

Owned by you –

S GROUP AND RESPONSIBILITY 2016



OWNED BY YOU - S GROUP AND RESPONSIBILITY 2016

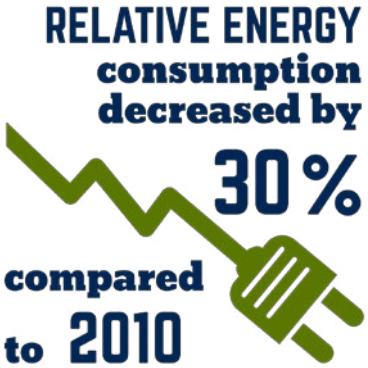












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S GROUP

FROM THE MANAGEMENT

Benefits and convenience for co-op members' daily life

"The common goal for us in S Group is to provide our customers, in other words, the co-op members, with unparalleled benefits and convenience from their own store. We will achieve this goal by focusing specifically on matters that are part of co-op members' daily life, such as affordable food and digital services.

In 2016, we successfully continued to lower the prices of food, which was our most significant strategic policy in over a decade. We cover the costs incurred by this by ourselves in full. We do this by achieving savings in energy, IT and marketing expenses, streamlining our operations in many ways, and reducing food loss. Lowering prices has been a successful endeavour. Our customer numbers and sales volumes have increased, driving our growth last year, despite the lowered prices.

Our sales were also boosted by the extended store hours. Since the beginning of last year, stores have been allowed to freely define their opening hours. We offered added convenience to our customers' daily schedules by extending the opening hours of several stores right at the beginning of the year.

The extended store hours in retail and the excellent reception of the change among consumers are good examples of the advantages provided to the domestic market by deregulation. Deregulated store hours returned the entire retail trade to a path of growth and increased employment in the sector. Therefore, I hope that deregulation in the retail sector continues, since the role retail and other service sectors play in our national economy will only strengthen in the future.

We develop services to our co-op members' needs

S Group's digital services developed swiftly last year. Many of the services can be accessed through the S-mobiili app. For example, we introduced the ABC mobile refuelling service – a pioneering application which received an international technology award. In addition, as many as 130,000 co-op members have activated the electronic cash receipt service. The receipts are archived in S-mobiili, and co-op members may discontinue receiving paper receipts completely, if they so wish. A similar service has already been in use for warranty receipts.

In order for us to serve co-op members in the best possible manner, we must identify their needs even more thoroughly. Better customer understanding and digitisation open up completely new opportunities in customer service. In the future, our co-op members will have the option of monitoring the healthfulness or environmental impacts of their purchases. Our investments in digital services will also improve the services of our bricks-and-mortar. We want to provide our customers with the same quality of service, regardless of the service channel.

We will continue to make everyday life easier for co-op members and develop services they request and need. We also want to do our part in order to make Finland an even better place to live. Our new programme, The Best Place to Live, outlines S Group's 100 acts of responsibility, which will help our society move forward. I am convinced that by combining unparalleled services and responsible cooperative values, we will be able to provide our co-op members with even better services and succeed in the ever-tightening competition in the future as well."

Taavi Heikkilä, *CEO, SOK*



S GROUP

Let's make Finland the Best Place to Live

The UN defined the new Sustainable Development Goals in 2015. The Agenda 2030 includes 17 goals covering the prevention of climate change, eradication of inequality, reduction of poverty, and promotion of responsible consumption. These goals apply to us all, companies included. Therefore, the role of companies in sustainable development work carried out together will be increasingly important.

The year 2016 was important in S Group's responsibility work. We released our new Best Place to Live programme, which consists of 100 acts of responsibility, large and small. Our ambitious goal is to make Finland an even better place to live, together with our co-op members.

We perform concrete acts for the good of society, against climate change, for the circular economy, and in order to improve our operating culture of ethics and human rights, and to promote well-being and health.

As a major operator, we want to bear the responsibility for the present moment and for the legacy we will leave behind. The new programme and the objectives set for it will guide our responsibility work until the end of 2020. The programme includes acts, which help extend our horizons.

We will increasingly invest on renewable energy and grow its share. At the end of 2016, as much as half of the electricity we use was produced with renewable energy.

In a world where inequality between people is increasing, the realisation of human rights must be ensured. We are committed to promoting human rights.

Read more about our acts in this annual review and The Best Place to Live programme website.

Responsibility grows from action. Together we are more.

Lea Rankinen, *SVP, Sustainability, S Group*



S GROUP

S GROUP IN BRIEF

S Group is a renowned Finnish cooperative group of companies operating in the retail sector. It consists of SOK Corporation and its subsidiaries as well as 20 regional and seven local cooperatives.

S GROUP
=
COOPERATIVES
+
SOK CORPORATION

The co-op members own the cooperatives, which in turn own SOK Corporation. SOK operates as the central organisation of the cooperative enterprises and provides them with procurement, expert and support services. SOK is also responsible for the strategic guidance of S Group and the development of the business chains. SOK Corporation comprises SOK and its subsidiaries.

The purpose of S Group's business is to provide co-op members with competitive services and benefits in a profitable manner. The group wants to offer diverse services and an extensive network of outlets for co-op members everywhere in Finland. All operations are based on meeting customers' need for services and making everyday life easier through useful services and benefits.

S Group's REGIONAL COOPERATIVES AND INTERNATIONAL BUSINESS



HELSINKI
Helsinki Cooperative Society Elanto

JOENSUU
Northern Karelia Cooperative Society

JYVÄSKYLÄ
Keskimaa Cooperative Society

KAJAANI
Maakunta Cooperative Society

KIRKKONUMMI
Varuboden-Osla Handelslag Cooperative Society

KOKKOLA
KPO Cooperative Society

KOUVOLA
Kymi Region Cooperative Society

KUOPIO
PeeÄssä Cooperative Society

KUUSAMO
Koillismaa Cooperative Society

LAHTI
Hämeenmaa Cooperative Society

LAPPEENRANTA
Southern Karelia Cooperative Society

MIKKELI
Suur-Savo Cooperative Society

NURMES
Jukola Cooperative

OULU
Arina Cooperative Society

PORI
Satakunta Cooperative Society

RAUMA
Keula Cooperative Society

SALO
Suur-Seutu Cooperative Society

SEINÄJOKI
Southern Ostrobothnia Cooperative Society

TAMPERE
Pirkanmaa Cooperative Society

TURKU
Turku Cooperative Society

RUSSIA
Prisma
Sokos Hotels

ESTONIA
Prisma
Sokos Hotels

LITHUANIA
Prisma

LATVIA
Prisma





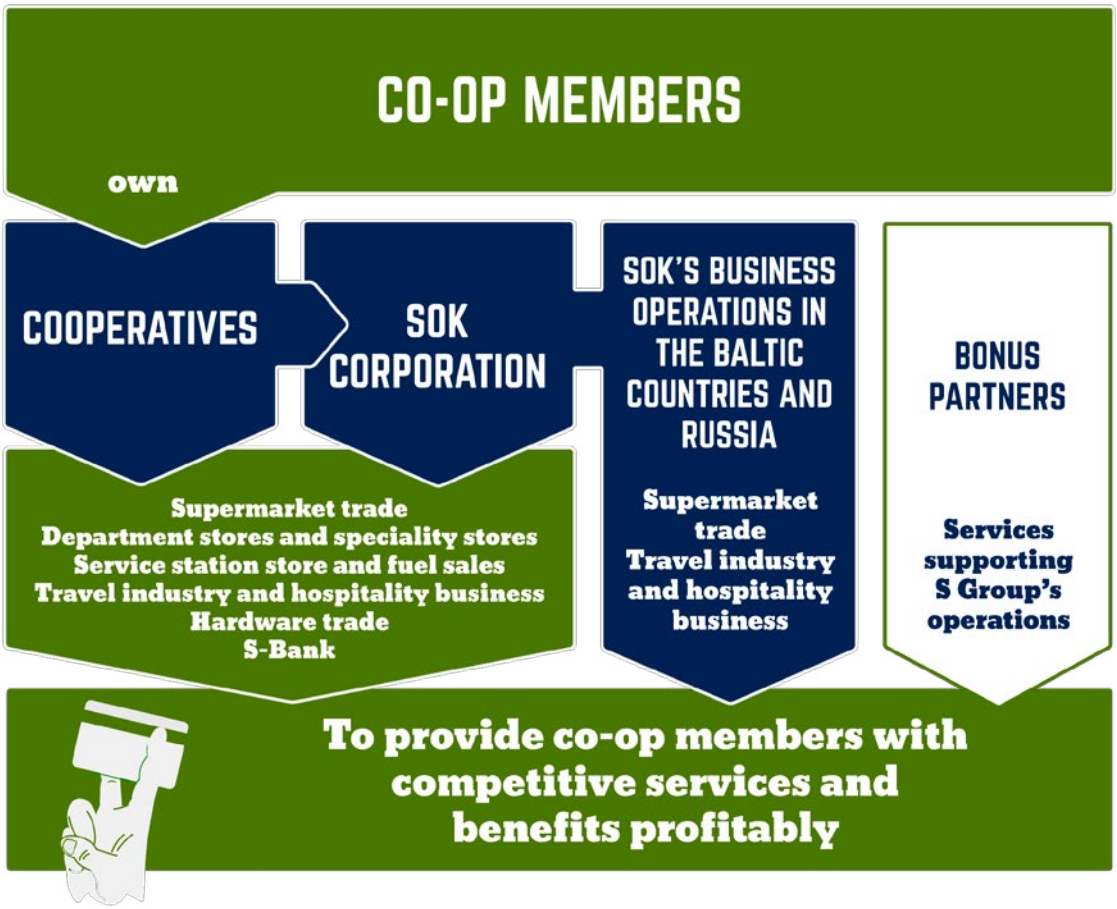
S GROUP

S GROUP IN BRIEF

S Group's key business areas are supermarket trade, department stores and speciality stores, hardware trade, service station store and fuel sales, as well as the travel industry and hospitality business. In addition, S-Bank offers banking services. Prisma, S-market, Sale, ABC, Sokos Hotels, Rosso and several other S Group outlets are familiar places for Finnish consumers.

In addition to the Finnish market, S Group conducts international operations in Russia and the Baltic countries. There are Prisma stores in Russia, Estonia, Latvia and Lithuania. In addition to Finland, Sokos Hotels provide services in both St. Petersburg and Tallinn.

S GROUP'S BUSINESS MODEL AND THE PURPOSE OF OPERATIONS





S GROUP

S GROUP IN BRIEF

The purpose of S Group's operations is to provide its owners with competitive services and benefits in a profitable manner. The first cooperatives were established more than 110 years ago to provide their members – ordinary Finnish consumers – with high-quality products and services that were affordable. We are still on this same path.

S Group's vision is that, by 2020, it will be a retail group that offers unparalleled benefits and convenience from your own store.

Our operations are guided by our values, based on responsible cooperative principles.



Read more about S Group's strategy and vision in S-kanava.

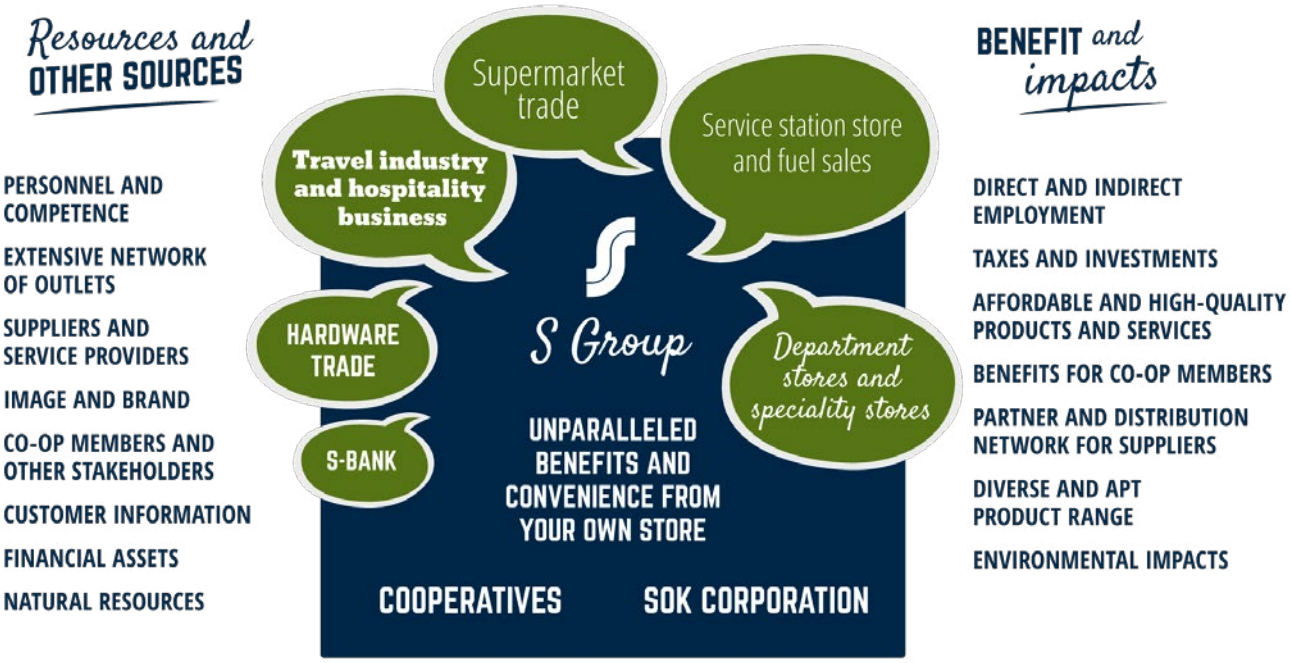


S GROUP

S GROUP IN BRIEF

VALUE CREATION IN S GROUP

S Group is an important operator in society as an employer and payer of taxes. Our operations create value for our stakeholders and society.



S Group's key figures, EUR million	2016	2015	2014
Retail sales (the entire S Group)	11,020	10,804	11,182
Retail sales in Finland	10,580	10,315	10,599
Retail sales in the Baltic countries and Russia	439	489	583
Cooperatives' retail sales	10,350	10,076	10,373
S Group's operative result	290	265	226
Investments	511	559	526
Bonus paid out to co-op members	353	343	361
Co-op members (number)	2,292,039	2,225,506	2,156,828
Personnel (number)*	40,482	37,758	40,292
Outlets (number)	1,633	1,632	1,643

All sales VAT 0%.

* From 2016 onwards, the situation on 30 November is reported. The figure includes both active and inactive employment relationships and provides the most detailed information on personnel at an annual level. The figures collected at the end of the year include, for example, seasonal employees. The 2015 and 2014 figures are from the end of the respective years and include active employment relationships.

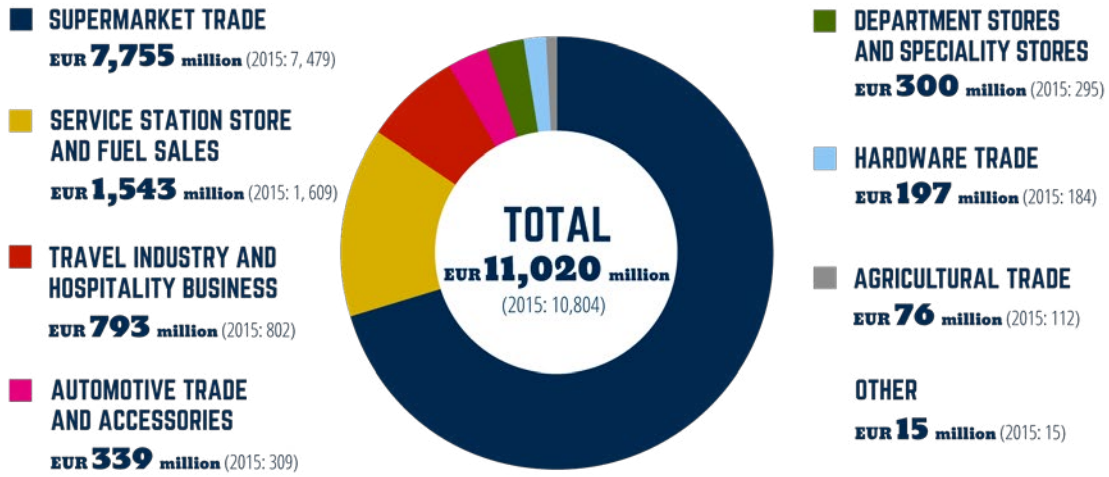


S GROUP

BUSINESS AREAS

S Group's key business areas are the supermarket trade, department stores and speciality stores, the hardware trade, service station store and fuel sales, and the travel industry and hospitality business. In addition, S-Bank offers banking services. Individual cooperatives conduct automotive trade and agricultural trade.

S GROUP'S RETAIL SALES EXCLUDING TAXES 2016 (EUR MILLION)



SUPERMARKET TRADE





S GROUP

BUSINESS AREAS

S Group's supermarket trade in Finland consists of five different chains. The nationwide service network of nearly a thousand outlets, formed by the stores, is always planned to meet the diverse needs of the local residents as extensively as possible.

"The highlights of 2016 in S Group included the new rounds of lowering prices, extended store hours and growing customer volumes. Although we lowered our prices, the higher customer volumes increased our sales in both the grocery trade and consumer goods trade.

In our operations, we focus on two tasks, in particular: lowering the price of food and improving the Finnish grocery trade. Lowering prices is not a temporary campaign but a long-term strategic decision. It is part of the cooperative society's core operations, in other words, fulfilling the wishes of consumers.

The consumer goods trade, in particular, was a bright spot in 2016. We were able to increase our sales in the demanding market conditions. The product range was developed in the area of fashion, above all. Customers have welcomed our new brands, such as Jackpot, Cottonfield, and the Finnish Neulomo, which were launched last year. Renewing the consumer goods trade continues and exciting new initiatives are on the horizon.

In 2017, we will allocate EUR 45 million to lowering the price of food and launch a massive effort to improve the services, product range and quality of our stores. In addition, the online store for food will be developed further. Consumers' budding interest in purchasing food online is also reflected in the sales of the online store. The sales grew by nearly 50 per cent in 2016.

The affordable prices and the extensive product range are our competitive advantages. The Prisma stores offer a one-stop shop for all purchases for the home and summer house. The S-market, Sale, Alepa and ABC Market stores offer an extensive selection of groceries, including local products and items for special diets."

Ilkka Alarotu, *Senior Vice President, S Group Retail Business*

S Group's supermarket trade chains are Prisma, S-market, Sale, Alepa, and ABC Market.

S Group's supermarket trade	2016	2015	2014
Outlets	948	930	920
Retail sales, EUR million	7,755	7,479	7616
S Group's grocery trade market share in Finland	47.2	45.9	45.7



S GROUP

BUSINESS AREAS

DEPARTMENT STORES AND SPECIALITY STORES



S Group's department store and speciality store chains include Sokos, Emotion and Marks & Spencer, as well as a few other speciality store chains.

"The last few years have been challenging for department stores all around the world. The Sokos stores have tackled these challenges by returning to their roots. We have focused on the core of the department store trade, in other words, customers, service, and store settings.

The product range in S Group's department store trade was streamlined in the areas of beauty, fashion and home, in particular. Our customers have welcomed our new contemporary brands. Examples of them include the popular NYX cosmetics line, the Italian interior decoration brand Coin Casa, the Gerry Weber fashion line designed for fashion-conscious mature women, as well as Boss and Lacoste, the timeless fashion staples for men.

Four new outlets were opened: Sokos in Oulu, as well as the Emotion stores in the Kaleva district in Tampere, in the Iso Omena shopping centre in Espoo, and in Lohja. The new Sokos store, which opened in the Valkea shopping centre in Oulu, was an enormous endeavour, made possible by the hard work of all the people who contributed and, of course, customers, whose enthusiasm enabled the new operations to get off to an excellent start. The existing network of outlets was also developed, and the use of space was streamlined, in particular.

The new marketing image of Sokos has received praise, and we want to encourage all our customers to discover their true selves. Inspiration for doing so can be found in the encouraging story of our brand ambassador **Makwan Amirkhani.**

The year 2016 was also financially profitable for our depart-



ment store trade. Our customer volumes grew. Our sales grew overall, but growth was seen in men's fashion as well as in cosmetics in particular. The result of the Sokos chain is once again in the black, which is an excellent achievement in the current market situation.

However, there is still work to do in the coming years as well. Maintaining a contemporary product range in fashion and cosmetics, in particular, requires relentless eye on the sector and the courage to reinvent the operations. I believe we have what it takes. In addition to developing our product range, we are making our services more interactive and available through multiple channels. We also want to offer our customers interesting events and campaigns throughout the year."

Mika Laakso, *Chain Director, SOK Department store and specialty store chain management, Sokos and Emotion*

S Group's department stores and specialty stores	2016	2015	2014
Outlets	80	77	76
Retail sales, EUR million	300	295	324

In addition to the Sokos and Emotion chains, the figures include the data from the Pukumies and Marks & Spencer chains and the other specialty store outlets.



S GROUP

BUSINESS AREAS

SERVICE STATION STORE AND FUEL SALES



ABC is Finland's most valued service station brand. It takes care of customers who are just travelling through and local residents alike by offering quick, versatile services, every day of the year. The services offered by ABC include restaurant services, a grocery store, as well as a diverse fuel selection aimed particularly at motorists and mobile customers.

"The year 2016 included amazing accomplishments: Our restaurant operations developed favourably and we launched the new Lähi-ABC concept and offered customers added convenience for vehicle refuelling using the ABC mobile payment service. A gratifying increase was also seen in the market shares of fuel.

Although ABC's customer volumes decreased due to the deregulation of store hours in the supermarket trade, we managed to uphold our sales in the restaurant trade, selling again more than 10 million meals.

The framework of the ABC chain is formed by the ABC service station stores, located along major roads and offering the same services basically in all stores. By contrast, the services and store hours of the Lähi-ABC stores primarily target local residents, so each station can customise their service offering to the local needs. The Lähi-ABCs are mainly located in densely populated areas. At the end of 2016, the number of Lähi-ABC outlets was 34.

The ABC mobile refuelling is our first digital step toward providing customers with more convenient services. The service has also been noted internationally, and customers have praised the quick and secure method of paying for fuel purchases. Customers no longer need to shiver in freezing cold when paying for fuel at unmanned stations, but can process the payment transaction in the warmth of their car.

In 2016, we also succeeded particularly well in fuel sales



S GROUP

BUSINESS AREAS

and carwash operations. We were able to increase our market share in fuel sales, despite the fact that the monetary amount of sales decreased due to the reduced prices in the global market. The carwash operations also developed favourably in 2016, and we will be developing them further in the coming years.

The competitive advantages of the ABC chain include convenience, fast service, even quality and diverse selection of services. Strong and uniform chain operations will ensure that our customers can trust the services they receive at ABCs around Finland. The role of the more than 4,000 ABC professionals is invaluable in ensuring this.

The solid development of ABC continues. We renovate 5–10 service station stores annually and continuously develop our service offering with a keen ear to customers' wishes."

Antti Heikkinen, *Chain Director, SOK Service station store and fuel sales chain management*

S Group's service station store and fuel sales	2016	2015	2014
Outlets	446	444	439
Retail sales	1,543	1,609	1,774
Petrol sales market share, %	30.6	29.5	30.0
Diesel sales market share, %	13.9	13.1	13.0

The figures include the information of the ABC service station stores, Lähi-ABC stations, unmanned ABC stations and ABC-Delis as well as other service station stores and unmanned stations.



S GROUP

BUSINESS AREAS

TRAVEL INDUSTRY AND HOSPITALITY BUSINESS



Sokos Hotels, Radisson Blu and S Group's restaurants offer diverse and experiential hotel and restaurant services for the varying needs of customers.

"In 2016, S Group's travel industry and hospitality business achieved excellent financial results and customer satisfaction. The good outcome is a result of our long-term efforts to improve customer service, build the Sokos Hotels brand family and develop our restaurants.

We continuously develop new restaurant concepts in order to meet the changing needs of customers, and we renew our existing, traditional chains. In 2016, we began the transformation of the Fransmanni restaurants into the new Frans & les Femmes bistros and continued the overhaul of the Rosso chain. The Raflaamo.fi service has become Finland's most important restaurant portal over the course of a few years.

Hotels achieved a particularly good result in 2016, and this was also reflected in S Group's profit. We are developing our hotels to offer more personalised and experiential services, in accordance with customer wishes. Currently, S Group is also investing heavily in the renewal and expansion of the hotel network, as demonstrated by the renovations of the Original Sokos Hotel Presidentti and the Radisson Blue Seaside.

Regular personnel coaching is the foundation of this development. Good customer service and the resulting custom-



S GROUP

BUSINESS AREAS

er satisfaction are achieved by motivating our supervisors and allowing personnel to take responsibility. In 2016, Sokos Hotels were selected as the most trusted, valued and responsible hotel brand in Finland. For this, we want to thank both our personnel and our customers!

In 2017, Finland raises international interest, and the country's economy has taken an upward turn. The development of digital services, the exciting and evolving restaurants, as well as the diverse network of hotels will create a solid foundation for the future."

Harri Ojanperä, *Chain Director, Senior Vice President, SOK Travel Industry and Hospitality Chain Management*

S Group's travel industry and hospitality business	2016	2015	2014
Outlets	775	798	813
Hotels	61	62	63
Restaurants	714	736	750
Retail sales, EUR million	793	802	798
Hotel business market share in Finland, %*	25,8	26,9	26,2
Restaurant business market share in Finland, %**	TBA	16,4	17,8

* Source: Statistics Finland

** Source: National Supervisory Authority for Welfare and Health Valvira. Includes only restaurants licensed to serve alcohol, located in the largest cities.

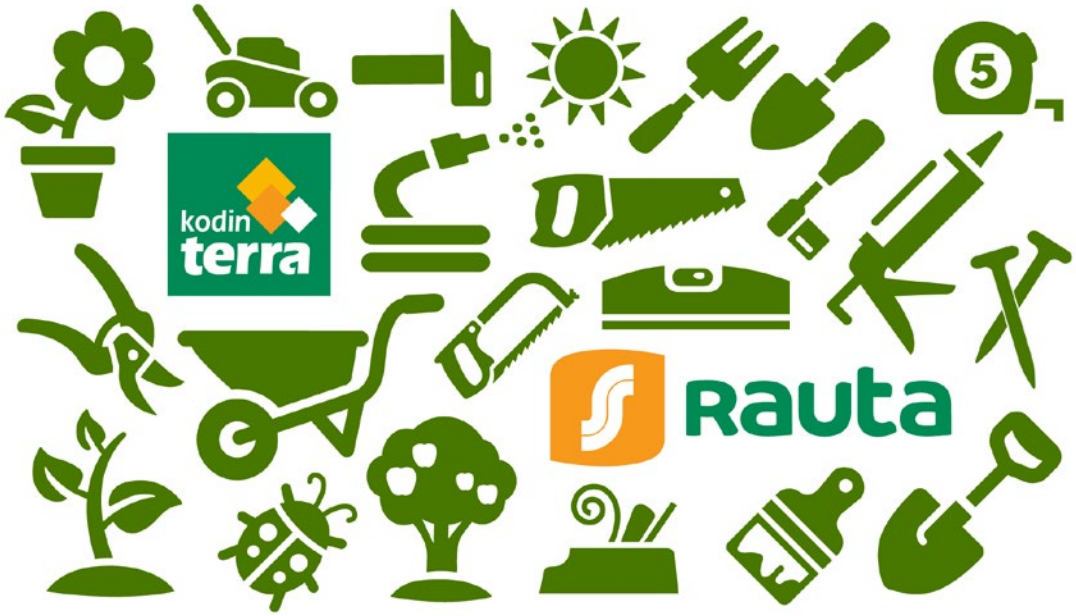
The outlet and retail figures include the data of the Sokos Hotels and Radisson Blu Hotels, restaurants and other hotel outlets, as well as the hotels in Russia and the Baltic countries.



S GROUP

BUSINESS AREAS

HARDWARE TRADE



S Group's hardware trade includes the Kodin Terra and S-Rauta chains, which focus on building, renovation, interior decoration as well as yard and gardening.

"In 2016, the construction supply trade took a slight upward turn after a shrinking streak of four years, driven by a strong construction market in the greater Helsinki area. However, the comparable sales of S Group's hardware trade decreased slightly, since the construction volume continued to be mainly low in our network's area of influence.

In 2016, S Group's hardware trade focused on creating prerequisites for profitable and growing business operations in the retail of construction, yard and garden products. The major streamlining measures concerned the harmonisation of the product range in order to create synergy between different chains. Streamlining the chain management operations helped us meet changing customer needs in an agile manner. Competitive pricing was also one of the focus areas.

S Group has a committed customer base, which needs products and services for renovation and yard and garden as well. Utilising S Group's broad and extensive network in a sensible manner will make it possible to bring these services to customers more conveniently.

The next important area of improvement will be improving operative efficiency. By analysing customer needs, we will be able to offer a more targeted product range in the future and invest in the convenience of services both in the stores and online. "

Lasse Ketola, *Vice President, DIY, Garden, Décor, S Group, SOK retail business chain management*

S Group's hardware store	2016	2015	2014
Outlets	25	23	25
Retail sales, EUR million	197	184	207

The figures include the data of the Kodin Terra and S-Rauta chains.



S GROUP

BUSINESS AREAS

S-BANK

S-Bank is a Finnish in-store bank owned by S Group and LocalTapiola Group, with approximately 3 million customers. It offers customers extensive services for daily banking, savings, investing and the financing of purchases.

"The year 2016 was characterised by strong growth in S-Bank. During the year, S-Bank obtained more than 130,000 new customers, and 25,000 customers switched to using S-Bank as their main bank for salary payments. S-Bank's mortgage portfolio grew more than six times faster than the market. In addition, the number of mortgage applications reached record-high levels as a result of the publicity received by the extended mortgage of up to 45 years.

Several new products were introduced during the year. In February, a mobile refuelling service was introduced by S-Bank and the ABC chain for paying for fuel with a smart phone app. In April, a counting tool was released for comparing the benefits and costs of services offered by different banks. In October, FIM launched an impact investment project to support the employment of asylum-seekers, and in November, a Forest fund investing in forest property was introduced. In December, LocalTapiola's insurance products became available in the S-mobile application, and S-Bank also introduced to the market a mortgage with repayment period of up to 45 years, which will help keep monthly costs of home ownership reasonable.

S-Bank Group's operations were centralised, and its corporate structure was simplified further in 2016. In June, S-Bank acquired the remainder of the share capital of FIM Corporation.

At the end of 2016, S-Bank had more than 2.9 million customers using its free-of-charge basic banking services. They had more than 1.9 million S-Bank Visa cards. By the end of the year, 1.7 million customers had acquired banking IDs for electronic banking and access to S-mobiili. By the end of 2016, the S-mobiili app had been downloaded on nearly a million smart phones and tablet devices.

At the end of the year, S-Bank's total funds on deposit were EUR 4,547 million, and its total lending was EUR 3,492 million.

S-Bank Group's operating result in 2016 was EUR 22.3 million and its capital adequacy ratio was 15.1 per cent."

Pekka Ylihurula, *Managing Director, S-Bank*



S GROUP

MANAGEMENT AND GOVERNANCE

SOK'S SUPERVISORY BOARD 2016

Matti Pikkarainen (born 1953)
Oulu
D. Th.
chairperson 2013–
chairperson of the Supervisory Board of the Osuuskauppa Arina cooperative
member of the Supervisory Board 2004–
outgoing in 2019

Maija-Liisa Lindqvist (born 1951)
Lahti
talousneuvos [Finnish honorary title]
first vice chairperson 2013–
chairperson of the Supervisory Board of the Osuuskauppa Hämeenmaa cooperative
member of the Supervisory Board 1997–
outgoing in 2017

Antti Määttä (born 1966)
Muurame
M.Sc. (Business Administration)
second vice chairman 2015–
managing director of the Osuuskauppa Keskimaa cooperative
member of the Supervisory Board 2013–
outgoing in 2019

Jorma Bergholm (born 1954)
Helsinki
Managing Director
Helsingin Työväenyhdistys ry
chairman of the Supervisory Board of the Helsingin Osuuskauppa Elanto cooperative
member of the Supervisory Board 2005–
outgoing in 2017

Pentti Hämäläinen (born 1954)
Hamina
lawyer
chairman of the Supervisory Board of the Kymen Seudun Osuuskauppa cooperative
member of the Supervisory Board 2008–
outgoing in 2018

Henrik Karvonen (born 1972)
Kuusamo
managing director of the Koillismaan Osuuskauppa cooperative
member of the Supervisory Board 2014–
outgoing in 2018

Kimmo Koivisto (born 1956)
Salo
farmer
chairman of the Supervisory Board of the Suur-Seudun Osuuskauppa SSO cooperative
member of the Supervisory Board 2003–2004, 2007–
outgoing in 2019

Martti Lokka (born 1967)
Mikkeli
Managing director, building manager
chairman of the Supervisory Board of the Osuuskauppa Suur-Savo cooperative
member of the Supervisory Board 2014–
outgoing in 2018

Matti Manner (born 1953)
Naantali
Lawyer, law counsellor
chairman of the Executive Board of the Turun Osuuskauppa cooperative
member of the Supervisory Board 2016–
outgoing in 2019

Mika Marttila (born 1970)
Rauma
M.Sc. (B.A.)
managing director of the Osuuskauppa Keula cooperative
member of the Supervisory Board 2011–
outgoing in 2017

Anne Mäkelä (born 1965)
Kokkola
lawyer, LL.M. with court training
chairman of the Supervisory Board of the Osuuskauppa KPO cooperative
member of the Supervisory Board 2015–
outgoing in 2017

Ilkka Ojala (born 1949)
Tampere
M.Sc. (Eng.), M.Sc. (Admin.)
Managing Director
Chairman of the Supervisory Board of the Pirkanmaan Osuuskauppa cooperative
member of the Supervisory Board 2011–
outgoing in 201

Hannu Pelkonen (born 1967)
Sotkamo
managing director of the Osuuskauppa Maakunta cooperative
member of the Supervisory Board 2015–
outgoing in 2018

Ilkka Pirskanen (born 1962)
Joensuu
Managing Director
chairman of the Supervisory Board of the Pohjois-Karjalan Osuuskauppa cooperative
member of the Supervisory Board 2015–
outgoing in 2019



S GROUP

MANAGEMENT AND GOVERNANCE

Pekka Ritvanen (born 1955)
Kuopio
M. Sc. (Eng)
Managing Director
member of the Board of Directors of the Osuuskauppa Peeässä cooperative
member of the Supervisory Board
2014–
outgoing in 2017

Timo Santavuo (born 1960)
Pori
lawyer, LL.M. with court training
chairman of the Supervisory Board of the Satakunnan Osuuskauppa cooperative
member of the Supervisory Board
2000–
outgoing in 2018

Mervi Sillanpää-Jaatinen (born 1957)
Lappeenranta
B.Sc. (Econ.)
managing director of the Etelä-Karjalan Osuuskauppa cooperative
member of the Supervisory Board
2014–
outgoing in 2018

Matti Timonen (born 1956)
Nurmes
farmer
chairman of the Supervisory Board of the Jukolan Osuuskauppa cooperative
member of the Supervisory Board
2011–
outgoing in 2017

Elina Varamäki (born 1971)
Seinäjoki
Vice principal, docent
chairman of the Supervisory Board of the Etelä-Pohjanmaan Osuuskauppa cooperative
member of the Supervisory Board
2016–
outgoing in 2019
erovuorossa 2019

Kristian Westerholm (born 1969)
Inkoo
M.Sc. (Agr.)
Chairman of the Supervisory Board of the Varuboden-Osla Handelslag cooperative
member of the Supervisory Board
2016–
outgoing in 2019

PERSONNEL REPRESENTATIVES

Ulla Kivilaakso (born 1970)
Helsinki
business college graduate, diploma in marketing and communications management (MJD)
Marketing manager
SOK Travel industry chain management
member of the Supervisory Board
2011–
outgoing in 2018

Iiris Merimaa (born 1962)
Administrative assistant
SOK Administrative Services and Risk Management
member of the Supervisory Board
2009–
outgoing in 2018



S GROUP

MANAGEMENT AND GOVERNANCE

SOK'S EXECUTIVE BOARD 2016

1. Taavi Heikkilä
(born 1962), CEO, M.Sc. (B.A.)
Member of SOK's Executive Board 2007–2011, 2014–
With S Group 1987–
Chairman of SOK's Executive Board

2. Matti Niemi
born 1955), Managing Director, M.Sc. (B.A.)
Helsingin Osuuskauppa Elanto cooperative
Member of SOK's Executive Board 2007–
With S Group 1982–
Vice chairman of SOK's Executive Board

3. Heikki Hämäläinen
(born 1966), Managing Director, M.Sc. (B.A.)
Osuuskauppa Suur-Savo cooperative
Member of SOK's Executive Board 2004–
With S Group 1990–

4. Tapio Kankaanpää
(born 1962), Managing Director, M.Sc. (B.A.)
Osuuskauppa PeeÄssä cooperative
Member of SOK's Executive Board 2012–
With S Group 1987–

5. Hannu Krook
(born 1965), Managing Director, M.Sc. (B.A.)
Varuboden-Osla Handelslag cooperative
Member of SOK's Executive Board 2016–
With S Group 2013–

6. Timo Mäki-Ullakko
(born 1963), Managing Director, M.Sc. (B.A.)
Pirkanmaan Osuuskauppa cooperative
Member of SOK's Executive Board 2013–
With S Group 1987–

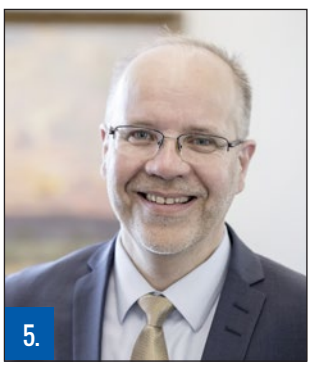
7. Jouko Vehmas
(born 1956), Managing Director, M.Sc. (Econ.)
Kymin Seudun Osuuskauppa cooperative
Member of SOK's Executive Board 2001–2003, 2014–
With S Group 1980–

















S GROUP

MANAGEMENT AND GOVERNANCE

SOK CORPORATION'S CORPORATE MANAGEMENT TEAM 2016

1. Taavi Heikkilä
(born 1962), CEO, M.Sc. (B.A.)
Member of SOK's Executive Board
2007–2011, 2014–
With S Group 1987–

2. Jari Annala
(born 1964), Executive Vice President, CFO, M.Sc. (B.A.)
Finances and administration
With S Group 1989–

3. Seppo Kuitunen
(s. 1961) General Counsel, LL.M.
Legal affairs
With S Group 2005–

4. Arttu Laine
(born 1970), Executive Vice President
Business operation groups, procurement and logistics
M.Sc. (B.A.),
groups, procurement and logistics
M.Sc. (B.A.)
With S Group 1995–

5. Susa Nikula
(born 1970), Executive Vice President,
M.A. (Ed.)
Personnel
With S Group 1995–

6. Jorma Vehviläinen
(born 1967), Executive Vice President,
SOK Liiketoiminta Oy, M.Sc. (B.A.)
With S Group 1991–

7. Veli-Pekka Ääri
(born 1968), Executive Vice President
Customer Relations, Communications, Marketing and Digital Services, M.Sc.
With S Group 2011–


1.


2.


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S GROUP

MANAGEMENT AND GOVERNANCE

SOK CORPORATION'S CORPORATE GOVERNANCE AND MANAGEMENT SYSTEM

Applicable Rules

SOK is a Finnish cooperative, whose decision-making and governance are subject to the provisions of the Cooperatives Act, other regulations concerning the operations of the business areas, and SOK's Statutes. The operations of the subsidiaries are regulated by the Limited Liability Companies Act, among others, and in addition, SOK Corporation's operations are governed by the operating principles, operating policies and investment and approval guidelines confirmed by SOK's Executive Board, as well as the rules of procedure confirmed for different bodies.

In June 2015, the Securities Market Association approved a Corporate Governance Code for listed companies (available at http://cgfinland.fi/), which became effective on 1 January 2016. In accordance with a statement released by the Finland Chamber of Commerce in 2006, other nationally significant institutions should also adhere to the Code to the extent possible considering their special characteristics. SOK adheres to the Corporate Governance Code to the extent that it is a cooperative form of business and that the Code is relevant considering its special characteristics.

Cooperative Meeting

The Cooperative Meeting is SOK's highest decision-making body. Each member cooperative enterprise of SOK is eligible to send a maximum of five representatives to the Cooperative Meeting, all of whom have the right to address the meeting, but only one of whom has the right to vote on behalf of the cooperative enterprise. The execution of ownership rights and the voting rights are based on ownership shares and the Cooperative's Statutes.

The task of the Annual Cooperative Meeting is to attend to the matters set out in the Statutes, such as the adoption of the financial statements, disposal of surplus shown in the balance sheet, granting release from liability to the members of the Supervisory Board and Executive Board, and the election and remuneration of the Supervisory Board and the auditors. In addition, the Cooperative Meeting attends to other matters listed on the agenda. An Extraordinary Cooperative Meeting can be convened when necessary.

Supervisory Board

The Cooperatives Act does not require the setting up of a Supervisory Board, but a Supervisory Board has been set out in SOK's Statutes as part of SOK Corporation's administrative model. The role of the Supervisory Board is to represent the extensive grass-roots membership and to act as a forum on which the Cooperative's joint position on major strategic issues is defined. Its duty is to determine overall policies and to safeguard the members' interests. The Supervisory Board confirms the strategy of S Group and SOK Corporation and the key objectives of SOK Corporation on the Executive Board's proposal and monitors the implementation thereof. Matters concerning the actual operational management are handled by SOK's Executive Board and line management.

The Supervisory Board oversees that the administration of the cooperative society and SOK Corporation complies with the law, the Statutes, and the decisions of the Cooperative Meeting and the Supervisory Board, and that such administration is in the cooperative society's best interests. The Supervisory Board approves and dismisses members of the cooperative society and appoints and dismisses the Chief Executive Officer and other members of the Executive Board, and also decides on the remuneration of Executive Board members other than those who are employed by the cooperative society.

Furthermore, the Supervisory Board decides on the principles of cooperation for S Group's operations and long-term plans.

The Supervisory Board has ratified rules of procedure for itself.

The chairman of the Supervisory Board and the two vice-chairmen comprise the Committee of Presiding Officers, which assists the Supervisory Board in carrying out its duties. The Chief Executive Officer attends the meetings of the Committee of Presiding Officers. In addition, the Committee of Presiding Officers decides on, among other things, on the emoluments of the CEO in accordance with guidelines provided by the Supervisory Board.



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MANAGEMENT AND GOVERNANCE

The members of the Committee of Presiding Officers are:
Chairman Matti Pikkarainen (born 1953), Cathedral Dean, D. Th.
1st vice-chairperson Maija-Liisa Lindqvist (born 1951), talousneuvos [Finnish honorary title], business college graduate
2nd vice-chairman, managing director Antti Määttä (born 1966), M. Sc. (Econ.)

The Supervisory Board has established four permanent committees: the Nomination Committee, Compensation Committee, Audit Committee, and Cooperative Committee, all of which have their own rules of procedure.

The Supervisory Board has 14–27 members, of whom 12–25 are elected by the Cooperative Meeting based on the proposals by the cooperatives. A person elected to the Supervisory Board must be a Finnish citizen and member of a cooperative. A person may not be elected as a member of the Supervisory Board if they turn 68 before the beginning of the term of office. In addition to the members elected by the Cooperative Meeting, the personnel of the cooperative society can nominate two members and designated deputies for them from among themselves to the Supervisory Board in accordance with the Act on Personnel Representation in the Administration of Undertakings.

The Supervisory Board had 20 members and two personnel representatives in 2016. In 2016, the Supervisory Board convened five times. The attendance rate of the Supervisory Board members in the meetings was 96.

The special compensation for the chairman of the Supervisory Board was EUR 4,000 per month, and the vice-chairmen were each paid a compensation of EUR 2,000 per month in 2016. The meeting compensation for the chairmen and members of the Supervisory Board in 2016 was EUR 460 for each meeting and per day spent carrying out a specific assignment.

EXECUTIVE BOARD

Election and Composition of the Executive Board

According to SOK's Statutes, the Executive Board is composed of the Cooperative's CEO, acting as chairman, and of a minimum of three and a maximum of eight other members. The Supervisory Board elects the members of the Executive Board for a term of one calendar year on the basis of the Nomination Committee's proposal. According to the rules, a person being elected must be a Finnish citizen and under 68 years of age at the beginning of the term of office. The goal is to ensure sufficient rotation, but, on the other hand, continuity is considered important in the work of the Executive Board.
In 2016, SOK's Executive Board had seven members, six of whom were managing directors of cooperative enterprises. In accordance with the cooperative's rules, SOK's Chief Executive Officer Taavi Heikkilä was the Chairman of the Executive Board. In its meeting on 24 November 2016, SOK's Supervisory Board elected the following members to the Executive Board for 2017:

Chairman Taavi Heikkilä (born 1962), CEO, M.Sc. (Econ.)
Heikki Hämäläinen (born 1966), managing director, M.Sc. (B.A.)
Tapio Kankaanpää (born 1962), managing director, M.Sc. (B.A.)
Hannu Krook (born 1965), managing director, M.Sc. (B.A.)
Timo Mäki-Ullakko (born 1963), managing director, M.Sc. (B.A.)
Vice-Chairman Matti Niemi (born 1955), managing director, M.Sc. (B.A.)
Olli Vormisto (born 1967), managing director, M.Sc. (B.A.)

Duties of the Executive Board

The Executive Board represents the cooperative society and attends to its administration and the due arrangement of its operations within the framework of SOK Corporation and in compliance with the applicable legislation and rules. The duty of the Executive Board is to prepare strategic decisions for presentation to the Supervisory Board, as well as to decide on competition strategies and the operating plans of both SOK and its subsidiaries.

In addition, the Executive Board, upon a proposal from the CEO, decides on setting up SOK's Corporate Management Team and on appointing its members and their compensation, with the exception of the CEO. The Executive Board appoints a Nomination Working Group, which prepares a proposal on the composition of the Boards of Directors and



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MANAGEMENT AND GOVERNANCE

Business Area Boards of SOK's subsidiaries for decision by the Executive Board. Rules of procedure have been confirmed for the Executive Board.

SOK's Executive Board has not deemed it necessary to establish the committees mentioned in the Corporate Governance Code to prepare the matters to be discussed by the Executive Board. Corresponding committees have been established by the Supervisory Board.

Meetings of the Executive Board

The Executive Board convenes as required and upon the chairman's invitation, and forms a quorum when more than half of the members are present, including the chairman or vice chairman of the Executive Board. The Executive Board regularly evaluates its work and procedures by carrying out a self-assessment once a year.

The Executive Board convened 11 times during 2016, and the members' attendance rate was 99 per cent. The members of the Executive Board were paid a total of EUR 115,200 in remuneration in 2016. As the chairman of the Executive Board, the CEO of SOK does not receive separate remuneration for their work in the Executive Board. The chairman and vice chairmen of the Supervisory Board are also entitled to attend the meetings of the Executive Board.

CEO

Contrary to the recommendation of the Corporate Governance Code for listed companies, the Chief Executive Officer employed by the cooperative society is the chairman of SOK's Executive Board. Because the CEO is the chairman of the Executive Board, the Supervisory Board appoints the CEO. The duty of the CEO is to manage the operations of the Executive Board and the cooperative society in accordance with legislation, SOK's Statutes, and the decisions and rules of the governing bodies.

CEO Taavi Heikkilä (born 1962) was chairman of SOK's Executive Board and CEO, as referred to in the Cooperatives Act. In 2016, SOK's CEO was paid salary, including fringe benefits, and bonuses in the total amount of EUR 839,416. SOK's CEO had a corporate residence as a fringe benefit, and its taxation value is included in the aforementioned remuneration amount. The CEO is covered by a defined contribution-based supplementary pension and the retirement age is 63 years.

SOK's Corporate Management Team

The duties of SOK's Corporate Management Team include assisting the CEO in the management of SOK Corporation and S Group. The Corporate Management Team coordinates and prepares, among other things, the central proposals made to the Executive Board. Such proposals include business strategies, target levels, operating plans and budgets, as well as major investment projects and disposals of S Group and SOK Corporation. In addition, the Corporate Management Team discusses operational matters concerning all of SOK Corporation's areas of responsibility. The retirement age of the members of SOK's Corporate Management Team is 60–63 years, determined in accordance with personal executive contracts.

At the end of the year, the Corporate Management Team had six members, and it convened 20 times in 2016. In 2016, the Corporate Management Team was paid a total of EUR 1,887,682 in salaries and bonuses.

This amount also includes fringe benefits.

Subsidiaries

Primarily, the chairman of the Board of Directors of a subsidiary is a member of the Corporate Management Team, employed by SOK and responsible for the line of business in question. The CEO was the chairman of SOK Liiketoiminta Oy's Board of Directors. SOK's Executive Board nominates the members of the subsidiaries' Boards of Directors for the subsidiaries' Annual General Meetings to decide on. The members of the Boards of Directors of subsidiaries are primarily elected from amongst S Group's employees.

The subsidiary's Board elects the company's managing director, but the election is subject to approval by SOK's Executive Board. The managing directors of subsidiaries do not, as a rule, have seats on the Board of Directors of the company in question. The operations of the subsidiaries



S GROUP

MANAGEMENT AND GOVERNANCE

are regulated by, among others, the Corporation-wide principles and operating policies decided by SOK's Executive Board.

Chain Management

SOK's chain management units are responsible for developing the business area / chains and the value chain and preparing matters to be decided on by SOK's Executive Board. Key responsibilities include the preparation of the competition strategy, chain business idea and annual operating plan. The business chain management units are managed by chain directors, who are included in the responsibility area of Executive Vice Presidents at the Corporate Management Team level. Chain management units are provided inspiration and assistance by business support teams. The teams consist of 4–6 representatives of regional cooperatives' managing directors and representatives of SOK's chain management. An Executive Vice President of SOK serves as the chairperson of the business support teams.

SOK's support and service functions also have their own support teams, which provide assistance and inspiration to the management of the SOK function responsible for providing and developing the support function in question. The support teams include managing directors of regional cooperatives and directors of the responsibility area in question, and a member of SOK's Corporate Management Team responsible for the support function in question chairs the teams.

The business support teams and service operations support teams are not decision-making bodies by nature, and are part of SOK's management system reform confirmed in 2014. A member of the SOK Corporate Management Team responsible for the business or support functions in question is in charge of selecting the support team members, and the SOK Executive Board is informed of the selection. The management model streamlines the authority and responsibilities of the chains and the service business.

Management Bonus Scheme

SOK Corporation's entire personnel in Finland are covered by a bonus scheme. SOK's Executive Board decides on the bonus scheme for the management (the Corporate Management Team), and the Supervisory Board's Committee of Presiding Officers decides on the bonus scheme for the CEO. The bonus scheme for the senior management is based on both short-term and long-term objectives. The maximum level of the Corporate Management Team's short and long-term bonuses corresponds, at a maximum, to three months' monthly salary per year.

The Supervisory Board has set up a permanent Compensation Committee whose task is to assess and develop the compensation systems and principles for S Group's senior management and to issue recommendations on compensation to SOK's decision-making bodies.

Audit

The Annual Cooperative Meeting elects an auditor to audit the financial statements and consolidated financial statements as well as the accounting records and administration of the cooperative society. The auditor must be Authorised Public Accountants referred to in the Auditing Act.

The Annual Cooperative Meeting elected KPMG Oy Ab, Authorised Public Accountants, as SOK's auditor for 2016, with Jukka Rajala, APA, as the principal auditor.

In 2016, the auditing fees paid by the SOK Corporation companies in Finland, the Baltic countries and Russia for auditing operations amounted to EUR 478,793, and other fees not related to auditing amounted to EUR 110,664.

Internal Control, Internal Audit, and Risk Management

SOK's Executive Board is responsible for duly organising the cooperative's operations and management and for the legality and reliability of the accounting records, financial management, and routine management. In addition, the Chief Executive Officer, SOK's unit directors, and the Boards of Directors of the subsidiaries and their managing directors carry out the management and control of business activities in day-to-day operations within their own areas of responsibility. In November 2016, SOK's Executive Board approved the operating policy for SOK Corporation's internal control and the Compliance policy.



S GROUP

MANAGEMENT AND GOVERNANCE

The Corporation's internal audit is carried out by the internal control functions of SOK and its subsidiaries. SOK's Executive Board reviews the annual plan for SOK's internal audit every year. The internal audit function regularly reports on the findings of the internal audit to the CEO, Executive Board, and the Supervisory Board's Audit Committee.

SOK's Executive Board has confirmed a risk management policy for identifying and analysing risks across the Corporation and for defining and determining risk management measures as part of operational planning. The key risks in the Corporation's operations and strategic objectives are identified on the basis of the analyses and discussed and decided on by the Executive Board annually. The management of SOK Corporation's subsidiaries and units reviews and defines each unit's major risks and the defined risk management measures and is responsible for implementing risk management measures.

Precautions have been taken for property, loss-of-profits and liability damage risks of operations through measures, such as contingency plans and insurance. SOK Corporation's risk management expert organisation directs and develops risk management in S Group and provides support for risk management. SOK's internal audit function assesses the sufficiency and functioning of the risk management processes.

Financial Reporting

SOK Corporation publishes its financial statements in February and its interim report for six months in August. Furthermore, the development of S Group's retail sales is covered in quarterly reports. SOK Corporation's Annual Report is published at the Annual Cooperative Meeting in April.

Communications

Up-to-date information concerning SOK Corporation and S Group, including bulletins, are available on the Group's website at www.s-kanava.fi. SOK's Communications and Community Relations unit is in charge of producing and updating the information.



S GROUP

RESPONSIBILITY MANAGEMENT

RESPONSIBILITY MANAGEMENT

Responsibility in S Group covers all business areas, which is why it is managed jointly with business management at the S Group level. SOK's Responsibility unit is in charge of the S Group-level development, management and reporting of responsibility. SOK's Responsibility unit operates as part of SOK's Business Operation Group, which includes all S Group's business areas as well as the procurement and logistics companies.

SOK's Responsibility unit is in charge of strategic goal setting and defines the focus areas of S Group's responsibility development. The business area-specific responsibility objectives and procedures are defined jointly with the business units, subsidiaries and the Responsibility unit. The Responsibility unit monitors the implementation of the procedures and reports regularly to the Business Operation Group and SOK's Corporate Management Team on responsibility development. In addition, SOK's Executive Board approves the S Group-level responsibility principles and programme as well as the strategic policies. Policies concerning products and services are prepared jointly with the business areas.

S Group's responsibility Advisory Group, consisting of external experts, is part of the responsibility management and steering model. The Advisor Group's role is to support and challenge S Group in developing responsibility. Its purpose is to provide S Group with information about new opportunities, best practices in corporate responsibility, innovations and risks related to the operating environment. Nevertheless, the decisions concerning the focus areas of development are made within S Group. In addition to the Director of Corporate Responsibility, the CEO, Executive Vice President and business area management participate in the Advisory Group's work.



S GROUP

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT

S Group engages in active dialogue with its stakeholders. The goal of the dialogue is to disseminate information on S Group, increase mutual understanding and make use of the competence of the stakeholders in the development of our operations.



Stakeholder work at S Group is managed systematically and measured annually. Stakeholders' images of S Group as a responsible player are surveyed by means of the 'Luottamus ja maine' ('Reliability and reputation') survey conducted by T-Media. The survey assesses the overall reputation through eight subject areas: governance, financial administration, management, innovations, interaction, products and services, workplace, and responsibility.

In 2016, the public assessed S Group's reputation on a scale of 1 to 5 as good, at 3.57 (2015: 3.56). Responsibility was assessed as fair, at 3.41 (2015: 3.14). In addition, governance, which covers openness and transparency as well as doing the right thing, was assessed as fair, at 3.37 (2015: 3.45).

S Group participates in social discussion openly and proactively. Differing views are taken into account and criticism is discussed. We answer any questions and respond to feedback sent to the retail group openly, whether they come from customers, civic organisations or the media.

Discussion participants invited to the 'Tornin aamu' events include stakeholders relevant for each topic, such as representatives of associations, decision-makers, senior officials, the media and experts. In 2016, the 'Tornin aamu' discussion event covered regulation of the pharmacy sector, for example. In addition, S Group's The Best Place to Live responsibility programme was made public at the 'Tornin aamu' event. Renewable forms of energy were also discussed at the event.

In May 2016, S Group invited food sector influencers to discuss the future of Finnish food. The speakers at the event included Taavi Heikkilä, CEO of SOK, Kimmo Tiilikainen, Ministry of Agriculture and Forestry, Juha Marttila, chairman of MTK, Sonja Vartiala, Executive Director of Finnwatch, and Annikka Hurme, CEO of Valio. The objective of the event was to promote discussion food in Finland.

In September, S Group invited stakeholders to discuss the role of companies in promoting human rights. Members of the discussion panel were human rights activist Andy Hall, SOK's SVP of Sustainability Lea Rankinen and Executive Director of Finnwatch Sonja Vartiala.

S Group representatives are engaged in an ongoing and systematic dialogue with decision-makers and officials on matters affecting S Group's operations. In addition, we actively influence the development of the service sector and the discussion concerning it. Our influencer communication is open and we are a reliable partner to our stakeholders.



OUR ACTIONS
FOR THE GOOD OF SOCIETY

WORKING AT PRISMA DURING THE SCHOOLYEAR AND IN THE SUMMER

It all started with the 'Tutustu työelämään ja tienaa' ('Learn and earn') traineeship. **Valtteri Hautamäki,** who at the time went to lower secondary school, did so well during his trainee period at the Masku S-market that he secured a job there for the following summer as well. Later, when Hautamäki, now 18, was studying at a vocational institute, he started working part-time at Prisma Länsikeskus in Turku.

The path that has led Hautamäki into working life is very common in S Group. In 2016, S Group's outlets employed approximately 13,000 summer employees and trainees, the majority of whom were young people. The majority of them worked at supermarkets.

Valtteri Hautamäki says he has been able to navigate both work and school just fine.

"Thanks to my cool coworkers, working has not always even felt like work! Of course, I have been tired at times, but then I've just taken it one day at a time."

Students working part-time at Prisma stores of the Turun Osuuskauppa cooperative usually sign a contract by which the employee and employer commit to five hours of work per week. However, often more work is available.

Valtteri Hautamäki has worked an average of two days per week during his studies, and in the summer he has accepted as many hours as have been available.

"Shelf stacking, tending the service counter and helping customers," he says, listing his job duties.

The electronics department of Prisma offered him job duties closest to the vocation for which he is studying. The young man graduated as an electrician and automation mechanic a year ago and after his military service, he plans to continue studies in the same field at the Tampere University of Applied Sciences – and part-time work at the Pirkanmaan Osuuskauppa cooperative.





OUR ACTIONS

FOR THE GOOD OF SOCIETY

S GROUP DONATED A RECORD AMOUNT TO THE PINK RIBBON CAMPAIGN

S Group and its customers raised over 450,000 euros for breast cancer research in the Pink Ribbon campaign. More than 187,000 ribbons designed by **Michael Monroe** were purchased by Finns at S Group stores during the September–October 2016 campaign period.

Compared to the previous year, the ribbon sales increased considerably: the number of ribbons sold was 50,000 higher than in 2015. In total, the Pink Ribbon campaign organised by Cancer Foundation Finland raised over 1.8 million euros.

“We are very grateful to customers who took part in the campaign and to our partner companies. As public funding for research is dwindling, the importance of Cancer Foundation’s support to cancer researchers keeps growing. Year by year, there is more and more need for donated funds”, says Helena Hulkko, Head of Fundraising at Cancer Foundation Finland.

Breast cancer is the most common cancer in Finland. Approximately 5,000 women are diagnosed with breast cancer annually, and the number is constantly growing. The Pink Ribbon campaign promotes breast cancer research in Finland and supports those who have fallen ill and their loved ones. The fundraising campaign, organised now for the 14th time, helps prevent and treat an increasing number of diagnosed cases of breast cancer.

S Group has been a partner in the Pink Ribbon campaign for a few years. The main focus of the cooperation is selling ribbons, for which S Group’s extensive network of outlets is well suited. The ribbons were sold in Prisma stores, S-markets, Sale and Alepa stores, ABC service station store markets as well as at Sokos and Emotion stores.





OUR ACTIONS
FOR THE GOOD OF SOCIETY

ENVISIONING THE FUTURE IN THE GREAT FOOD DISCUSSION

What will we be eating in the future and what kind of food innovations will we be seeing? S Group's Great Food Discussion gathered together nearly 300 food sector professionals to exchange ideas and envision the future of the food supply chain at the Finlandia Hall in May 2016.

The keynote speaker at the event was British futurist **James Wallman**, who emphasised the importance of being proactive to the food sector professionals.

"Companies must follow innovators and people who adopt trends as soon as they emerge. It is dangerous to succumb to the status quo and think that it is natural for our business to be slow, if you want to be a serious player in the future.

What will the food trends of the future be like then? According to James Wallman, vegetables and healthy eating will be highlighted in our choices. Smart technology will also increasingly guide the choices we make.

"Even today, we are able to use smart devices to scan food for nutritional information. In the future, we will be better able to choose food that is good for us personally," he says.

To balance the use of technology, people need to be able to do something with their hands. The popularity of cooking will increase, but it will be spiced up with experiences. Flavours from the new world will be served by pop-up restaurants, in particular.

Wallman also predicts that environmental consciousness will increase.

"Thus, reducing waste will be among the powerful food trends of the future."

Wallman's predictions are already realised in the Finnish culinary innovation of 'pulled oats' – a healthful, ecological vegetarian food. Other similar products can be expected to enter the market as well.

The Great Food Discussion was organised again in spring 2017 with the theme 'Maailman kekseliäin ruokamaa' ('The Most Innovative Culinary Country in the World'). S Group will continue to initiate food discussions in the future as well.





OUR ACTIONS

FOR THE GOOD OF SOCIETY

LOCAL FOOD IS IN!

Customers expect to find increasingly local food, produced near them, in their local stores. The availability of local food is an important value for many customers, since the production of local food and local companies will maintain the vitality of the area.

“Local competence and the efforts of entrepreneurs are valued. Local products are often considered to be authentic and traditional; there is a sense of loyalty and love for one’s home region,” says **Katja Tapio** from SOK Retail chain management.

The myth of all stores in a chain being similar lives strong. The chain operations bring efficiency and consistency to many things, but still, the product range always reflects our customer base. Work on the product range in S Group’s grocery stores is carried out on two levels: the chain’s product range is the responsibility of the assortment managers and procurement managers in S Group’s retail chain management, and the cooperatives enrich the product range with local products and work to meet the needs of their customer base.

“A small store located in a city centre may focus on snacks and products offered for meeting the daily needs. In rural areas, stores may resemble the old-time general stores, which also sell soil and tools,” says assortment manager Juha Nieminen of SOK Retail chain management.

“At best, the product range meets customers’ all basic needs, feels right and is an extensive combination of the most sought-after and most economical products, as well as the best local products,” Nieminen says.





OUR ACTIONS

FOR THE GOOD OF SOCIETY

ALEPA BICYCLES FOR EASY TRANSPORT IN HELSINKI

The city bicycles in Helsinki got a splash of colour last summer, when the Alepa chain of the HOK-Elanto cooperative took on the main sponsorship of the bikes. The yellow bicycles were available to locals and tourists alike to ride in central Helsinki from the beginning of May through the end of October.

According to Area Manager **Merja Mustonen** the Alepa colours and ads are an excellent fit for the city bikes, since Alepa is an urban grocery store and riding a bicycle is a city person's way to moving around.

"We are looking for new ways to reach out to and serve our customers. This media solution makes us visible to city people on the move. In addition, we want to encourage people to exercise and be environmentally conscious," Mustonen says.

The city bikes are shared bikes, which anyone needing city transportation can register to use. They are part of the public transportation network and maintained by Helsinki City Transport HKL and Helsinki Region Transport HSL.

In summer 2016, a total of 500 bikes were available at 50 bike stations. People truly embraced the city bike system, since an average of 5–6 trips were taken on each bike per day, and the bikes had more than 10,000 registered users over the entire biking season.

Next summer, the number of bikes will be tripled, as the bike network will be extended to Munkkiniemi, Pasila and Kumpula. Alepa signed a three-year cooperation agreement on city bike advertising, so yellow bikes can be spotted on the streets of Helsinki in two more summers to come.

"We are happy to be able to promote the well-being of Helsinki residents in this manner and to offer a service which brings added convenience to their daily lives," Merja Mustonen says.





OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

WASTE FABRICS TRANSFORMED INTO CYCLO CLOTHES

In November, clothes made from recycled materials were added to Prisma's product range. The Cyclo line in the House and Ciraf clothing brands is made from waste pieces of fabrics from textile factories, which have been converted into new fabric or knit through a chemical process. The Cyclo line is available in all Prisma stores.

It is a good example of the circular economy. Using surplus materials from the textile industry as raw material makes the clothes manufacturing process efficient and saves the environment. The process is more efficient than usual, and therefore, the products are also reasonably priced.

"We wanted to have ethical and ecological clothes in our product range, since these values are increasingly important to us and many customers. It is also important to us to be able to offer the products at a good price," says **Päivi Hole**, fashion assortment manager at S Group's retail.

The Cyclo line includes items for men, women and children. Initially, the number of products was quite limited, but the product range was expanded in spring 2017.

"The clothes have been very well received, even with fairly minimal marketing. The men's Cyclo items have practically flown off the shelves," Hole says.

The current women's line includes a knitwear items and the children's line offers sweatshirts and sweatpants as well as cardigans. For men, there are various knitwear items, and the plan is to expand the line to sweatshirts, sweatpants and knitted fabric products.

"Overall, our intention is to expand the range of products made from recycled fabrics in Prisma. In addition, we will also be offering other ecological products, since consumers are showing extensive interest in them."



OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

SUUR-SAVO TACKLES FOOD LOSS

S Group's restaurants are getting serious about reducing food loss. The surplus food from lunch buffets is made available for consumers to purchase through the ResQ Club food service.

In restaurants, food loss is generated in the kitchen, food presentation and customers' orders. Managing loss from buffet tables, in particular, is a continuous balancing act between the visual appeal of the presentation of food and minimising loss.

Some of S Group's restaurants have involved customers in the management of loss by selling excess food from lunch buffets at a reduced price through a mobile application. For example, two Suur-Savon Osuuskauppa cooperative's restaurants have been offering the ResQ Club service since last autumn.

"We offer a maximum of about a dozen ResQ Club portions from the restaurants every day. The service was implemented in October 2016, and by the end of 2017, nearly 800 portions of food had been salvaged through it," says **Petri Tiainen**, development manager for food products.

Every day, the restaurants enter the portions being offered for sale in the system as well as the time frame for picking up the portions. The price is usually about half of the regular price of the buffet lunch and is paid though the application. According to Tiainen, the service has been received well, and currently, more than 90 per cent of the portions offered through ResQ Club get sold.

"The service has brought us new customers, who might not otherwise have lunch at a restaurant. In addition, the personnel are happy to see that less food needs to be discarded in organic waste from the buffet," Tiainen says. In addition to the Suur-Savon Osuuskauppa cooperative, the ResQ surplus food service is in use at individual restaurants of the Arina, Eepee and Kymen Seudun Osuuskauppa cooperatives. Other cooperatives are also investigating opportunities to implement the service in the future.



OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

SALE KIIHTELYSVAARA GAVE UP OIL HEATING

Sale Kiihtelysvaara switched from using oil heating to a water-air heating pump in September–October 2015. The store's cold storage equipment, lighting and ventilation system were also overhauled at the same time. In autumn 2016, it was time to reap the benefits of the renovation.

Overhauling the systems reduced both emissions and costs. **Ari Korhonen**, property manager at the Pohjois-Karjalan Osuuskauppa cooperative, calculates that the new systems reduced the store's energy costs by more than a third. Fuel costs decreased by EUR 9,000 and the electricity bill is now approximately EUR 12,000 smaller.

"Of course, the renovation incurred expenses, which will take time to cover. But helps the environment, and promoting responsibility was our intention all along."

Parallel to the water-air heating pump, electricity is now used for heating to even out demand peaks when the outside temperature drops below -20 degrees centigrade. In addition, the store uses condensation heat from the cold storage equipment.

In connection with the heating system overhaul, the store's fluorescent lighting was replaced by LED lights and the cold storage equipment was modernised. Carbon dioxide cold storage equipment was also taken to use.

"Carbon dioxide is more environmentally friendly as a refrigerant, since potential leaks do not burden the atmosphere as much as other substances."

The renovation progressed as planned, and no store closure was needed at any point during the project. Korhonen says he can highly recommend giving up oil heating, since replacing oil with more environmentally friendly solutions is easy.

"We are committed to the 'Öljytön Pohjois-Karjala' project for reducing the use of oil in heating in North Karelia. We have only three oil-heated properties left at our cooperative: one ABC service station store and two supermarket properties. The plan is to renovate the supermarkets this year and to do the same with the ABC property by 2020," Korhonen says.





OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

WIND POWER TARGET WAS REACHED, SOLAR POWER IS ALSO AN OPTION

Wind power is a renewable, domestic form of energy production, which reduces the need for electricity production that generates carbon dioxide emissions. Investing in the production of renewable energy means investing in the future. Therefore, S Group has been increasing the share of wind power in its electricity production year after year. S Group also knows that its stakeholders expect the Group to consume energy sensibly and to invest in renewable forms of energy.

S Group's goal of its own wind power accounting for 50 per cent of the electricity used was met at the end of 2016. Approximately 35 per cent of the entire year's consumption was produced with own wind power. The share of wind power in the electricity used will increase to approximately 50 per cent next year, when the production capacity will be in use throughout the year. A total of six new wind turbines were commissioned in 2016. S Group had a total of 90 wind turbines at the end of 2016. In addition, the construction of 41 turbines was commenced last year, so in 2017, the number of wind turbines in operation will reach 131.

In addition to wind power, S Group has been monitoring the profitability of solar power for years, and about a dozen outlets have already been converting solar energy into electricity. For example, a solar power station with 400 panels was completed on the roof of S-Market Hennala in Lahti last year.

"Solar power suits stores excellently, since electricity consumption in retail peaks during the summer when it is sunny, and the roof offers a vast area without shade. All electricity produced during summer can also be used in the store. In addition, solar power can increase S Group's own renewable energy production and lower the electricity bill – after all, S Group is Finland's largest payer of electricity tax," says **Mikko Halonen**, Managing Director of S-Voima Oy.





OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

KERA DISTRICT TO BECOME A MODEL IN SUSTAINABILITY

The operations of S Group's logistics centre will be gradually moved from the Kera district in Espoo to Sipoo, and Kera will be transformed into a residential area in the spirit of the circular economy. That is why S Group challenged all innovative people to envision a new Kera in the Kera Challenge competition.

The goal of the competition is to come up with new ideas for the area in the different stages of development until the vision is complete. The current structures of the logistics centre, the industrial buildings in the area and their materials can be recycled in the upcoming urban development.

"The competition is a good example of bringing together different operators to innovate themes that we find important. In particular, we were seeking ideas associated with the circular economy, and in that respect, all proposals submitted to the competition were excellent," says **Pasi Suutari**, Vice President, SOK Real Estate.

The winner of the competition in June 2016 was Co-Op City, which was built around developing a community-oriented and sustainable city district. In this design, the life cycle of the old logistics centre will be extended with new functions based on the development stages: as soon the area has been vacated by the logistics operations, it can be used for organising events, playing sports, or enjoying leisure time in the indoor garden. The area will be developed one block at a time, and green public spaces will be hubs around which residential buildings and business spaces intertwine.

Co-Op City was also chosen to participate in the Nordic Built Cities competition, in which it took the second place in November 2016. The competition sought smart and viable solutions for six Nordic urban areas.

"The Nordic Built Cities is an excellent example of how urban areas can and should be designed in a new way in the future. The sustainable urban solutions designed and the city district promoting the circular economy in Kera are revolutionary, even on a global scale," Suutari concludes.

Co-Op City was designed by B&M Architects, WSP, designer Päivi Raivio, Setlementtiasunnot Oy and Forum Virium Helsinki.





OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

FISH AND SHELLFISH FROM SUSTAINABLE STOCKS

S Group's grocery stores want to offer customers responsibly caught fish from sustainable stocks. Therefore, S Group adheres to the fish and shellfish policy based on the species endangerment classification, WWF's seafood guide, the recommendations of the Marine Conservation Society, as well as research data from the Natural Resources Institute Finland.

S Group's fish and shellfish policy and the procurement principles for private label tuna were updated in autumn 2016. Manufacturers of private label products will be required to comply with specific restrictions concerning species, regions and catching methods as well as to participate in the operations of the International Seafood Sustainability Foundation (ISSF). Large purse seine vessels supplying tuna should also be registered in the ISSF's Proactive Vessel Register.

Ensuring the responsibility of tuna and its production chain is important, since some tuna stocks suffer from overfishing. In addition, the tuna fishing industry is shadowed by the risks of illegal and unreported fishing and human rights violations. Operators who participate in the activities of the ISSF are committed to using responsible fishing methods and allowing third-party audits on their operations.

In S Group's fish list, subspecies of tuna are still categorised on the yellow and red lists. For example, the endangered southern bluefin tuna (Thunnus maccoyii) is not accepted in the product range. Skipjack (Katsuwonus pelamis), the most common tuna subspecies, and albacore (Thunnus alalunga) are accepted in the product range with certain limitations concerning regions and fishing methods. In addition, an MSC-certified option is still available in S Group's range of private label canned tuna. The certification ensures responsible catching and production.

In addition to the stricter fish policy, S Group's grocery stores grew the share of MSC-certified products in their product range considerably in 2016. At the end of the year, the product range included as many as 86 MSC-certified products, whereas the equivalent number was 53 in 2015. The share of MSC-certified products increased in the range of frozen fish and shellfish from last year's 25 per cent to 54 per cent.



OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

RED STICKERS FOR REDUCED FOOD LOSS

HOK-Elanto has for a long time been working persistently to reducing disposal of food items in waste. The cooperative has succeeded in reducing food loss by 30 per cent since 2012. One method to do so has been to use red stickers to indicate reduced prices of products which are approaching their Best before or expiration dates. Red –30% discount stickers have been in use in all chains.

In summer 2015, HOK-Elanto's Alepa stores launched a trial in which customers received a double discount of 60% off the price of products marked with red –30% stickers during the last two store hours (9 p.m–11 p.m.). The double discount was expanded to HOK-Elanto's Prisma stores in February 2016 and to S-Markets in October.

"It is ecological and, from our perspective, financially justified as well. At the same time, it enables our customers to find bargain products and save on their food purchases," **Lassi Juntunen**, director of the Prisma chain at HOK-Elanto.

Feedback from customers on the double discount has been primarily positive.

"The red sticker products have even generated queues in some stores," says Satu Kattilamäki, Quality and Environmental Manager at HOK-Elanto.

The red sticker practice has improved the circulation of the affected products, and the reduced loss has also decreased waste management expenses.

"For example, in the Alepa chain the waste management expenses decreased by 25–30 per cent during the year, and in some individual stores, the reduction was up to 45 per cent," Kattilamäki explains.

Currently, approximately one per cent of food sold by HOK-Elanto is disposed of in waste. Suitable food items are donated to charity and inedible food is used as raw materials for bioethanol, biogas and fodder.





OUR ACTIONS

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

S GROUP PRAISED FOR SUSTAINABLE PALM OIL

S Group received full nine points in the international Palm Oil Buyer's Scorecard ranking WWF carried out in 2016, and was thus considered to be a trailblazer in its sector. S Group has been systematically increasing the use of sustainably produced palm oil.

"WWF's Palm Oil Buyer's Scorecard is an important external assessment of how well companies take responsibility issues related to palm oil into consideration in their operations. It is great to see that our work has produced results," **Lea Rankinen**, SVP, Sustainability, at SOK says.

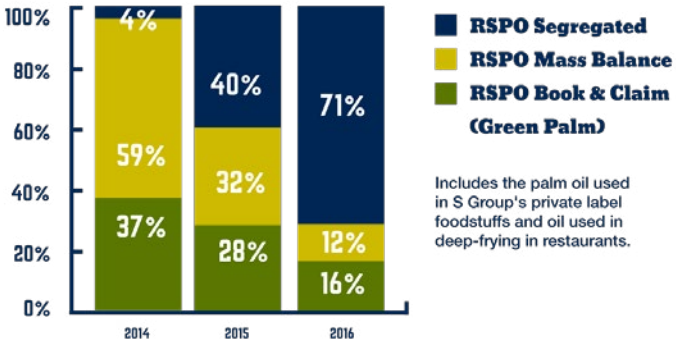
Palm oil is used, for example, in margarines, noodles, instant soups and frozen doughs as well as in restaurants for deep-drying. The majority of palm oil is produced in Southeast Asia. In some cases, conflicts may arise concerning the ownership of plantations, clearing land for plantations may cause erosion as well as negatively affecting the living conditions of the local population and endangered species.

The palm oil certification system helps companies and stakeholders to jointly promote the use of sustainable palm oil. In 2016, 99 per cent of palm oil used in S Group's Rainbow, Kotimaista and X-tra products and in oil used for deep-frying in restaurants was certified. Of this, approximately 70 per cent was physically certified, in other words traceable, or segregated.

"If a product contains palm oil, we want the oil to be responsibly produced. Therefore, our goal is to only use physically certified palm oil in S Group's private label products and oil used for deep-frying in restaurants by 2021," Rankinen says.

SOK has been a member of the Roundtable for Sustainable Palm Oil (RSPO) since 2011. In accordance with RSPO's criteria, palm oil plantations must protect biodiversity and take measures to improve the ethical and ecological aspects of production.

USE OF THE RSPO CERTIFICATION MODELS







OUR ACTIONS

ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

PROVIDING EMPLOYMENT TO IMMIGRANTS

Since autumn 2015, Finland has received thousands of asylum seekers. Providing them with work is a big challenge. S Group tackled this challenge by means of the Koto-SIB project and the hygiene passport training launched with the Funzi mobile learning service.

The purpose of the Koto-SIB project, commissioned by the Ministry of Employment and the Economy, is to find employment for at least 2,000 asylum seekers who have received their residence permits, and by doing so, to generate savings for society. S Group invested one million euros in the Koto-SIB fund established in October 2016. The FIM asset management company was in charge of raising funds for Koto-SIB.

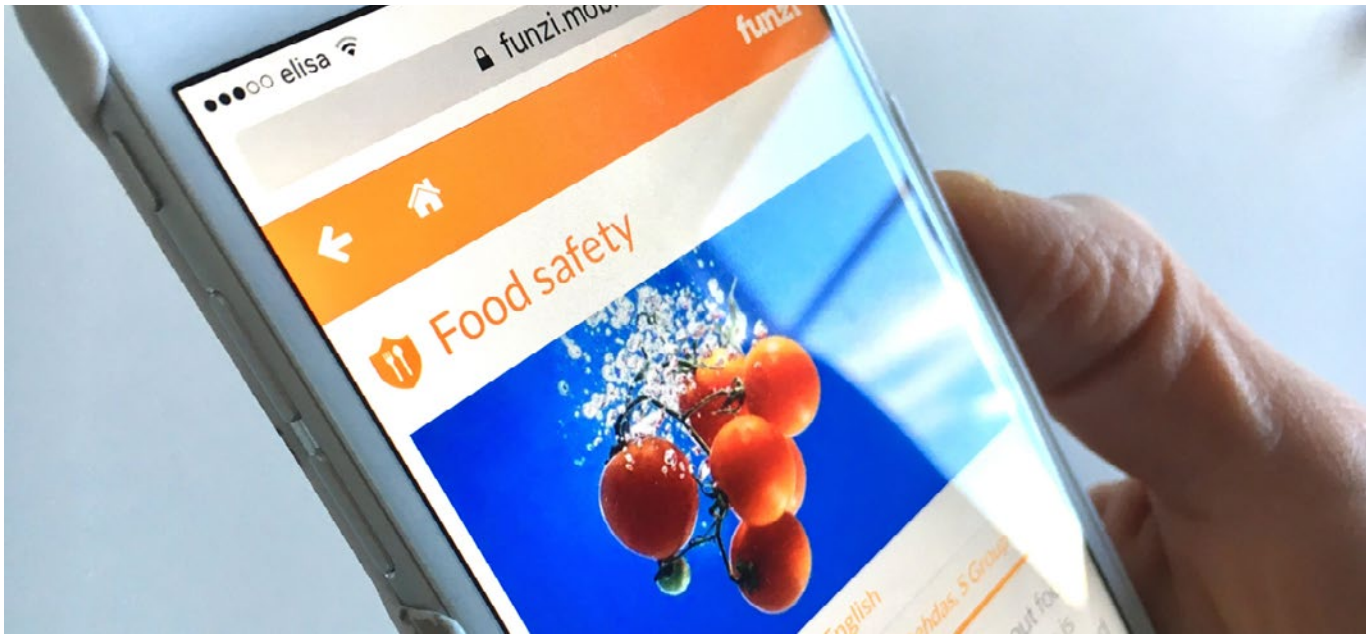
“Integration and training of immigrants usually take several years, but in the Koto-SIB project, an individual receives targeted training and in the best case scenario, can start working in less than six months. Training targets sectors in which there currently is shortage of labour in Finland,” FIM’s CEO **Teri Heilala** says.

A successfully completed project will generate savings of EUR 28 million to the government and a reasonable compensation for investors.

The Finnish mobile learning service Funzi and S Group launched a mobile hygiene passport training in November 2016. The training enables immigrants to study for a hygiene passport test and to review their skills. Training is available in English and Finnish and freely accessible online.

“We want to support immigrants’ employment and, therefore, provide them with the opportunity to complete the hygiene passport studies free of charge,” **Nina Meincke**, Director of S Group’s HR Services and Development, says.

In Finland, a hygiene passport is required in restaurants and retail, for example, when an employee handles unpackaged and perishable food items in their job.





OUR ACTIONS

ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

A GROWING RANGE OF RESPONSIBLE COFFEE

S Group has been taking determined steps to improve the responsibility of the private label coffee selection in recent years. Since the beginning of 2017, 90 per cent of coffee is UTZ-certified. The UTZ-certified coffee must meet certain requirements concerning the environment and the work conditions of farmers, and third-party audits are used to monitor how well these requirements are met.

“The importance of responsibility in the production of coffee will increase both in Finland and internationally, and responsibility has improved in leaps and bounds,” Senja Forsman, responsibility expert at SOK Retail chain management, says.

Thus, the number of coffee products with a responsibility certification has increased considerably in retail in recent years. The product range of S Group stores includes more than 50 different certified coffee products. Certifications are needed, since coffee production involves significant challenges, such as primitive cultivation practices in coffee-producing countries, inefficient use of land, and misuse of herbicides, which also causes occupational health issues. In addition, in some areas the compensation farmers receive for their crop is poor, and in worst case scenarios, even using forced labour has been detected.

In October 2016, Finnish civic organisation Finnwatch published a report on the social responsibility of coffee sold in Finland. The report praised S Group, together with other Finnish coffee sector operators, for increasing the supply of coffee with responsibility certification. However, the report also points out that the certification systems still have plenty of room for improvement. The coffee sector is still plagued with human rights issues, such as insufficient salaries, child labour, discrimination, and unreasonable recruitment fees.

“Our objective is that all private label coffee in S Group will have responsibility certification or that its supply chain will be verified for responsibility all the way to primary production by the end of 2019,” Forsman says.





OUR ACTIONS

ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

S GROUP STANDS WITH HUMAN RIGHTS ACTIVIST ANDY HALL

S Group defended human rights activist **Andy Hall** in a lawsuit brought against him by Natural Fruit in Thailand in July. Nevertheless, Hall was convicted for blemishing the reputation of a pineapple juice plant, among other things. S Group finds punishing someone for openness worrisome.

In March 2013, Finnwatch published a report which revealed serious grievances in the production conditions of pineapple juice concentrates in Thailand. The findings of the report resulted in immediate measures in Finland as well, since the said juice concentrates were being used in S Group's Rainbow pineapple juice.

As a result of the publication of the report, Natural Fruit took legal action against Andy Hall, one of the key contributors to the report. **Jari Simolin**, Senior Vice President of Food, Consumer Goods & DIY Sourcing at SOK, testified for Hall in Bangkok in July.

"As a witness of the defendant, S Group wanted to support a free civil society. A functioning civic society also serves the interests of companies. Instead of taking legal action, the primary methods for resolving problems should be openness and dialogue," says **Lea Rankinen**, SVP, Sustainability, at SOK.

Nevertheless, Hall was found guilty of blemishing the reputation of Natural Fruit, among others. The court's decision raised international concern about the human rights situation in Thailand.

"We will continue our work for human rights. It is important to us that all operators in the supply chain take these factors into consideration. Openness and bringing up grievances should not be punishable under any circumstances," Rankinen stresses.

In October 2016, Lea Rankinen and Andy Hall visited the European Parliament in Strasbourg to discuss the human rights situation in Thailand and Hall's case in a Parliament session.

In its resolution, the European Parliament found Hall's conviction to be unfortunate and expressed its concern about the legal process and its possible effects on the freedom of human rights work. In addition, the Parliament expressed its support for S Group's efforts to help Hall.

Cooperation with Andy Hall has continued.

"I have personally been touched by the extensive support from Finland that I have received from S Group, stakeholders and the Embassy. Although the court's decision was unfavourable, many of the issues we have been working for have seen progress, and companies in Thailand have started taking the rights of workers better into consideration," Hall says.



S Group has continued collaboration with Andy Hall after the legal proceedings. Andy Hall and Lea Rankinen met in March 2017 at the 'Maailman kekseliäin ruokamaa' trend incubator on food innovations, where Hall talked about the responsibility of supply chains.



OUR ACTIONS

WELL-BEING AND HEALTH

SEASONAL VEGETABLES AND FRUIT POPULAR AMONG FINNS

Bananas are still a staple, but thanks to S Group's concept of promoting seasonal produce, plenty of other fruit and vegetables also find their way to the shopping carts of Finnish consumers.

The best produce of the season were first highlighted in Prisma stores and S-Markets as a joint effort of the 'Satokausikalenteri' ('Seasonal produce calendar') service and S Group in autumn 2015. The concept aims at increasing the consumption of vegetables and promote the use of seasonal produce.

"The goal of highlighting the seasonal produce of the month is to make it easy to pick fruit and vegetables of the season. During 2016, we placed more than 90 different vegetables in the best spots at Prisma stores and S-Markets," **Antti Oksa**, Vice President, Fresh Foods at S Group, says.

In S Group's customer panel, 38 per cent of respondents said they had increased their consumption of vegetables, and 37 per cent also said the highlighted presentation of produce had motivated them to use the vegetables in a more versatile manner. The trend in trying out new vegetables was also reflected in the demand for seasonal produce. During their specific season, Finnish watermelon, summer cabbage and striped beetroot as well as apricot and papaya increased their popularity most.

S Group's grocery stores sold nearly 277 million kilograms of fruit and vegetables last year. This is almost 8 million kilograms more than in 2015. The most purchased items were potatoes, bananas, citrus fruit, cucumbers, tomatoes, lettuces, apples and carrots.

In addition to vegetables and fruit, various plant-based products, such as veggie balls and patties, plant protein products and plant-based cheese substitutes and drinks gained popularity. The sales of the Härkis broad bean product and Pulled Oats, the plant protein products available on the processed meats shelf, increased nearly seven-fold, and the demand for veggie balls tripled from 2015.

"Growth figures like these are rare in this product category. Since there are no signs of this trend ending anytime soon, it looks like Finnish consumers are embracing plant protein products as part of their diet," Antti Oksa says.





OUR ACTIONS

WELL-BEING AND HEALTH

GOOD WORKING CONDITIONS - THRIVING PERSONNEL

In August 2016. S Group hired its first well-being at work director, serving the entire Group. The new hire **Sanna-Mari Myllynen** aims to make work for S Group employees smooth and meaningful.

“The key to improving well-being at work is being proactive. Changes in the business operations almost always impact how people act and, therefore, their well-being at work,” Myllynen says.

Another essential factor is involving employees.

“It is important to listen to what ideas employees have concerning developing their work and making it smoother. For example, how should we design stores so that moving around and working in them would be convenient?”

According to Sanna-Mari Myllynen, absences due to illness are all too often the measuring stick for well-being. In her opinion, the discussion focus should shift from damage control to applying a proactive approach and developing work.

Therefore, one of the great challenges currently concerning well-being at work involves the deregulated store hours. “Working in two or three shifts this extensively is unprecedented in retail. It is a particularly important matter in terms of well-being at work. Influencing the working ability of young people is also very important.”

Sanna-Mari Myllynen considers young people as an important target group for developing well-being at work in S Group. That is why S Group will launch the ‘Nuori mieli työssä’ (‘Young minds at work’) programme this year, with a focus on young employees’ expectations concerning working life and their workplace skills.

“Approximately a quarter of all S Group employees are under 25 years of age. We are the largest employer in Finland providing first jobs for young people, and this, in a way, bestows on us the responsibility to educate them on workplace skills. It is important for young people’s entire work careers that their first experience of working life is positive. Supervisors play the most important role in making this happen,” Myllynen emphasises.





OUR ACTIONS

WELL-BEING AND HEALTH

ÄSSÄKENTTÄ FIELDS GET CHILDREN MOVING

Children and young people need places where they can play sports without advance planning, near their homes and free of charge. Therefore, S Group and the Football Association of Finland jointly run the Ässäkenttä programme, with the objective of building 100 multi-purpose fields in the yards of Finnish primary schools by 2020. At the end of 2016, the number of completed fields was 63.

“Children and young people not exercising enough has been a valid concern in recent years. The Ässäkenttä fields considerably lower the threshold of exercising,” **Tero Auvinen**, infrastructure manager at the Football Association of Finland, says.

The Ässäkenttä fields are free and open for everyone, with facilities for a variety of ball games and sports or for just playing and having fun. S Group finds building the fields very important, since exercising is an integral part of the daily life and well-being of children and young people.

Therefore, supporting Ässäkenttä fields is also included in the new Best Place to Live responsibility programme.

Sixteen multi-purpose fields have been approved for construction and allocated a support sum of EUR 10,000 in 2017. Most fields will be built in Osuuskauppa Arina cooperative’s region in northern Finland.

“Our co-op member base includes a large number of families with children, and therefore, it is natural for us to support the sports interests of children and young people. The multi-purpose fields are ideal places for them to be active and play sports and unwind during schooldays and leisure time,” **Pasi Ruuskanen**, Arina’s Marketing Director, says.





OUR ACTIONS

WELL-BEING AND HEALTH

RESPONSIBLE AND HEALTHY CHOICES AT HOTELS

More than 50% of S Group's hotels are Green key certified. The Green Key programme now covers all eight Radisson Blu Hotels in Finland and 32 of the Sokos Hotel chain's 50 units. The goal is to include all S Group's hotels in the programme in 2017.

"We aim to incorporate environmental awareness in the daily life of our personnel and guests at all our hotels," says **Janina Nurmela**, concept manager at Sokos Hotels. In addition to loss management, the Green Key programme is among the top responsibility acts carried out by S Group's hotels, and according to Nurmela, the programme takes a clear stand on responsibility in the travel industry.

A hotel which has been awarded the Green Key label is, among others, committed to raising environmental awareness among personnel and guests, improving the effectiveness of energy and water consumption, as well as reducing the environmental burden caused by the hospitality operations. In addition, the Green Key programme motivates hotel guests to nourish their own well-being.

"For example, Break Sokos Hotel Flamingo encourages guests to take the stairs instead of using the lift. We also support daily exercise by offering bicycles to rent at the hotels."

One additional S Group hotel, the Original Sokos Hotel Seurahuone in Savonlinna, received the Allergy label last year. Currently, 35 of the 45 Sokos Hotels in Finland carry the label awarded by the Allergy and Asthma Federation. The goal is for as many of them as possible to receive the label.

"A few of our hotels also welcome pets, which is why they cannot receive the allergy label. A couple of hotels need ventilation renovations or new floor materials before they qualify for the label. However, all our hotels apply the housecleaning model and use cleaning agents approved by the Allergy and Asthma Federation."

For more information on the Green Key activities at Sokos Hotels.



Photo: Antti Suistola

KEY FIGURES

FINANCIAL IMPACTS

SALES, RESULT AND INVESTMENTS

The extended store hours, lowered prices and enhanced product range increased S Group's customer volumes and grew sales and profit in 2016.

Retail sales excluding taxes by business area, EUR million	2016	2015	2014
Prisma	3,451	3,336	3,405
S-Market	3,322	3,177	3,246
Sale	629	617	611
Alepa	348	346	345
Other supermarket trade	5	5	5
Supermarket trade*	**7,755**	**7,479**	**7,616**
Sokos	225	217	255
Emotion	41	39	37
Pukumies Oy	12	19	22
Other specialty store	8	20	10
Department stores and speciality stores	**300**	**295**	**324**
ABC service stations	544	783	850
Lähi-ABC stations	172	-	-
Unmanned ABC stations	661	643	704
ABC fuel oil sales	33	32	40
ABC-Deli	45	50	74
Other service stations	70	97	101
Other unmanned stations	2	3	4
Other ABC business operations	6	0.2	0.2
Service station store and fuel sales	**1,543**	**1,608**	**1,774**
Travel industry	292	285	274
Restaurant business	501	517	524
Travel industry and hospitality business*	**793**	**802**	**798**
Hardware trade	**197**	**184**	**207**
Automotive trade and accessories	**339**	**309**	**301**
Agricultural trade	**76**	**112**	**150**
Others	**15**	**15**	**12**
S-Group total	**11,020**	**10,804**	**11,182**

* The figures include sales in the Baltic countries and Russia.
All sales VAT 0% .

KEY FIGURES

FINANCIAL IMPACTS

The favourable result development of the consumer goods trade and hotels, in particular, increased the result of S Group as a whole.

Operating result, EUR million	2016	2015	2014
Regional cooperatives	262	248	218
SOK Corporation	29	17	8
S-Group total	**290**	**265**	**226**

In 2016, S Group's largest individual investment was the grocery trade logistics centre, being built in Sipoo. The logistics centre, which is already partly in operation, accounted for approximately a quarter of the investments in 2016.

Investments, EUR million	2016	2015	2014
S Group	**511**	**558**	**526**

OUTLETS

S Group's extensive network of outlets brings services close to all consumers. There is an S Group grocery store in 284 municipalities in continental Finland.

Outlets	2016	2015	2014
Supermarket trade	948	930	920
Department stores and speciality stores	80	77	76
Service station store and fuel sales	238 (446)	236 (444)	238 (439)
Travel industry and hospitality business	278 (775)	301 (798)	319 (813)
Hardware trade	25	24	25
Automotive trade and accessories	36	35	35
Agricultural trade	11	13	14
Others	17	17	16
S-Group total	1,633	1,632	1,643

* The number of outlets also includes the online store (one outlet).
The number of outlets in parentheses includes restaurants, stores and stations located in connection with other outlets.

KEY FIGURES

FINANCIAL IMPACTS

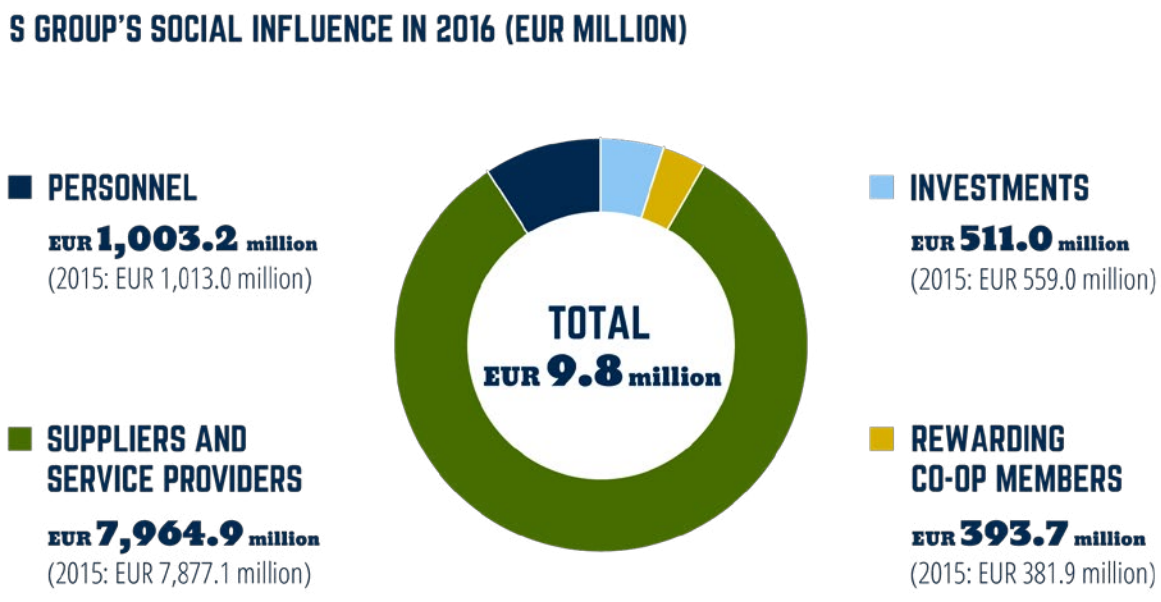
COOPERATIVE ACTIVITIES AND CO-OP MEMBERSHIP

Because of the cooperative form of business, the money circulating in the operations of S Group's cooperatives benefits the co-op members and ensures regional well-being and vitality. Earnings from the operations are invested for the benefit of the co-op members by developing services and renovating outlets, or distributed to the co-op members in the form of various benefits, such as the Bonus and the payment method-related benefits.

Key figures of co-op membership	2016	2015	2014
Co-op members	2,292,039	2,225,506	2,109,025
New co-op members	97,028	91,566	92,113
Bonus paid, EUR million	353	343	379
Payment method-related benefit, EUR million	7	6	6
Payment of interest on membership fee, EUR million	17	14	13
Return of surplus, EUR million	17	21	24
Co-op member benefits on average, EUR/member	172	173	212

TAXES AND SOCIAL INFLUENCE

S Group and the cooperatives create well-being regionally in many ways. Cooperatives are significant employers, and local purchases and investments generate economic well-being throughout the country.

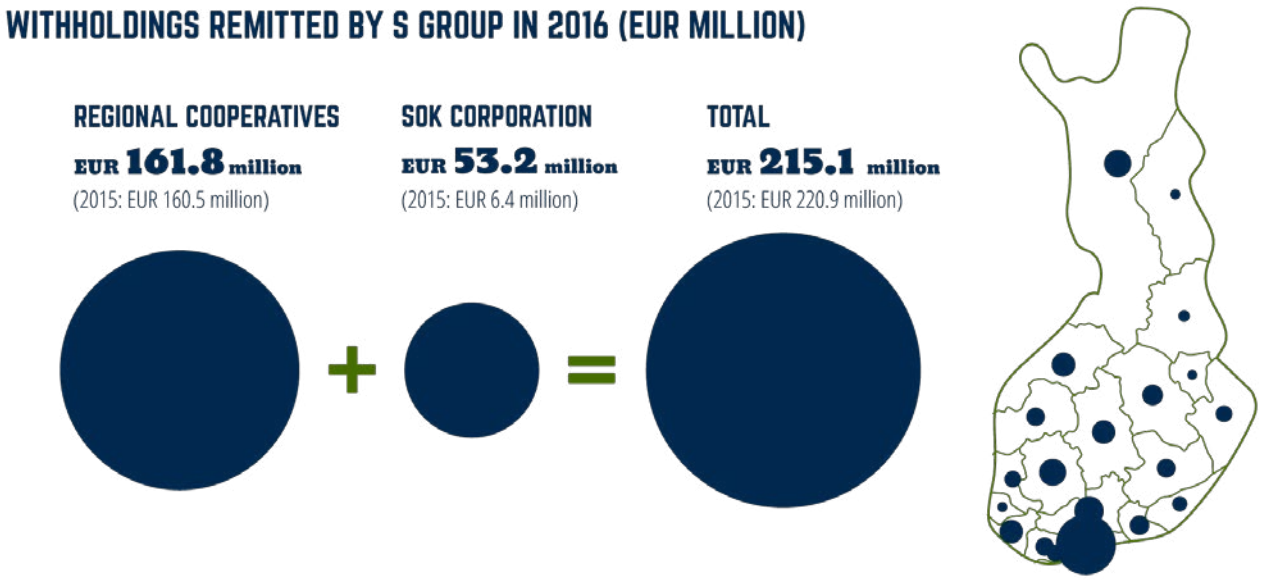


KEY FIGURES

FINANCIAL IMPACTS

Cooperatives are important regional employers in Finland. S Group's indirect impact on the state tax revenue is considerable and the tax revenue generated by the retail Group is primarily distributed regionally across Finland. In particular, tax withholding from salaries and the corporate tax paid by S Group are, to a large extent, accumulated by municipalities. The tax revenue is used to finance services offered by society in each cooperative's region. The figure below shows the accumulation of tax withholdings in the cooperatives' regions.

WITHHOLDINGS REMITTED BY S GROUP IN 2016 (EUR MILLION)



KEY FIGURES

FINANCIAL IMPACTS

S Group's tax footprint describes the taxes remitted to the state of Finland and municipalities in 2016. In addition to direct and indirect taxes, S Group's tax footprint includes the tax-like payments related to the personnel and the tax withholdings from the employees' salaries. In addition to the remittances included in the tax footprint, S Group has paid local taxes on the operations of the companies in Estonia, Latvia, Lithuania and Russia in accordance with the regulations of each country.

In the recent years, the focus of taxation has shifted from income taxes towards indirect taxes. Indirect taxes include value added tax and various excise duties, such as alcohol, tobacco and confectionary taxes, as well as fuel tax. Value added tax is a common consumption tax ultimately paid by the consumers of goods and services, that is, mostly households. S Group remits value added tax to the state as a company selling goods and services. The 2016 tax footprint only includes the value added tax portion remitted to the state by S Group. Excise duties are consumption taxes included in the price of the product, which are levied from product manufacturers, producers, importers or wholesale. Excise duties are included in many products sold by S Group, such as alcohol tax, sweets tax, tobacco tax, fuel tax and environmental taxes presented below.

S GROUP'S TAX FOOTPRINT IN 2016 (EUR MILLION)

WITHHOLDINGS AND EMPLOYER CONTRIBUTIONS

EUR 492.9 million (2015: EUR 501.0 million)

Remitted withholdings from salaries
EUR 215.1 million (2015: EUR 220.9 millionj.)

Pension insurance payments
EUR 255.9 million (2015: EUR 257.9 million)

Employer's social security payment
EUR 21.9 million (2015: EUR 22.2 million)

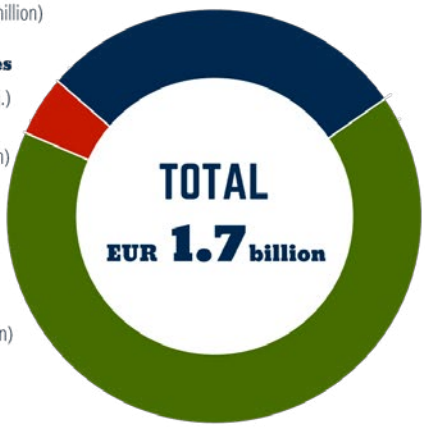
INCOME AND CAPITAL TAXES

EUR 82.0 million (2015: EUR 88.3 million)

Corporate income tax
EUR 63.5 million (2015: EUR 70.4 million)

YLE tax EUR 0.1 million (2015: EUR 0.1 million)

Property tax EUR 18.4 million (2015: EUR 17.8 million)



INDIRECT TAXES

EUR 1,126.7 million (2015: EUR 1,072.6 million)

Remitted value added tax
EUR 261.3 million (2015: EUR 267.9 million)

Insurance premium tax
EUR 0.6 million (2015: EUR 0.6 million)

Electricity tax
EUR 24.8 million (2015: EUR 24.8 million)

Waste tax EUR 0.5 million (2015: EUR 0.5 million)

Fuel excise duty
EUR 480.4 million (2015: EUR 459.8 million)

Excise duty on confectionary, ice cream and soft drinks EUR 63.5 million (2015: EUR 57.8 million)

Alcohol tax
EUR 24.3 million (2015: EUR 27.1 million)

Tobacco tax
EUR 231.5 million (2015: EUR 230.1 million)

Import customs duties
EUR 5.3 million (2015: EUR 4.0 million)

Car tax EUR 34.5 million (2015: N/A)

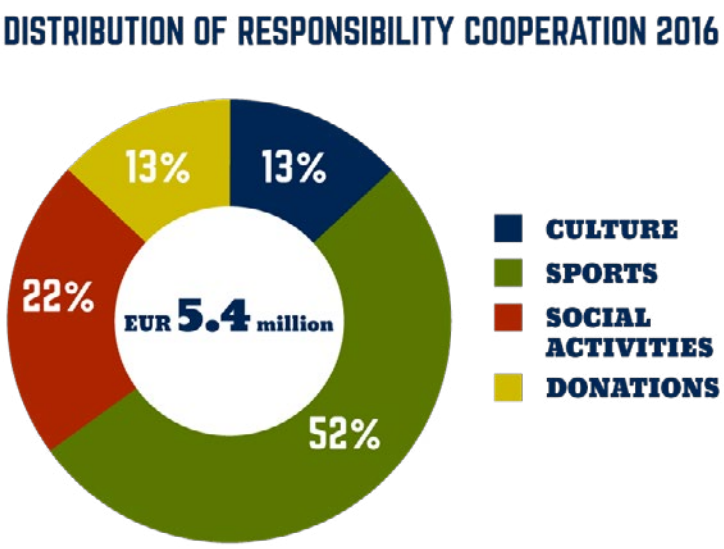
In addition to the taxes described in the tax footprint, S Group also pays the following taxes and fees: transfer tax, lottery tax, tax at source and car tax. These are not included in the figure.

KEY FIGURES

FINANCIAL IMPACTS

RESPONSIBILITY PARTNERSHIPS

S Group's responsibility cooperation includes culture, sports, social activities and various donations. In 2016, a total support amount of EUR 5.5 million was paid.



S Group's nationwide partners include the Finnish Red Cross, the Mannerheim League for Child Welfare (MLL), the Children's Day Foundation, and the Football Association of Finland.

Responsibility co-operation is also carried out regionally, and the regional cooperatives extensively support local activities. For example, the 'Kannustajat' ('Supporters') concept is a way for the cooperatives to provide transparent support for the hobbies and activities of children and young people. Co-op members can become supporters and influence the target and amount of the support the cooperative pays.



KEY FIGURES

ENVIRONMENTAL IMPACTS

ENVIRONMENTAL IMPACTS

S Group is reducing the burden on the environment caused by its operations by means of investing in energy efficiency, renewable sources of energy and reducing and reusing waste.

ENERGY AND WATER

S Group's efforts to save energy and improve the efficiency of energy use are continuous. The efficiency improvement measures are starting to show results, and the efficiency of the relative energy consumption has improved by 30 per cent from the 2010 level. The extended store hours implemented at the beginning of 2016 increased the retail Group's energy consumption slightly that year.

S Group takes energy-efficiency into consideration both in daily activities and when building new outlets and renovating existing ones. Nearly all outlets monitor the consumption of electricity, heat and water. In addition, individual metering is used in the monitoring of consumption in the key systems consuming energy – such as food retail refrigeration.

Specific consumption	2016	2015	2014
Electricity, kWh per gross m^2	223	220	234
Heat, kWh per gross m^2	87	83	86
Water, litres per gross m^2	404	417	409

The reported consumption figures are based on data measured and reported by building or residence. Coverage of data in the properties being monitored: electricity 95%, heat 70%, water 75%. The area data covers 87% of the properties.

Energy consumption	2016	2015	2014
Electricity consumption, GWh	1,138	1,111	1,140
Heat consumption, GWh	445	419	418
Water consumption, million m^3	2.1	2.1	2.0
Area, million gross m^2	5.1	5.1	4.9

As part of the 'Finland 2050' project, S Group is committed to defining an individual target for energy consumption for each S Group outlet. Currently, the target has been defined for 52 per cent of outlets.

As a whole, S Group's electricity consumption is high: our 1,600 plus outlets consume more than one per cent of the total electricity consumed in Finland. This makes us one of the ten largest non-industrial consumers of electricity in Finland. Most energy in S Group is consumed by cold storage equipment and store lighting. Considerable savings can be achieved by improving their efficiency and overhauling them.

S Group's retail stores and hotels participated in the energy efficiency agreements for the industries. The objective of the agreements has been to improve the efficiency of energy consumption by 70 GWh in 2008–2016. Motiva will publish the results for the agreement period in summer 2017.



KEY FIGURES

ENVIRONMENTAL IMPACTS

DISCHARGES AND EMISSIONS

The prevention and reduction of discharges into the soil and emissions into the atmosphere are an important part of S Group's environmental responsibility.

S Group's operations generate greenhouse gas emissions, in particular, into the atmosphere but also produce volatile organic compounds, or VOCs. Fuel delivery involves a risk of leaks, which contaminate the soil and groundwater.

The major carbon dioxide emissions in S Group's operations are generated by energy production, domestic transports and imports as well as packaging. S Group's emissions have been calculated in accordance with the GHG Protocol standard. Scope 1 emissions are greenhouse gas emissions caused by fuels used to heat S Group's properties. Scope 2 emissions are greenhouse gas emissions caused by the production of purchased electricity and district heat. Scope 3 emissions are indirect greenhouse gas emissions caused, for example, by product transport and delivery, commuting and business travel and packaging.

S Group's carbon dioxide emissions	2016	2015	2014
Direct – Scope 1			
Own heating production	4,900	6,000	8,000
Refrigerant leaks in stores	66,000	–	–
Indirect – Scope 2			
Purchased electricity	154,000	192,000	252,000
Purchased district heat and cooling	70,000	71,000	56,000
Other indirect – Scope 3			
Product transport and delivery	77,000	64,000	68,000
Commuting and business travel	2,000	1,900	2,100
Packages	52,000	53,000	55,000
Total	425,900	387,900	441,000

- The coverage of purchased electricity is 95 per cent, that of purchased district heat is 70 per cent and that of own heating production is 92 per cent.
- The emissions in transports are calculated based on the tonnage transported and fuel consumption data, using emission coefficients from the LIPASTO traffic exhaust emissions and energy consumption calculation system of VTT Technical Research Centre of Finland.
- The carbon dioxide emission calculations of packages are based on S Group's official statistics on packaging and on a report by the Copenhagen Resource Institute on the emissions over the life cycle of packages.
- Commuting and business travel include air traffic and SOK's company cars.
- Refrigerant leaks cover the 14 regional cooperatives and Inex Partners Oy.
- Verification report of Scope 1 and Scope 2 emissions.



KEY FIGURES

ENVIRONMENTAL IMPACTS

Since the majority of energy used by S Group is purchased, S Group cannot fully influence the emissions of its own energy consumption. However, S Group invests considerably in its own wind power, which is completely emission-free. Increasing the use of wind power is one of the most significant ways to reduce the carbon dioxide emissions of S Group's properties. In addition, opportunities to use renewable energy sources are always investigated in S Group's new building projects. When renovating properties, heating systems can be replaced with more efficient ones. For example, old oil heating systems have been replaced by district heating and geothermal heating systems.

Product transports are also a significant source of emissions. The efforts to reduce the emissions of transports include selecting optimal routes, carrying full loads, making use of return logistics and using fleet that meets the modern environmental requirements. In addition, the majority of drivers of both domestic and international contract partners have taken training in economical driving.

Inex Partners' consumer goods logistics centre completed in Bastukärr, Sipoo, in spring 2012 uses geothermal heat and bio energy for heating and cooling. The environmental impact of the logistics centre, heated almost entirely with renewable energy, is less than seven per cent compared to the use of district heat. A new grocery trade logistics centre is being built next to the consumer goods logistics centre. The new centre will be taken into use gradually in 2016–2018. The first phase was completed in summer 2016. The energy system of the new logistics centre is based on reusing the condensing heat from refrigeration in heating and on utilising geothermal heat and bioenergy in the same manner as in the consumer goods logistics centre. The heating and refrigeration energy produced for the logistics centre will be completely carbon dioxide neutral.

In work-related travel, efforts to reduce emissions include using tele- and videoconferencing instead of travelling, whenever possible. Virtual meetings have made contacts between different parties within S Group easier.

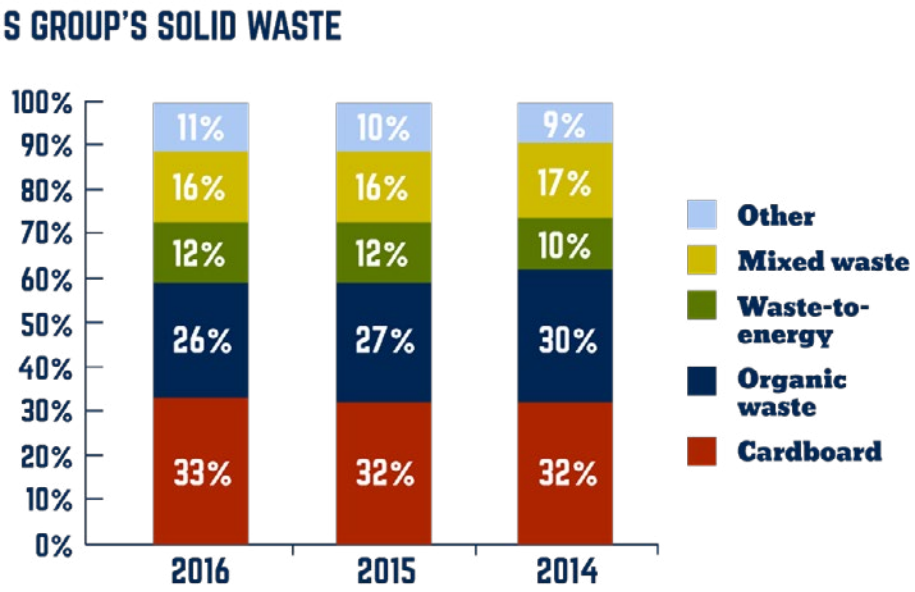
KEY FIGURES

ENVIRONMENTAL IMPACTS

WASTE

Reducing the amount of waste and reusing waste efficiently are key aspects of minimising S Group's environmental burden. S Group wants to do its part in minimising the amount of waste that ends up in landfills and in reusing waste either as material or energy as effectively as possible.

Organic waste, cardboard, energy waste as well as landfill and combustible waste account for the majority of waste generated in S Group's operations. The majority, or 99%, of S Group's waste was reused; in other words, the waste does not end up in landfills. In 2016, the total amount of waste was 105,000 tonnes, showing an increase of approximately two per cent compared to the previous year.



Mixed waste includes both waste to landfills and combustible waste. The majority of mixed waste is disposed of by burning. The waste figures include waste from the regional cooperatives and waste from SOK Corporation's operations in Finland.

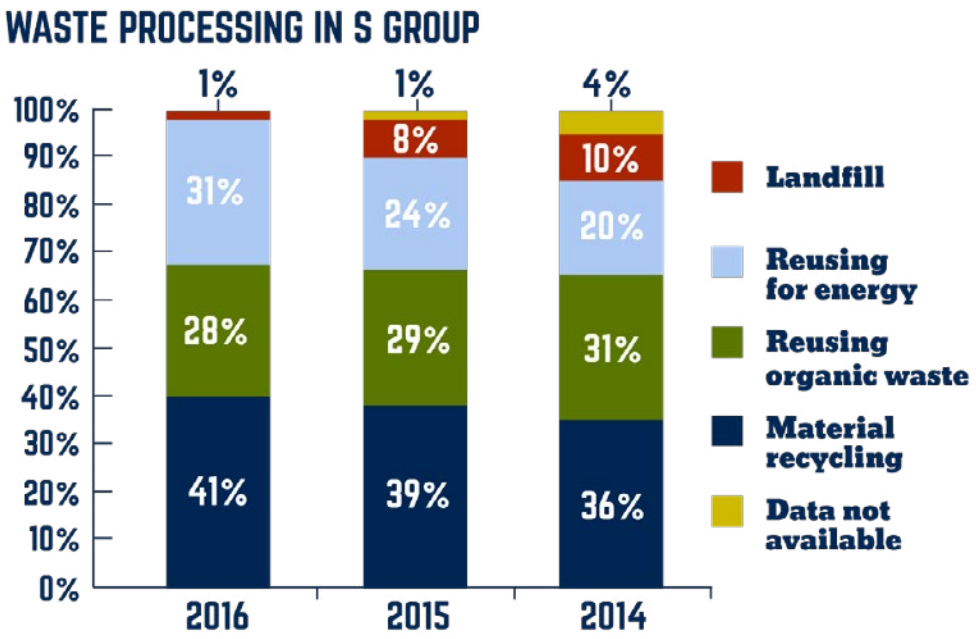
S Group's goal was to eliminate waste to landfills completely by 2016. This goal was quite not reached, but the direction is right: only one per cent of S Group's waste is taken to landfills.

S Group's objective is to reuse the generated waste effectively. Grocery stores have been instructed to sort waste more effectively and to increase the share of reused waste by means of contracts with waste management companies. Grease waste is reused as energy as much as possible, and expiring food is increasingly directed to charity. Waste management instructions and waste sorting have also been improved in hotels.

Approximately 40 per cent of the waste generated is directed to reuse and approximately a third is used for energy. All organic waste is either directed to bio gasification, composting or production of bioethanol.

KEY FIGURES

ENVIRONMENTAL IMPACTS



S Group offers customers opportunities to recycle waste, so that as much waste as possible would be reused.

The recycling stations at S Group's outlets or near then accept, among others, cardboard, cartonboard, plastic, glass and metal containers and clothes. In addition, the recycling of decommissioned electrical devices and electronics is possible in all of S Group's grocery stores that are larger than 1,000 m^2, and portable accumulators and batteries can be returned to all S Group outlets that sell them.

Recycling	**2016**	2015	2014
Recycling stations, total	423	332	263
Recycled plastic bottles, million pcs	169	153	153
Recycled glass bottles, million pcs	41	41	41
Recycled aluminium cans, million pcs	576	564	564
Clothes donated to UFF, tonnes	2,986	2,760	2,350
Recycled portable accumulators and batteries, tonnes	382	342	311

KEY FIGURES

ENVIRONMENTAL IMPACTS

FOOD LOSS

In S Group's grocery stores, food loss is managed by means of systematic operations and cooperation – throughout the supply chain. The goal is to reduce relative food loss by 15 per cent by the end of 2020.

Loss is managed through systematic management of orders, deliveries, transports and inventories as well as proper packaging design. In Finland, S Group's grocery stores already have more than 400 charity partners to whom foodstuffs are donated regularly. Expiring food ending up in organic waste is directed to reuse for energy, in other words gasification, composting or bioethanol production.

In 2016, food loss measured in kilograms increased compared to the previous year as a result of the extended store hours and growth in sales. Proportioned to sales, the food loss decreased by three per cent.

Food loss – supermarket trade	**2016**	2015	2014
Discarded food [million kg]	33.4	32.4	34.4
Discarded food in relation to sales [%]	1.63	1.67	1.79
Change in loss in relation to sales [%]	–3.2	–5.8	–0.6

PRODUCTS AND SERVICES

S Group wants to offer customers an opportunity to make choices based on their own values by making available products with environmental and sustainability certificates in various product categories.

Kotimaista product line	**2016**	2015	2014
Number of products in the product range, pcs	286	268	213

For example, the product ranges of grocery stores, consumer goods trade and restaurants all include organic, Fair Trade products as well as products with environmental labels. FSC-certified products are favoured in private label products made of tropical timber. In addition, the product range contains PEFC-certified wood products.

Certified products in the product range – supermarket trade	**2016**	2015	2014
Share of organic product sales in the sales of foodstuffs, %	2.1	1.9	1.8
Increase in the sales of organic products compared to the previous year, kg/l, %	21	7	8
Number of organic products in the product range, pcs	3,200	3,240	3,200
Number of MSC-certified products in the product range	86	53	52
Number of MSC-certified private label products in the product range, pcs	41	18	18
Share of MSC-certified frozen fish and shellfish products in all frozen fish and shellfish products, %	54	25	18
Use of certified palm oil* [%]	99	97	93
Share of certified coffee in the private label coffee product range, %	20	–	–
Share of certified cocoa or chocolate products in the private label cocoa and chocolate product range, %	56	–	–

* S Group's private label products and deep-frying oil used by restaurants.

KEY FIGURES

ENVIRONMENTAL IMPACTS

ALTERNATIVES TO PLASTIC BAGS

In 2016, S Group made a commitment to reduce the consumption of plastic bags. The agreement is based on the amendment to the EU's directive on packaging and packaging waste aiming to prevent the generation of plastic waste and to reduce the pollution of oceans. As part of the agreement, S Group is committed to expanding the fee on plastic shopping bags. Each S Group grocery store also offers biodegradable bag options for fruit and vegetables.

In 2016, approximately 150 million shopping bags were sold in S Group, of which about 97 per cent were plastic bags. The popularity of reusable bags has skyrocketed, and in 2016, their sales grew by 29 per cent from the previous year. The share of recycled raw material in the plastic bags to be sold was approximately 60 per cent in 2016.

Packaging and plastic bags – supermarket trade	**2016**	2015	2014
Share of biodegradable bags in all fruit and vegetable bags, %	4.6	3.7	3.4
Development of demand for biodegradable fruit and vegetable bags compared to the previous year, %	16	1.1	–6.5
Development of the sales of reusable bags compared to the previous year, %	29	5.2	9.9



KEY FIGURES

SOCIAL IMPACTS

NUMBER OF PERSONNEL

S Group is the largest private employer in Finland. In 2016, S Group employed more than 40,000 professionals of different sectors. The majority of S Group employees work in Finland, but there are also people working in Estonia, Russia, Latvia and Lithuania.

Number of employees	30 November 2016*	2015	2014
Regional cooperatives	32,940	29,991	31,248
SOK Corporation (incl. Finland and the neighbouring countries	7,542	7,400	10,098
S-Group total	40,482	37,758	4,046

* From 2016 onwards, the situation on 30 November is reported. The figure includes both active and inactive employment relationships and provides the most accurate depiction of the number of personnel on an annual level, since the figures collected at the end of the year also include seasonal employees, for example. The 2015 and 2014 figures were collected at the end of the respective years and include active employment relationships.

EMPLOYMENT RELATIONSHIPS

In S Group, the intention is to enable all employees to earn their primary income by working for the Group, if they so wish. Although the majority of employees still value full-time work, part-time work is popular among young people under 25 years of age and those in the last years of their work career, in particular.

Type of employment (%)	30 November 2016	2015	2014
Permanent	89	87	87
Fixed-term	11	13	13
Full-time	40	37	36.4
Part-time	60	63	63.6

Turnover (%)	2016	2015	2014
Personnel turnover, permanent employees	17.2	15.6	24.9

KEY FIGURES

SOCIAL IMPACTS

EMPLOYING THE YOUNG

S Group is committed to increasing the employability skills of young people and improving their opportunities to enter working life. S Group has made a Society's Commitment to Sustainability: a promise to help young people grow into retail sector professionals. S Group companies introduce the young not only to the job duties, but also to working life in general. This includes all operating methods and practices that promote the readiness of young people to become members of the working community and society.

The S-Trainee and S-Päällikkö coaching programmes attract university students and graduates year after year.

Employing the young	2016
Summer employees and trainees	13,000
S-Trainee programme participants	9
S-Päällikkö programme participants	12

DIVERSITY

Promoting diversity, in other words, e.g. equality and multiculturalism, is one of the focus areas of S Group's new responsibility programme. Discrimination is not tolerated in any situation, and the employment agreements are signed with the candidates most qualified for each position.

Gender and age distribution	30 November 2016	2015	2014
Women (%)	77.0	76.0	76.3
Men (%)	23.0	24.0	23.7
Average age*	37	37	–

* The figure does not include Inex, Meira Nova and personnel in the Baltic countries and Russia.

Diversity	2016	2015	2014
Share of women in Boards of Directors (%)	16	–*	–*
Share of women in management teams (%)	10	9	9
Share of women in supervisor and manager roles (%)	60	57	64
Share of employees under 25 years of age in all employees (%)	24	25	26
Share of employees over 50 years of age in all employees (%)	15	15	14
Number of nationalities	74	72	74

* The figure is not available.

KEY FIGURES

SOCIAL IMPACTS

JOB SATISFACTION

Happy and healthy employees build a successful company. That is why S Group aims to achieve a total result that exceeds the general norm in Finland by a minimum of five points in its work community survey. The goal was achieved in 2016 as well.

Results of the work community survey (in a scale of 0–100)	S Group 2016	General norm in Finland 2016	S Group 2015	General norm in Finland 2015	S Group 2014
Work community index	72.6	65.6	72.6	65.4	71.3
Dedication index	76.0	72.1	76.4	71.7	75.0
Commitment index	71.9	67.0	71.6	66.8	70.0
Management index	72.7	64.1	72.7	63.9	71.5
Performance index	70.7	61.5	70.8	61.3	69.9
Supervisory work index*	75.3	69.9	–	–	–
The average score of statement “The principles and values of our company are adhered to in our daily operations” (in a scale of 1–4)	3.42	3.17	3.42	3.17	3.38

* The supervisory work index is new and the figure is not available for the previous years.

S Group’s values are based on responsible cooperative activities and guide everything we do at both the management and operational level. The values and principles are well adhered to in the daily operations of the units.



KEY FIGURES

SOCIAL IMPACTS

EMPLOYEE TRAINING

S Group's multi-sectoral nature and personnel's diverse competence offer an opportunity to maintain a long and permanent employment relationship within the retail group. The personnel are encouraged to venture boldly outside their comfort zones and to expand their own competence.

In addition to diverse job duties and internal mobility, S Group employees can participate in training provided by the Group's own learning and coaching centre, the Jollas Institute.

Training	2016	2015	2014
Training days, Jollas Institute	1,276	1,230	1,356
Number of students at Jollas Institute	11,665	12,204	15,700
Online training taken	40,826	32,879	32,972

SAFETY AT WORK

A safe working and service environment is a fundamental right of our personnel and customers. S Group ensures safety through accident prevention and identification and avoidance of various hazardous and close-call situations.

Continual improvement of the personnel's safety awareness and the regular reviewing of work-related risks are important means of prevention.

Accidents at work	2016	2015*	2014
Number of accidents at work	1,829	1,909	1,966
Accident frequency (accidents per one million hours worked)	33	35	36
Share of accidents in the workplace (%)	78	81	82
Share of accidents on the way to and from work (%)	22	19	18
Share of serious accidents in all accidents (%)**	4.5	4.8	4.8

* The figures of the 2015 annual review have been specified.

** The share of serious accidents in all accidents at work is calculated as follows: the number of accidents at work resulting in absence of more than 30 days divided by the total number of accidents.

KEY FIGURES

SOCIAL IMPACTS

RESPONSIBLE PROCUREMENT

S Group's procurement operations contain several responsibility policies. These include product-specific quality requirements and respecting the rights at work and human rights in purchases from risk countries and the principle of non-discrimination.

In 2016, a total of over 20,000 suppliers and service providers provided products and services for S Group. The share of private labels and own imports in purchases of products sold in S Group is approximately 20 per cent.

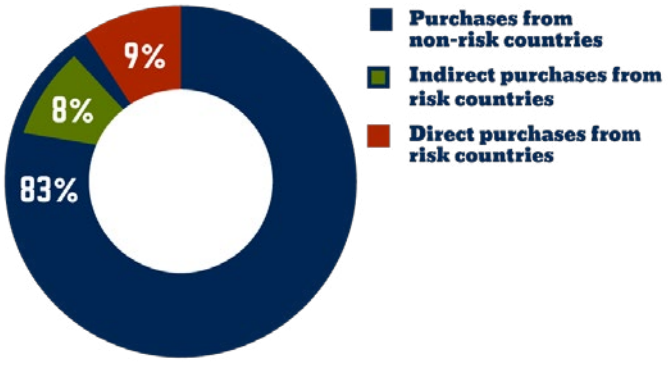
The majority, or approximately 85 per cent, of the products and services sold in S Group are purchased from Finland. Direct purchases from countries with a higher risk of human rights violations account for approximately one per cent of all purchases. The share of risk country manufacturing varies considerably depending on the product category. For example, the share of risk country manufacturing is higher in textile products and consumer goods than in food products.

S Group's goal is to perform a human rights assessment on all suppliers and service providers. In addition to the general assessment of human rights, risks are assessed in greater detail at the product, raw material and supplier level, if needed. In 2016, the development of a responsibility monitoring model for indirect risk country purchases and product ingredients continued jointly with procurement partners.

S Group's ten largest procurement countries	% of total procurement
Finland	85.4
The Netherlands	2.4
Germany	1.9
Spain	1.6
Denmark	1.5
Sweden	1.4
Italy	1.1
Belgium	0.6
Hongkong	0.4
Great Britain	0.4

S Group's ten largest risk countries of procurement	% of direct risk-country purchases	% of total procurement
China	31.5	0.4
India	13.0	0.1
Thailand	11.9	0.1
Bangladesh	8.3	0.1
Indonesia	6.4	0.1
Turkey	6.1	0.1
Egypt	5.5	0.1
South Africa	5.2	0.1
Pakistan	3.2	0.0
Peru	2.8	0.0

S GROUP'S PRIVATE LABEL PURCHASES AND OWN IMPORTS



Direct purchases from risk countries" refers to purchases from suppliers, whose home country is a risk country in accordance with BSCI's risk country classification. "Indirect purchases from risk countries" refers to purchases from suppliers, whose home country is not a risk country, but who sell products that are manufactured in a risk country or whose main raw material originates from a risk country.

KEY FIGURES

SOCIAL IMPACTS

MONITORING THE PRODUCTION CHAINS

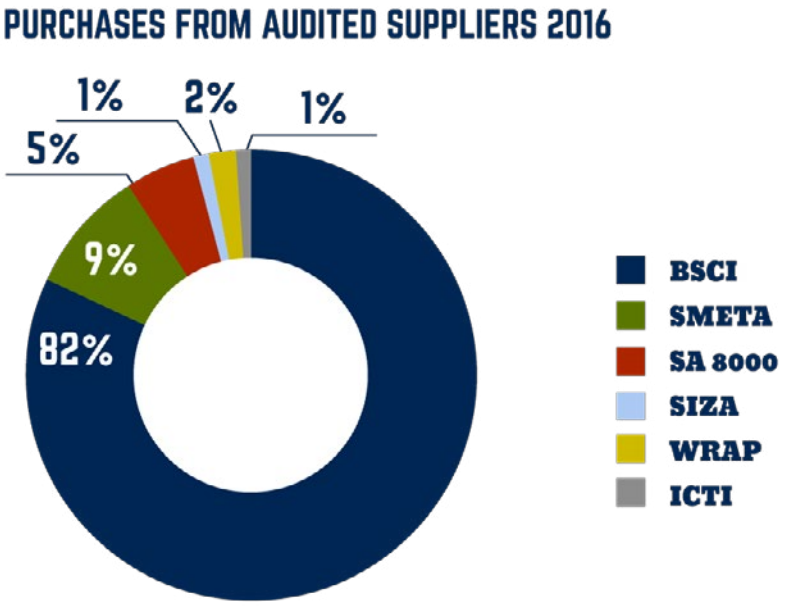
The monitoring of suppliers in S Group focuses, in particular, on countries with the greatest risks of labour and human rights violations. Such risk countries include several countries in Africa, Asia, South and Middle America as well as certain European countries.

In its ethical principles, SOK Corporation is committed to respecting human rights. In addition, S Group is committed to the *Business Social Compliance Initiative* (BSCI) principles, which are based on UN's Guiding Principles for Businesses and Human Rights. Parallel to the BSCI, S Group monitors the social responsibility of the supply chain by means of the *Supplier Ethical Data Exchange* (Sedex) database.

Ninety-seven per cent of the direct purchases of private label products and own imports from risk countries in S Group (2015: 82 per cent) are from BSCI-audited suppliers or suppliers audited using an equivalent method. The goal is to have all risk country suppliers of the private label products undergo a BSCI audit or an equivalent third-party inspection.

In the BSCI system, independent auditors inspect production plants to ensure that the criteria of the system are met in practice. The audits focus, among other things, on practices concerning working hours, occupational safety as well as payment of statutory minimum wages.

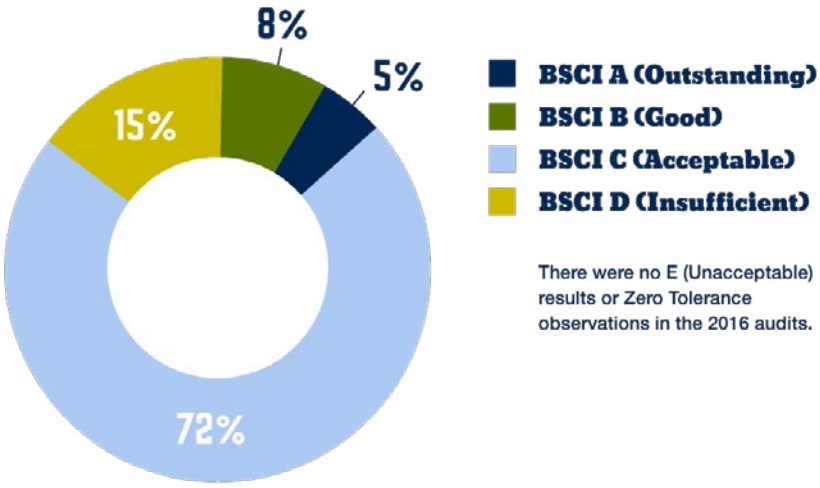
The development areas most often identified in the 2016 BSCI audits were the management practices of factories, working hours, and occupational safety practices.



KEY FIGURES

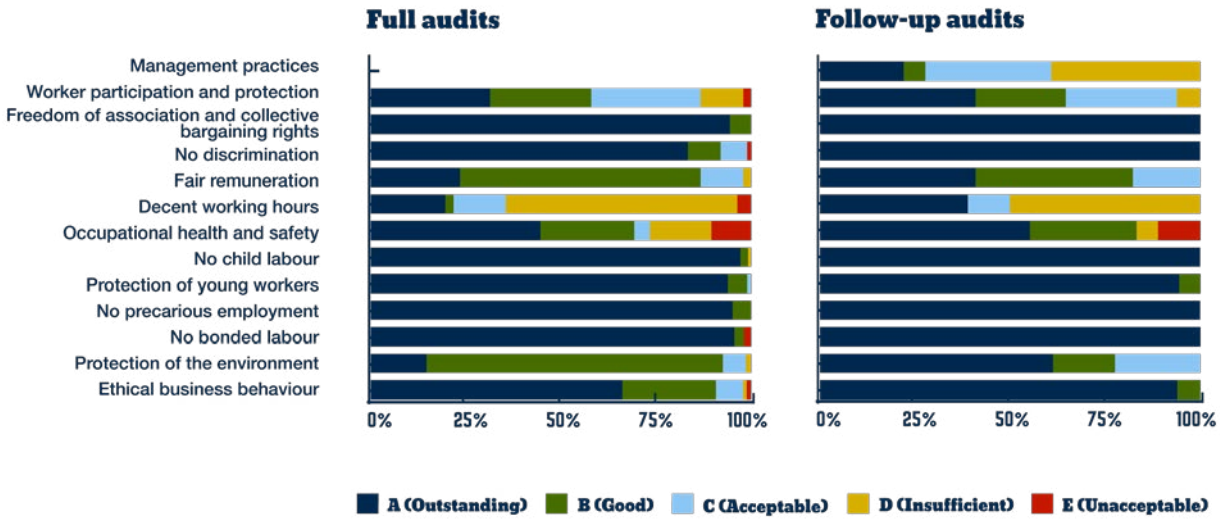
SOCIAL IMPACTS

RESULTS OF S GROUP'S BSCI AUDITS IN 2016



There were no E (Unacceptable) results or Zero Tolerance observations in the 2016 audits.

RESULTS OF S GROUP'S BSCI AUDITS BY AREA IN 2016



There were no Zero Tolerance observations in the 2016 audits.

The 2016 audits did not include *Zero tolerance* observations. These are observations of the use of child labour, forced labour, safety issues causing immediate danger, or bribery.



KEY FIGURES

SOCIAL IMPACTS

PRODUCT SAFETY

Ensuring the safety of the products in the product range is a daily task for S Group. The quality of products is evaluated even before the products are accepted into the product range, and daily self-monitoring measures ensure that the products are safe for customers.

All S Group grocery stores and restaurants carry out self-control measures. The quality and freshness of products are monitored, and if for some reason quality is compromised, the affected product is removed from the shelf. In addition, storage temperatures and the tidiness of the facilities, for example, are regularly monitored in accordance with the self-control plan.

The Finnish Food Safety Authority Evira coordinates the inspections carried out in accordance with the Oiva system at locations where foodstuffs are sold or served. The inspections cover, among other things, the temperature management of food items, store cleanliness and personnel performance.

In 2016, a total of 610 Oiva inspections were carried out at S Group grocery stores and ABC markets. The result of the Oiva inspections was excellent or good in 94.1% of the cases, a need for corrective measures was identified in 5.6% of the inspections, and the result was poor in 0.3% of the cases.

Removing defective products from the market is an aspect of ensuring product quality and safety. Therefore, S Group continuously makes sure that the shared alarm systems and operating models, agreed and practised together with our suppliers for implementing recalls or stopping products at warehouses function in a proven and fast manner.

A product recall from consumers is carried out whenever there is reason to suspect that the product can be hazardous to consumers' health.

Recalls from S Group supermarkets	**2016**	2015
Recalls from stores	276	244
Recalls from consumers	42	40



KEY FIGURES

DESCRIPTION OF THE ANNUAL REVIEW

DESCRIPTION OF THE ANNUAL REVIEW

S Group's external reporting and communication are primarily developed in accordance with the expectations of co-op members, personnel and other stakeholders.

Being a leader in responsibility requires systematic management. To do this, comprehensive and reliable monitoring information is needed on a number of key indicators. External reporting should also be transparent.

The review applies the G4 reporting guidelines of the Global Reporting Initiative (GRI), taking into consideration the cooperative structure of S Group.

The S Group-level review looks at the policies made at the S Group level and their implementation, as well as key indicators and measures in Finland. An exception is the financial figures, which also include the operations in the Baltic countries and Russia. As legally independent businesses, the cooperatives also report their own operations in their annual reports and on their websites. The review has not been verified by an external party.

KEY FIGURES

GRI TABLE

G4		Location
Responsibility strategy		
1	CEO's Review	From the management
2	Key impacts, risks, and opportunities	From the management
Organisational profile		
3–9; 13–14	S Group: size, business and ownership	S Group in brief
10	Employees	Key figures / Social impact, Number of personnel
12	S Group's supply chain	Key figures / Social impact, Responsible procurement
15–16	External principles and initiatives and membership of associations	Climate change and the circular economy / S Group praised for sustainable palm oil
Identified material aspects and boundary		
17	Report boundary	Description of the annual review
18–23	Defining report content; material aspects and reporting boundary	Description of the annual review From the management
Stakeholder engagement		
24–27	S Group's stakeholders and engagement	Stakeholder engagement
Report profile		
28–33	About this report and contact information	Description of the annual review
Administration		
34	S Group's governance structure	Management and governance
Ethics and integrity		
56	Values and codes of ethics	S Group in brief
Responsibility management		
DMA	Management approach	Responsibility management
Economic responsibility		
EC1	Direct economic value generated and distributed	Key figures / Financial impacts
EC7	Development and impact of infrastructure investments and services supported	For the good of society/Alepa bicycles for easy transport in Helsinki Climate change and the circular economy/Kera district to become a model in sustainability Well-being and health/Ässäkenttä fields get children moving
EC8	Significant indirect economic impacts, including the extent of impacts	Key figures / Financial impacts, Taxes and social influence
EC9	Proportion of spending on local suppliers at significant locations of operation	For the good of society/Local food is in Key figures/Social impact, Responsible procurement

KEY FIGURES

GRI TABLE

Environment		
EN2	Percentage of materials used that are recycled input materials	Climate change and the circular economy / Waste fabrics transformed into Cyclo clothes
EN3	Energy consumption within the organisation	Key figures / Environmental impact, Energy and water
EN5	Energy intensity	Key figures / Environmental impact, Energy and water
EN6	Reduction of energy consumption	Key figures / Environmental impact, Energy and water
EN8	Water consumption	Key figures / Environmental impact, Energy and water
EN15	Direct greenhouse gas emissions (scope 1)	Key figures / Environmental impact, Discharges and emissions
EN16	Indirect greenhouse gas emissions (scope 2)	Key figures / Environmental impact, Discharges and emissions
EN17	Other indirect greenhouse gas emissions (scope 3)	Key figures / Environmental impact, Discharges and emissions
EN19	Reduction of greenhouse gas	Climate change and the circular economy/ Sale Kiihtelysvaara gave up oil heating Climate change and the circular economy/Wind power target was reached, solar power is also an option Key figures/Environmental impact, Discharges and emissions
EN21	Other significant air emissions	Key figures / Environmental impact, Discharges and emissions
EN23	Waste by type and disposal method	Key figures / Environmental impact, Waste
EN27	Extent of impact mitigation of environmental impacts of products and services	Climate change and the circular economy/Suur-Savo tackles food loss Climate change and the circular economy/Fish and shellfish from sustainable stocks Climate change and the circular economy/Red stickers for reduced food loss Key figures/Environmental impact, Products and services
EN28	Reclaimed products and their packaging materials	Key figures / Environmental impact, Waste
EN30	Environmental impacts of transporting products, materials and workforce	Key figures / Environmental impact, Discharges and emissions
EN32	Suppliers screened using environmental criteria	Key figures / Social impact, Responsible procurement
EN33	Significant negative environmental impacts in the supply chain and actions taken	Climate change and the circular economy/Fish and shellfish from sustainable stocks Climate change and the circular economy/S Group praised for sustainable palm oil

KEY FIGURES

GRI TABLE

Labour practices and decent work		
LA1	New employee hires and employee turnover	Key figures / Social impact, Number of personnel
LA6	Injuries, occupational diseases, lost days absenteeism and fatalities	Key figures / Social impact, Occupational safety
LA9	Training	Key figures / Social impact, Employee training
LA10	Programmes for skills management and lifelong learning	Well-being and health/Good working conditions – thriving personnel Key figures / Social impact, Employee training
LA12	Composition of governance bodies and breakdown of employees per employee category according to indicators of diversity	Management and governance Key figures/Social impact, Diversity
LA14	Suppliers screened using labour practices criteria	Key figures / Social impact, Responsible procurement
LA15	Significant negative impacts for labour practices in the supply chain and actions taken	Key figures / Social impact, Responsible procurement
Human rights		
HR10	Suppliers screened using human rights criteria	Key figures / Social impact, Responsible procurement
HR11	Significant negative human rights impacts in the supply chain and actions taken	Ethical operating culture and human rights/S Group stands with human rights activist Andy Hall Key figures/Social impact, Responsible procurement
Society		
SO1	Local community engagement, impact assessments and development programs	For the good of society/Alepa bicycles for easy transport in Helsinki Climate change and the circular economy/Kera district to become a model in sustainability Ethical operating culture and human rights/Providing employment to immigrants Well-being and health/Ässäkenttä fields get children moving
SO9	Suppliers screened using criteria for impacts on society	Key figures / Social impact, Responsible procurement
Product responsibility		
PR1	Products and services for which health and safety impacts are assessed	Key figures / Social impact, Product safety
PR3	Type of product and service information required	Key figures / Environmental impact, Products and services
PR5	Surveys measuring customer satisfaction	Stakeholder engagement
PR6	Sale of banned or disputed products	Climate change and the circular economy/Fish and shellfish from sustainable stocks Climate change and the circular economy/S Group praised for sustainable palm oil