponda's growth prospects are in line with the outlook of the Finnish economy and, as such, the company does not expect significant growth in 2015. Nevertheless, Sponda aims to launch new property development projects also in 2015.

#### Development Properties' ready-to-start projects in the marketing

Office properties	City	Floor m <sup>2</sup>
Forum Virium Center	Helsinki	14,000
Estradi	Helsinki	5,000
Aviapolis	Vantaa	18,000
Energiakatu	Helsinki	10,000
Harkkokuja	Vantaa	18,000
Avec 2	Espoo	12,000
Ilmalanrinne	Helsinki	14,000
Väritehtaankatu	Vantaa	13,000

Naulakatu	Tampere	6,000
<b>Retail properties</b>		
Välivainio	Oulu	13,000
<b>Shopping centres</b>		
Shopping centre Ratina	Tampere	55,000

The start of the projects requires at least a pre-let of 50 per cent and an investment decision of the company.

#### Investments to active property development projects

	Ilmalanrinne	Estradi	Keskuskatu 1 B	Porkkalankatu 20
Total investment, M€	57.2	10.6	7.05	7.5
Remaining investment to be made, M€	41.8	5.8	5.5	2.97
Capitalised interest expenses by 31 December 2014, M€	0.4	0.1	0.03	0.21
Time of completion	December 2015	June 2015	September 2015	April 2015

# 133.1

*The value of Sponda's property development portfolio stood at EUR 133.1 million at year end 2014.*

## Russia in figures

### Properties in Russia 2014

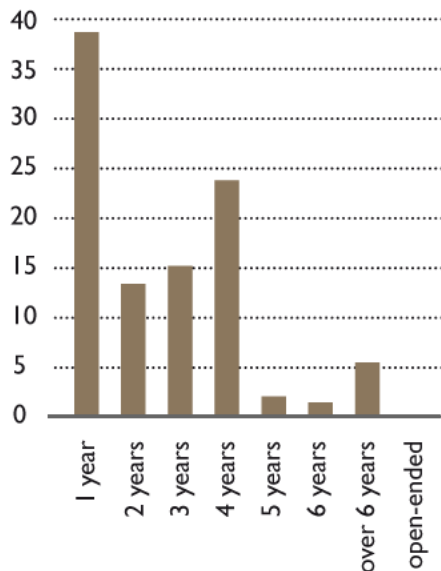
Property	Location		Leasable area m <sup>2</sup>
Western Realty	Gasheka Street 7	Moscow	14,507
Sun Paradise 1	Borovskoe highway 6	Moscow	9,090
Adastra OOO	Zanevka	St. Petersburg	7,872
Sun Paradise 2	Vokzalnaja ul. 4b, Ramenskoe	Moscow	6,571
Bakhrushina House	Bakhrushina Street 32	Moscow	3,875
Ancor	Prospekt Mira 6	Moscow	2,785

### Key figures, Russia, M€

	2014	2013	2012	2011	2010
Total revenue, M€	22.2	28.6	28.7	25.1	23.6
Operating expenses, M€	-6.4	-6.8	-6.5	-6.1	-5.9
Net operating income, M€	15.8	21.8	22.2	18.9	17.7
Fair value of properties, M€	224.4	247.8	269.4	224.6	204.2
EPRA, Net Initial yield,%	6.0	8.0	9.2	9.8	

## Expiry of lease agreements, Russia

% of rental income



## Business Environment

### Macroeconomic outlook

According to the Economic Survey of the Ministry of Finance, growth in the euro area is expected to remain slow. The growth rate in 2014 amounted to a mere per cent and the outlook for 2015 is only slightly better. Given the weaker growth expectations in Germany, for example, growth in the euro area during the next two years is expected to be approximately 1.5 per cent.

According to the Ministry's projection, Finland's GDP turned to a slight increase during the fourth quarter of 2014. In terms of the entire year, the gross domestic product is projected to rise by 0.1 per cent, whereas in 2013, Finland's GDP declined by 1.2 per cent. The turn in 2014 was brought about particularly by growth in net exports.

In 2015, Finland's GDP is projected to grow by 0.9 per cent. In addition to exports, the growth is spurred, to some extent, by increasing private consumption, imports and private investments. However, even if economic activities will gradually pick up, the mismatch problems between supply and demand will continue to sustain long-term unemployment. Development in the productivity of labour will also remain modest. Inflation is expected to remain at 0.8 per cent.

### The transaction market

The property transaction market in 2014 was considerably more active than in the year before. According to KTI Property Information, the transaction volume for 2014 was roughly EUR 4.26 billion, which is as much as 79 per cent more than in 2013 (EUR 2.38 billion). The last time the transaction market was this brisk was in 2008, when the volume stood at EUR 4.15 billion. Transactions in the Helsinki metropolitan area accounted for 54 per cent of the entire transaction volume during the year in review.

International investment demand was strong in 2014. Six new foreign property investors entered the Finnish market, and international operators' share of the entire year's acquisitions was approximately 35 per cent. Business in 2015 is expected to be brisk, and several major transactions are already under way.

## Office space

The amount of new office space in 2014 lagged behind the figures of the previous year. Less than 60,000 square metres of new office space was completed by the end of the year in terms of the office market in the Helsinki metropolitan area, for example, whereas the corresponding figure in 2013 was 80,000 square metres.

The difficult economic situation resulted in an increase in vacancy rates in the Helsinki metropolitan area in the second half of 2014. According to Catella, the area's average vacancy rate stood at 12.5 per cent at the end of the year, compared to 12.4 per cent a year earlier. In Helsinki's central business district, the vacancy rate turned to a decline of 0.7 percentage points in the second half of the year. At the end of 2014, the vacancy rate in Helsinki's central business district was 7.8 per cent. The vacancy rates of offices are not expected to undergo major changes in 2015.

The rental levels of office space per square metre ranged between EUR 120 and EUR 378 a year in the entire Helsinki metropolitan area and between EUR 204 and EUR 378 a year in Helsinki's central business district. Rental levels in the various office clusters in the Helsinki metropolitan area diverged from one another in 2014. Whereas prime rental levels in Helsinki's central business district increased, in other areas they declined slightly from the year before.

In Tampere, Turku and Oulu, the market situation was visible as an increase in vacancies. At the end of 2014, vacancy rates were 10.7 per cent in Tampere, 9.7 per cent in Turku and 12.8 per cent in Oulu. Average rental levels in Turku and Oulu remained unchanged. In Tampere, rental levels increased slightly. Rental levels per square metre per year varied from EUR 156 to EUR 192 in Turku, from EUR 168 to EUR 216 in Tampere and from EUR 144 to EUR 180 in Oulu.

## Retail space

In the Helsinki metropolitan area, the vacancy rates of retail space increased somewhat, and stood at 4.8 per cent at the end of 2014. The occupancy rate is expected to remain at a fairly high level in 2015 due to the area's net migration and the limited supply of new retail space. Approximately 30,000 square metres of new retail space was completed in the Helsinki metropolitan area in 2014.

In 2014, the vacancy rates for retail space were 6.5 per cent in Turku, 4.1 per cent in Tampere and 3.3 per cent in Oulu.

In Helsinki's central business district, the market rent levels of retail space declined in 2014. At the turn of the year, rental levels per square metre were EUR 720–1,800 a year. In other major cities, the minimum level of rental levels declined. In Turku, the rental levels of retail space ranged from EUR 300 to EUR 960. In Tampere they were between EUR 540 and EUR 960 and in Oulu EUR 480–1,020 per square metre per year.

Retail space vacancy rates are not expected to undergo major changes in 2015.

## Logistics properties

The market for logistics properties was calm during the year in review. At the end of 2014, the average rental level of logistics properties per square metre in the Helsinki metropolitan area was EUR 102 a year, remaining roughly on a par with the year before.

Vacancy rates rose slightly, and stood at 6.9 per cent at the turn of the year. Some 15,000 square metres' worth of new logistics space came to the market. This is roughly equal to the amount of new space introduced during the previous year.

**Russia**

According to a World Bank forecast, Russian GDP grew by 0.7 per cent in 2014. In 2015, the country's GDP is expected to contract by 2.9 per cent, although Russia's volatile economic situation renders any projections uncertain. The economic downswing is the result of geopolitical tensions, the economic sanctions against Russia and the development of oil prices.

The decline in the value of the rouble and the resulting increase in uncertainty slowed down the property transactions market in Russia in the fourth quarter of 2014. According to CBRE's data, the transaction volume for the fourth quarter stood at USD 0.35 billion, while the transaction volume for the entire year stood at USD 3.5 billion. The pace of transactions fell by half compared to 2013, when the volume was approximately USD 7 billion.

Further according to CBRE, the average vacancy rates of office space in Moscow rose to 16.6 per cent by the end of 2014. At the turn of the year, the vacancy rate for A class office spaces was approximately 28 per cent and the vacancy rate for B class spaces approximately 12.8 per cent. Decreased demand and the massive volume of newly constructed premises create upward pressure on vacancy rates and downward pressure on rents.

Some 1.4 million square metres of new office space was completed in Moscow in 2014. The last time this much new space was completed was in 2009. More than half of the spaces completed were A class offices.

**Sources:**

Statistics Finland, Quarterly National Accounts 3/2014

Ministry of Finance – Economic Survey, Winter 2014

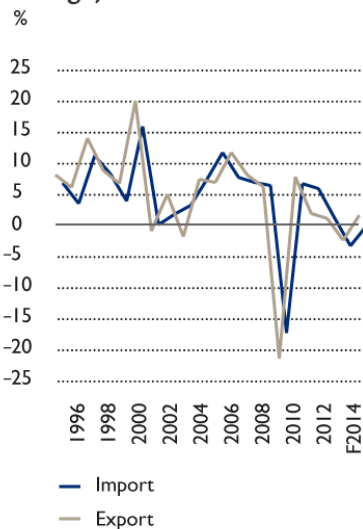
KTI Property Information – Transactions Information Service, market slides

Catella – slides for the Market Review of spring 2015

World Bank – Global Economic Prospects, January 2015

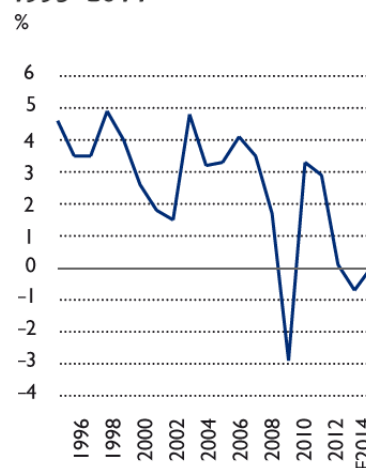
CBRE – Q4 investment market and Q4 Moscow office market

**Import and export of goods and services (percentage change) 1995–2014**



Source: Economic Surveys of the Ministry of Finance

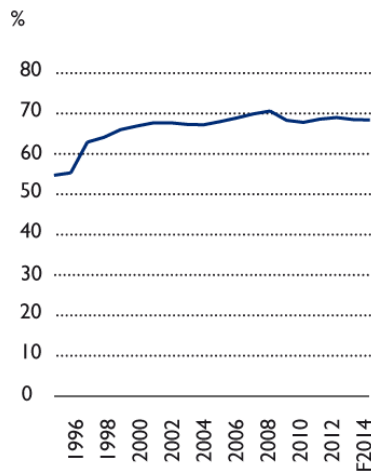
**Private consumption (percentage change) 1995–2014**



Source: Economic Surveys of the Ministry of Finance

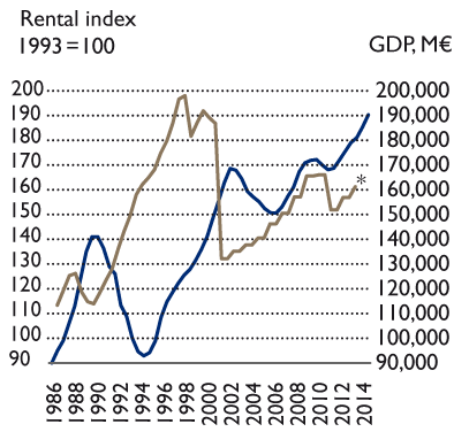


### Employment rate 1995–2014



Source: Economic Surveys of the Ministry of Finance

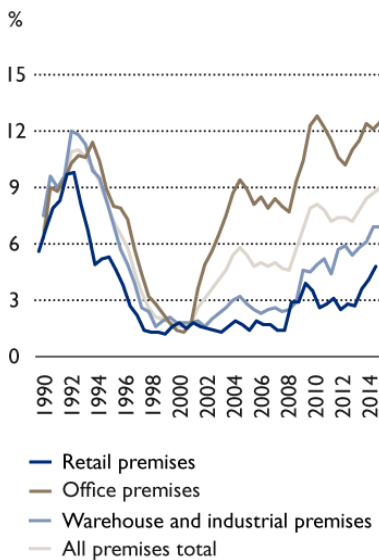
### Office rental index and GDP in Finland



- Rental index (Helsinki, CBD)
- GDP (to year 2010 prices)
- \* GDP for 2014 is not yet available

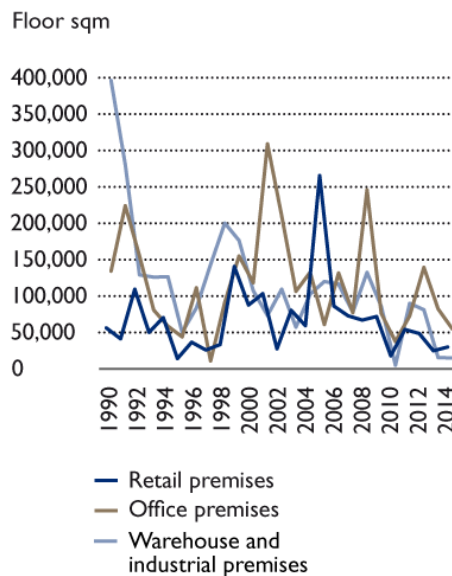
Source: KTI and Statistics Finland

### Vacancy rates in Helsinki metropolitan area



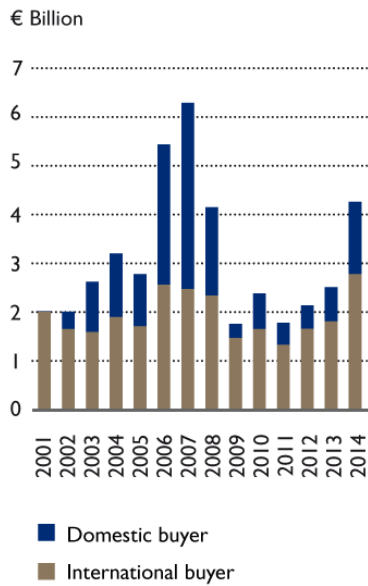
Source: Catella Property Group

### Completed business property development projects



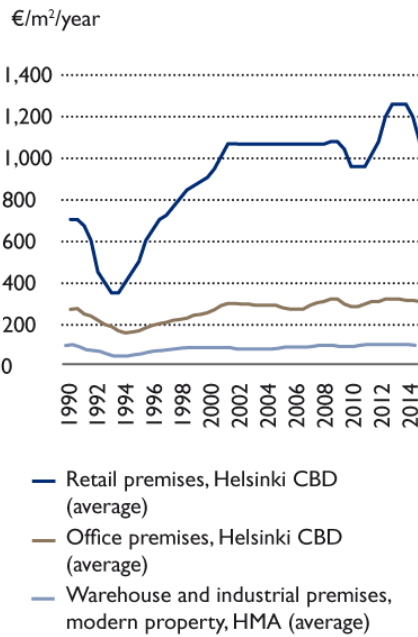
Source: Catella Property Group

Transactions in Finland



Source: KTI

Rental levels in Helsinki metropolitan area



Source: Catella Property Group

## Property assets

### Investment properties of Sponda 1 Jan–31 Dec 2014, M€

	Total	Office Properties	Shopping Centres	Logistics Properties	Property Development	Russia
Operating income	240.9	141.7	45.8	30.8	0.4	22.2
Maintenance costs	-69.4	-38.8	-10.6	-11.8	-1.8	-6.4
<b>Net operating income</b>	<b>171.5</b>	<b>103.0</b>	<b>35.2</b>	<b>18.9</b>	<b>-1.4</b>	<b>15.8</b>
Investment properties at 1 Jan 2014	3,253.3	1,753.3	717.5	426.5	108.2	247.8
Capitalized interest 2014	0.3	0.1	0.0	0.0	0.2	0.0
Acquisitions	65.0	65.0	0.0	0.0	0.0	0.0
Investments	64.0	36.5	4.7	1.3	21.1	0.4
Transfers between segments	0.0	0.0	0.0	0.0	0.0	0.0
Sales	-236.6	-19.9	0.0	-216.7	0.0	0.0
Change in fair value	-3.9	18.5	3.8	-6.0	3.6	-23.8
<b>Investment properties at 31 Dec 2014</b>	<b>3,142.1</b>	<b>1,853.5</b>	<b>726.0</b>	<b>205.1</b>	<b>133.1</b>	<b>224.4</b>
Change in fair value,%	-0.1	1.1	0.5	-1.4	3.3	-9.6
Weighted average yield requirement,%	6.61	6.34	5.72	8.32	0,00	10.21
Weighted average yield requirement,% Finland	6.33					
Maintenance investments	42.0	34.4	4.7	2.4	0.1	0.4
Property development	22.0	2.1	0.0	-1.1	21.0	0.0
Acquisitions	65.0	65.0	0.0	0.0	0.0	0.0
Sales	-236.6	-19.9	0.0	-216.7	0.0	0.0
<b>Investments, total</b>	<b>-107.6</b>	<b>81.6</b>	<b>4.7</b>	<b>-215.4</b>	<b>21.1</b>	<b>0.4</b>

### Yield requirements used in valuation of investment properties 31 December 2014

	Helsinki CBD	Other Helsinki	Espoo/Vantaa	Other Finland	Russia
Office- and retail premises,%	5.5	6.2	8.4	7.0	10.2
Logistics premises,%		8.0	8.5	11.8	11.0

The average yield requirement for Shopping Centres was 5.7 per cent.

**Sensitivity analysis**

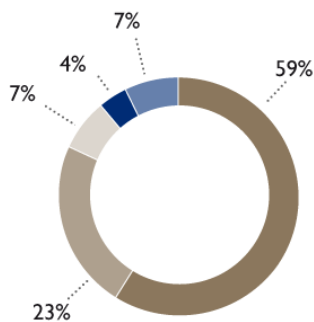
**Change in investment property fair value, M€ and%**

	-10%		-5%		0%	5%		10%	
	Change, M€	Change,%	Change, M€	Change,%	M€	Change, M€	Change,%	Change, M€	Change,%
Yield requirement	332	10.6	157	5.0	0	-143	-4.6	-272	-8.7
Rental income (contractual rents)	-85	-2.7	-43	-1.4	0	42	1.3	84	2.7
Maintenance expenses	85	2.7	42	1.3	0	-43	-1.4	-86	-2.8
Economic occupancy rate (1st year)	-25	-0.8	-13	-0.4	0	12	0.4	24	0.8

The sensitivity analysis has been carried out as a quantitative analysis of the investment properties in Finland calculating the 15 year cash flow and of the properties in Russia calculating the 10 year cash flow.

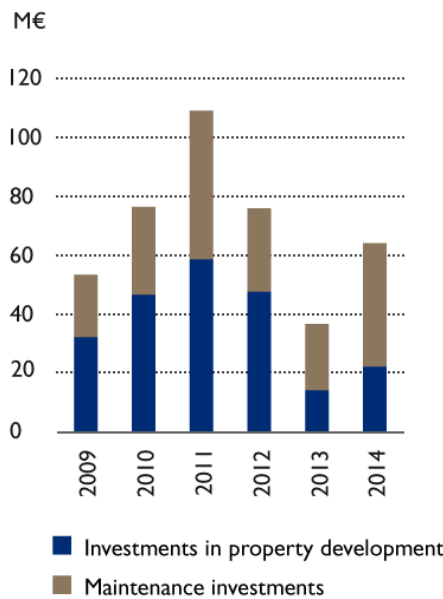
The changes in yield requirements and economic occupancy rates have been calculated for average figures. The analysis includes only investment properties generating cash flows.

**Investment properties by business unit by fair value 31 Dec 2014**

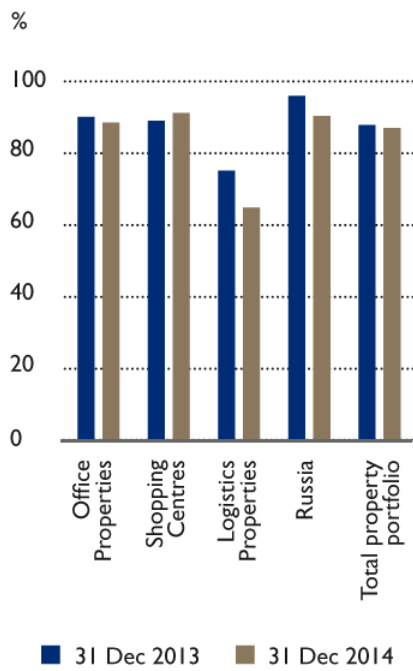


- Office Properties 59%
- Shopping Centres 23%
- Logistics Properties 7%
- Property Development 4%
- Russia 7%

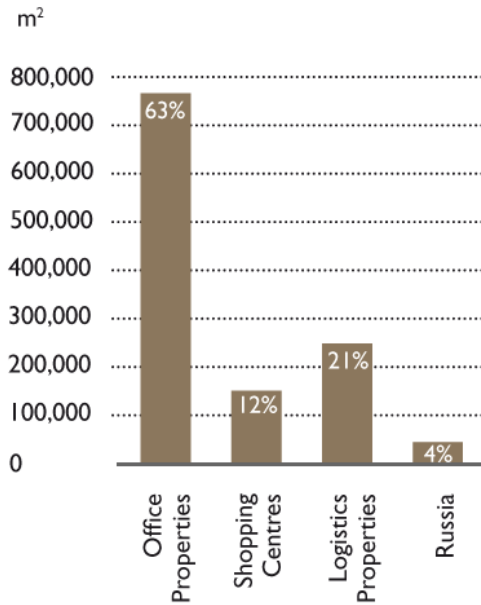
**Investments in properties**



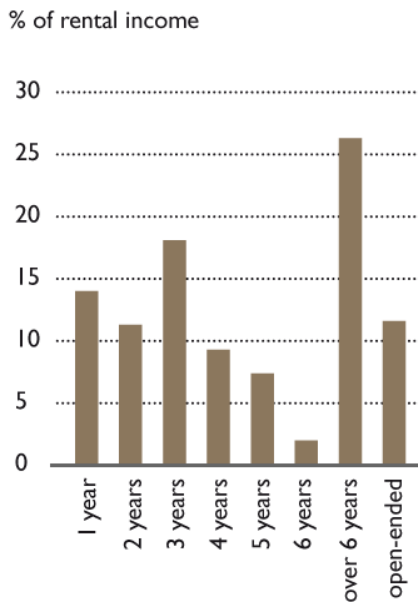
Economic occupancy rate



Leasable area by business segments 31 Dec 2014



Expiry of lease agreements



## Reliable co-operation with stakeholders

Sponda has several stakeholder groups who all have different expectations of Sponda. The company strives to meet these expectations in accordance with its values and procedures. The aim is active and open dialogue, based on reliability and integrity.

The table below summarises Sponda's key stakeholders, their expectations of Sponda and the measures Sponda takes to meet these expectations. For additional information on stakeholders, see the company website.

Stakeholder group	Expectations towards Sponda	Sponda's actions
<b>Personnel</b>	<ul style="list-style-type: none"> <li>• Permanent employment and stable income</li> <li>• Safe working conditions</li> <li>• Being informed of matters concerning the company</li> <li>• Opportunities for personal development at work</li> <li>• Equal and non-discriminatory treatment</li> <li>• Open communication</li> <li>• Good reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Offering good work opportunities</li> <li>• Good opportunities for training</li> <li>• Effective internal communications and an atmosphere of open dialogue</li> <li>• Ensuring occupational health and safety</li> <li>• Appraisal discussions and job satisfaction surveys</li> <li>• Equal and non-discriminatory treatment of employees</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• High-quality energy-efficient business premises</li> <li>• Facility services</li> <li>• Good customer service</li> <li>• Taking environmental responsibility into consideration</li> <li>• Long-term partnerships</li> </ul>	<ul style="list-style-type: none"> <li>• Offering practical, adaptable and energy-efficient business premises</li> <li>• Developing customer service channels and services</li> <li>• Maintaining regular contact with customers</li> <li>• Creating the conditions for long-term partnerships</li> <li>• Guiding customers towards operations that conserve energy and the environment</li> </ul>
<b>Investors and owners</b>	<ul style="list-style-type: none"> <li>• Dividend yield</li> <li>• Risk management</li> <li>• Responsible and transparent operations</li> <li>• Increase in shareholder value</li> <li>• Reliable information on the company</li> </ul>	<ul style="list-style-type: none"> <li>• Highly competent rental organisation</li> <li>• Competitive dividend policy</li> <li>• Reliable and transparent financial reporting</li> <li>• Identification of risks and reaction on them</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>• Achieving financial targets</li> </ul>	<ul style="list-style-type: none"> <li>• Effective management of financial risks</li> <li>• Maintaining a reputation as a responsible debtor</li> </ul>
<b>Subcontractors</b>	<ul style="list-style-type: none"> <li>• Equal treatment of subcontractors</li> <li>• Adherence to agreements</li> <li>• Long-term subcontractor relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Effective purchasing and quality processes</li> <li>• Monitoring and steering the work and quality of subcontractors</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Active, open and responsive communications</li> <li>• Reliable information on the company</li> </ul>	<ul style="list-style-type: none"> <li>• Timely, reliable and open communications</li> <li>• Developing and expanding communications channels</li> </ul>
<b>Society and the authorities</b>	<ul style="list-style-type: none"> <li>• Compliance with legislation and other regulations issued by the authorities</li> <li>• Responsible and transparent operations</li> <li>• Paying taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring legislative developments and introducing the company's perspective to the discussion</li> <li>• Participation in the development of cities</li> <li>• Improving the energy efficiency of business premises</li> <li>• Providing jobs</li> </ul>
<b>Organisations</b>	<ul style="list-style-type: none"> <li>• Participation in the activities of industry organisations</li> <li>• Dialogue</li> </ul>	<ul style="list-style-type: none"> <li>• Active involvement in various organisations</li> <li>• Developing the industry in partnership with industry organisations</li> </ul>
<b>Other stakeholders, such as educational institutions and various research and development organisations</b>	<ul style="list-style-type: none"> <li>• Providing opportunities for internships and thesis writing</li> <li>• Participation in the industry's research and development activities</li> </ul>	<ul style="list-style-type: none"> <li>• Providing study opportunities to students in the field of real estate</li> <li>• Joint projects with educational institutions in the field of real estate</li> </ul>

## Responsibility targets and actions

### Energy and environmental efficiency

Targets 2014	Results 2014	Targets 2015
The comparable consumption of heating and water and the combined effect of the consumption of electricity and cooling in Finnish properties will decline	The total comparable energy consumption of the Finnish properties owned by Sponda decreased by 2.0 per cent in 2014 compared to the year 2013.	The total comparable energy consumption (electricity, heating, district cooling) will decrease from the 2014 level. Concerning electricity and cooling, the combined effect will be taken into account. Also the comparable water consumption will decrease from the 2014 level. The carbon dioxide (CO <sub>2</sub> ) emissions caused by the entire energy consumption will decrease from the level reported in the 2014 annual report.
Adoption of measurement guidelines	Not carried out in 2014.	
Launch of the renewable energy sources demo project	Not carried out in 2014.	
Sponda's head office's consumption of electricity, heating, district cooling and water will be reduced.	In 2014, the electricity consumption of Sponda's head office increased by 3.7 per cent, (normalised) heating consumption increased by 1.1 per cent, measured heating consumption decreased by 1.7 per cent, and district cooling consumption increased by 8.1 per cent. The water consumption of the head office decreased by 3.6 per cent compared to 2013.	The energy consumption of Sponda's head office will decrease from the 2013 level. The year of comparison is 2013 due to renovations and water damage dehumidification that took place in 2014.
The consumption of electricity and water will decrease in three Russian office properties.	In 2014, the electricity consumption of Sponda's office properties in Russia decreased by 6.1 per cent and water consumption decreased by 6.3 per cent.	The consumption of electricity and water will decrease in three of Sponda's properties in Russia.
Environmental certification work will continue and preliminary analyses will be conducted for new projects.	The active environmental certification of buildings continued in 2014. At the end of 2014, the company had a total of 5 active certification processes underway for newly constructed and renovated properties.	Sponda will apply for certification of all new building sites and large basic repair sites. During 2015, environmental certification will be achieved for at least one new building site. During 2015, environmental certification will be achieved for at least one basic repair site.
The waste recovery rate at Sponda's properties in Finland will remain at the year end 2013 level, at 87 per cent.	The final waste recovery rate at the properties in Finland rose to 96 per cent.	The waste recovery rate will remain at the level of 96 per cent achieved in 2014. The waste recycling and recovery rate in Sponda's properties in Finland will be 50 per cent by the end of 2015.
The volume of office waste at Sponda's head office will be reduced.	In 2014, the amount of office waste generated at Sponda's head office increased to 14.0 tonnes (2013: 12.1). Exception was caused by the relocation operations and renovation work carried out in the building.	The waste recycling and recovery rate of Sponda's head office will, at minimum, remain at the level of 61 per cent achieved in 2014.
The number of environmental partnerships will increase to 22 by the end of 2014.	At the end of the year, the total number of environmental partnerships was 22, in line with the previously set target.	The objective in 2015 is to establish at least two new environmental partnerships, while also deepening co-operation with current partners. The objective is also to reduce the environmental impact of partners by active and regular follow-up and reporting on the action plans of Sponda's environmental partners during 2015. In addition one Green Lease contract will be concluded in 2015.

## Property locations

Long-term objectives	Results 2014
Increasing the share of shopping centres and office properties in the company's property portfolio.	In line with its strategic objectives, Sponda increased the share of shopping centres and office properties in its property portfolio. Sponda sold logistics properties to Certeum Oy and purchased an office building in Tampere.
Developing the property portfolio by concentrating on prime areas and locations with good public transport links.	In 2014, Sponda continued to implement its strategy, which was revised in autumn 2013, by increasingly focusing its property portfolio on prime areas with good public transport links in the Helsinki metropolitan area and Tampere. Sponda sold properties in Turku and purchased an office building in Tampere.

## Enhancing the customer experience

Targets 2014	Results 2014	Targets 2015
Developing customer data management and, in particular, securing the success of the adoption of the CRM solution.	CRM system was adopted as part of customer relationship management.	Quantitative and qualitative development of customer communications.
Developing customer feedback collection and utilisation as part of customer data management.	The collection and utilisation of customer feedback was developed in 2014 by conducting two separate customer feedback surveys: a service experience study and a qualitative customer relationship study.	
Developing the electronic customer service environment.	In 2014, various online and mobile services were developed for clients.	Renewing Sponda's website and providing an even better online customer experience.
The evaluation and utilisation of new service innovations.	In 2014, the service experience study, which was conducted electronically, focused on the real estate users' experiences of the services for leased premises, the functionality of the premises and their maintenance. Based on the results, Sponda developed its customer relationship management operations and service process.	Overall satisfaction with co-operation with the lessor to remain at least at the same level as in 2014.

## Investing in employees

Targets 2014	Results 2014	Targets 2015
Develop internal operating models to increase the sharing of best practices and know-how.	In 2014, the sharing of best practices and know-how was promoted by organising several internal information and training events on topics such as legal and environmental issues.	Operating models for the sharing of knowledge and best practices will be developed further.
Continue the development of tools and systems to support employees' work and the achievement of goals.	The implementation of a new enterprise resource planning system was an important milestone related to the development of tools and systems. The deployment of the system began by first training a group of administrative users, who then trained smaller groups of employees on the use of the new system.	The different features of the new enterprise resource planning system will be used more efficiently in everyday work.
Continue to develop the working environment in co-operation with personnel in such a way that it better supports the performance of work and the achievement of the company's goals.	The working environment was developed particularly at the Helsinki office, where a part of premises were renovated and workstations were rearranged to better support operations. The rearranging of workstations emphasised functionality and the smooth flow of information.	Management and evaluation of competences that support the implementation of the company strategy.



## Transparent and ethical operations

Targets 2014	Results 2014	Targets 2015
Increasing customer dialogue in all customer service channels.	During the year, Sponda aimed to increase customer dialogue in customer meetings and all customer service channels.	
	In 2014, Sponda drafted a Code of Conduct that lays the foundation for the company's responsibility efforts, the management of responsibility, and stakeholder relations.	Implementing the Code of Conduct and the UN Global Compact with personnel and interest groups.
	In 2014, Sponda signed the UN Global Compact initiative and committed to its ten principles related to human rights, labour, the environment, and anti-corruption.	Implementing the Code of Conduct and the UN Global Compact with personnel and interest groups.

## Taking the industry forward

Long-term objectives	Results 2014
Sponda promotes best practices in the property sector by being an active participant in the activities and projects of organisations such as the Finnish Association of Building Owners and Construction Clients RAKLI and EPRA, the umbrella organisation for listed European property investment companies.	Sponda was an active participant in the operations of the Finnish Association of Building Owners and Construction Clients (RAKLI) in 2014.

# Energy and environmental efficiency

## Objectives for 2014

### Energy efficiency and the carbon footprint

- The comparable consumption of heating and water and the combined effect of the consumption of electricity and cooling in Finnish properties will decline
- Adoption of measurement guidelines
- Launch of the renewable energy sources demo project
- Sponda's head office's consumption of electricity, heating, district cooling and water will be reduced
- The consumption of electricity and water will decrease in three Russian office properties
- Environmental certification work will continue and preliminary analyses will be conducted for new projects

### Material efficiency

- The waste recovery rate at Sponda's properties in Finland will remain at the year end 2013 level, at 87 per cent.
- The volume of office waste at Sponda's head office will be reduced.

### Environmental co-operation with clients

- The number of environmental partnerships will increase to 22 by the end of 2014.

## Measures taken in 2014

### Progress of Sponda's Energy efficiency programme

At the end of 2014, Sponda's Energy efficiency programme covered 113 (2013: 109) properties, which means that as many as 88 per cent of Sponda's wholly-owned properties in Finland are included in the programme. Ten properties divested during the year as part of the Certeum transaction were omitted from Sponda's Energy efficiency programme. The properties covered by the programme continued to carry out energy reviews, implement energy saving measures and monitor consumption in accordance with property-specific action plans.

A total of 68 energy reviews of properties owned by Sponda were carried out in 2014. The most important energy saving measures implemented in 2014 were measures concerning the use of ventilation and heating systems. Additionally, energy efficiency improvement measures were implemented concerning the cooling of properties, building automation systems and the use of electricity at properties.

### The energy consumption and carbon footprint of Sponda's properties declined

The comparable energy consumption of the Finnish properties owned by Sponda decreased by 2.0 per cent in 2014. The measured heating energy consumption of comparable properties was down by 1.2 per cent from the previous year. Weather-adjusted (normalised) heating energy consumption was 0.3 per cent lower than the year before. The total electricity consumption of comparable properties decreased by 3.9 per cent, water consumption decreased by 0.5 per cent and district cooling consumption fell by 8.1 per cent compared to 2013.

In 2014, the carbon footprint caused by the total energy consumption of all of Sponda's comparable properties in Finland was 2.3 per cent lower than in the previous year.

Sponda aims to reduce the energy consumption of its properties also in Russia. In 2014, the electricity consumption of Sponda's office properties in Russia decreased by 6.1 per cent and water consumption decreased by 6.3 per cent.

Sponda also aims to actively reduce its own environmental impact by reducing the energy consumption and other environmental loads of its head office in Helsinki. The year 2014 was an exceptional one at Sponda's head office, and consumption was not reduced in line with the targets. Renovation work was carried out in the building, there were relocation operations, as well as water damage. Due to these circumstances, consumption figures for 2014 were higher than in the previous year. In 2014, the electricity consumption of Sponda's head office increased by 3.7 per cent, (normalised) heating consumption increased by 1.1 per cent, measured heating energy consumption decreased by 1.7 per cent, and district cooling consumption increased by 8.1 per cent. The water consumption of the head office decreased by 3.6 per cent compared to 2013. Because of the aforementioned reasons, the head office's consumption figures for 2015 will be compared to the figures reported for 2013.

Of the total energy consumed by Sponda, 14 per cent is produced from renewable sources. Renewable energy sources account for 17 per cent of the electricity used by Sponda, 7 per cent of heating, and 76 per cent of district cooling.

### Waste recovery rate rises to nearly 100 per cent

Sponda achieved a significant improvement in waste recovery in 2014. The target for 2014 was to maintain the waste recovery rate at 87 per cent at Sponda's Finnish properties. The final waste recovery rate at the properties rose to approximately 96 per cent.

In 2014, the amount of office waste generated at Sponda's head office increased to 14.0 tonnes (2013: 12.1) due to relocation operations and renovation work carried out in the building.

### Environmental co-operation with customers

Sponda encourages its customers to conserve energy also in its Environmental Partnership Programme, which aims to reduce the environmental load caused by the use of buildings through joint efforts. Interest among clients in Sponda's environmental partnerships continued to increase in 2014, and at the end of the year, the total number of environmental partnerships was 22, in line with the previously set target. The objective in 2015 is to further increase the number of partners, while also deepening co-operation with current partners.

The Extranet service for customers provides guidance on energy efficient operations and waste sorting, and includes news on the progress of the Energy Efficiency Programme. Customers can use the service to monitor the energy consumption of their property on a monthly basis. Sponda's property-specific Extranet is in service at almost all Sponda's properties.

In 2014, an environmental event was organised together with Sponda's environmental partner Deloitte at the Ruoholahden Sulka building, and the company also organised its annual Green Day environmental event for its personnel to distribute information on environmental matters related to Sponda and the head office.

### **Sights set on Sponda's first LEED® Platinum certificate**

The active environmental certification of buildings continued in 2014. Sponda has already obtained a total of eight international environmental LEED® or BREEAM® certificates. At the end of 2014, the company had a total of 5 active environmental certification processes underway for new constructions and renovation projects.

Sponda aims to achieve its first LEED® Platinum certificate for the Estradi office property that will be completed in Helsinki's Pohjois-Haaga district in 2015.

## **Objectives for 2015**

### **Climate change**

- The comparable total energy consumption of properties (electricity, heating, district cooling) will decrease from the 2014 level. Concerning electricity and cooling, the combined effect will be taken into account.
- The comparable water consumption will decrease from the 2014 level.
- The carbon dioxide (CO<sub>2</sub>) emissions caused by the entire energy consumption will decrease from the level reported in the 2014 annual report.
- The energy consumption of Sponda's headquarters will decrease from the 2013 level.<sup>1)</sup>
- The consumption of electricity and water will decrease in three of Sponda's properties in Russia.

<sup>1)</sup>The year of comparison is 2013 due to renovations and water damage dehumidification that took place in 2014

### **Material efficiency**

- The waste recovery rate will remain at least at the level of 96 per cent achieved in 2014.
- The waste recycling and reuse rate in Sponda's properties in Finland will be 50 per cent by the end of 2015.
- The waste recycling and reuse rate of Sponda's headquarters will, at minimum, remain at the level of 61 per cent achieved in 2014.

### **Environmental co-operation with clients: property use and maintenance**

- During 2015, at least two new environmental partnerships will be established.
- One Green Lease contract will be concluded in 2015.
- Active and regular follow-up and reporting on the action plans of Sponda's environmental partners during 2015. The objective is to reduce the environmental impact of partners.

### **Environmental classification of buildings**

- Sponda will apply for certification of all new building sites and large basic repair sites.
- During 2015, environmental certification will be achieved for at least one new building site.
- During 2015, environmental certification will be achieved for at least one basic repair site.

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The waste recovery rate of the Finnish properties rose to 96 per cent in 2014.

## Energy consumption and energy sources

Electricity, heat, water and district cooling consumption of Sponda's properties in Finland	2014	2013	2012	2011	2010	Change, 2013-2014,%	Number of properties 2014
Total energy consumption, all properties, MWh	333,893	380,264	382,480	402,580	402,405	-12.2	153
Total energy consumption, all properties, GJ	1,202,016	1,368,950	1,376,927	1,449,289	1,448,657		
Total energy consumption, comparable properties, MWh	259,852	265,150				-2.0	123
Total energy consumption, comparable properties, GJ	935,467	954,540					
Electricity, all properties, MWh	150,728	189,710	198,358	204,622	210,319	-20.5	150
Electricity, comparable properties, MWh	107,105	111,410				-3.9	126
Heat, normalised, all properties, MWh	173,348	180,608	179,070	190,581	184,570	-4.0	148
Heat, normalised, comparable properties, MWh	147,020	147,510				-0.3	126
Heat, measured, all properties, MWh	156,124	164,415	172,408	166,189	166,189	-5.0	148
Heat, measured, comparable properties, MWh	132,636	134,227				-1.2	126
District cooling, all properties, MWh	9,818	9,946	5,052	7,377	7,516	-1.3	18
District cooling, comparable properties, MWh	5,727	6,230				-8.1	14
Water, all properties, m <sup>3</sup>	371,917	381,496	357,062	408,114	391,443	-2.5	141
Water, comparable properties, m <sup>3</sup>	322,589	324,285				-0.5	116

Specific consumption of electricity, heat, water and district cooling of Sponda's properties in Finland	2014	2013	2012	2011	2010
Total specific energy consumption, kWh/GFam <sup>2</sup>	203.1	226.3			
Electricity, kWh/GFam <sup>2</sup>	81.6	111.6	115.7	105.1	117.3
Heat, normalised, kWh/GFam <sup>2</sup>	109.2	107.1	108.0	118.9	117.8
Heat, measured, kWh/GFam <sup>2</sup>	98.5	97.5	104.0	103.7	125.3
District cooling, kWh/GFam <sup>2</sup>	28.8	27.8	24.0	29.5	34.5
Water, ltr/GFam <sup>2</sup>	246.8	229.7	216.9	255.7	239.0

Energy and water consumption of Sponda's properties by segment	Office properties			Shopping centres			Logistics properties			Russia		
	2014	2013	change,%	2014	2013	change,%	2014	2013	change,%	2014	2013	change,%
Total energy consumption by main segment, MWh	207,636	231,904	-10.5	46,710	49,125	-4.9	74,997	94,351	-20.5			
Electricity, MWh	90,437	117,150	-22.8	22,867	24,412	-6.3	36,769	47,496	-22.6	5,585	5,947	-6.1
Heat, normalised, MWh	112,137	109,413	2.5	19,088	20,109	-5.1	38,228	46,855	-18.4			
Heat, measured, MWh	100,741	99,294	1.5	17,492	18,451	-5.2	34,236	42,794	-20.0			
District cooling, MWh	5,062	5,341	-5.2	4,755	4,605	3.3						
Water, m <sup>3</sup>	235,279	238,644	-1.4	66,875	67,206	-0.5	63,527	72,323	-12.2	16,957	18,096	-6.3

Specific consumption of energy and water of Sponda's properties by main segment	Office properties			Shopping centres			Logistics properties		
	2014	2013	change,%	2014	2013	change,%	2014	2013	change,%
Total specific energy consumption by main segment, kWh/GFAM <sup>2</sup>	207	236.8	-12.7	267	299.7	-10.8	148.6	190.2	-21.9
Electricity, kWh/GFAM <sup>2</sup>	82.7	116.3	-28.9	133.3	156.2	-14.7	47.5	94.9	-49.9
Heat, normalised, kWh/GFAM <sup>2</sup>	112.6	112.4	0.2	104.4	113.0	-7.7	99.8	95.1	5.0
Heat, measured, kWh/GFAM <sup>2</sup>	101.1	102.0	-0.8	95.6	103.6	-7.7	90.0	86.8	3.6
District cooling, kWh/GFAM <sup>2</sup>	26.4	22.0	20.2	41.2	39.8	3.3			
Water, ltr/GFAM <sup>2</sup>	245.2	245.2	0.0	442.3	444.5	-0.5	131.5	144.5	-9.0

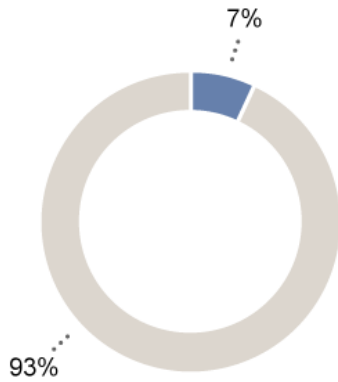
Total consumption of electricity, heat, water and district cooling of Sponda's head office	2014	2013	2012	2011	2010	Change, 2013-2014,%
Total energy consumption, MWh	1,195	1,165	1,177	1,257	1,352	2.5
Electricity, MWh	362	349	346	360	365	3.7
Heat, normalised, MWh	715	707	730	765	838	1.1
Heat, measured, MWh	657	668	719	710	922	-1.7
District cooling, MWh	118	109	101	132	148	8.1
Water, m <sup>3</sup>	1,613	1,674	1,578	2,087	2,484	-3.6

Specific consumption of electricity, heat, water and district cooling of Sponda's head office	2014	2013	2012	2011	2010
Total specific energy consumption, kWh/GFAM <sup>2</sup>	202.7	197.7	199.7	213.3	229.3
Electricity, kWh/GFAM <sup>2</sup>	61.4	59.2	58.7	61.1	61.9
Heat, normalised, kWh/GFAM <sup>2</sup>	121.2	119.9	123.9	129.8	142.2
Heat, measured, kWh/GFAM <sup>2</sup>	111.4	113.3	122.0	120.4	156.4
District cooling, kWh/GFAM <sup>2</sup>	20.0	18.5	17.1	22.4	25.2
Water, ltr/GFAM <sup>2</sup>	273.7	283.9	267.6	354.1	421.4

### Energy sources, share of renewable energy

Energy sources and emission factors	2014	2013	2012	2011	2010
Electricity					
Emission factor, kg CO <sub>2</sub> /MWh	217	217	209	83	128
Renewables,%	17	17	27	54	60
Non-renewables,%	35	35	27	12	18
Nuclear power,%	48	48	46	34	22
Heat					
Emission factor, kg CO <sub>2</sub> /MWh	165	170	166	166	208
Renewables,%	7	6			
Non-renewables,%	93	94			
District cooling					
Emission factor, kg CO <sub>2</sub> /MWh	59	59	62	70	70
Renewables,%	76	76	75	66	58
Non-renewables,%	24	24	25	34	42

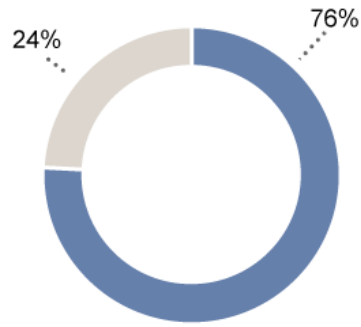
**Energy sources and emission factors, heat 2014**



■ Renewables 7%  
 ■ Non-renewables 93%

Emission factor 165 (kg CO<sub>2</sub>/MWh)

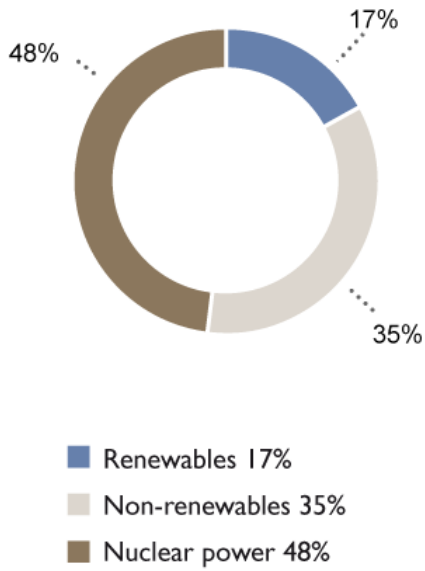
**Energy sources and emission factors, district cooling 2014**



■ Renewables 76%  
 ■ Non-renewables 24%

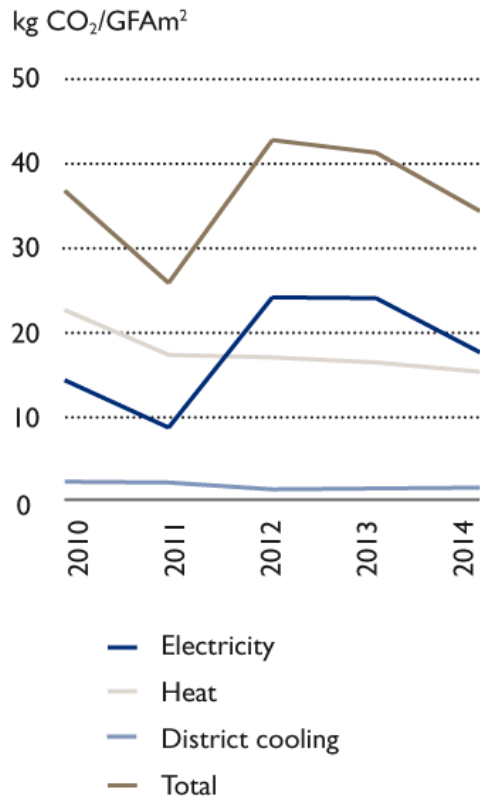
Emission factor 59 (kg CO<sub>2</sub>/MWh)

**Energy sources and emission factors, electricity 2014**



Emission factor 217 (kg CO<sub>2</sub>/MWh)

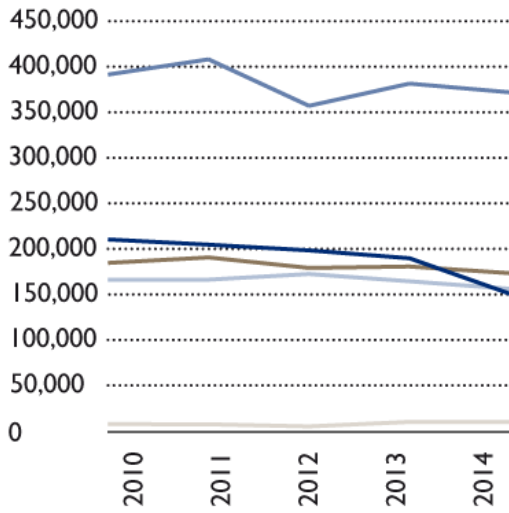
**Specific carbon dioxide emissions arising from the energy consumption of Sponda's properties in Finland**





**Total consumption of electricity, heat, water and district cooling of Sponda's properties in Finland**

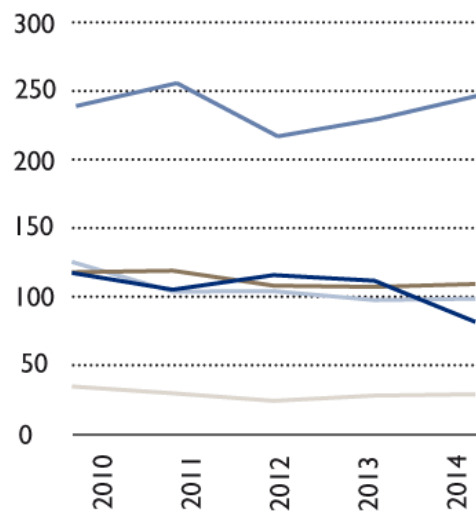
MWh



- Electricity
- Heat, normalised
- Heat, measured
- District cooling
- Water, m<sup>3</sup>

**Specific consumption of electricity, heat, water and district cooling of Sponda's properties in Finland**

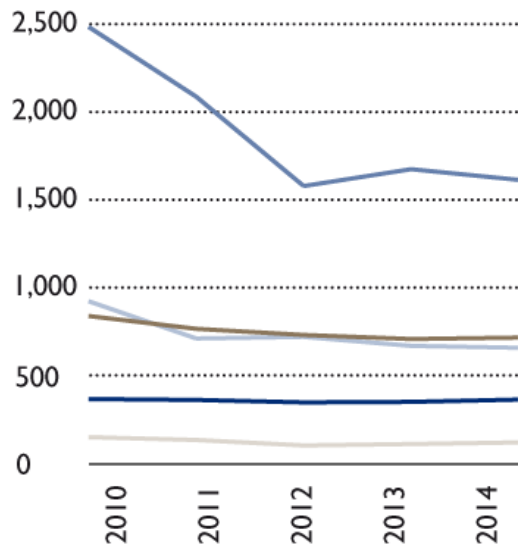
kWh/GFAm<sup>2</sup>



- Electricity
- Heat, normalised
- Heat, measured
- District cooling
- Water, ltr/GFAm<sup>2</sup>

### Total consumption of electricity, heat, water and district cooling of Sponda's head office

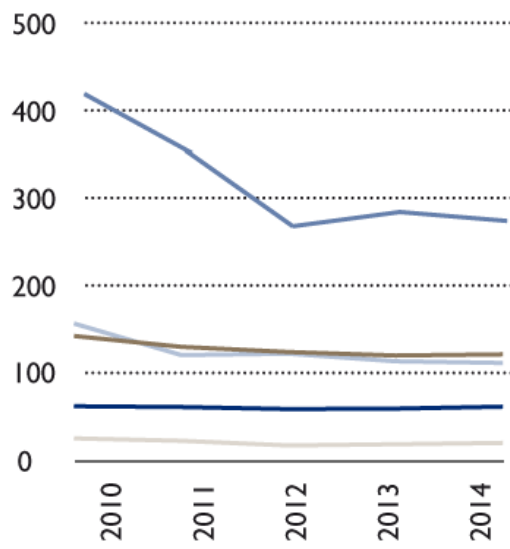
MWh



- Electricity
- Heat, normalised
- Heat, measured
- District cooling
- Water, m<sup>3</sup>

### Specific consumption of electricity, heat, water and district cooling of Sponda's head office

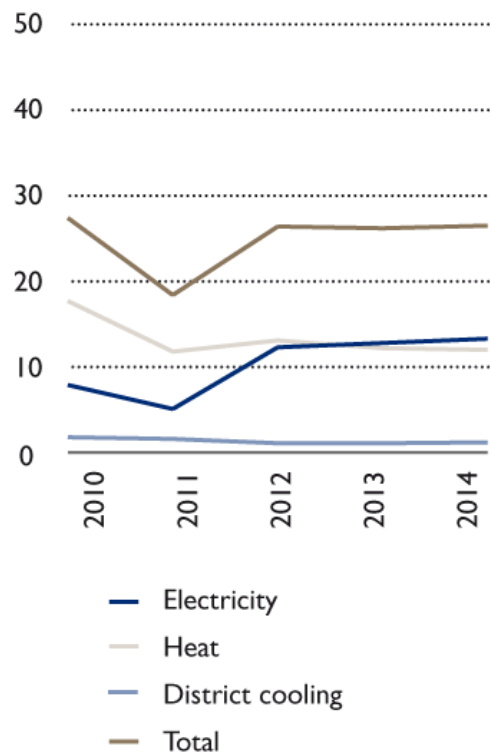
kWh/GFAm<sup>2</sup>



- Electricity
- Heat, normalised
- Heat, measured
- District cooling
- Water, ltr/GFAm<sup>2</sup>

### Specific carbon dioxide emissions arising from the energy consumption of Sponda's head office

kg CO<sub>2</sub>/GFAm<sup>2</sup>



## Carbon footprint

Carbon footprint arising from the energy consumption of Sponda's properties in Finland	2014	2013	2012	2011	2010	change, 2013-2014, %
Electricity, t CO <sub>2</sub>	32,426	41,167	41,457	16,984	26,921	-21.2
Heat, t CO <sub>2</sub>	25,751	27,999	28,603	27,642	34,586	-8.0
District cooling, t CO <sub>2</sub>	579	587	326	513	505	-1.3
Fuels, t CO <sub>2</sub>			486	669	761	
Total, t CO <sub>2</sub>	58,756	69,753	70,871	45,807	62,774	-15.8
Total, comparable properties, t CO <sub>2</sub>	38,643	39,559				-2.3

Specific carbon dioxide emissions arising from energy consumption of Sponda's properties in Finland	2014	2013	2012	2011	2010	change, 2013-2014, %
Electricity, kg CO <sub>2</sub> /GFAM <sup>2</sup>	17.7	24.1	24.2	8.8	14.4	-26.4
Heat, kg CO <sub>2</sub> /GFAM <sup>2</sup>	15.4	16.5	17.1	17.4	22.7	-7.1
District cooling, kg CO <sub>2</sub> /GFAM <sup>2</sup>	1.7	1.6	1.5	2.3	2.4	3.6
Total, kg CO <sub>2</sub> /GFAM <sup>2</sup>	34.4	41.3	42.8	25.9	36.8	-16.7

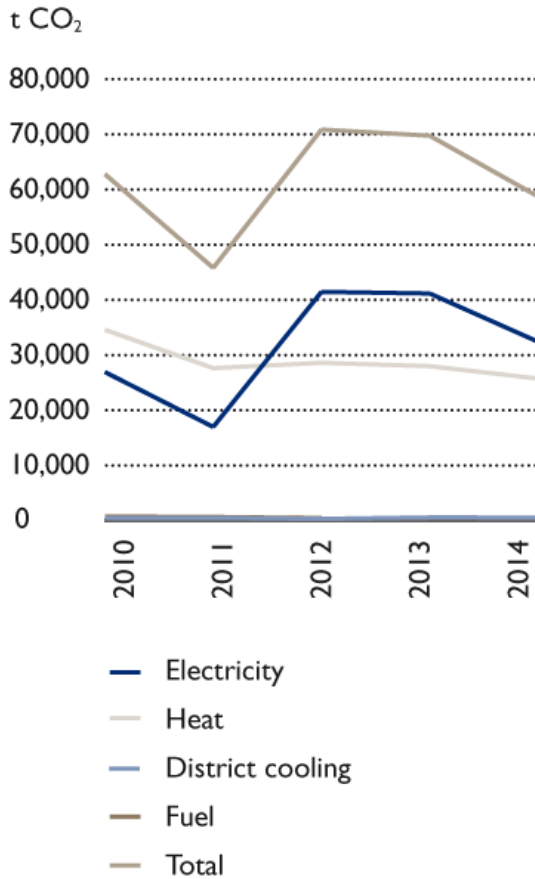
Carbon footprint arising from energy consumption of Sponda's properties by segment	Total carbon dioxide emissions by segment (t CO <sub>2</sub> )			Specific carbon dioxide emissions by segment (kg CO <sub>2</sub> /GFAM <sup>2</sup> )		
	2014	2013	change%	2014	2013	change%
Office Properties	35,339	41,242	-14.3	35.2	42.0	-16.2
Shopping Centres	7,663	8,142	-5.9	43.5	46.4	-6.2
Logistics Properties	14,810	19,377	-23.6	25.0	39.0	-35.9
Russia (only electricity)	2,329	2,480	-6.1			

Carbon footprint arising from the energy consumption of Sponda's head office	2014	2013	2012	2011	2010	change, 2013-2014, %
Electricity, t CO <sub>2</sub>	78.6	75.7	72.4	29.9	46.7	3.7
Heat, t CO <sub>2</sub>	70.8	72.0	76.9	69.6	104.2	-1.6
District cooling, t CO <sub>2</sub>	7.0	6.4	6.2	9.3	10.4	8.1
Total, t CO <sub>2</sub>	156.4	154.2	155.5	108.7	161.3	1.4

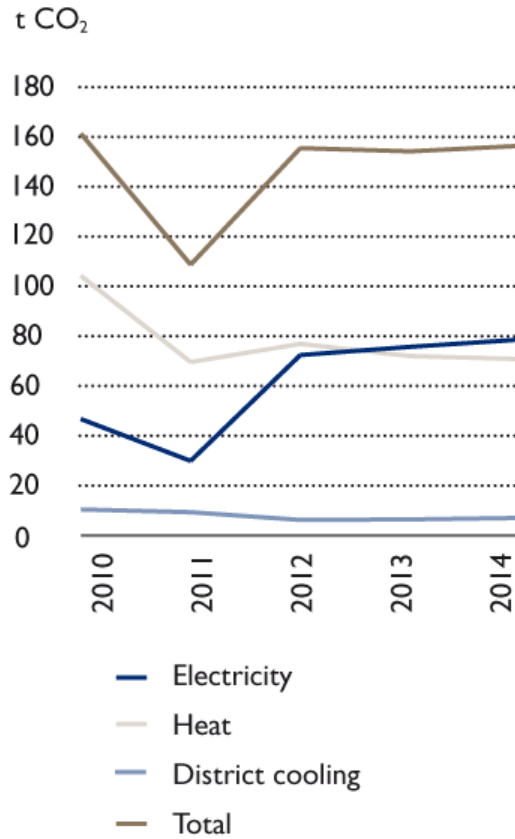
Specific carbon dioxide emissions arising from the energy consumption of Sponda's head office	2014	2013	2012	2011	2010	change, 2013-2014, %
Electricity, kg CO <sub>2</sub> /GFAM <sup>2</sup>	13.3	12.8	12.3	5.1	7.9	3.7
Heat, kg CO <sub>2</sub> /GFAM <sup>2</sup>	12.0	12.2	13.1	11.8	17.7	-1.6
District cooling, kg CO <sub>2</sub> /GFAM <sup>2</sup>	1.2	1.1	1.1	1.6	1.8	8.1
Total, kg CO <sub>2</sub> /GFAM <sup>2</sup>	26.5	26.2	26.4	18.4	27.4	1.4

Sponda's indirect carbon dioxide emissions	2014	2013	change, 2013-2014, %
Waste management, t CO <sub>2</sub>	253	372	-31.8
Leased cars, t CO <sub>2</sub>	102	99	2.6
Business travel, (flights) t CO <sub>2</sub>	65	55	17.8
Total, t CO <sub>2</sub>	420	526	-20.2

### Carbon footprint arising from the energy consumption of Sponda's properties in Finland



### Carbon footprint arising from the energy consumption of Sponda's head office



## Energy efficiency programme and environmental partnership

Sponda's Energy efficiency programme	2014	2013	change,%
Number of properties included in the Energy efficiency programme at the end of the year	113	109	4
Share of properties included in the programme of the total property portfolio,%	88	76	15
Annual energy saving achieved by the Energy efficiency programme, MWh	121	768	
Annual energy saving achieved by the Energy efficiency programme, GJ	434	2,764	
Number of energy reviews conducted	68	18	278

Sponda's Environmental partnership	2014	2013	change,%
Total energy consumption, MWh	80,048	81,475	-2.0
Electricity, MWh	34,964	36,279	-3.6
Heat, normalised, MWh	39,383	39,522	-0.4
District cooling, MWh	5,701	5,674	-7.7
Water, m <sup>3</sup>	103,336	104,923	-1.5
CO <sub>2</sub> -emissions, t CO <sub>2</sub>	12,799	12,975	-1.4
Number of environmental partners	22	20	10.0

## Waste management

Total waste volumes of Sponda's properties in Finland	2014	2013	2012	2011	2010
Mixed waste to landfill, t	286	955	1,059	2,371	2,097
Energy recovery, t	3,394	2,845	2,343	752	698
Material recovery, t	2,910	2,995	2,495	2,487	1,817
Biowaste, t	932	991	748	493	308
Paper, t	620	686	623	824	783
Paperboard, t	1,011	1,014	826	892	558
Cardboard, t	134	128	121	121	97
Glass, t	78	81	88	61	16
Metal, t	59	57	48	34	14
Plastic, t	2	4	2	1	1
Hazardous waste, t	6	8	7	7	0
Sludge, t	53	0	0	0	0
Other waste, t	15	26	31	56	40
Total, t	6,591	6,796	5,898	5,610	4,611
Total carbon dioxide emissions CO <sub>2</sub> arising from waste, t CO <sub>2</sub>	253	372			

This includes Sponda-owned properties where the property owner is responsible for waste management.

Waste recovery rates of Sponda's properties in Finland	2014	2013
Mixed waste to landfill,%	4	14
Energy recovery,%	52	42
Material recovery,%	44	44
Overall waste recovery rate,%	96	86
Waste recovery rate, Helsinki metropolitan area,%	98	88
Waste recovery rate, rest of Finland,%	79	62
Overall waste recycling rate,%	44	44
Recycling rate, Helsinki metropolitan area,%	44	43
Waste recycling rate, rest of Finland,%	40	42

Waste volumes of Sponda's properties in Finland, comparable properties	2014		2013	
	%	t	%	t
Total		6,152		6,266
Mixed waste to landfill	4	266	16	984
Energy recovery	51	3,157	41	2,596
Material recovery	44	2,730	43	2,686

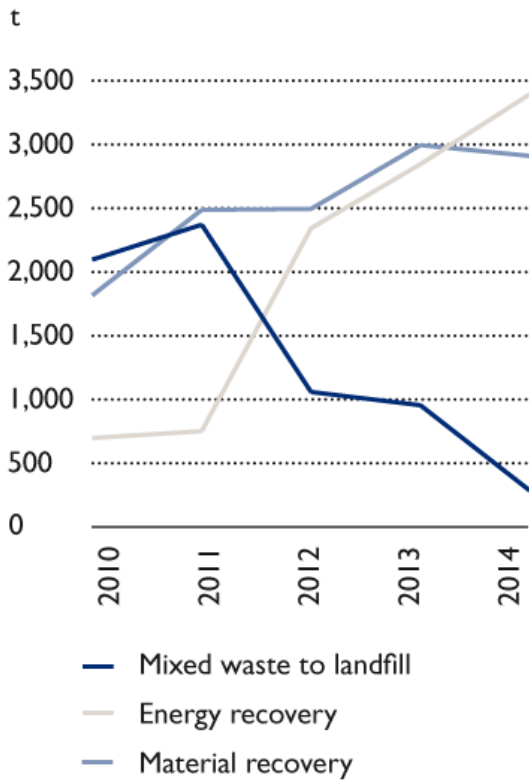
Total waste volumes of Sponda's properties in Finland by main segment in 2014	Office properties	Shopping centres	Logistics properties	Property Development
Energy recovery, t	2,190	743	457	5
Mixed waste to landfill, t	228	23	19	16
Material recovery, t	1,611	927	364	9

Sponda's energy waste has been processed into recycled fuel, which has mainly been supplied to power plants for the production of electricity and process steam, and the combined production of electricity and district heating.

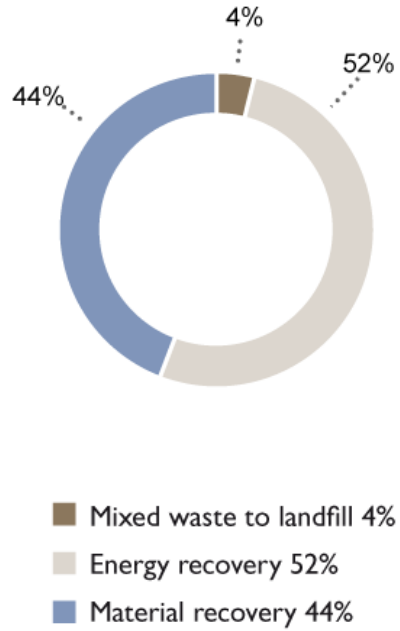
Total waste volumes of Sponda's head office	2014	2013	2012	2011	2010
Mixed waste to landfill, t	0.6	0.1	0.7	6.0	12.7
Energy recovery, t	31.1	30.9	32.8	10.4	4.4
Material recovery, t	49.3	44.0	31.9	24.2	25.2
Total, t	81.1	74.9	65.4	40.6	42.3

Waste recovery rates of Sponda's head office	2014		2013	
	%	t	%	t
Mixed waste to landfill,%	1	0.6	0	0.1
Energy recovery,%	38	31.1	41	30.9
Material recovery,%	61	49.3	59	44.0

### Waste volumes of Sponda's properties in Finland

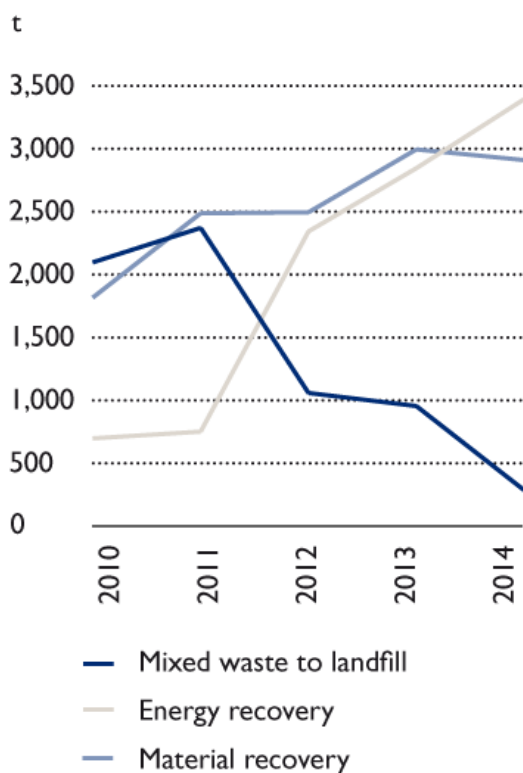


### Waste recovery rates of Sponda's properties in Finland, 2014

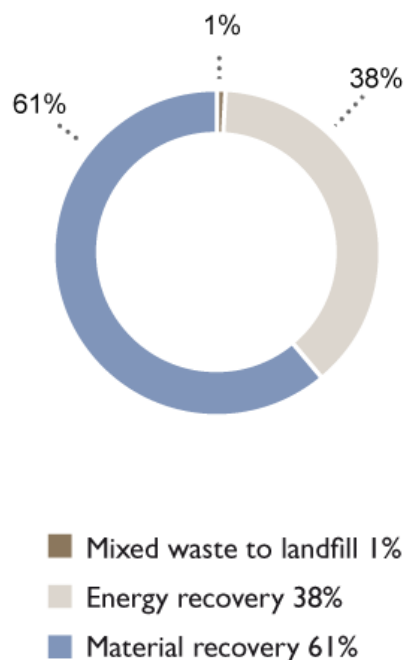




### Total waste volumes of Sponda's head office



### Waste recovery rates of Sponda's head office 2014



## Property locations

In 2014, Sponda continued to implement its strategy, which was revised in autumn 2013, by increasingly focusing its property portfolio on prime areas with good public transport links in the Helsinki metropolitan area and Tampere. In line with its strategic objectives, Sponda increased the share of shopping centres and office properties in its property portfolio by selling half of its logistics property portfolio and a substantial proportion of its properties in Turku and by purchasing an office building located in the city center of Tampere during the year. The company also divested its real estate funds business.

Sponda has a further goal of divesting its Russian business within 2–4 years. At the end of 2014, 7 per cent of the company's properties by the fair value were located in Russia.

The most significant investment projects started in 2014 were the construction of the Estradi office building in Helsinki along the Kehä I ring road and Hämeenlinnanväylä, and an office complex consisting of three buildings in Helsinki's Ilmala district. Estradi will be completed in summer 2015, while the office complex in Ilmala will be completed at the beginning of 2016.

Preparations for the Ratina shopping centre project planned for the central business district of Tampere continued, but the final decision to invest was not yet made in 2014.

## Citycenter celebrated – Keskuskatu became a pedestrian street

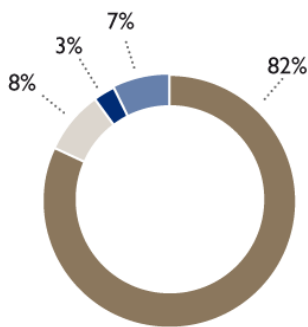
The Citycenter retail block owned by Sponda in Helsinki's central business district became even more accessible to pedestrians and cyclists when all of Keskuskatu, the street in front of Citycenter, became a pedestrian zone in autumn 2014.

Sponda has co-operated with the City of Helsinki and other property owners to develop an underground maintenance tunnel that improves the traffic safety of the pedestrian zone and the city centre. The removal of the vehicle ramps of Citycenter, known locally as Makkaratalo, on the Keskuskatu side, and moving the maintenance and parking traffic of the retail complex from the street level to an underground maintenance tunnel made it possible for the section between Aleksanterinkatu and Kaivokatu to be turned into a pedestrian street.

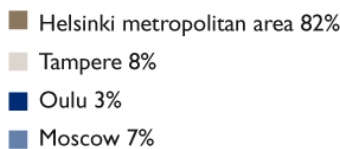
## Long-term objectives

- Increasing the share of shopping centres and office properties in the company's property portfolio
- Developing the property portfolio by concentrating on prime areas and locations with good public transport links

## Investment properties by location and by fair value\*



EUR 3,009.0 million



\* Excl. Property Development

## Enhancing the customer experience

### Objectives for 2014

- Developing customer data management and, in particular, securing the success of the adoption of the CRM solution
- Developing customer feedback collection and utilisation as part of customer data management
- Developing the electronic customer service environment
- The evaluation and utilisation of new service innovations

## Measures taken in 2014

The economic outlook in 2014 presented challenges to many industries, which also created pressures in customer relationships in leasing business premises. Good basic services at properties, a customer-focused approach and professional service are fundamental considerations that customers value, even in challenging times.

Sponda's most significant measures to enhance the customer experience in 2014 were:

- Revising customer feedback collection and utilisation
- Adopting a CRM system as part of customer relationship management
- Updating customer segments and the CRM models applied to them
- Developing various online and mobile services for current and prospective clients

## Development work based on customer feedback

The collection and utilisation of customer feedback was developed in 2014 by conducting two separate customer feedback surveys: a service experience study and a qualitative customer relationship study.

The service experience study, which was conducted electronically, was focused on property users' experiences of leased premises' services, functionality of premises and maintenance. Based on the results, Sponda developed its customer relationship management operations and service process. The survey was sent to over 700 clients and received nearly 300 responses. The customer feedback received via the service experience study was analysed and used to prepare property-specific and client-specific action proposals for company's regional units. The results were also reviewed with Sponda's key property service partners.

According to the 2014 service experience study, customer satisfaction in services has increased from the previous year. With regard to business premises, Sponda's strengths are perceived as being the adaptability of premises, property locations in relation to business needs, and transport links. Indoor temperature and air quality were highlighted as areas needing improvement. Based on the results of the study, Sponda will also focus on even more active and high-quality communications with customers.

Sponda has measured customer satisfaction with their co-operation with the lessor since 2014. The index score in 2014 was good, at 3.67 on a scale of 1–5.

## New customer segments and CRM models

Sponda updated its customer segmentation in 2014 to better correspond with operational requirements. In conjunction with this, each customer segment was assigned a customer relations management model (CRM) that best serves its needs. Sponda also carried out a customer relationship study in 2014. The aim of the study was to support the development of customer relationship management plans, as well as improve Sponda's understanding of customers' changing expectations and perceived service experience.

In 2015, Sponda will also continue a development project aimed at anticipating the future customer situation. The project, which began in 2014, is aimed at creating new shared tools and operating practices for Sponda's customer relationship management and development. The continued development of the CRM system adopted in 2014 to better serve the needs of Sponda's customer relationship management plays a key role in the project.

At the Ruoholahden Ankkuri office building, Sponda conducted a customer experience and environmental responsibility survey to assess the service capacity of the new property. The survey was conducted as part of a Green Building Council Finland competition to find Finland's most comfortable and energy efficient business premises. Based on the feedback received, Sponda will develop the office building further and report on implementation of the selected development targets to the users of the property. A similar survey to analyse the comfort of the indoor environment will be conducted annually at selected properties.

## Objectives for 2015

- Quantitative and qualitative development of customer communications

- Renewing the Sponda's website and providing an even better online customer experience
- Overall satisfaction with co-operation with the lessor to remain at least at the same level as in 2014

## *Investing in employees*

### **Objectives for 2014**

- Develop internal operating models to increase the sharing of best practices and know-how.
- Continue the development of tools and systems to support employees' work and the achievement of goals.
- Continue to develop the working environment in co-operation with personnel in such a way that it better supports the performance of work and the achievement of the company's goals.

### **Measures taken in 2014**

- In 2014, the sharing of best practices and know-how was promoted by organising several internal information and training events on topics such as legal and environmental issues.
- The implementation of a new enterprise resource planning system was an important milestone in the development of tools and systems. Learning the use of the system began by first training a group of administrative users, who then trained other users.
- The working environment was developed particularly at the Helsinki office, where a part of premises were renovated and workstations were rearranged to better support operations. The rearranging of workstations emphasised functionality and the smooth flow of information.

### **Studies reveal a good level of employee satisfaction**

In autumn 2014, Sponda conducted its annual personnel survey to evaluate the views of employees regarding their work, their workplace, managerial supervision and leadership. The employees perceive the survey as important, and the response rate increased to 95 per cent.

The results are discussed openly and employees participate in the planning of development measures which supports the high response rate of the survey.

In interpreting the results, the Finnish norm for specialists is used. Sponda's overall result continues to be better than the average in the comparison material, even though some results have weakened compared to last year's overall result. In assessing the level of commitment of personnel, it can be noted that Sponda employees are clearly more committed than employees in Finnish specialist organisations generally.

Any material weaknesses did not come up in the different themes.

### **Workplace survey provides the basis for an action plan**

In addition to the personnel survey, the Helsinki office also carried out a workplace survey in co-operation with occupational health services. The survey consisted of an online questionnaire, workplace inspections and employee interviews. The workplace survey covered 90 per cent of the personnel, and its results will serve as the foundation for creating the framework for Sponda's new occupational health service action plan.

### **New incentive scheme received positively**

Sponda implemented a new share-based incentive scheme in 2014. The incentive model attracted broad interest, with as many as 43 per cent of employees indicating they wish to participate in the new incentive scheme.

### **Objectives for 2015**

- Operating models for the sharing of knowledge and best practices will be developed further.

- The different features of the new enterprise resource planning system will be used more efficiently in everyday work.
- Management and evaluation of competences that support the implementation of the company strategy.

Key figures for the personnel	2014			2013			2012			2011			2010		
	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia	Group	Parent company	Russia
Personnel at the year-end	105	95	10	118	109	9	119	107	12	127	114	13	119	107	
Number of personnel, in average	118	108	10	121	111	10	122	110	12	123	110		123	111	
Average age, at the year-end	43.52	45.63	41.40	40.54	45.40	35.67	44.46	44.83	41	44.57	45.27			45.5	
Days lost in sickness in average	3.85	4.00	2.40	4.36	4.43	3.18	3.75	3.9	1.9		3.9			4	
Days lost in sickness %	-	1.60	-												
Training days in average	2.19	1.75	6.4	2.16	2.03	4.07	2.38	2.3	5.07		2.33			2.9	
Training hours per employee	16.45	13.13	48.0	16.19	15.2	30.54	17.85	17.25	38.03						

#### Collective bargaining agreements and employee turnover

Percentage of employees covered by collective bargaining agreements*	100%
Turnover, Finland (Parent company)	11.05%

\*The collective bargaining agreement covers all personnel in Finland excluding the Executive Board.

#### Job satisfaction and security, Finland, parent company

Accidents	0
Occupational diseases	0
Fatalities	0
Lost working days*	4 days per person
Absence rate, % of working time	1.60%
Number of discrimination cases, their handling and related corrective action, amount of cases	0

\*Sick leave

#### Personnel survey, Group (scale 1–4)

	2014	2013	2012	2011
Commitment	3.11	3.21	3.24	3.21
Leadership	3.07	3.19	3.21	3.20
Performance	2.98	3.05	3.06	3.08
Engagement index	3.34	3.42	3.45	3.48

## Employees hired in 2014, Finland, parent company

Age group	Men	Women	Total
25-29	2	0	2
30-34	0	1	1
35-39	2	3	5
40-44	0	0	0
45-49	0	2	2
50-54	0	1	1
<b>Total</b>	<b>4</b>	<b>7</b>	<b>11</b>

## Employees that left the company in 2014, Finland, parent company

Age group	Men	Women	Total
under 20	0	0	0
20-24	0	3	3
25-29	1	0	1
30-34	0	0	0
35-39	0	1	1
40-44	1	0	1
45-49	1	1	2
50-54	1	0	1
55-59	1	0	1
over 60	0	1	1
<b>Total</b>	<b>5</b>	<b>6</b>	<b>11</b>

## Comparison of salaries and rewarding of men and women

## Comparison group I, experts

The salary of women is % of the corresponding salary of men	Basic salary	Rewarding
	102.50%	125.10%

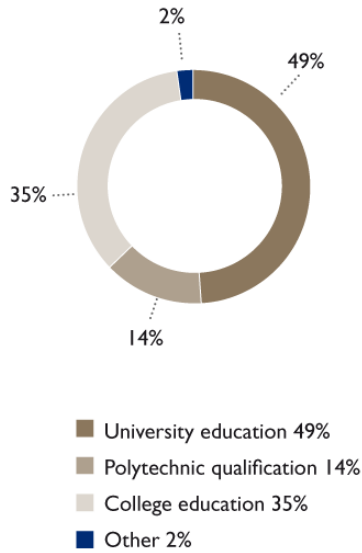
## Comparison group II, middle management

Salary of women, % of the corresponding salary of men	Basic salary	Rewarding
	89.27%	85.59%

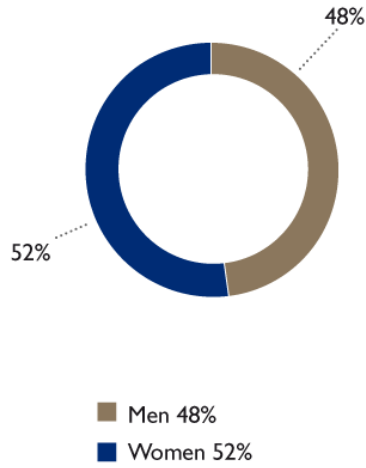
The comparison includes task-specific groups with three women and three men at minimum. The comparison figure has been calculated on the principle of how many per cent the average salary for women is of the corresponding salary for men.

The salary comparison concerns Finland (parent company)

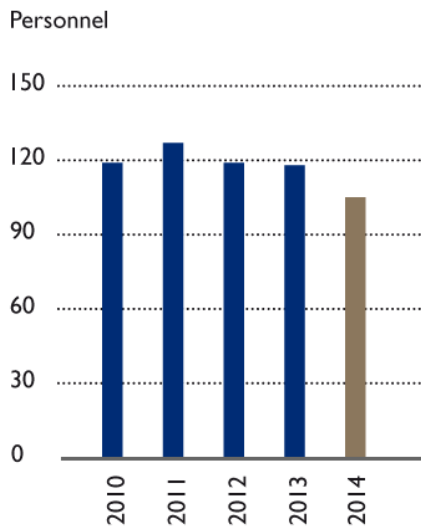
**Educational structure  
31 Dec 2014, Sponda Plc**



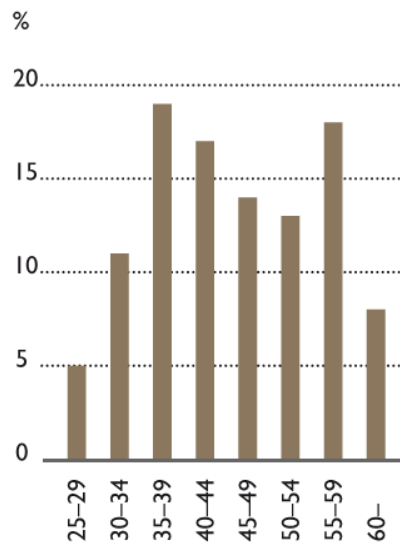
**Sex ratio 31 Dec 2014,  
Sponda Group**



**Personnel at the year-end,  
Sponda Group**

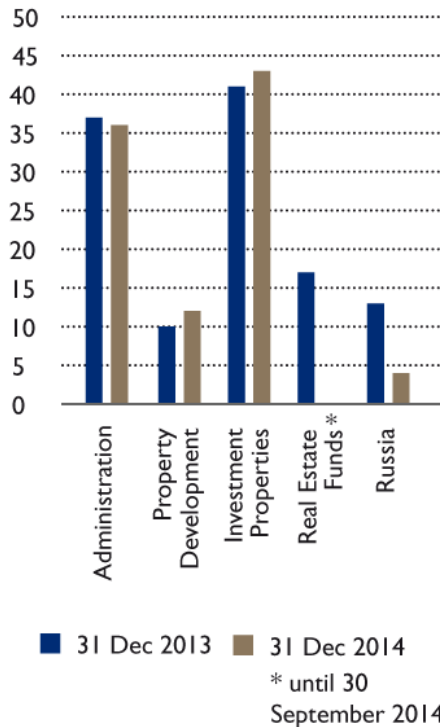


**Age ratio 31 Dec 2014,  
Sponda Group**



## Personnel Groups, Sponda Group

### Personnel



## *Transparent and ethical operations*

### Objectives for 2014

- Increasing customer dialogue in all customer service channels

### Measures taken in 2014

In 2014, Sponda drafted a Code of Conduct that lays the foundation for the company's responsibility efforts, the management of responsibility, and stakeholder relations. The Code of Conduct was approved by the Executive Board and the Board of Directors. Sponda will continue to implement the Code of Conduct among company personnel and stakeholders in 2015.

Additionally, in 2014, Sponda signed the UN Global Compact to mark its commitment to ten principles related to human rights, labour, the environment, and anti-corruption. Sponda's commitment to the UN Global Compact supports Sponda's vision of being an industry leader in responsibility.

Sponda's Code of Conduct and the UN Global Compact contain a commitment to anti-corruption by the company. Sponda's Code of Conduct and the UN Global Compact are available for interest groups at the company's website.



## The best property investment company in the Nordic region according to the CDP assessment

Sponda actively promotes the transparency of its responsibility reporting and, each year, participates in international responsibility reports and studies to develop its operations further.

In 2014, Sponda was ranked as the best property investment company in the Nordic region by the Carbon Disclosure Project (CDP), which measures companies' greenhouse gas emissions, emissions targets, measures to reduce emissions, business risks and opportunities related to climate change, and reporting on these matters. Sponda's overall score improved from the previous year, and the company ranked well above average in Finland and in the Nordic region as a whole.

Also in 2014, Sponda was awarded a Green Star for the second time in the Global Real Estate Sustainability Benchmark (GRESB) study. Sponda's overall result in the 2014 survey improved from the previous year, placing the company again among the top quartile of property companies. In the 2014 survey, Sponda received particular recognition with respect to the management of corporate responsibility as well as the management of risks and opportunities, areas in which the company achieved some of the highest scores in the industry. The Green Star is awarded to companies in the property industry that measure, implement, manage and develop responsibility successfully as an integral part of their business operations.

## Continuing improvement in property management services

In Sponda's purchasing and quality process, the development of property management and maintenance services continued in 2014. A competitive tendering was carried out in the purchasing process, which led to Sponda's expert services in property management being divided between two different responsible operators. The goal of the new property service agreements was to create a long-term, flexible and development-oriented partnership between the parties involved to ensure that expert services related to property management are implemented with high quality and cost-efficiency.

Sponda's properties and property services are managed by a partner network comprising tens of suppliers. Particular focus has been placed on the reliability of property service providers and partners, and their responsibility for consistent quality in service provision. This has been reflected in improved customer feedback regarding property services.

In addition to customer feedback and continuous reporting data, the quality of property services is also monitored by means of twice-yearly property audits and the self-evaluation of service production. The audits and their reporting models have been systematically developed, which helped the company achieve an improvement in the quality of property maintenance services in 2014.

During the year, Sponda aimed to increase customer dialogue in customer meetings and all customer service channels. Read more about enhancing the customer experience.

## Transparency in operations

Sponda also promotes responsible ways of working in the property sector in co-operation with its subcontractors. We require transparent operations and up-to-date communications from our subcontractors. To prevent the grey economy, Sponda has set strict contractual conditions for its subcontractors and requires that they are officially registered pursuant to the Finnish Act on the Contractor's Obligations and Liability when Work is Contracted Out.

New Finnish legislation pertaining to monthly reporting on construction contracts and workers entered into force in July 2014. The new legislation requires clients that contract construction work to report more detailed information on contracts to the tax administration. For this purpose, Sponda acquired an information system that was implemented when the requirement to report information on contracts entered into force.

## Objectives for 2015

- Implementing the Code of Conduct and the UN Global Compact with personnel and interest groups.

## Taxation

### Taxes and tax-like payments resulting from Sponda's operations

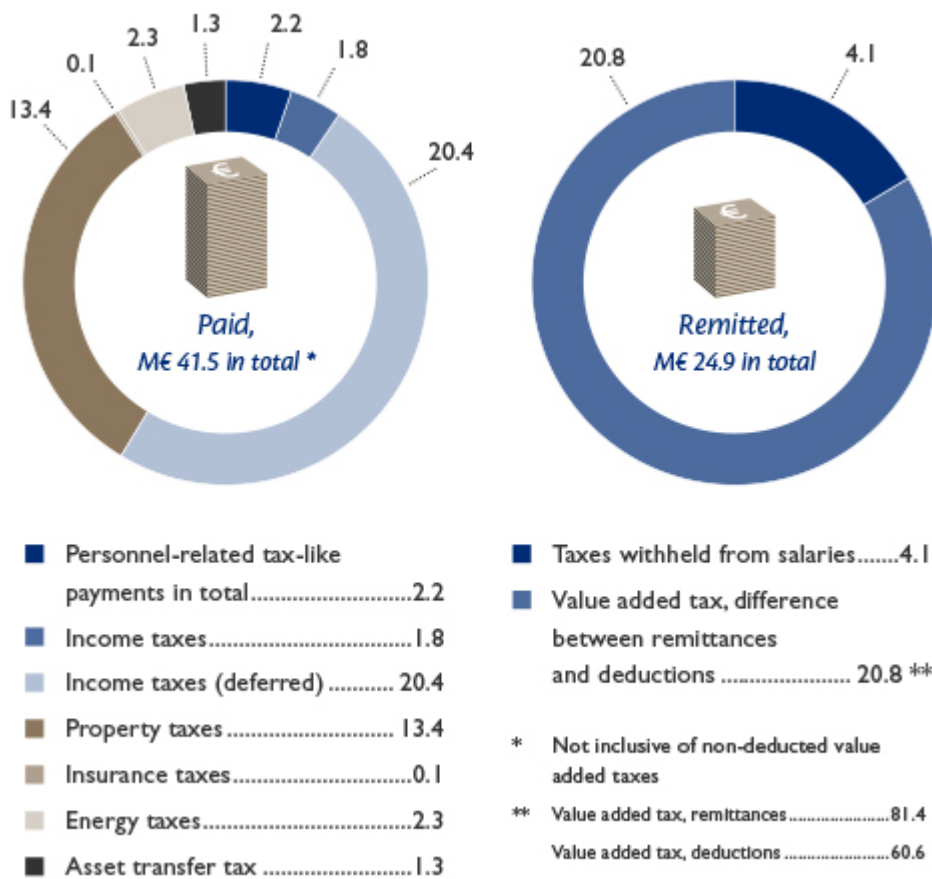
In 2014, Sponda reported for the second time on the economic effect on society created by its operations through taxes and tax-like payments. Transparent reporting of the taxes and tax-like payments resulting from its operations is one element of Sponda's responsibility.

Each year, Sponda's business operations result in the accrual and payment of taxes to the tax authorities in the form of many different taxes and tax-like payments. Sponda's taxes resulting from business operations in Finland include income tax collected on the company's taxable income, property taxes collected on the basis of property ownership, and excise taxes collected as part of electricity prices. In addition, a proportion of the value added taxes paid for goods and services remains as a balance payable by the company. As an employer, Sponda pays contributions related to pension and social security as well as deducts withholding taxes from wages and salaries and pays them to the tax authorities.

In 2014, the taxes arising from Sponda's business operations amounted to EUR 41.4 million. In addition, Sponda paid withholding taxes deducted from wages and salaries at a total amount of EUR 4.1 million. Difference between remitted and deducted value added tax was EUR 20.8 million. The chart below illustrates the most significant taxes arising from Sponda's operations and the withheld taxes. Sponda has not received substantial financial support for its operations from the public sector.

Sponda Group's result calculated in accordance with IFRS deviates from the Group subsidiaries' total combined taxable result. The IFRS does not permit annual depreciation of investment properties, instead requiring that properties are recorded at their current fair value. The annual changes in fair value are then recorded in the company's result.

In taxation, the company applies normal depreciation on the purchase price of properties pursuant to tax law. These factors constitute a significant difference between the result recorded in the consolidated financial statements according to IFRS and the taxable result. The effects of the differences between the requirements of tax law and IFRS are taken into account in Sponda's deferred taxes.



## Taking the industry forward

### Objectives and measures in 2014

Sponda was an active participant in the operations of the Finnish Association of Building Owners and Construction Clients (RAKLI) in 2014. The common challenge faced by RAKLI members is finding solutions for promoting zoning activities and utilising vacant plots of land. The association's activities during the year included drafting a joint working paper on this issue and launching a complementary construction clinic aimed at utilising unused premises.

Sponda was actively involved in the operations of Green Building Council Finland (GBC Finland) in 2014 through participation in various working groups. Sponda also participated in GBC Finland's competition to find Finland's most attractive and energy-efficient business premises. The Ruoholahden Ankkuri office building was the runner-up in the competition with an excellent score for energy efficiency.

Sponda's own development activities in 2014 were primarily focused on the diverse development of the customer experience through measures such as revising the quality standards for property services.

### Energy-efficient co-operation

Sponda is a signatory in the voluntary business premises energy efficiency action plan (TETS), which is part of the real estate sector's energy efficiency agreement. The agreement is coordinated by the Finnish Ministry of Employment and the Economy, the Ministry of the Environment and the Finnish Association of Building Owners and Construction Clients (RAKLI). The objective of the energy efficiency agreement is to decrease energy consumption in the properties included in the agreement by nine per cent by 2016. Sponda reports annually on its actions and results related to the achievement of this energy saving target.

In spring 2014, Sponda participated for the sixth time in the global Earth Hour environmental awareness initiative organised by WWF, involving organisations and private individuals around the world switching off their lights for one hour. Turning off the lights symbolises a common concern for climate change. Sponda switched off the lights at all of its shopping centres in Finland, as well as the Fennia block, Arkadiankatu 4–6 and Kaivokatu 12 properties.

## Long-term objective

Sponda promotes best practices in the property sector by being an active participant in the activities and projects of organisations such as the Finnish Association of Building Owners and Construction Clients RAKLI and EPRA, the umbrella organisation for listed European property investment companies.

## GRI index

The scope of the GRI G4 guidelines that Sponda uses in this report is Core.

The report presents the General Standard Disclosures according to the GRI G4 guidelines as well as Specific Standard Disclosures, namely disclosures concerning the management approach and environmental responsibility indicators.

The Specific Standard Disclosures are reported in accordance with the GRI G4 Core requirements for aspects that are identified as material.

## GRI Content Index

Code	GRI Standard Disclosures (G4)	Included	Location in the Annual Report	External assurance	Pursuant to EPRA recommendation*	Comments
<b>General Standard Disclosures</b>						
<b>Strategy and Analysis</b>						
G4-1	Statement from the President and CEO	Yes	Chief Executive's Review			
G4-2	Key impacts, risks and opportunities	Yes	Strategy, Strategic operations in 2014, Risk management, Responsibility priorities			
<b>Organisational Profile</b>						
G4-3	Name of reporting organisation	Yes	Sponda			
G4-4	Primary brands, products and services	Yes	Sponda, Business units in brief			
G4-5	Location of the organisation's headquarters	Yes	Contact details			
G4-6	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	Yes	Business units in brief, Supply chain			
G4-7	The nature of ownership and legal form	Yes	Corporate Governance, Shares and shareholders			
G4-8	Markets served	Yes	Business units in brief			
G4-9	Scale of the organisation	Yes	Investing in employees, Key figures			

G4-10	Total workforce by employment type and employment contract, by region and gender	Yes	Investing in employees
G4-11	Percentage of total employees covered by collective bargaining agreements	Yes	Investing in employees
G4-12	The organisation's supply chain	Yes	Sponda's supply chain
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Yes	Report by the Board of Directors, Strategy
G4-14	Implementation of the prudence principle	Yes	Risk management, Report by the Board of Directors
G4-15	Externally developed charters, principles or other initiatives to which the organisation subscribes or which it endorses	Yes	Energy and environmental efficiency, Managing responsibility, Taking the industry forward, Transparent and ethical operations
G4-16	Memberships in associations and advocacy organizations	Yes	Taking the industry forward
<b>Identified Material Aspects and Boundaries</b>			
G4-17	List of all entities included in the organisation's consolidated financial statements	Yes	Scope of the reporting, Financial statements
G4-18	The process of defining the report content and the Aspect Boundaries	Yes	Scope of the reporting, Materiality analysis
G4-19	Material Aspects	Yes	Responsibility priorities, Materiality analysis, Scope of the reporting
G4-20	For each material Aspect, the Aspect Boundaries within the organisation	Yes	Scope of the reporting, Aspect Boundaries table
G4-21	For each material Aspect, the Aspect Boundaries outside of the organisation	Yes	Scope of the reporting, Aspect Boundaries table
G4-22	Effect of any restatements of information provided in previous reports	Yes	Scope of the reporting
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Yes	Scope of the reporting
<b>Stakeholder Engagement</b>			
G4-24	List of stakeholder groups engaged by the organisation	Yes	Sponda's stakeholders
G4-25	Basis for identification and selection of stakeholders with whom to engage	Yes	Sponda's stakeholders
G4-26	The organisation's approach to stakeholder engagement	Yes	Sponda's stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement	Yes	Sponda's stakeholders, Materiality analysis, Enhancing the customer experience

<b>Report Profile</b>				
G4-28	Reporting period	Yes	Scope of the reporting	
G4-29	Date of most recent previous report	Yes	Scope of the reporting	
G4-30	Reporting cycle	Yes	Scope of the reporting	
G4-31	Contact point for questions regarding the report or its contents	Yes	Contact details	
G4-32	GRI Content Index	Yes	GRI Index	
G4-33	The organisation's policy and current practice with regard to seeking external assurance for the report	Yes	Scope of the reporting, GRI Index, Assurance report	Certain energy and emissions data in Finnish has been assured by an independent third party.
<b>Governance</b>				
<i><b>Governance structure and composition</b></i>				
G4-34	Governance structure of the organisation, including committees of the highest governance body	Yes	Board of Directors, Executive Board	
G4-38	Composition of the highest governance body and its committees	Yes	Board of Directors	
G4-39	Position of the Chair of the highest governance body	Yes	Board of Directors	
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	Yes	Board of Directors	
<i><b>Highest governance body's role in setting purpose, values and strategy</b></i>				
G4-42	Highest governance body's role in the setting the organisation's purpose, values and strategy	Yes	Duties of the Board of Directors	
<i><b>Highest governance body's role in risk management</b></i>				
G4-45	The highest governance body's role in the identification and management of risks	Yes	Risks and risk management	
G4-46	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes	Yes	Risks and risk management	
G4-47	Frequency of the highest governance body's review of risks	Yes	Risks and risk management	
<i><b>Highest governance body's role in sustainability reporting</b></i>				
G4-48	The highest committee or position that formally reviews and approves the organisation's sustainability report	Yes	GRI Index	Senior management
<b>Remuneration and incentives</b>				

G4-51	Remuneration policies for the highest governance body and senior executives	Yes	Remuneration and other financial benefits paid to the Board of Directors			
<b>Ethics and Integrity</b>						
G4-56	The organisation's values, principles, standards and norms of behaviour	Yes	Strategy; Managing responsibility, Transparent and ethical operations			
<b>Specific Standard Disclosures</b>						
Specific Standard Disclosures are reported for identified material Aspects						
<b>Code</b>						
<b>Management Approach</b>						
	<b>Disclosures on Management Approach (DMA)</b>	Yes	Managing responsibility, Responsibility priorities			
<b>Economic responsibility</b>						
<i>Economic performance</i>						
G4-EC1	Direct economic value generated and distributed	Yes	Transparent and ethical operations, Taxation, Cash flows between stakeholders			
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Yes	Spondability, Energy and environmental efficiency, Risk management	The implications of climate change are assessed as part of Sponda's regular risk assessment		
<i>Indirect Economic Impacts</i>						
G4-EC7	Development and impact of infrastructure investments and services supported	Yes	Property locations	Sponda has no assessment programmes related to the needs of local communities.		
G4-EC8	Significant indirect economic impacts, including the extent of impacts	Partially	Sponda's stakeholders, Taxation, Taking the industry forward, Transparency in operations	The extent of impacts has not been specified.		
<b>Environmental responsibility</b>						
<i>Energy</i>						
G4-EN3	Energy consumption within the organisation	Yes	Energy and environmental efficiency, Energy and environmental efficiency results, Key figures, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes	Sponda did not have any energy production or fuel consumption of its own during the reporting period.
G4-EN5	Energy intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes	Energy intensity refers to the energy consumption of Sponda-owned properties in proportion to gross floor area.
CRE 1	Building energy intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources		Yes	G4 Construction and Real Estate Sector Disclosures
G4-EN6	Reduction of energy consumption	Yes	Property development in 2014, Energy and environmental efficiency; Energy	Yes, assurance report		Includes the reduction in energy consumption achieved through Sponda's Energy efficiency programme The monetary savings achieved

			consumption and energy sources; Energy efficiency programme and environmental partners			through energy conservation measures are not reported. The aim is to have the monetary savings included within the scope of reporting by 2016.
G4-EN7	Reductions in energy requirements of products and services	Yes	Energy and environmental efficiency; Energy efficiency programme and environmental partners	Yes, assurance report		Includes the reduction in energy consumption achieved through Sponda's Environmental partnership programme compared to the previous year. Covers Sponda's environmental partners in 2014.
	<i>Water</i>					
G4-EN8	Total water withdrawal by source	Yes	Energy and environmental efficiency; Energy consumption and energy sources, Key figures		Yes	
CRE 2	Water intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources		Yes	G4 Construction and Real Estate Sector Disclosures
	<i>Emissions</i>					
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes	Sponda did not have any direct greenhouse gas emissions during the reporting period.
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Key figures, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes	Based on the emission factors reported by energy companies. For emissions in Russia, the IEA three-year country-specific average was used.
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3)	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report		Covers carbon dioxide emissions during the reporting period.
G4-EN18	Greenhouse gas (GHG) emissions intensity	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint, Scope of reporting; Calculation principles for environmental reporting	Yes, assurance report	Yes	Greenhouse gas emissions intensity refers to the greenhouse gas emissions caused by the energy consumption (Scope 2) of Sponda-owned properties in proportion to gross floor area.
CRE3	Greenhouse gas intensity of building's energy consumption	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint		Yes	G4 Construction and Real Estate Sector Disclosures
G4-EN19	Reduction of greenhouse gas (GHG) emissions	Yes	Energy and environmental efficiency; Energy consumption and energy sources; Carbon footprint; Energy	Yes, assurance report		Includes the reduction in carbon dioxide emissions achieved through Sponda's Environmental Partnership Programme (Scope 2). Covers Sponda's environmental partners in 2014.



			efficiency programme and environmental partners	
	<i>Effluents and Waste</i>			
G4-EN23	Total weight of waste by type and disposal method	Yes	Energy and environmental efficiency; Waste management, Key figures	Yes
	<i>Products and Services</i>			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	Yes	Energy and environmental efficiency, Energy efficiency programme and environmental partners	
	<i>Supplier Environmental Assessment</i>			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	Partially	Sponda's supply chain, Responsible management of the supply chain	The significance of environmental responsibility and environmental responsibility in Sponda's procurement practices are described.
	<b>Social responsibility</b>			
	<b>Labour practices and decent work</b>			
	<i>Employment</i>			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Yes	Investing in employees	
	<i>Occupational Health and Safety</i>			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	Yes	Investing in employees	No accidents during the reporting period.
	<i>Training and Education</i>			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Yes	Investing in employees	
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Yes	Investing in employees	If an employment relationship is terminated on the employer's initiative for a reason deriving from the employer, the employee is offered the opportunity to participate in employment search training and career counselling.
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Yes	Investing in employees	All of Sponda's personnel are covered by performance reviews.
	<i>Diversity and Equal Opportunity</i>			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	Yes	Board of Directors, Executive Board, Management and personnel, Investing in employees	

	<i>Equal Remuneration for Women and Men</i>				
<b>G4-LA13</b>	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Yes	Investing in employees		
	<i>Supplier Assessment for Labour Practices</i>				
<b>G4-LA14</b>	Percentage of new suppliers that were screened using labour practices criteria	Partially	Sponda's supply chain, Responsible management of the supply chain		Occupational safety practices in Sponda's procurement procedure are described.
	<b>Human rights</b>				
	<i>Non-discrimination</i>				
<b>G4-HR3</b>	Total number of incidents of discrimination and corrective actions taken	Yes	Investing in employees		No incidents of discrimination in the reporting period.
	<b>Society</b>				
	<i>Anti-corruption</i>				
<b>G4-SO4</b>	Communication and training on anti-corruption policies and procedures	Yes	Transparent and ethical operations, Code of Conduct		
	<i>Supplier Assessment for Impacts on Society</i>				
<b>G4-SO9</b>	Percentage of new suppliers that were screened using criteria for impacts on society	Partially	Sponda's supply chain, Responsible management of the supply chain		Sponda's procurement procedures and practices concerning the prevention of the grey economy and financial crime are described.
	<b>Product responsibility</b>				
	<i>Customer Health and Safety</i>				
<b>G4-PR1</b>	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Yes	Enhancing the customer experience		
	<i>Product and Service Labelling</i>				
<b>G4-PR5</b>	Results of surveys measuring customer satisfaction	Yes	Enhancing the customer experience, Key figures		
<b>CRE 8</b>	Certificates	Yes	Responsibility targets and results, Energy and environmental efficiency	Yes	G4 Construction and Real Estate Sector Disclosures

\* = Based on EPRA Best Practice recommendations on sustainable reporting

## *The scope and principles of the report*

### **Description of the report**

The Annual Report contains general information about Sponda's financial, social and environmental operations between 1 January and 31 December 2014, unless otherwise indicated.

## Scope of reporting

Sponda reports on its corporate responsibility according to the guidelines of the Global Reporting Initiative (GRI) G4 Core reporting guidelines. Additionally, the GRI G4's Construction and Real Estate Sector Disclosures reporting guideline has been applied in reporting. In particular the CRE indicators related to the real estate sector are reported on where applicable.

In addition to the GRI G4 reporting guidelines, certain portions of the report also comply with the European Public Real Estate Association's EPRA recommendations (EPRA Best Practices Recommendations on Sustainability reporting, 2014) separately indicated in the GRI index. Sponda's Consolidated Financial Statements are compiled according to the IFRS (International Financial Reporting Standards).

## Assurance

Selected information in Finnish about energy and emissions has been assured by an independent third party, PricewaterhouseCoopers Oy, and congruence between the Finnish and English versions has been checked. The assured information is identified in the GRI Content Index. See the Independent Assurance Report.

## Structure of the report

Sponda's corporate responsibility reporting for 2014 follows the GRI G4 reporting guidelines. Additionally, the principles and perspective of integrated reporting (IR) have been applied in reporting. Information pertaining to corporate responsibility operations is provided in the following sections:

- The Strategy section discusses the strategic significance of responsibility for Sponda.
- Sponda's approach to corporate responsibility and the company's responsibility priorities are described in the section Sponda's responsibility priorities.
- The Responsibility results section describes the results and measures taken by Sponda in 2014 in the area of corporate responsibility.
- A chart showing the correspondence between the GRI G4 aspects defined as material, GRI guidelines, and Sponda's reporting can be found in the GRI index.
- Reporting boundaries corresponding to material aspects of corporate responsibility are presented in a separate table.

## Scope of the report and data collection

The figures that appear in the report are based on the figures of Sponda's operations in Finland, unless otherwise indicated. Figures for the company's subsidiaries are mentioned separately. Unless otherwise indicated, there have been no changes in the scope or method of calculation of the reporting principles.

There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environmental figures.

## Calculation principles for environmental reporting

The calculation of environmental indicators takes into account Sponda's properties located in Finland. The figures cover all Sponda-owned properties for which the responsibility for maintenance lies with the property owner. The figures also include 43 per cent of the properties that Sponda owns partially, or for which the responsibility for maintenance lies with the tenant (properties leased cold). Russian operations are reported separately for the indicators that include them. For Russia, electricity and water consumption data is reported for three office properties. There is a certain degree of annual variability in Sponda's property holdings due to sales and purchases, which affects the comparability of the annual environment figures. For this reason, the comparable consumption has been reported separately.

The energy consumption of Sponda's properties consists of purchased energy. The company has no energy production of its own. Carbon dioxide emissions caused by purchased energy also constitute the majority of the total greenhouse gas emissions reported.

Energy consumption monitoring extends to all properties for which Sponda is responsible for energy purchasing. A total of 138 Sponda's totally or partially owned properties were subject to energy consumption monitoring in 2014, representing 82 per cent of Sponda's property portfolio. Of these, 121 properties are subject to hourly monitoring, while consumption at 15 properties is monitored by means of manual meter reading. Cooling is monitored separately for those properties that use district cooling. If cooling is performed by compressors, it is included in the electricity consumption. The unit used in monitoring the consumption of purchased energy is the MWh. Total energy consumption is also reported in GJ using the conversion rate 1 MWh = 3.6 GJ (Source: IEA, International Energy Agency). In specific consumption information, data on gross floor area (GFAM<sup>2</sup>) corresponds to consumption data. Properties that were sold or bought, or were covered by consumption monitoring only for part of the year, are not included in the calculations on specific consumption. Energy consumption is divided by the number of Sponda's properties excluding sold properties and properties included under property development. The figures presented by segments do not include properties under property development.

Information on waste covers all properties for which the responsibility to arrange waste management lies with a Sponda-owned property or mutual real estate company. At the end of 2014, waste monitoring covered 85 per cent of the properties owned by Sponda in Finland. Waste covered in tenants' own waste management agreements are not included in the reporting. The reported information on waste is based on waste volumes reported by waste management service providers.

CO2 emissions and the use of renewable energy sources have been estimated using publicly available information provided by energy companies on the specific emissions of energy production and the energy source distribution of energy production. The calculation of CO2 emissions for 2014 is based on emission factors reported by energy companies in 2013. For heating, carbon dioxide emissions are calculated based on measured heating consumption. For district heating, municipality-specific emission factors have been used. Data for other reported years has been calculated using the actual emission factor for each year. At present, Sponda does not report on greenhouse gas emissions other than carbon dioxide, or their global warming potential.

With respect to indirect greenhouse gas emissions, Sponda reports on carbon dioxide emissions from waste management, business air travel and leased cars. The waste management emission calculations are based on the GHG protocol and they cover 98 per cent of the waste management Sponda is responsible for, including both waste transportation and treatment. Emissions from business air travel are based on flight miles and the emission factors reported by airlines. The emissions from leased cars are based on Sponda's emissions data on leased cars and kilometres driven per year. Indirect greenhouse gas emissions are reported at the company level.

## Earlier reports

The previous corporate responsibility report was published as a part of Sponda's annual report in February 2014. Sponda reports on its progress in terms of responsibility each year.

In the 2014 report, Sponda has expanded its reporting from the previous year in accordance with the responsibility priorities updated on the basis of the materiality analysis conducted by the company. Reporting on environmental responsibility has also been expanded from the previous year with regard to energy consumption and carbon dioxide emissions reporting.

## Sponda's material aspects and GRI G4 boundary table

GRI G4 Aspect	Material Aspect of Sponda's corporate responsibility (Materiality assessment 2014)	Aspect Boundary (G4 - 20-21)
<b>Economic responsibility</b>		
Economic performance	Economic value generated for stakeholders	Sponda
Indirect Economic Impacts	Property locations	Sponda and Society
<b>Environmental responsibility</b>		
Energy	Energy efficiency of properties	Sponda and Customers
Water	Water consumption at properties	Sponda and Customers

Emissions	Greenhouse gas emissions and renewable energy	Sponda and Customers
Effluents and Waste	Sorting and recovery of property waste	Sponda and Customers
Products and Services	Energy and environmental efficiency, Property locations	Sponda, Customers and Partners
Supplier Environmental Assessment	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Social responsibility</b>		
<b>Labour practices and decent work</b>		
Employment	Wellbeing of employees	Sponda
Occupational Health and Safety	Safety of personnel	Sponda
Training and Education	Improving professional expertise	Sponda
Diversity and Equal Opportunity	Equal and non-discriminatory treatment of employees	Sponda
Equal Remuneration for Women and Men	Equal and non-discriminatory treatment of employees	Sponda
Supplier Assessment for Labour Practices	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Human rights</b>		
Non-discrimination	Equal and non-discriminatory treatment of employees	Sponda
<b>Society</b>		
Anti-corruption	Business principles	Sponda
Supplier Assessment for Impacts on Society	Purchasing management and responsible purchasing	Partners and Subcontractors
<b>Product responsibility</b>		
Customer Health and Safety	Enhancing the customer experience	Sponda and Customers
Product and Service Labelling	Enhancing the customer experience, Environmental certification of properties	Sponda and Customers

## Independent Assurance Report

(Translation from the Finnish original)

To the Management of Sponda Plc

We have been engaged by the Management of Sponda Plc (hereinafter also the Company) to perform a limited assurance engagement on selected information on energy and emissions for the reporting period 1 January 2014 to 31 December 2014, disclosed in Sponda Plc's Annual Report 2014 on the Company's website (hereinafter Corporate Responsibility Reporting). The assured information is indicated in the Company's GRI index 2014.

### Management's responsibility

The Management of Sponda Plc is responsible for preparing the Corporate Responsibility Reporting in accordance with the Reporting criteria as set out in Sponda Plc's reporting instructions, the G4 Sustainability Reporting Guidelines and the G4 Construction and Real Estate Sector Disclosures of the Global Reporting Initiative and the EPRA Best Practices Recommendations on Sustainability Reporting (September 2014) of the European Public Real Estate Association.

### Practitioner's responsibility

Our responsibility is to express a conclusion on the Corporate Responsibility Reporting based on our work performed. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to Sponda Plc for our work, for this report, or for the conclusions that we have reached.

We have not been engaged to provide assurance on the information in the Corporate Responsibility Reporting relating to prior reporting periods.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that the Corporate Responsibility Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Corporate Responsibility Reporting. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Corporate Responsibility Reporting. Our work consisted of, amongst others, the following procedures:

- Interviewing a representative of senior management of the Company.
- Visiting the Company's Head Office as well as one site in Finland.
- Interviewing employees responsible for collecting and reporting the information presented in the Corporate Responsibility Reporting at the Group level and at the site where our visit took place.
- Assessing how Group employees apply the reporting instructions and procedures of the Company.
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis.
- Testing the consolidation of information and performing recalculations on a sample basis.

## Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that Sponda Plc's Corporate Responsibility Reporting has not been prepared, in all material respects, in accordance with the Reporting criteria. When reading our assurance report, the inherent limitations to the accuracy and completeness of sustainability information should be taken into consideration.

Helsinki, 16 February 2015

### PricewaterhouseCoopers Oy

Sirpa Juutinen

Partner

Sustainability & Climate Change

Maj-Lis Steiner

Director, Authorised Public Accountant

Assurance Services

## *Risks and risk management*

Sponda uses effective risk management to ensure the continuity of the company's business operations, a good operating capacity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. The Group's risk-bearing capacity is taken into account in its risk management.

Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

Environmental responsibility is one of Sponda's strategic priorities and its importance is reflected also in the risk management process. In 2014 the risks and opportunities presented by climate change were incorporated into Sponda's regular risk assessment.

## Integrated risk management as a key strength

Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The risk survey is updated every autumn in conjunction with budgeting. The Group's risk management guidelines and the operations handbook are updated to reflect the decisions made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox of risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

## Key features of internal controls relating to financial reporting

The risk management in Sponda's financial reporting process is part of the Group's overall risk management and internal control. The company has defined the main features of its internal control using the international COSO model. The model has been used in defining the control environment, risk assessment method and the applicable control measures. The internal control solutions adopted by the company also take into consideration its industry, the management of the Group as a single entity and the company form of ownership of properties.

The company's internal control is a Group-wide process that involves the Board of Directors, executive directors, other staff members and internal audit. Internal control aims to ensure the effectiveness and appropriateness of the company's operations, the reliability of financial information and reporting as well as compliance with laws and regulations.

More detailed information on risks and risk management can be found on the company website.

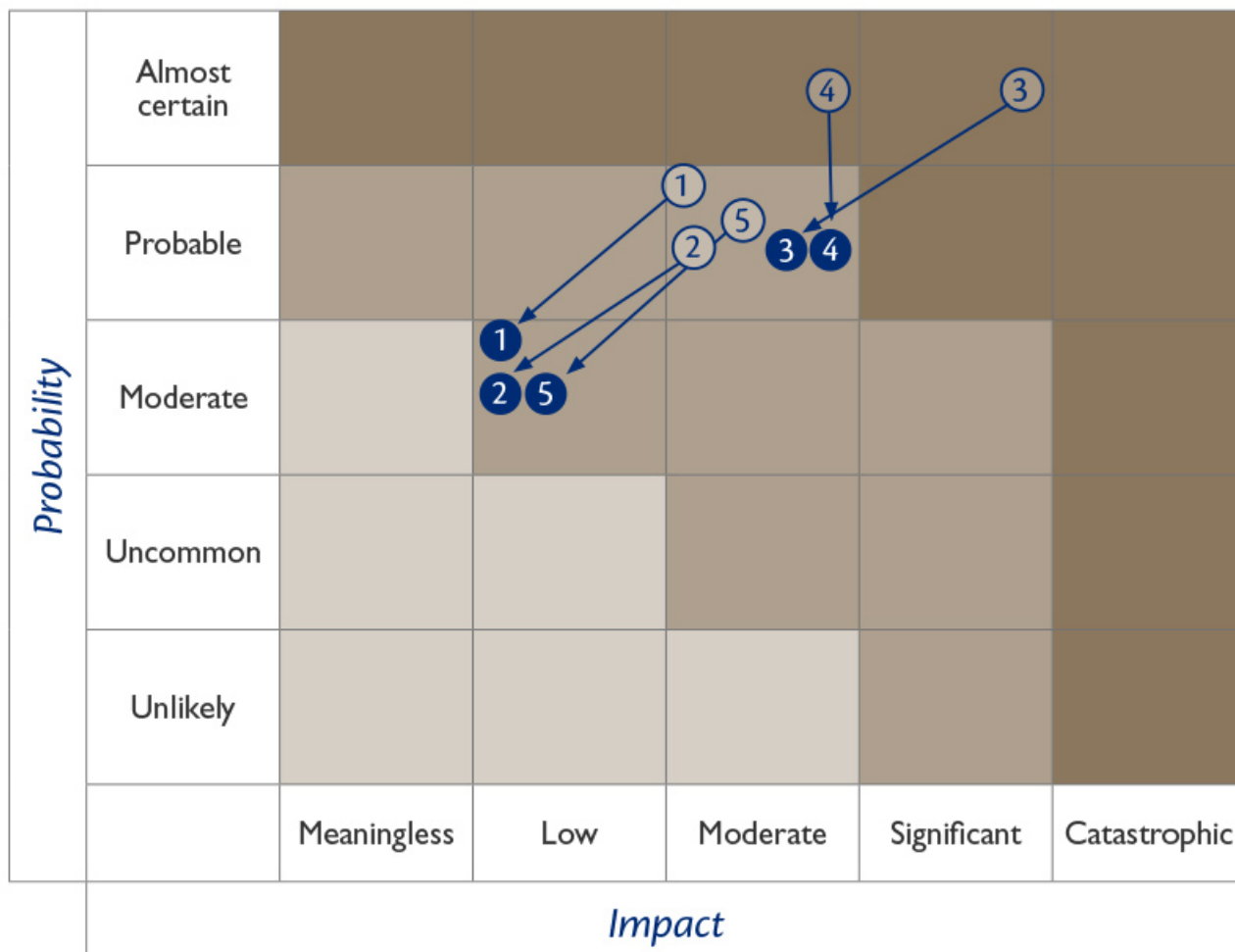
## *Main risks and risk management actions*

Interest rate fluctuations, a decline in economic occupancy rates resulting from a slowdown in economic growth and a loss of rental income due to tenant insolvency were the most significant risks for Sponda's operations in 2014. With regard to Sponda's Russian business operations, the exchange rate risk and differences between Russian and Finnish legislation and the way the authorities operate in the two countries were the main factors causing risks and uncertainty.

Sponda's risk management was in line with its objectives in 2014 and no substantial risks materialised.

By implementing effective risk management measures, Sponda was successful in significantly reducing the probability of key risks materialising and mitigating their estimated effects.

Risk assessment for 2014 without risk management actions and after risk management actions



1. Fall in economic occupancy rate

Sponda's property portfolio is mainly located in Helsinki's city centre and the Ruoholahti district. The company spends approximately 1–1.5 per cent of the property portfolio value on modernisation investments each year. Sponda also has a strong focus on customer relationship management and sales.

2. Decline in tenants' solvency

Sponda carries out regular checks to monitor tenants' solvency and changes therein. Most tenants submit a security deposit corresponding to three to six months' rent at the start of their tenancy. The company has a diverse tenant base representing a wide variety of sectors. Due to its broad tenant base, Sponda is not dependent on individual major clients.

3. Interest rate risk

Sponda mitigates its interest rate risk through fixed-interest loans and interest rate derivative contracts.

4. Exchange rate fluctuations

Sponda receives half of its Russian rental revenue in US dollars and half in roubles. Most of the rents paid in roubles are tied to the US dollar or euro exchange rate. The exchange rate risk arising from the use of the rouble is reduced by the fact that a significant portion of the company's own expenses in Russia is also paid in roubles. Sponda hedges foreign currency-denominated future net cash flows for a period of six months. The company's investments in Russia are mainly funded in euros from the parent company balance sheet.



#### 5. Special features of the Russian property market

Sponda is a local operator with office in Moscow. Networking and good relationships with the authorities are important for business operations. The company's portfolio in Russia consists of high-quality properties in prime locations. According to Sponda's updated strategy, the company is planning to exit the Russian market within two to four years.

## Corporate Governance

Sponda Plc is a public limited company registered in Finland and listed on NASDAQ OMX Helsinki Ltd. In its decision-making and administration, Sponda complies with the Finnish Companies Act and other legal provisions governing public limited companies, and the company's articles of association. Sponda also adheres to the insider guidelines of NASDAQ OMX Helsinki Ltd and the Finnish Corporate Governance Code 2010 issued by the Securities Market Association on 15 June 2010.

As required by the Finnish Companies Act and Sponda's articles of association, control and administration of the company is divided between the shareholders represented at general meetings, the Board of Directors and the President and CEO. The President and CEO is assisted by an Executive Board.

## Board of Directors

Under Sponda Plc's articles of association, the company has a Board of Directors with four to seven (4–7) ordinary members.

Members of the Board until the Annual General Meeting of 19 March 2014 were: (Chairman) **Kaj-Gustaf Bergh** (b. 1955), B.Sc. (Econ.), LL.B., Managing Director, Föreningen Konstsamfundet r.f.; (Deputy Chairman) **Klaus Cawén** (b. 1957), LL.M., Executive Vice President, Member of the Executive Board, KONE Corporation; **Christian Elfving** (b. 1947), M.Sc. (Econ.), MBA (Univ. of Chicago), CEO, Sigrid Jusélius Foundation; **Tuula Entelä** (b. 1955), B.Sc. (Econ.), LL.M., Vice President, Housing Business, Helsinki Region and St. Petersburg, Deputy to CEO, SATO Corporation; **Juha Laaksonen** (b. 1952), B.Sc. (Econ.), Member of the Directors' Institute of Finland; **Arja Talma** (b. 1962), M.Sc. (Econ.), eMBA, Senior Vice President, Store Sites and Investments, Kesko Corporation; and **Raimo Valo** (b. 1955), LL.M., CEO, East Office of Finnish Industries Ltd.

The Annual General Meeting on 19 March 2014 confirmed that there would be seven members on the Board of Directors. Re-elected to the Board of Directors were **Kaj-Gustaf Bergh** (b. 1955) B.Sc. (Econ.), LL.B., Managing Director, Föreningen Konstsamfundet r.f.; **Christian Elfving** (b. 1947) M.Sc. (Econ.), MBA (Univ. of Chicago), CEO, Sigrid Jusélius Foundation, **Juha Laaksonen** (b. 1952), B.Sc. (Econ.), Member of the Directors' Institute of Finland, **Arja Talma** (b. 1962), M.Sc. (Econ.), eMBA, Senior Vice President, Store Sites and Investments, Kesko Corporation; and **Raimo Valo** (b. 1955), LL.M., CEO, East Office of Finnish Industries Ltd.

Elected as new members were **Paul Hartwall** (b. 1981), M.Sc. (Econ.), CEO, Kusinkapital Ab, and **Leena Laitinen** (b. 1970), M.Sc. (Econ.), CEO, Oy Snellman Ab.

Sponda's Board members represent broad experience of real estate, industry and finance as well as of commerce and trading. More detailed information on the members of the Board is available under Introduction of the Board of Directors in the Annual Report.

In its constitutive meeting after the Annual General Meeting of 19 March 2014, the Board of Directors elected **Kaj-Gustaf Bergh** as Chairman and **Arja Talma** as Deputy Chairman.

**Sponda Plc shares owned by members of the Board of Directors as of 31 December 2014:**

Member of the Board	Number of shares	Change
Bergh Kaj-Gustaf, Chairman	62,572	+6,378
Elfving Christian	6,538	+3,317
Hartwall Paul	3,317	+3,317
Laaksonen Juha	6,538	+3,317
Laitinen Leena	3,317	+3,317
Talma Arja, Deputy Chairman	18,995	+3,827
Valo Raimo	14,025	+3,317

The Board of Directors meets according to a pre-arranged schedule, 7–11 times per year, and holds additional meetings as necessary. In 2014 the Board met 11 times and the average attendance rate of Board members was 98,87 per cent. Sponda's Board of Directors assesses its own performance and working procedures regularly once a year. The assessment was based on a Board review conducted by a third party in November 2014. The Board addressed the findings of the survey and discussed further action in its meeting of December 2014. The review addressed the composition of the Board, its work and materials submitted to it. The results of the survey will be used to improve the work of the Board of Directors.

The Board has established two permanent committees to assist the Board by preparing matters for which the Board is responsible. These committees are **the Audit Committee** and **the Structure and Remuneration Committee**. The Board is responsible for carrying out the duties it assigns to the committees. The committees report regularly to the Board on their work. The Board confirms written rules of procedure for the committees. If required, the Board can appoint other committees and working groups from among its own members to prepare other matters for the Board's decision-making.

The President and CEO regularly attends Board meetings. Sponda's Chief Financial Officer acts as the secretary of the Board.

## The Board of Directors 31 December 2014

### Kaj-Gustaf Bergh

#### Chairman

B.Sc. (Econ.), LL.B., born 1955  
Managing Director, Föreningen Konstsamfundet r.f.

Chairman and member of Sponda Plc's Board of Directors since 2013

#### Career history:

Föreningen Konstsamfundet r.f, Managing Director, 2006–  
SEB Asset Management, Director, 1998–2001  
Ane Gyllenberg Ab, Chief Executive Officer, 1986–1998

#### Main positions of trust:

Stockmann Plc, Chairman of the Board (since 18 Mar 2014)  
Oy PALS Ab, Chairman of the Board  
Julius Tallberg Oy Ab, Board Member (until 11 Jun 2014), Chairman of the Board (since 11 Jun 2014)  
KSF Media Ab, Chairman of the Board  
Fiskars Oyj Abp, Chairman of the Board (until 12 Mar 2014), Board Member (since 12 Mar 2014)  
Wärtsilä Oyj Abp, Board Member  
JM AB, Board Member  
Ramirent Oyj, Board Member

Owns 62,572 Sponda shares

### Arja Talma

#### Deputy Chairman

M.Sc. (Econ.), eMBA, born 1962  
Senior Vice President, Store Sites and Investments, Kesko Corporation

Member of Sponda Plc's Board of Directors since 2007 and Deputy Chairman since 2014

#### Career history:

Kesko Corporation, Senior Vice President, Store Sites and Investments, 2013–  
Rautakesko Ltd, President, 2011–2013  
Kesko Corporation, Senior Vice President, Chief Financial Officer, 2005–2011  
Kesko Corporation, Vice President, Corporate Controller, 2004–2005  
Oy Radiolinja Ab, Executive Vice President, Finance and Administration, 2001–2003  
KPMG Wideri Oy Ab, APA 1992–2001, Partner, 2000–2001

#### Main positions of trust:

Aktia Bank Plc, Board Member  
Varma Mutual Pension Insurance Company, Supervisory Board Member

Owns 18,995 Sponda shares

### Christian Elfving

#### Member

M.Sc. (Econ.), MBA (Univ. of Chicago), born 1947  
CEO, Sigrid Jusélius Foundation

Member of Sponda Plc's Board of Directors since 2013

#### Career history:

Sigrid Jusélius Foundation, CEO, 2007–  
Iridium Partners Oy Ab, Chairman of the Board, Senior Partner, 1996–2007  
Ingeris Oy Ab, Chairman of the Board, Senior Partner, 1992–1995  
Oy Terrasilvana Ab, Managing Director, 1986–1991

#### Main positions of trust:

Oy PALS Ab, Board Member  
Oy Kelonia Ab, Chairman of the Board (until 23 Apr 2014), Board Member  
Oy Kelonia Placering Ab, Board Member

Owns 6,538 Sponda shares

### Paul Hartwall

#### Member

M.Sc. (Econ.), born 1981  
CEO, Kusinkapital Ab

Member of Sponda Plc's Board of Directors since 2014

#### Career history:

Kusinkapital Ab, CEO, 2008–

#### Main positions of trust:

Hartwall Capital Oy Ab, Board Member  
Ultivista Oy, Board Member  
HC Ventures, Board Member (until 14 Aug 2014)  
Pohjois-Karjalan Arvopaperi Oy, Board Member  
Värikeskus Espoo Oy, Board Member  
Suomen Tuontikeskus Oy, Board Member

Owns 3,317 Sponda shares

### Juha Laaksonen

#### Member

B.Sc. (Econ.), born 1952

Member of Sponda Plc's Board of Directors since 2013

#### Career history:

Fortum Corporation, Executive Vice President and CFO, 2000–2012  
Fortum Corporation, Vice President, Mergers & Acquisitions, 2000  
Fortum Oil & Gas Oy, Executive Vice President, Finance & Planning, 1999  
Neste Oyj, Chief Financial Officer, 1998

#### Main positions of trust:

SATO Corporation, Chairman of the Board  
Kemira Oyj, Board Member  
Taaleritehdas Oyj, Board Member  
Caruna Networks Oy, Chairman of the Board (since 30 Jun 2014)  
Suomalaisten Taideseätiöiden yhdistys, Chairman of the Board  
FortuminTaideseätiö, Chairman of Board  
Alfred Kordelin Foundation, Chairman of the Board (since 7 Nov 2014)

Owns 6,538 Sponda shares

### Leena Laitinen

#### Member

M.Sc. (Econ.), born 1970  
CEO, Oy Snellman Ab, 2014–

Member of Sponda Plc's Board of Directors since 2014

#### Career history:

Oy Snellman Ab, CEO, 2014–  
SOK, Executive Vice President Consumer Goods Trade, Helsinki, 2009–2013  
SOK, Prisma, Chain Director, Helsinki, 2007–2009  
SOK, Country Manager, Managing Director, Tallinn, Estonia, 2006–2007  
SOK, Managing Director, Tallinn, Estonia, 2004–2006  
SOK, Prisma Director, Jyväskylä, 2000–2004  
SOK, Prisma Director, Iisalmi, 1997–2000  
SOK, Customer Service Manager, Kuopio, 1996–1997

#### Main positions of trust:

ETL, Board Member (since 1 Jan 2014)  
Mehiläinen Oy, Board Member  
ETL, Commercial Committee Member (since 3 Dec 2014)  
Deputy Member as a representative for ETL at EK delegation (since 1 Jan 2015)

Owns 3,317 Sponda shares

## Raimo Valo

### Member

LL.M., born 1955  
CEO, East Office of Finnish Industries Ltd

Member of Sponda Plc's Board of Directors since 2011

### Career history:

East Office of Finnish Industries Ltd, CEO, 2013–  
Septem Partners Oy, Partner, 2010–2013  
OAO Swedbank, Russia, Chairman of the Board and  
CEO, 2008–2010  
Glitnir, Russia, Asset Management, Private Banking,  
CEO, 2007–2008  
Svenska Handelsbanken ZAO, Moscow, Chairman of  
the Management Board and CEO, 2004–2007  
Bank Svenska Handelsbanken (Polska) Sp.A.,  
Chairman of the Management Board and CEO,  
2000–2005

### Main positions of trust:

Nassim Investments Oy, Chairman of the Board  
Spinverse Oy, Board Member (since 3 Apr 2014)  
CCS Cold Cargo Solutions, Chairman of the Board  
(until September 2014)  
M-X Sport Oy, Chairman of the Board  
Neo Industrial Oyj, Board Member  
Septem Partners Oy, Board Member

Owns 14,025 Sponda shares

## Duties of the Board of Directors

Sponda's Board of Directors has prepared rules of procedure for itself and its committees as a guideline for operations. The rules of procedure define the tasks of the Board, its Chairman and Deputy Chairman and the committees. According to the rules of procedure, the Board is responsible for the company's administration and for the appropriate organisation of its operations. The Board guides and supervises the company's executive management, approves the company's strategic objectives and the principles underlying its risk management function, and ensures the effective functionality of its management systems. The Board also approves the annual budget and decides on significant individual investments. In addition, the Board approves corporate responsibility policies such as Sponda's Code of Conduct.

The Board of Directors appoints the President and CEO of the company, chooses the members of the Executive Board based on the President and CEO's proposal, and decides their terms of employment and incentive schemes. The Board also decides on remuneration schemes for employees.

The Board of Directors has quorum when more than half of its members are present.

## Board committees and working groups

The Board appoints the members and chairmen of the committees from among its number. The committee members' term of office is one year, ending at the conclusion of the Annual General Meeting following their election. Both committees have at least three (3) members. A committee meeting has quorum when the chairman and at least one other member are present.

**The Audit Committee** comprises at least three Board members who are independent of the company and its subsidiaries and have sufficient knowledge of accounting and financial statement practice. Up until the Annual General Meeting of 19 March 2014, the Audit Committee comprised **Arja Talma** as chairman, **Raimo Valo** as deputy chairman and **Christian Elfving** and **Juha Laaksonen** as ordinary members. As of 19 March 2014 the Audit Committee comprises **Arja Talma** as chairman, **Raimo Valo** as deputy chairman and **Paul Hartwall** and **Juha Laaksonen** as ordinary members. The main duties of the Audit Committee are to evaluate financial reporting and risk management and to examine financial reviews. In 2014, the Audit Committee convened four (4) times and the average attendance rate was 100 per cent.

The **Structure and Remuneration Committee** comprises at least three Board members who are independent of the company. Until the Annual General Meeting of 19 March 2014, the Structure and Remuneration Committee comprised **Kaj-Gustaf Bergh** as chairman, **Klaus Cawén** as deputy chairman and **Tuula Entelä** as an ordinary member. As of 19 March 2014, the Structure and Remuneration Committee comprises **Kaj-Gustaf Bergh** as chairman, **Christian Elfving** as deputy chairman and **Leena Laitinen** as an ordinary member. The main duties of the Structure and Remuneration Committee are to prepare matters relating to the nomination of senior management and their remuneration as well as matters relating to strategy and corporate structure. In 2014, the committee convened three (3) times and the average attendance rate was 77,77 per cent.

## Remuneration and other financial benefits paid to the Board of Directors

The Annual General Meeting confirms in advance the remuneration payable to the Board of Directors annually. In the Annual General Meeting held on 19 March 2014, the following were confirmed as the annual remunerations for the members of the Board of Directors:

Chairman	EUR 60,000
Deputy Chairman	EUR 36,000
Member	EUR 31,200

Of this annual remuneration, 40 per cent is paid in Sponda Plc shares purchased on the market. The shares shall be purchased within two weeks of the release of the interim report of the first quarter.

Additionally, the Chairman of the Board will be paid a fee of EUR 1,000 and members EUR 600 per Board meeting attended. Members of the Board will be paid EUR 600 per committee meeting and the Chairman of the Audit Committee EUR 1,000 per meeting of the Audit Committee.

The Board of Directors has no other remuneration schemes. Members of the Board of Directors are not in an employment or service relationship with the company.

In 2014, members of Sponda's Board of Directors were paid a total of EUR 313,400 in remuneration (incl. annual remuneration and meeting fees) as follows:

Name	Annual remuneration, €	Meeting fees, €	Number of shares included in annual remuneration	Total remuneration (incl. annual and meeting fees), €
Kaj-Gustaf Bergh (Chairman)	60,000	11,800	6,378	71,800
Klaus Cawén (Deputy Chairman until 19 March 2014)		2,400		2,400
Christian Elfving	31,200	7,800	3,317	39,000
Tuula Entelä (member until 19 March 2014)		2,400		2,400
Paul Hartwall (member since 19 March 2014)	31,200	6,000	3,317	37,200
Juha Laaksonen	31,200	8,400	3,317	39,600
Leena Laitinen (member since 19 March 2014)	31,200	4,200	3,317	35,400
Arja Talma (Deputy Chairman since 19 March 2014)	36,000	10,000	3,827	46,000
Raimo Valo	31,200	8,400	3,317	39,600
<b>Total</b>	<b>252,000</b>	<b>61,400</b>	<b>26,790</b>	<b>313,400</b>

## The General Meeting

The General Meeting of shareholders is Sponda's highest decision-making body. The Annual General Meeting (AGM) is held once a year on a date determined by the Board of Directors and within six (6) months of the end of the previous financial year. The AGM considers the matters stipulated in the Finnish Companies Act and Sponda's articles of association. These include among others confirmation of the financial statements, deciding on the use of the profit shown in the balance sheet, electing the members of the Board of Directors and deciding on their remuneration, and appointing the company's auditors and deciding on their remuneration.

Sponda publishes the notice of the AGM in accordance with its articles of association on the company website and a notice of the AGM's time and place, as well as the website address where the notice of the AGM can be found, in at least one daily national newspaper determined by the Board of Directors. Shareholders entitled to attend the AGM are required to be registered before AGM meeting in the company's shareholder register and to inform the company of their intention to attend the meeting in the manner stipulated in the meeting notification.

Extraordinary general meetings are convened when deemed necessary by the Board of Directors or when required by law.

## Nomination Board

The shareholders' Nomination Board assists the Annual General Meeting in the nomination of members for Sponda's Board of Directors and with regard to their compensation.

The permanent shareholders' Nomination Board appointed by the Annual General Meeting on 18 March 2013 prepares proposals on candidates for the Board of Directors and their compensation for the next Annual General Meeting.

The Nomination Board consists of three members appointed by the shareholders. In addition, the Chairman of the Board of Directors shall act as an expert member of the Nomination Board. The three shareholders who are entered in the company's shareholders' register maintained by Euroclear Finland Ltd and whose portion of the votes produced by all the shares in the company according to the shareholders' register are the greatest on 30 September of the calendar year preceding the Annual General Meeting have the right to appoint members representing shareholders. If a shareholder does not wish to exercise its right to appoint a member to the Nomination Board, the right shall be transferred to the next largest shareholder according to the shareholders' register who otherwise would not have the right to appoint a member.

The Nomination Board is convened by the Chairman of the Board of Directors. The member appointed by the largest shareholder shall act as the Chairman of the Nomination Board, unless otherwise decided by the Nomination Board. The Nomination Board shall submit its proposal to the Board of Directors by 30 January before the Annual General Meeting.

The three largest shareholders (holdings on 30 September 2014) and their representatives on the Nomination Board were:

- Oy PALS Ab, 14,89% of the shares and votes, represented by Kaj-Gustaf Bergh (b. 1955), B.Sc. (Econ.), LL.B., Managing Director, Föreningen Konstsamfundet r.f.;
- Varma Mutual Pension Insurance Company, 10,27% of the shares and votes, represented by Pekka Pajamo (b. 1962), M.Sc. (Econ.), CFO, Varma Mutual Pension Insurance Company;
- HC Fastigheter Holding Oy Ab, 10,06% of the shares and votes, represented by Ole Johansson (b. 1951), B.Sc. (Econ.), Deputy Chairman of the Board of Directors, Hartwall Capital Oy Ab.

All members of the Nomination Board are independent of the company.

## The President and CEO

Sponda's President and CEO is appointed by the company's Board of Directors. The President and CEO manages the company's day-to-day operations in accordance with the instructions and stipulations of the Board of Directors. The President and CEO is responsible for ensuring that the company's accounts comply with legal provisions and that the company has sufficient capital funds for its purposes. The President and CEO

is assisted by the Group's Executive Board, of which he is the chairman. Kari Inkinen (b. 1957) has served as Sponda's President and CEO since 2005.

The President and CEO's terms of employment are set out in a written contract approved by the Board. Under the terms of the contract, the term of notice of the President and CEO is six months. Should the company terminate the President and CEO's contract, he is entitled to compensation equivalent to twelve (12) months' salary. The retirement age of the President and CEO is 63, and his pension is determined in accordance with the Finnish Employees Pension Act (TEL). The President and CEO is covered by a contribution-based group pension insurance scheme. Sponda Plc pays the annual premium under the scheme until the President and CEO reaches the age of 63. The insurance premium amounts to 7.5 per cent of the President and CEO's fixed annual salary.

The President and CEO is paid a total salary, and in addition he participates in the company's annual remuneration scheme. The maximum remuneration payable under the company's annual remuneration scheme is 40 per cent of the President and CEO's annual salary.

The President and CEO also participates in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is effective from the beginning of 2012. The incentive scheme comprises three three-year vesting periods, which correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. The Board of Directors decides separately on the earning criteria and the targets to be established for each vesting period.

The earning criteria for the 2012–2014 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2012–2014 and the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2012–2014. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The earning criteria for the 2013–2015 vesting period are the Group's average Return on Capital Employed (ROCE) in the financial periods 2013–2015, the Group's cumulative Operational Cash Earnings Per Share (CEPS) for the financial periods 2013–2015, and real estate sales. In addition, the Board of Directors will assess the Group's success in relation to the prevailing market conditions. The Board of Directors monitors the fulfilment of the targets set for the earning criteria regularly.

Any remuneration paid, less taxes, is used to purchase the company's shares on behalf of the persons participating in the incentive scheme. The remuneration amount includes the purchased company shares as well as taxes and tax-like charges incurred from the remuneration to the persons participating in the scheme and settled by the company.

The shares may not be disposed of within a set commitment period following their receipt. The commitment period for the 2012–2014 vesting period ends on 31 December 2017, the commitment period for the 2013–2015 vesting period on 31 December 2018, and the commitment period for the 2014–2016 vesting period on 31 December 2019. After the commitment period ends, a key person must own one half of the shares paid on the basis of the scheme, until the value of the shares he or she owns equals the amount of his or her gross annual salary. This ownership obligation shall be in effect for as long as the employment contract of the key person continues.

The value of the remuneration to be paid for each vesting period shall be no more than the gross annual salary of the key person participating in the scheme. The gross annual salary refers to the total salary for the previous calendar year including fringe benefits and excluding remunerations paid on the basis of the annual remuneration system and the long-term share-based incentive system.

In 2014, salaries paid to the President and CEO amounted to EUR 444,662.00 and other remuneration to EUR 334,814.14, in total EUR 779,476.14. Remunerations paid to the President and CEO in 2014 consist of the annual remuneration and the remuneration based on the long-term share-based incentive scheme in effect in 2014, based on which 36,519 Sponda Plc shares were purchased for the President and CEO.

**Salaries and remuneration paid to President and CEO**

	Annual salary, € **)	Fringe benefits, € ***)	Annual salary and fringe benefits, total, €	Annual remuneration, €	Incentive remuneration, €	Remunerations in total, €	All in total, €
2014 *)	430,322.00	14,340.00	444,662.00	64,398.55	270,415.59	334,814.45	779,476.14
2013	427,290.78	12,590.00	439,880.78	129,892.30	499,647.55	629,539.85	1,069,420.63
2012	416,607.06	13,500.00	430,107.06	107,626.30	172,560.68	280,186.98	710,294.04

\*) Amounts in this table are those actually paid in 2014. The variable remunerations (annual remuneration and incentive remuneration) are based on the 2013 results.

\*\*\*) annual salary excl. fringe benefits

\*\*\*\*) car and phone benefit

## Executive Board

The Executive Board prepares the business strategy and budget and monitors the results of operations. The Executive Board also considers investments and divestments of strategic significance to the whole Group, as well as the company's operational guidelines and reporting. The Executive Board comprises the President and CEO, the CFO, the SVP for Corporate Planning and IR, and the heads of the business units, in total six persons.

The members of the Executive Board are insured with a contribution-based group pension insurance. Sponda Plc pays the annual insurance premium until the member reaches the age of 63. The insurance premium amounts to 7.5 per cent of each member's fixed annual salary.

The members of the Executive Board participate in the long-term share-based incentive scheme for the Group's key personnel approved by the Board of Directors. In 2012, Sponda's Board of Directors decided on the implementation of a new incentive scheme, which is effective from the beginning of 2012. The incentive scheme comprises three three-year vesting periods, which correspond to the calendar years 2012–2014, 2013–2015, and 2014–2016. The Board of Directors decides separately on the earning criteria and the targets to be established for each vesting period.

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The value of the remuneration to be paid from each earning period shall be no more than the gross annual salary of the key person participating in the system. The gross annual salary refers to the total salary for the previous calendar year including fringe benefits and excluding remunerations paid on the basis of the annual remuneration system and the long-term share-based incentive system.

Sponda Plc shares owned by members of the Executive Board as of 31 December 2014:

Name	No. of shares	Change
Inkinen Kari	414,563	+36,519
Arrhenius Pia	58,832	+10,338
Hjelt Erik	129,088	+14,046
Hynynen Ossi	181,649	+18,316
Sara-aho Sirpa	120,755	+11,068
Tanhuanpää Veli-Pekka	14,377	+6,742

## The Executive Board 31 December 2014

### Kari Inkinen

**President and CEO**  
MSc (Eng.), born 1957

**Career history:**

Sponda Plc, President and CEO, 2005–  
Kapiteeli Plc, President and CEO, 1999–2005  
YIT Corporation, Director, 1985–1998;  
YIT Corporation Residential  
Construction, Director, 1995–1998  
YIT Corporation, Regional Director,  
1992–1995

**Main positions of trust:**

Rake Oy, Board member  
Certeum Oy, Board Member (since 30 Apr 2014)

**Owns** 414,563 Sponda shares

### Pia Arrhenius

**Senior Vice President, Corporate Planning and IR**  
EMBA, born 1968

Member of the Executive Board since 2009

**Career history:**

Sponda Plc, Senior Vice President, Corporate  
Planning and IR, 2014–  
Sponda Plc, Senior Vice President, Communications  
and IR, 2009–2014  
Sponda Plc, Communications and IR Manager,  
2004–2008  
Sponda Plc, Communications assistant, 2003–2004

**Owns** 58,832 Sponda shares

### Erik Hjelt

**Chief Financial Officer**  
LL.Lic., EMBA, born 1961

Member of the Executive Board since 2007

**Career history:**

Sponda Plc, Chief Financial Officer, 2009–  
Sponda Plc, Senior Vice President, Legal Affairs and  
Treasury, 2007–2009  
Kapiteeli Plc, Senior Vice President, Finance and  
Legal Affairs, 1999–2006  
Arsenal Asset Management Company Ltd, Chief  
Legal Counsel, 1994–1999  
Savings Bank of Finland - SBF Ltd, Bank Manager,  
1993

**Owns** 128,278 Sponda shares

### Ossi Hynynen

**Senior Vice President, Investment Properties**  
MSc (Eng.), born 1955

Member of the Executive Board since 2007

**Career history:**

Sponda Plc, Senior Vice President, Investment  
Properties, 2009–  
Sponda Plc, Senior Vice President, Office and Retail  
Properties, 2007–2008  
Kapiteeli Plc, President and CEO, 2005–2006  
Kapiteeli Plc, Senior Vice President, Office and Retail  
Property, 2003–2006  
Kapiteeli Plc, Senior Vice President, Real Estate  
Development, 1999–2002  
ProPaulig Ltd, Director of Marketing, 1993–1999  
Haka Ltd, Construction Manager, 1988–1993

**Main positions of trust:**

RAKLI – The Finnish Association of Building Owners  
and Construction Clients, Member of the Board

**Owns** 181,649 Sponda shares

### Sirpa Sara-aho

**Senior Vice President, Russia**  
Commercial college graduate, born 1963

Member of the Executive Board since 2007

**Career history:**

Sponda Plc, Senior Vice President, Russia, 2007–  
Sponda Plc, Regional Manager, Russia and the Baltic  
Countries, 2006  
Nordea Bank Finland Plc, Vice President, 1985–2005

**Main positions of trust:**

Solteq Oyj, Board Member

**Owns** 120,755 Sponda shares

### Veli-Pekka Tanhuanpää

**Senior Vice President, Property Development**  
MSc (Eng.), CREM, born 1967

Member of the Executive Board since 2012

**Career history:**

Sponda Plc, Senior Vice President, Property  
Development, 2012–  
Sponda Plc, Director, Project Development,  
2007–2011  
Kapiteeli Plc, Project and Construction Manager,  
2003–2007  
NCC Construction, Project Manager, 1998–2003

**Owns** 12,712 Sponda shares

## External and internal audits

### Auditors

The company has two auditors: a firm of authorised public accountants (APA) and an auditor approved by the Central Chamber of Commerce. The auditors are responsible for examining the financial statements, the accounts and administration of the parent company and the Group according to the Auditing Act, and for submitting a report on their audit to the Annual General Meeting.

Sponda Plc's auditors from 1 January to 19 March 2014 were **Esa Kailiala**, APA and KPMG Oy Ab under the supervision of principal auditor **Kai Salli**, APA. The deputy auditor was **Lasse Holopainen**, APA. The Annual General Meeting of 19 March 2014 reappointed the same auditors for the company. **Esa Kailiala** has served as Sponda Plc's auditor from 2013, **Kai Salli** since 2008 and **Lasse Holopainen** in 2003–2004 and again from 2013.

The auditing fees paid to the auditors in 2014 amounted to EUR 302,000. A further EUR 128,000 was paid to the auditors for other consulting services. These fees, totalling EUR 430,000, include all the fees paid by Group companies.

## Internal audit

Sponda's operational efficiency, financial performance and risk management are audited internally. The internal audit is performed by an expert appointed from outside the company. The internal audit reports functionally to the audit committee and administratively to the President and CEO.

## Insiders

Sponda complies with the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd. These recommend that insiders wishing to trade in the company's shares do so at times when the market has the fullest possible information on matters that might materially affect the share price. Accordingly, Sponda's insiders are not permitted to trade in Sponda's securities for a period commencing 21 days before the company publishes its interim or annual reports.

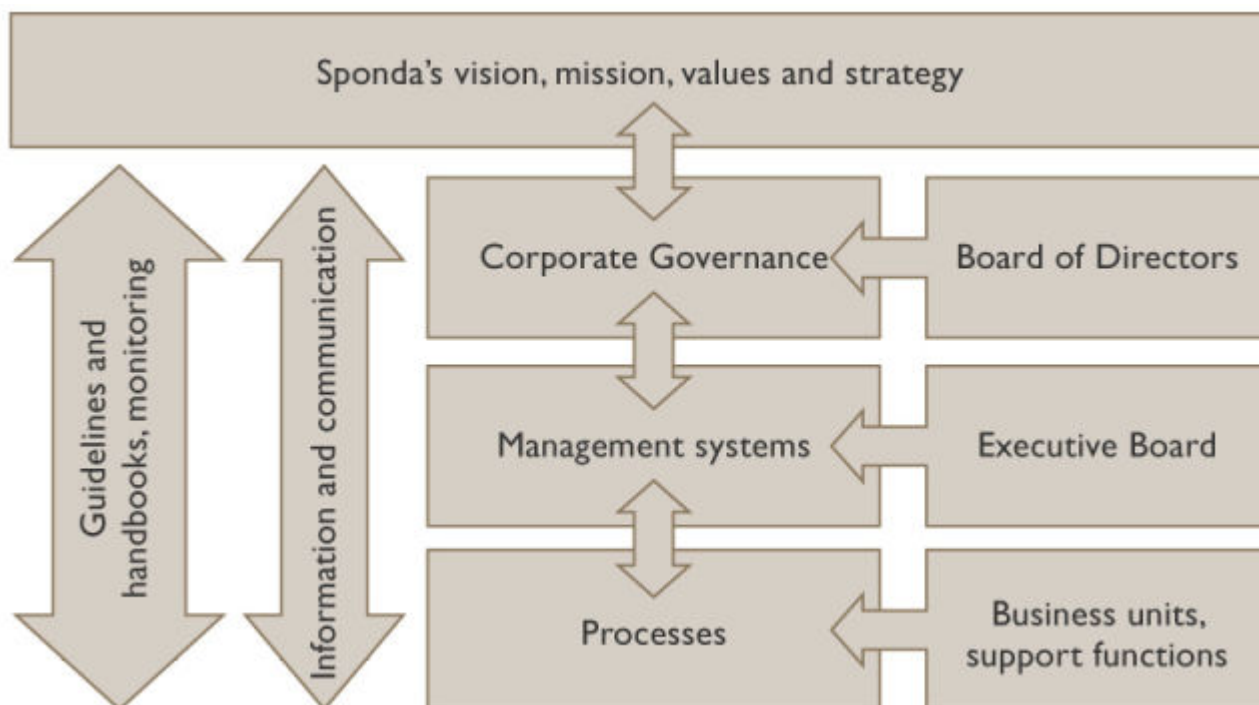
The company's statutory public insiders are its Board of Directors and the Executive Board and the auditors. In addition, the company maintains a company-specific insider register, comprising a permanent company-specific insider register and a project-specific insider register. The permanent insider register lists the names of individuals who have regular access to insider information by virtue of their role or duties. The project-specific insider register lists the names of individuals to whom the company discloses insider information regarding a particular project. The holdings of the company's public insiders are available for inspection in the insider register maintained by Euroclear Finland Ltd. The register of public insiders is also available on the company website at [www.sponda.com](http://www.sponda.com).

## Risk management

Sponda uses effective risk management to secure the company's operations, their continuity and the achievement of key objectives. Risk management is integrated into the company's planning system and day-to-day operations. The Group's risk-bearing capacity is taken into account in its risk management. Sponda manages the risks associated with its operations by identifying, measuring and preventing key uncertainties.

Risks are assessed in terms of their probability as well as their financial impact. Achieving financial targets is a sign that risk management has been successful. Sponda's key risks are classified as strategic risks, operational risks, damage and asset risks and financing risks.

## Risk management organisation



Sponda has adopted a systematic approach to risk management and one of the company's key strengths is its ability to integrate risk management as part of the strategy process, the enterprise resource planning system and business processes.

The responsibility for risk management is determined in accordance with business responsibility. The ultimate responsibility for risk management lies with the Board of Directors, which sets risk management objectives, decides on risk management policy, organises risk management and monitors key risks. Business units and corporate functions are responsible for arranging for risk management to be monitored and reported as part of the company's other reporting activities. The company's internal audit function monitors the effectiveness of the risk management system.

Risk management is tied to the company's annual planning process and risks are assessed in a risk survey carried out twice a year. The risk survey identifies the company's key risks, assesses the probability of their occurrence and potential impacts thereof, and defines risk management procedures. The Group's risk management instructions and guidelines and the operations manual are updated according to the decisions concerning risk management made on the basis of the risk survey. The risk survey also includes an assessment of the company's approach to risks.

Sponda's toolbox of risk management includes risk aversion, risk elimination and reducing the probability of their materialisation. Risks can also be restricted and reduced. A business continuity and recovery plan has been prepared for the contingency that substantial risks materialise.

Key risks in terms of the company's operations are listed in the Annual Report's Risks and Risk management section and on company's web-site at [www.sponda.com](http://www.sponda.com) >Investors >Risks.

The executive management reports Group-level risks to the Board of Directors twice a year. Risk reporting at Executive Board and business unit levels takes place as part of the enterprise resource planning system.

Sponda's Audit Committee has reviewed the principles of internal control and the internal audit guidelines. The Audit Committee approves annually the internal audit plan.

The Corporate Governance statement is available on the company website.

## *Sponda as an investment*

Sponda is a real estate investment company that specialises in leasing, developing and owning commercial properties.

Sponda aims for profitable growth through customer-focused operations, active property development and by purchasing properties. For its owners, Sponda is a good and stable investment. Sponda looks to increase shareholder value and pay a regular annual dividend. According to Sponda's dividend policy, Sponda pays a dividend of approximately 50 per cent of the operating cash flow per share for the financial year, taking into account the economic situation and the company's development needs.

Sponda's strengths are a property portfolio largely concentrated in the best locations in the growing Helsinki metropolitan area, and a high-quality, diverse and balanced lease portfolio. Active property development operations and professional, experienced and committed management and personnel give the company an even more significant competitive edge.

The property portfolio comprises a broad selection of office, retail, shopping centre and logistics properties. The company aims to optimise cash flow from operations through active management of the existing property portfolio. The company has a considerable land property and numerous potential sites for property development.

### **Shares and share ownership**

Sponda's shares are quoted on NASDAQ OMX Helsinki on the Large Cap list. The share's trading code is SDAIV.

In addition to NASDAQ OMX Helsinki, Sponda shares were traded on several alternative marketplaces.

The weighted average price of Sponda's share in 2014 was EUR 3.68. The highest quotation on NASDAQ OMX Helsinki Ltd was EUR 4.10 and the lowest EUR 3.25. Turnover during the year totaled 73.4 million shares or EUR 270.3 million. The closing price of the share on 30 December 2014 was EUR 3.62 and the market capitalisation of the company's share capital at the end of the year stood at EUR 1,024.7 million.

At the end of 2014, Sponda had a total of 8,841 shareholders. Nominee-registered shareholders accounted for 51.3 per cent of the shares and votes. Foreign and nominee-registered shareholders together held 52.9 per cent of the shares and votes.

### **Annual General Meeting**

The 2015 Annual General Meeting of Sponda Plc will be held in the Helsinki hall at Finlandia Hall Mannerheimintie 13 e, Helsinki, (doors M4 and K4) on Monday, 16 March 2015, starting at 2:00 p.m. Instructions for registering for the AGM are given on Sponda's website, in the Investors section.

To attend the meeting, shareholders must be entered in the company's shareholder register maintained by Euroclear Finland Ltd no later than 4 March 2015.

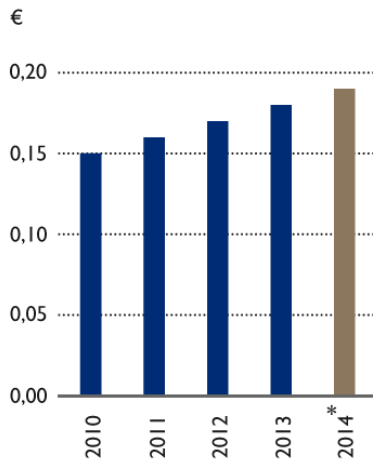
### **Dividend payment**

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share be distributed for the 2014 financial year. The dividend approved by the AGM will be paid to shareholders registered in the company's shareholder register maintained by Euroclear Finland Ltd on 18 March 2015, the record date confirmed by the Board. The Board proposes to the Annual General meeting that the dividend be paid at the close of the settlement period on 25 March 2015.

### **Changes of name and address**

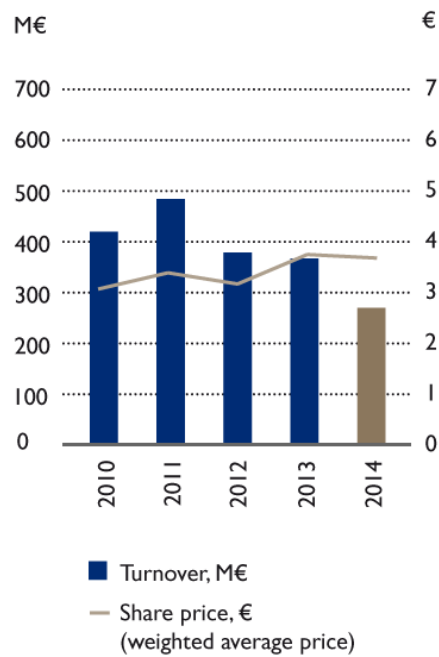
Shareholders are kindly requested to notify their bank or Euroclear Finland Ltd, whichever holds the shareholder's book-entry securities account, of any changes of address.

**Dividend per share**



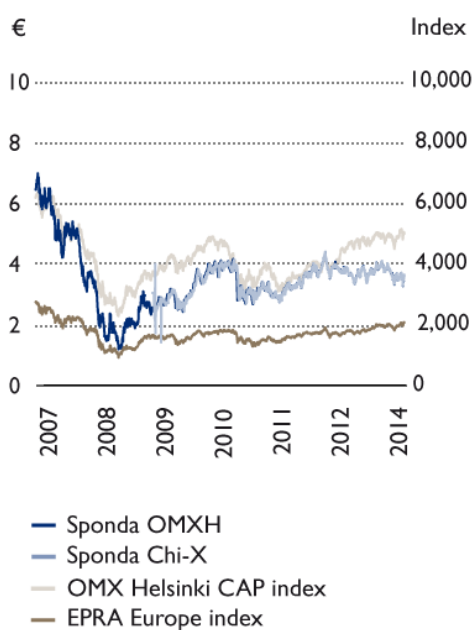
\* Board's proposal

**Share price and turnover**



■ Turnover, M€  
 — Share price, €  
 (weighted average price)

## Sponda share price compared to indices



Source: Sponda website and Investis

## Financial information 2015

Sponda will publish its interim reports in 2015 on the following dates:

*Interim report January–March 2015*

on Tuesday 5 May 2015

*Interim report January–June 2015*

on Tuesday 4 August 2015

*Interim report January–September 2015*

on Tuesday 3 November 2015

Sponda publishes all of its material for investors in Finnish and English. The material is available on the company website, in the Investors section.

Releases can be ordered from the company website or by contacting Sponda's communications:

Sponda Plc, Corporate Communications

P.O. Box 940, FI-00101 Helsinki

tel. +358 (0)20 431 31

e-mail: [nina.saajasto\(at\)sponda.fi](mailto:nina.saajasto@sponda.fi)

## Sponda's investor relations

The main task of Sponda's Investor relations is to provide the market with sufficient and accurate information so that investors can assess the company's appeal as an investment today and in the future. Investor relations ensures that the company's communications are equal, timely and transparent.

Sponda's Board of Directors is responsible for the publication of the company's interim and annual financial statements. The President and CEO, the Chief Financial Officer and the Senior Vice President, Corporate Planning and IR are responsible for communications with Sponda's investors. The quiet period begins three weeks before the publication date of the financial results. Sponda does not issue comments or meet with representatives of the capital markets during the quiet period.

Information on the banks and stockbrokers who have announced that they conduct investment analyses of Sponda's business operations is provided on the company website at [www.sponda.com](http://www.sponda.com). The list may be incomplete and Sponda takes no responsibility for the assessments contained in these analyses.

## Contact details

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## Investor relations and communications

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