S GROUP AND RESPONSIBILITY 2019



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For the good of society

TRAINING FOR THE FUTURE

S Group and ProAgria started their joint Training for the Future coaching programme in the autumn. The programme aims to provide farmers and business owners with information about consumption trends, as well as support for strategy work and for running a climate-related business. The coaching programme is one of our many ways to ensure a bright future for Finnish food. p. 35

A FINNISH RECIPE FOR SUCCESS

The Finnish Recipe for Success competition highlighted innovative new products by small and medium-sized manufacturers. The first winner, Boltsi veggie balls by Leivon Leipomo, was the highest-selling new product in S Group's grocery stores in 2019. p. 35

Climate change and the circular economy

FACILITATING SUSTAINABLE CHOICES

In the autumn, we introduced a carbon footprint calculator in the My Purchases service in the S-mobiili mobile app. The calculator enables our customers to monitor the carbon footprint of their grocery purchases. We also introduced a calculator for differentiating between products made in Finland from Finnish ingredients and products made in Finland from imported ingredients. p. 45

AMBITIOUS CLIMATE GOALS

We have updated our climate goals. Our target is to reduce emissions from our own operations by 90% by the end of 2030. Our target is also to be carbon negative by the end of 2025. p. 39

FINLAND'S LARGEST PRODUCER OF SOLAR POWER

Our strong investment in solar energy has enabled us to become Finland's largest producer of solar power over a short period of time. By the end of the year, there were as many as 50,212 solar panels on the roofs of our facilities. p. 41

Ethical operating culture and human rights

RADICAL TRANSPARENCY FOR SUPPLY CHAINS

To supplement traditional audits, we have developed the Radical Transparency research concept to identify the root causes of human rights risks in supply chains. We published our first report in accordance with this concept at the beginning of 2019. The study was conducted by the non-governmental organisation Oxfam, which produced a report independently based on the study. p. 61

S GROUP'S HUMAN RIGHTS PRINCIPLES

We prepared S Group's human rights principles to guide our own and our partners' operations. The principles describe our approach to human rights and how we identify and assess the impacts of our operations on human rights. The human rights principles also include provisions on supporting a free civil society and human rights defenders. p. 52

Health and well-being

PROMISING RESULTS THROUGH MENTAL HEALTH WORK

Our mental health promotion model, Support for the Mind (Mielen tuki), has produced promising results. For example, absences caused by work-related stress and anxiety decreased by more than 50% compared with 2019. p. 69

HALF A KILO OF VEGETABLES PER DAY

We encourage Finns to eat more vegetables by lowering the prices of Finnish vegetables and providing recipes, for example. The sales of vegetables are increasing rapidly: compared with 2015, sales have increased by around 20 million kilos. p. 70

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S Group is a Finnish cooperative group of companies owned by its customers. We offer services in the supermarket trade, the department store and speciality store trade, service station store and fuel sales, the travel and hospitality business and the hardware trade. In addition, some of our cooperatives have car dealerships and agricultural outlets in their regions. We also provide comprehensive banking services through S-Bank.

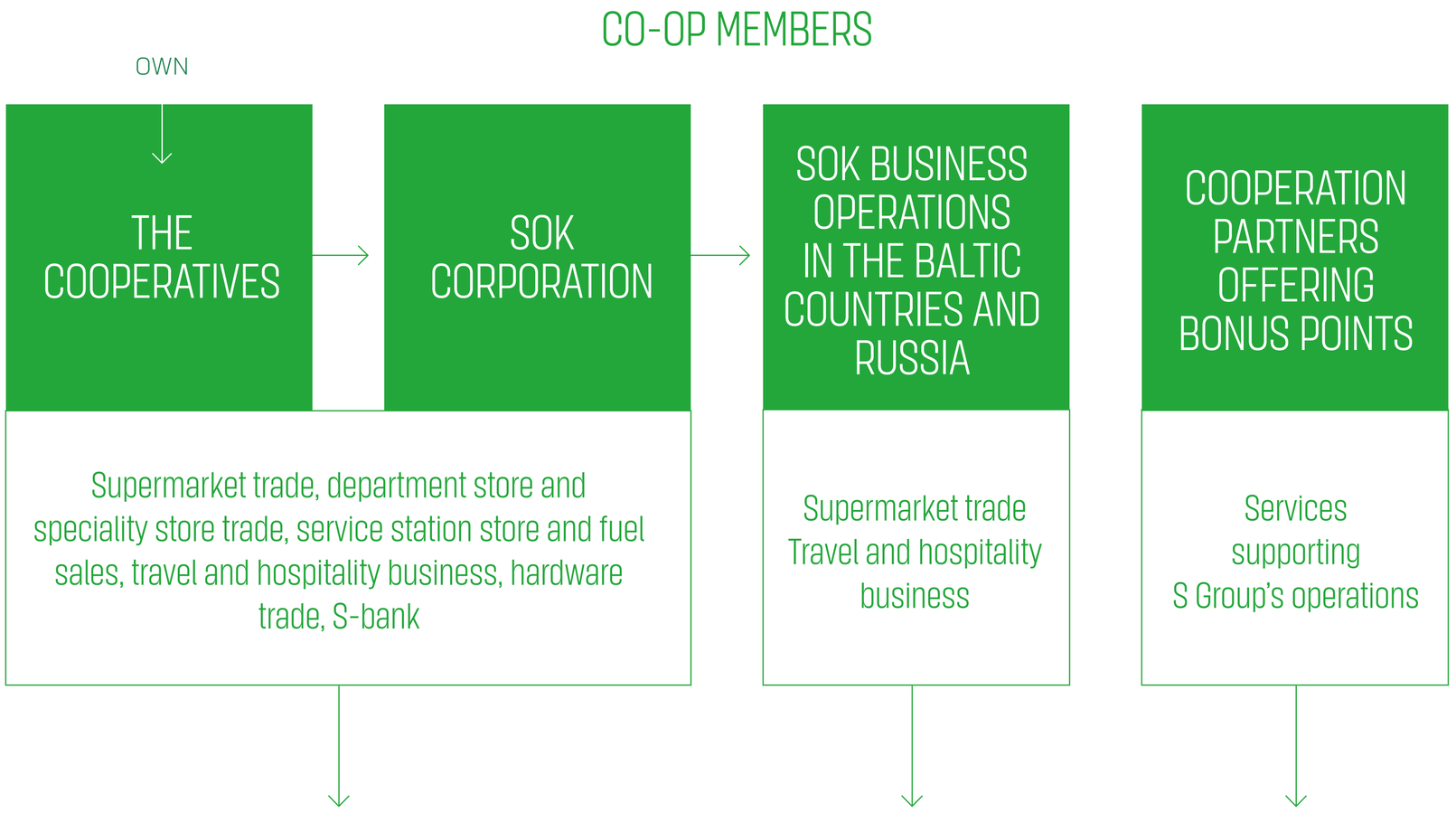


S Group in brief

S Group consists of 19 regional cooperatives and SOK Corporation, as well as their subsidiaries. The network of cooperatives extends throughout Finland, and the regional aspect is highlighted in the operations of the cooperatives. The co-op members own the cooperatives, which in turn own SOK Corporation. SOK Corporation consists of Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries.

SOK is a central cooperative that provides expert and support services – such as supply chain management, product range, procurement and marketing services – for the cooperatives of S Group. SOK is also responsible for the strategic steering of S Group and the development of the business chains.

Some of SOK's subsidiaries engage in the supermarket trade and the travel and hospitality business in Estonia and Russia.



Regional cooperatives and international operations



FINLAND



ESTONIA



RUSSIA

REGIONAL COOPERATIVES

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

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

INTERNATIONAL OPERATIONS

Russia
Prisma, Sokos Hotels

Estonia
Prisma, Sokos Hotels

S Group in figures

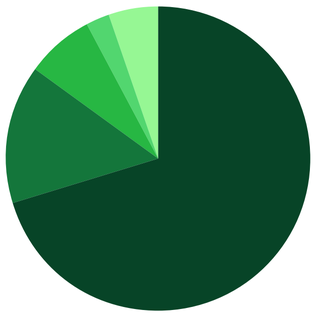
S Group's improved result in 2019 was based on the travel and hospitality business in particular. The travel and hospitality business has improved its result for several consecutive years. A positive result was also recorded for consumer goods, such as clothing and home products at Prisma and Sokos stores. Overall, S Group has improved its performance through investments in its digitalisation, operating culture, energy efficiency and wind power.

OPERATING RESULT EUR
409
MILLION

INVESTMENTS EUR
496
MILLION

In 2019, S Group continued to invest in hotels in particular, through renovations and the construction of new locations.

RETAIL SALES EXCLUDING TAXES EUR 11,713 MILLION



- Supermarket trade
  EUR 8,249.0 million +1.9% year-on-year
- Service station store and fuel sales
  EUR 1,720.6 million -0.5% year-on-year
- Travel and hospitality business
  EUR 842.2 million +3.1% year-on-year
- Department stores and speciality stores
  EUR 289.8 million -1.4% year-on-year
- Other
  EUR 611.8 million +4.4% year-on-year
- **S Group total**
  EUR 11,713.5 million +1.7% year-on-year

SALES: FINLAND EUR
11,384
MILLION



SALES: ESTONIA EUR
190
MILLION



SALES: RUSSIA EUR
139
MILLION



S GROUP TOTAL EUR
11,713
MILLION

Cooperative activities and co-op membership

Because of the cooperative form of the 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 operations are invested for the benefit of the co-op members by developing services and renovating locations, or distributed to the co-op members in the form of various benefits, such as the Bonus and payment method-related benefits.

CO-OP MEMBERS
2,425,167
PEOPLE

CASH BENEFITS PAID TO CO-OP MEMBERS EUR
401 MILLION

BONUS EUR
341 MILLION

Co-op members are eligible to a Bonus of up to 5% – in other words, they receive money back from purchases at nearly 2,000 outlets.

PAYMENT OF INTEREST ON MEMBERSHIP FEE EUR

5.1

MILLION

If the cooperative's financial performance in the previous year is good enough, the cooperative may pay interest on the membership fee (EUR 100) paid by its co-op members.

RETURN OF SURPLUS EUR

46

MILLION

The return of surplus is calculated on purchases that co-op members make at the outlets of their own cooperative by the end of the previous year. The return of surplus is paid by some of the cooperatives.

PAYMENT METHOD BENEFIT EUR

8.8

MILLION

When co-op members pay with their S-Etukortti card, they receive a payment method benefit of 0.5%.

S GROUP'S KEY FIGURES	2017	2018	2019
Retail sales excluding taxes, EUR million	11,273	11,523	11,713
Finland	10,869	10,960	11,384
The Baltic countries and Russia	404	332	329*
Operating result, EUR million	344	355	409
Investment, EUR million	525	598**	496
Cash benefits paid to co-op members, EUR million	382	372	401
Co-op members	2,355,963	2,398,295	2,425,167
Employees	39,382	40,701	40,081***
Outlets	1,631	1,841****	1,854
Specific consumption of energy, (kWh per gross m^2)	306	292	283
Emissions from S Group's own operations, tCO_2e	295,600	246,900	150,000
Recycling rate, %	72	72	73
Relative food waste, %	1.49	1.51	1.52
Coverage of audits of purchases from high-risk countries, %	99	94	98
Rate of certification for sales volume of private label products, %			
Coffee	86	87	99
Tea	62	82	100
Cacao	83	98	99
Ethical index in the workplace community survey (TYT)	78.1	78.2	78.3

Verification report on S Group's specific energy consumption

Personnel and locations

S GROUP TOTAL*

40,081

PEOPLE

REGIONAL COOPERATIVES

32,844

PEOPLE

SOK CORPORATION

7,273

PEOPLE

OUTLETS

1,854

S GROUP TOTAL

* Includes operations in Estonia and Russia.
** The figure has been further specified (2018 annual review: EUR 589 million million)
*** Changes have been made to the method of calculating the number of employees, meaning that the figure is not entirely comparable to previous years' figures.
**** ABC stations in conjunction with supermarket locations have been separated as independent locations in calculations during 2018.

Working together for a better future

S Group's renewed strategy was approved in late 2019. It is based on our crystallised mission: 'We make Finland a better place to live'. Our mission reflects the purpose of the cooperative group of companies and the reason for its existence.

We are well positioned for the future. We recorded a good result in 2019, and this lays a solid foundation for us to implement our mission. When we succeed, we can support our entire community in improving its performance. We provide high-quality services across Finland, and we are the largest employer and a major taxpayer in the various regions of Finland. We can lead by example by operating responsibly and sustainably.

Our new strategy focuses on increasing the significance of cooperative activities and co-op membership through meaningful actions. This means the continuous development of our stores and their services, for example. The renewal of our S-market grocery chain over the next two years is a prime example of this. This also requires close cooperation with the co-op members. We will renew the chain in stages, listening to our customers, learning from their feedback and making agile adjustments accordingly.

We also provide our co-op members with more information and tools that enable them to better manage their daily lives and the life of their communities. For example, we are continuously developing the My Purchases service in the S-mobiili mobile app. The service offers easy ways to make more climate-friendly choices, as well as choices that promote well-being.

Our new climate goals will also expand our scope of impact. At the beginning of 2020, S Group set new climate goals – the most ambitious climate goals in Finland. We are now seeking to reduce our climate emissions by 90% by the end of 2030, compared with 2015. Our previous goal for the same period was 60%. At the same time, we are working to become Finland's first carbon negative group of companies by the end of 2025.

S Group's climate efforts have already progressed more quickly than planned, thanks to our improved energy efficiency and our increased production of wind power, for example. In addition, we have become Finland's largest producer of solar energy over a short period of time. S Group is large enough to make a major difference. We are also expected to be even more impactful and responsible. Collaboration is at the core of cooperative activities. We are working to cooperate even more closely with our co-op members and partners and all members of S Group. Together we can make a real difference. This makes our work more meaningful – and I hope it makes others' work more meaningful as well.

Let's make Finland and its regions, cities, towns, villages and neighbourhoods better places to live for us all!

Taavi Heikkilä,
CEO, SOK



A renaissance of cooperative activities

S Group's new mission is 'We make Finland a better place to live,' and our vision is 'Superior benefits and convenience from your own store'. Our mission and vision provide our strategic guidelines, which are based on the key principle of cooperative activities.

Three major drivers of change are putting S Group's and other operators' competitiveness to the test: digitalisation, increasingly international competition, and the fragmentation of Finland and consumption. In a rapidly changing operating environment, the winners are companies that take care of their cost-effectiveness and improve their performance, in addition to continuously improving their operations in an agile and customer-focused manner.

S Group's new strategy is reflected in our co-op members' daily lives through three closely related focus areas. We want to further crystallise the key principle of cooperative activities through practical actions, as well as increasing our co-op members' influence in terms of our selections and services, for example. We are also seeking growth, in addition to being even more beneficial for our customers. This calls for more customer-focused development and performance improvement.

As a cooperative group of companies, our success and growth are not in conflict with our co-op members' interests. When we provide competitive services that meet our customers' needs and wishes and offer attractive benefits to our customers, they will increasingly want to shop exclusively with us.

Improved services mean the continuous development of our network and services. Improved services also include easy-to-use online stores and digital services. Creating an optimal combination of online and bricks and mortar is one of S Group's most significant future development needs. More accurate targeting will also make services more useful, as will increasing customers' influence in terms of selection development and service renewal.

We are setting the bar high: we want to lead the way in our sectors. Alongside operational development, we are providing our customers with information and tools that enable them to make optimal choices.



Business Areas

Supermarket trade

A period of renewal

Competition is tight in the supermarket trade, in terms of both prices and selections. Current major trends – ease, experiences, well-being and sustainability – are reflected in expectations of more personalised customer experiences, for example.

S Group is the market leader in the Finnish grocery trade. S-market is Finland's largest grocery store in terms of sales, while Prisma is the most attractive hypermarket. Our small stores, Alepa in the Helsinki metropolitan area and Sale in different parts of the country, make customers' daily lives easier.

In 2019, the highlights of the supermarket trade included profitable growth in consumer goods in a tight competitive situation and the successful preparation of extensive quality and selection projects for grocery chains.

The Prisma stores fared well in consumer goods in a tough market situation where rapidly growing international online commerce and speciality stores made competition more intense. The growth of the consumer goods trade was driven by exclusive new brands and the launch of Prisma Gaming, among other factors. The Prisma stores also remained Finland's most popular fashion shops.

In the hardware trade, the further development of Kodin Terra's online store expanded the availability of the chain's selections and services across Finland.

Digital solutions are an increasingly integral part of the hardware trade. In addition, hardware products will be integrated more closely into the selections of the Prisma hypermarkets. We are making the best selection of hardware products and services available to our consumer and professional customers via multiple channels.

In the grocery trade, we prepared for extensive renewals of grocery store chains. Our goal is to offer superior quality food markets with the best service in Finland at S Group's grocery stores. All S-market stores in Finland, around 440 outlets, will be renewed over the next two years. The refurbished S-market stores will offer a fresh store environment and more attractive selections based on customers' needs, in addition to services requested by local residents.

One of our greatest successes in the grocery trade in 2019 was a significant increase in the sales of fish, which reached an entirely new level. Our work to further develop our selection and quality of Finnish fish began in May 2019. The results of this work were very well received among customers: the sales of fish increased by 20% year-on-year and have remained at this level, which is an exceptional for a single group of products.

S Group works to drive Finnish food expertise towards growth and help small and medium-sized Finnish food companies succeed. Finnish Recipe for Success is a competition organised by S Group's grocery stores. Through the competition, we seek to bring innovative food products to stores. The winner of the 2019 competition, Boltsi veggie balls, immediately became the highest-selling new products at S Group's grocery stores. The competition will be organised for the second time in 2020 in the hope of finding new hit products.

SALES EUR

8,385*

MILLION

* Also includes the hardware trade, which was previously reported separately

MARKET SHARE

46.2%

94
PRISMA STORES

118
ALEPA STORES

6
FOOD MARKET HERKKU STORES

437
S-MARKET STORES

302
SALE STORES

Department stores and speciality stores

Customer-focused service

S Group's department store sales have overcome major challenges and developed at an incredible pace over the past few years. The result was clearly positive, and sales were increasing, particularly online in 2019.

According to forecasts, Finnish speciality store sales will face challenging times because of increased competition. The future looks brighter for S Group's department store sales: its Sokos department stores and Emotion stores are faring very well.

The renewal of the Sokos chain continued in 2019. The newest Sokos department store was opened in Lohi, a new shopping centre in Lohja, in autumn. People are looking for reasonably and conveniently sized stores that are easy to reach and access. For this reason, each department store will be adjusted to the size of its location, such as the relatively small town of Lohja.

The key focuses for Sokos in 2019 included the further development of customer service. Good service is the most significant differentiating factor, as well as creating memorable customer experiences. The Sokos employees seek to help each customer find their own style, in addition to offering comprehensive service and pleasant experiences, and not just individual products. The work to achieve this goal continues in 2020.

The Emotion chain, which specialises in beauty products, is another success story for S Group. The chain will celebrate its 20th anniversary in the spring of 2020. The 20-year-old chain has been highly successful in a heavily competitive market. At the moment, the chain has 38 stores in different parts of Finland and the goal is to increase the number of stores to 50. The joint Emotion and Sokos online store made its sales record in 2019.

Sustainability is also key for S Group's department store sales. Customers are particularly interested in the raw materials used in products, as well as the origin and traceability of the raw materials. For example, natural cosmetics are a rapidly growing product category in both chains. The chains have a private label, We Care Icon. Vegan products were added to the selection in 2019, and the packaging material for these products is made from plastic recycled by consumers, as far as possible.

In late 2019 S Group's department stores started an experiment, in which plastic bags have been replaced with shopping bags made from renewable materials. Made from recyclable paper fabric, these shopping bags are a Finnish innovation and have attracted a great deal of international attention. The new bags have been well received among customers.

SALES EUR

290
MILLION

4
PUKUMIES STORES

38
EMOTION STORES

21
SOKOS STORES

7
OTHER SPECIALITY STORES

Service station store and fuel sales

Renewal for a new decade

For the 20-year-old ABC chain, 2019 was a year of renewal and positive developments. Sales were at the previous year's level, with excellent performance.

The chain is currently undergoing the most comprehensive transformation in its history. During the year, the interiors of many service station stores were refurbished and refreshed. More favourable conditions for smooth service were created, and the ABC CarWash network was developed further.

Traditional customer service has been supplemented by a wide range of digital services. Several new functionalities were added to the ABC-mobiili mobile app for customers on the move. Customers' travelling was made easier and more convenient by introducing a service that enables customers to order and pay for meals via the mobile app well in advance of arriving at the service station store. A mobile payment function was developed for ABC-mobiili in late 2018, and this function was introduced in service stations around Finland in 2019.

Meeting people and spending time in a laid-back atmosphere are an important part of the ABC experience. Thursday Stories, a new series of events, was tested at ABC service stations during 2019. People, local residents in particular, were invited each month to listen to stories and discuss various themes, such as health and culture.

Service Station Stories, a new reality TV show about the eventful work of ABC employees, attracted a respectable number of viewers in the late summer.

ABC is Finland's most trusted service station chain. The chain is under Finnish ownership, and many of its employees are local residents. For several years, ABC has only sold Finnish meat at its restaurants, and the chain is entitled to use the Key Flag Symbol to indicate its Finnish origin.

The chain has responded to the growing demand for vegetarian alternatives by adding a vegetarian meal to its daily buffet and by adding colour and variety to its salad buffet in the form of seasonal vegetables. Many service stations have added Arnold's doughnuts, a popular snack in Finland, to their selections.

ABC's wide range of services will continue to play an important role in society, because traffic volumes are increasing in Finland and globally. The challenge of reducing emissions from transport must be taken seriously. It is a tough challenge, and all operators across the sector must include all technically and commercially viable tools in their toolkits.

SALES EUR

1,721
MILLION

325
UNSTAFFED ABC STATIONS

43
LOCAL ABC STATIONS

57
ABC SERVICE STATION

ABC will continue to offer a comprehensive range of energy forms for transport. For example, biowaste and residues from our Finnish chain of grocery stores are used as raw materials in producing Eko E85 fuel, which we sell. The sales of Eko E85 continued to grow in 2019, meaning that there clearly is demand for more environmentally friendly options.

Travel and hospitality business

Continuous development produces results

Tourism in Finland continued to develop favourably in 2019. Finnish travellers' overnight stays increased by 5.5%, and those of foreign travellers by 3.4%.

As a Finnish business and Finland's most trusted hotel chain, Sokos Hotels benefitted from the strong growth in domestic travel. Its comparable accommodation sales increased by as much as 7.2% year-on-year. The increase was driven by investments in the development of the sokoshotels.fi website and in customer loyalty programmes and benefits for co-op members. Radisson Blu Hotels also recorded a strong performance, with comparable sales increasing by 4.8%.

International hotel chains became increasingly interested in the favourable trend in tourism in Finland, and many operators and franchisers announced their intentions to establish hotels, particularly in the Helsinki metropolitan area.

S Group has responded to intensified competition by starting an extensive investment programme to refurbish hotels and open new ones. For example, following the refurbishment of the Radisson Blu Marina Palace Hotel in Turku, the completely refurbished Solo Sokos Hotel Seurahuone and the new Original Solo Sokos Wiklund were opened in 2019. The Original Sokos Hotel Kupittaa will be opened in the spring of 2020. At the beginning of 2020, the new Original Sokos Hotel Tripla was opened in the Pasila district of Helsinki.

SALES EUR

842
MILLION

8
RADISSON BLU HOTELS

500
RESTAURANTS

47
SOKOS HOTELS

2
OTHER HOTELS

In the hospitality business, the consumption of alcohol continues to decrease, and the consumption of quick and easy food continues to increase. The popularity of takeaway food and food deliveries is growing, and new cities and towns are being included in these services.

With restaurant concepts diversifying, the operation and daily management of restaurants is even more important than before. S Group's strategic programmes for the hospitality business have further improved our performance, as well as bringing clarity to procurement and selection management. The strong renewal of our restaurant network continued as well. During the year, we opened or refurbished more than 30 restaurants. The result of our hospitality business improved for the fifth consecutive year,

and that of our travel business for the sixth consecutive year. Competition is becoming more intense, particularly in international travel and the upscale segment. In this competition environment, our continuously developing Sokos Hotels chain continues to have a strong market position. The growth of our Radisson Blu hotels is driven not only by the renewal of hotels and restaurants, but also by our own service development and effective regional sales.

Our investments in digital development are strengthening our travel and hospitality business as a whole. Digital development will enable us to offer a wider range of service models, more personalised rewards for customers and a higher quality of interaction for all our customers.

Guided by S Group's ambitious sustainability programme, we have worked and will continue to work hard for more sustainable travel. Sustainability is not only about reducing food waste or securing Green Key certification for hotels, but also about a comprehensive way of thinking related to all our operations, from building hotels to recycling each piece of plastic packaging.

S-Bank

Our best year ever

The past decade was exceptional for banks and their customers in many ways. Interest rates plummeted to record-low levels around the world, and stricter regulations were imposed on banks.

Despite the challenging environment, S-Bank succeeded in establishing its position among the major Finnish banks during the 2010s, having been founded in 2007. This was based on rapid but controlled growth.

For S-Bank, the 2010s had an encouraging end: 2019 was the bank's best year ever. Its operating profit increased by 69.3% year-on-year and was EUR 29.0 million (17.0). Its total income increased by 9.8%, while its costs decreased by 1.7%. Its capital adequacy ratio remained at a good level and was 16.3% (16.8%).

All of S-Bank's key products – loans, payment cards and asset management services – performed well. Lending increased to EUR 4.8 billion (4.2), and assets under management increased to EUR 9.1 billion (7.6). S-Bank's subsidiary, FIM, introduced three new FIM Sustainability Plus funds in 2019, and the total capital of the FIM Sustainability Plus fund family doubled during the year.

In 2019, S-Bank implemented a system to automate the processing of unsecured loans, for example. This enables the bank to grow its loan portfolio more strongly than before.

A new version of the S-mobiili mobile app was released in the spring. The app combines the services of S-Bank and S Group and has been well received among customers. The app has more than a million users, and it represented 89% of all logins to S-Bank's digital services at the end of the year.

S-Bank also made important choices during the year. Its organisation was renewed in the spring, and the bank focused its operations more closely around its two business units: Banking and Asset Management. These changes will improve operational efficiency and reduce costs over the coming years. The pricing and terms and conditions of the bank's products and services were also updated. In light of current information, interest rate levels will remain at a record low in 2020, but the banking sector will be regulated even more strictly than before. However, S-Bank is confident about the future, based on its performance in 2019.

3 MILLION
CUSTOMERS

OPERATING RESULT EUR
29
MILLION

DEPOSITS EUR
5.9
MILLION

Read more in S-Bank's annual report for 2019

Administration

SOK's Supervisory Board 2019







Matti Pikkarainen
(b. 1953) Oulu

- DTh
- Chair 2013–
- Chair of the Supervisory Board of the Arina Cooperative Society
- Member of the Supervisory Board 2004–
- Outgoing in 2022

Timo Santavuo
(b. 1960) Pori

- Lawyer, LLM with court training
- First Vice Chair 2017–
- Chair of the Supervisory Board of the Satakunta Cooperative Society
- Member of the Supervisory Board 2000–
- Outgoing in 2022

Tapio Kankaanpää
(b. 1962) Kuopio

- MSc (Econ.)
- Second Vice Chair 2019–
- Managing Director of the PeeÄssä Cooperative Society
- Member of the Supervisory Board 2018–
- Outgoing in 2020

Jorma Bergholm
(b. 1954) Helsinki

- Managing Director
- Chair of the Supervisory Board of the Helsinki Cooperative Society Elanto
- Member of the Supervisory Board 2005–
- Outgoing in 2020

Pentti Hämäläinen
(b. 1954) Hamina

- Lawyer
- Chair of the Supervisory Board of the Kymi Region Cooperative Society
- Member of the Supervisory Board 2008–
- Outgoing in 2021

Henrik Karvonen
(b. 1972) Kuusamo

- Managing Director of the Koillismaa Cooperative Society
- Member of the Supervisory Board 2014–
- Outgoing in 2021

Sinikka Kelhä
(b. 1964) Rauma

- Lawyer
- Chair of the Supervisory Board of the Keula Cooperative Society
- Member of the Supervisory Board 2017–
- Outgoing in 2020

Kimmo Koivisto
(b. 1956) Salo

- Farmer
- Chair of the Supervisory Board of the Suur-Seutu Cooperative Society
- Member of the Supervisory Board 2007–
- Outgoing in 2022

Martti Lokka
(b. 1967) Mikkeli

- Managing Director, Building Manager
- Chair of the Supervisory Board of the Suur-Savo Cooperative Society
- Member of the Supervisory Board 2014–
- Outgoing in 2021

Anne Mäkelä
(b. 1965) Kokkola

· Lawyer, LLM with court training
· Chair of the Supervisory Board of the KPO Cooperative Society
· Member of the Supervisory Board 2015–
· Outgoing in 2020

Timo Rajala
(b. 1957) Akaa

· Project Director
· Chair of the Supervisory Board of the Pirkanmaan Cooperative Society
· Member of the Supervisory Board 2017–
· Outgoing in 2020

Kari Suninen
(b. 1963) Lappeenranta

· Managing Director
· Chair of the Supervisory Board of the Southern Karelia Cooperative Society
· Member of the Supervisory Board 2018–
· Outgoing in 2021

Kristian Westerholm
(b. 1969) Inkoo

· MSc (Agr)
· Chair of the Supervisory Board of the Varuboden-Osla Handelslag Cooperative Society
· Member of the Supervisory Board 2016–
· Outgoing in 2022

Employee representatives

Iiris Merimaa (b. 1962) Helsinki

· Administrative Assistant communications management (MJD)
· SOK Administrative Services and Risk Management
· Member of the Supervisory Board 2009–
· Outgoing in 2020

Antti Määttä
(b. 1966) Muurame

· MSc (Econ), Commercial Counsellor
· Managing Director of the Keskimaa Cooperative Society
· Member of the Supervisory Board 2013–
· Outgoing in 2022

Mika Rantanen
(b. 1959) Kaarina

· MA (Ed)
· Chair of the Supervisory Board of the Turku Cooperative Society
· Member of the Supervisory Board 2019–
· Outgoing in 2022

Matti Timonen
(b. 1956) Nurmes

· Farmer
· Chair of the Supervisory Board of the Jukola Cooperative Society
· Member of the Supervisory Board 2011–
· Outgoing in 2020

Kim Wrange
(b. 1968) Lehmo

· Licentiate of Science (Econ.), Head Lecturer
· Chair of the Supervisory Board of the Northern Karelia Cooperative Society
· Member of the Supervisory Board 2018–
· Outgoing in 2022

Ulla Kivilaakso (s. 1970) Helsinki

· Diploma in business administration, diploma in marketing and communications management (MJD)
· Marketing Manager
· SOK Travel Industry and Hospitality Chain Management
· Member of the Supervisory Board 2011–
· Outgoing in 2020

Hannu Pelkonen
(b. 1967) Sotkamo

· Managing Director of the Maakunta Cooperative Society
· Member of the Supervisory Board 2015–
· Outgoing in 2021

Jarkko Rautaoja
(b. 1964) Heinola

· MSc (Tech)
· Chair of the Supervisory Board of the Hämeenmaa Cooperative Society
· Member of the Supervisory Board 2017–
· Outgoing in 2020

Elina Varamäki
(b. 1971) Seinäjoki

· Vice Principal, Adjunct Professor
· Chair of the Supervisory Board of the Southern Ostrobothnia Cooperative Society
· Member of the Supervisory Board 2016–
· Outgoing in 2022

SOK's Executive Board 2019



Taavi Heikkilä (b. 1962)
- CEO, MSc (Econ)
- Member of SOK's Executive Board 2007–2011, 2014–
- With S Group 1987–
- Chair of SOK's Executive Board



Kim Biskop (b. 1971)
- Managing Director, MSc (Econ)
- KPO Cooperative Society
- Member of SOK's Executive Board 2019–
- With S Group 1987–



Nermin Hairedin (b. 1975)
- MSc (Econ), board professional
- Member of SOK's Executive Board 2019–



Rita Järventie-Thesleff (b. 1959)
- DSc (Econ), professor
- Member of SOK's Executive Board 2019–



Juha Kivelä (b. 1966)
- Managing Director, MSc (Econ)
- Northern Karelia Cooperative Society
- Member of SOK's Executive Board 2018–
- With S Group 1990–



Hannu Krook (b. 1965)
- Managing Director, MSc (Econ)
- Varuboden-Osla Handelslag Cooperative Society
- Member of SOK's Executive Board 2016–
- With S Group 2013–



Veli-Matti Liimatainen (b. 1969)
- Managing Director, MSc (Econ)
- Helsinki Cooperative Society Elanto
- Member of SOK's Executive Board 2018–
- With S Group 1995–



Kimmo Simberg (b. 1959)
- Managing Director, Commercial Counsellor, MBA
- Southern Ostrobothnia Cooperative Society
- Member of SOK's Executive Board 2019–
- With S Group 1988–



Olli Vormisto (b. 1967)
- Managing Director, MSc (Econ)
- Hämeenmaa Cooperative Society
- Member of SOK's Executive Board 2017–
- With S Group 1989–

SOK Corporation's Corporate Management Team 2019



Taavi Heikkilä (b. 1962)
· CEO, MSc (Econ)
· With S Group 1987–



Arttu Laine (b. 1970)
· COO, EVP, MSc (Econ)
· Chain Management, Procurement and Logistics
· With S Group 1995–



Jari Annala (b. 1964)
· EVP, MSc (Econ)
· SOK Business Units and S-Pankki Oy
· With S Group 1989–



Susa Nikula (b. 1970)
· EVP, MSc (Econ)
· Human Resources
· With S Group 1995–



Sebastian Nyström (b. 1974)
· EVP, MSc (Tech)
· Chief Transformation Officer (Strategy, IT and Digital Development)
· With S Group 2015–



Jorma Vehviläinen (b. 1967)
· EVP, CFO, MSc (Econ)
· Finance and Administration
· With S Group 1991–



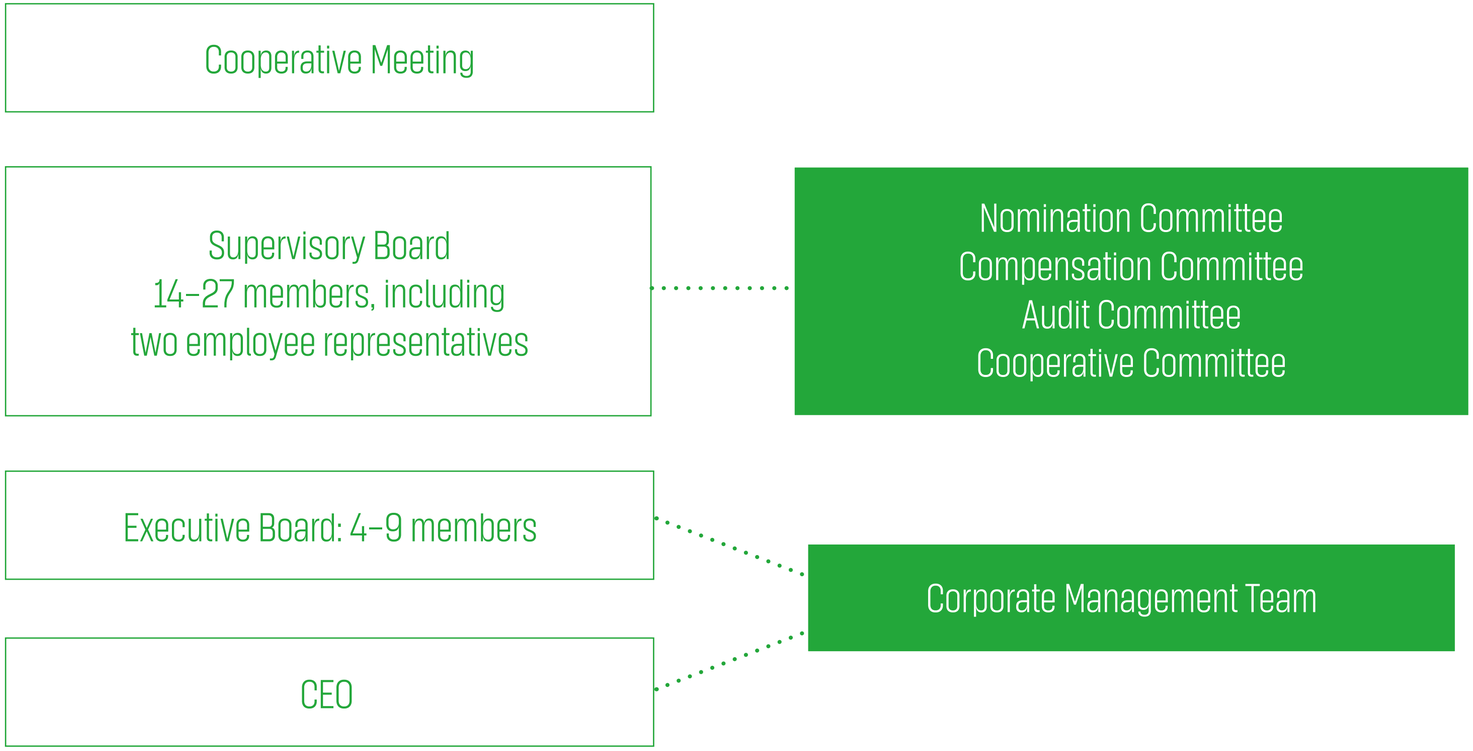
Veli-Pekka Ääri (b. 1968)
· EVP, M. Soc. Sc.
· Customer Relations, Communications, Marketing and Digital Services
· With S Group 2011–

SOK Corporation's Corporate Governance and Management System

Decision-making and governance at SOK, a Finnish cooperative, are subject to the provisions of the Cooperatives Act and other regulations concerning the operations of its business areas, as well as SOK's Statutes. Its subsidiaries' operations are regulated by the Limited Liability Companies Act, among other regulations. SOK Corporation's operations are also 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 its various bodies.

On 19 September 2019, the Securities Market Association approved a Corporate Governance Code for listed companies (available at http://cgfinland.fi/), which came into effect on 1 January 2020. In accordance with a statement issued 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 relevant and possible considering its cooperative form of business and special characteristics.

S Group consists of cooperatives and SOK Corporation, which is owned by the cooperatives, and their subsidiaries. The purpose of S Group is to provide co-op members with services and benefits. SOK provides the cooperatives with procurement, expert and support services, as well as being responsible for S Group's strategic steering and the development of business chains.



SOK's governance model

Contrary to the Corporate Governance Code, SOK has a two-level governance model that consists of the Cooperative Meeting, Supervisory Board, Executive Board and CEO in line with the figure below. The company also has a management team, which assists the CEO in operational management.

Cooperative Meeting

The members (owners) of SOK exercise their decision-making power at the Cooperative Meeting. The Cooperative Meeting makes decisions concerning issues that fall into its sphere of responsibility in accordance with the Cooperatives Act and SOK's Statutes. Each member cooperative of SOK is entitled to elect 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. The execution of ownership rights and the voting rights are based on the members' ownership shares and SOK's Statutes.

The task of the Annual Cooperative Meeting is to attend to the matters set out in the law and the Statutes, such as adopting the financial statements, distributing the surplus shown on the balance sheet and releasing the members of the Supervisory Board and Executive Board from liability, as well as 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.

In 2019, the Annual Cooperative Meeting was held on 25 April. The meeting attended to the matters on its statutory agenda. No Extraordinary Cooperative Meetings were held in 2019.

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 governance model. The role of the Supervisory Board is to represent the extensive grass-roots membership and to act as a forum in which the cooperative society's joint position on major strategic issues is defined. Its duty is to determine overall policies and safeguard the members' interests. The Supervisory Board confirms the strategy of S Group and SOK Corporation and the key objectives of SOK Corporation at the proposal of the Executive Board and monitors their implementation. Matters concerning actual operational management fall into the sphere of responsibility of SOK's Executive Board and line management.

The Supervisory Board monitors to ensure that the governance 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 governance is in the cooperative society's best interests. In addition, the Supervisory Board approves and, if necessary, expels 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 employed by the cooperative society.

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

The Supervisory Board has confirmed rules of procedure for its operations.

The Chair of the Supervisory Board and the two Vice Chairs make up 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, for example, on the emoluments of the CEO in accordance with the guidelines provided by the Supervisory Board.

The members of the Committee of Presiding Officers are:

- **Matti Pikkarainen** (b. 1953), DTh, Chair
- **Lawyer Timo Santavuo** (b. 1960), first Vice Chair
- **Managing Director Tapio Kankaanpää** (b. 1962), MSc (Econ), second Vice Chair

The Supervisory Board has 14–27 members, of whom 12–25 are elected by the Cooperative Meeting based on proposals from 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 term of office. In addition to the members elected by the Cooperative Meeting, the employees 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 2 employee representatives in 2019. The Supervisory Board convened six times during 2019, and its members' attendance rate was 94%.

Based on the Statutes, the Supervisory Board sets up committees as it deems necessary. For the time being, the Supervisory Board has established four committees: the Nomination Committee, Compensation Committee, Audit Committee and Cooperative Committee, all of which have their own rules of procedure.

NOMINATION COMMITTEE

The Nomination Committee prepares matters related to the selection of the CEO and the members of the Executive

Board. The Nomination Committee consists of the Chair of the Supervisory Board, the first and second Vice Chairs of the Supervisory Board and two other members elected by the members of the Supervisory Board from among themselves.

In 2019, the Nomination Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

- **Matti Pikkarainen**, Chair of the Supervisory Board
- **Timo Santavuo**, first Vice Chair of the Supervisory Board
- **Tapio Kankaanpää**, second Vice Chair of the Supervisory Board
- **Jorma Bergholm**, member of the Supervisory Board
- **Anne Mäkelä**, member of the Supervisory Board

The Nomination Committee convened two times during 2019, and its members' attendance rate was 100%. The committee presented its proposal for the composition of the Executive Board on 19 December 2018.

COMPENSATION COMMITTEE

The task of the Compensation Committee is to assess and develop the compensation systems and principles of S Group's senior management and to issue recommendations on these and on compensation to the cooperatives' governing bodies. The Compensation Committee also prepares proposals concerning compensation to the members of the Executive Board and the Supervisory Board and their committees, for the relevant governing bodies to decide on. The Compensation Committee consists of the Chair of the Supervisory Board, the first Vice Chair of the Supervisory Board and three other members elected by the members of the Supervisory Board from among themselves.

In 2019, the Nomination Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

- **Matti Pikkarainen**, Chair of the Supervisory Board
- **Timo Santavuo**, first Vice Chair of the Supervisory Board
- **Sinikka Kelhä**, member of the Supervisory Board
- **Martti Lokka**, member of the Supervisory Board
- **Jarkko Rautaoja**, member of the Supervisory Board

The Compensation Committee convened four times during 2019, and its members' attendance rate was 100%. The committee presented its proposal for compensation to the members of the Executive Board on 19 December 2018.

AUDIT COMMITTEE

The Audit Committee assists and supports the Supervisory Board in monitoring the Executive Board and the governance of the cooperative society. The Audit committee consists of the second Vice Chair of the Supervisory Board and two or three members elected by the members of the Supervisory Board from among themselves.

In 2019, the Audit Committee consisted of the following members of the Supervisory Board:

- **Tapio Kankaanpää**, second Vice Chair of the Supervisory Board
- **Timo Rajala**, member of the Supervisory Board
- **Kristian Westerholm**, member of the Supervisory Board
- **Kim Wrange**, member of the Supervisory Board

COOPERATIVE COMMITTEE

The Cooperative Committee assists the Supervisory Board in ensuring compliance with and the implementation of the principles of cooperative activities within S Group. The Cooperative Committee consists of the first Vice Chair of the Supervisory Board and four other members elected by the members of the Supervisory Board from among themselves.

In 2019, the Cooperative Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

- **Timo Santavuo**, first Vice Chair of the Supervisory Board
- **Pentti Hämäläinen**, member of the Supervisory Board
- **Kimmo Koivisto**, member of the Supervisory Board
- **Antti Määttä**, member of the Supervisory Board
- **Elina Varamäki**, member of the Supervisory Board

The Cooperative Committee convened four times during 2019, and its members' attendance rate was 100%.

Executive Board

ELECTION AND COMPOSITION OF THE EXECUTIVE BOARD

According to SOK's Statutes, the Executive Board consists of the cooperative society's CEO, who serves as Chair of the Executive Board, and 3–8 other members. The Supervisory Board elects the members of the Executive Board for a term of one calendar year based on the Nomination Committee's proposal. When preparing its proposal, the committee evaluates the size and composition of the Executive Board, as well as the competences required of its members from the perspective of the cooperative society's current and changing needs. The purpose of the preparatory work is to ensure that the Executive Board is sufficiently diverse in terms of gender and age distribution and that its members have complementary experience and a diverse range of competences, as well as the qualifications required for the efficient management of the Executive Board's duties. According to the Statutes, a person being elected to the Supervisory Board 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, and sufficient continuity is also considered important in the work of the Executive Board. The composition of the Executive Board deviates from the requirements of the Corporate Governance Code. This is due to SOK's ownership base and S Group's structure, as well as the Executive Board's role in steering the Group's operations, which requires that the owner organisations have sufficient representation on the Board.

DUTIES OF THE EXECUTIVE BOARD

The Executive Board's key duties and operating principles are defined in its rules of procedure, which the Supervisory Board has confirmed.

The Executive Board represents the cooperative society and attends to its governance and the appropriate organisation of its operations within the framework of SOK Corporation and in compliance with the applicable laws and rules. The Executive Board is responsible for deciding on the competition strategies for S Group's business areas and on the operating plans of SOK and its subsidiaries. The Executive Board is also responsible for preparing certain strategic matters for the Supervisory Board to decide on.

In addition, the Executive Board, upon the CEO's proposal, decides on setting up SOK's Corporate Management Team and on appointing its members and on their compensation, with the exception of the CEO. The Executive Board appoints a Nomination Working Group, which prepares a proposal for the composition of the boards of directors of SOK's subsidiaries for the Executive Board to decide on. Rules of procedure have been confirmed for the Executive Board.

Considering its duties and composition, SOK's Executive Board has not deemed it necessary to establish the committees mentioned in the Corporate Governance Code to prepare matters to be discussed by the Executive Board. At SOK, the Supervisory Board has established the necessary committees.

MEETINGS OF THE EXECUTIVE BOARD

The Executive Board convenes as required and on the Chair's invitation, and forms a quorum when more than half of the members are present, including the Chair or Vice Chair of the Executive Board. The Executive Board evaluates its work and procedures by carrying out a self-assessment annually.

In 2019, SOK's Executive Board had nine members, six of whom were managing directors of cooperatives. The Executive Board also included two members from outside S Group. In accordance with the cooperative society's statutes, SOK's Chief Executive Officer is the Chair of the Executive Board.

In 2019, SOK's Executive Board consisted of the following members:

- **Taavi Heikkilä** (b. 1962), CEO, MSc (Econ), Chair
- **Olli Vormisto** (b. 1971), Managing Director, MSc (Econ)
- **Nermin Hairedin** (b. 1975), MSc (Econ), board professional
- **Rita Järventie-Thesleff** (b. 1959), DSc (Econ), professor
- **Juha Kivelä** (b. 1966), Managing Director, MSc (Econ)
- **Hannu Krook** (b. 1965), Managing Director, MSc (Econ), Vice Chair
- **Veli-Matti Liimatainen** (b. 1969), Managing Director, MSc (Econ)
- **Kimmo Simberg** (b. 1959), Managing Director, Commercial Counsellor, MBA
- **Olli Vormisto** (b. 1967), Managing Director, MSc (Econ)

Seppo Kuitunen, Executive Vice President, Legal Affairs, served as Secretary to the Executive Board.

All members of the Executive Board will continue to serve as members in 2020. Hannu Krook was elected as Vice Chair for 2020.

The Executive Board convened 11 times during 2019, and its members' attendance rate was 99%. The Chair and Vice Chairs of the Supervisory Board are also entitled to attend the meetings of the Executive Board.

INDEPENDENCE OF THE MEMBERS OF THE EXECUTIVE BOARD

The Committee of Presiding Officers evaluates the Executive Board members' independence and the Executive Board's work annually. The Executive Board members' independence is evaluated based on the criteria presented in the Corporate Governance Code.

In accordance with the Statutes, the CEO of the cooperative society serves as Chair of the Executive Board. As of the beginning of 2019, the composition of the Executive Board has also included two independent members from outside S Group. Due to S Group's structure and ownership base, the other members of the Executive Board are managing directors of S Group's cooperatives. In this respect, the composition of the Executive Board deviates from the recommendations of the Corporate Governance Code with regard to independence.

THE EXECUTIVE BOARD'S SELF-ASSESSMENT

The Executive Board evaluates its operations and ways of working annually. This evaluation is usually carried out as a self-assessment, and its results are reviewed and discussed annually.

Identified development needs are considered when planning the duties of the Executive Board, and the Nomination Committee of the Supervisory Board takes the results into account when preparing its proposal for the composition of the Executive Board to the Supervisory Board. In addition, the Supervisory Board's Committee of Presiding Officers issues a review of the Executive Board's work annually.

CEO

In accordance with the Cooperatives Act, the cooperative society has a managing director (CEO). The CEO is responsible for the cooperative society's routine management duties in accordance with the instructions and regulations issued by the Executive Board and the Supervisory Board. As the managing director, the CEO is responsible for ensuring that the cooperative society's accounting complies with the applicable laws and that its financial management is appropriately organised. If the CEO is indisposed, a deputy elected by the Supervisory board will act on behalf of the CEO. Arttu Laine, EVP, S-Group Chain Management, Procurement and Logistics, serves as Deputy CEO.

The CEO also serves as Chair of the Executive Board. This practice, which deviates from the requirements of the Corporate Governance Code, is due to S Group's structure and the fact that the cooperative society also has a Supervisory Board, which monitors the work of the Executive Board and the CEO. In addition, the Supervisory Board elects the CEO and determines the grounds for their remuneration.

CEO Taavi Heikkilä (b. 1962), MSc (Econ), serves as managing director and Chair of SOK's Executive Board, as referred to in the Cooperatives Act.

SOK's Corporate Management Team

The cooperative society has a Corporate Management Team. The Executive Board decides on the establishment of the Corporate Management Team and the appointment of its members, as well as compensation to Corporate Management Team members who are not members of the Executive Board, based on the CEO's proposal. 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 key proposals made to the Executive Board, for example. Such proposals include business strategies, target levels, operating plans and budgets, as well as major investment projects and divestments of S Group and SOK Corporation. In addition, the Corporate Management Team discusses operational matters concerning all of SOK Corporation's areas of responsibility. In accordance with the statutes of the cooperative society, the Executive Board provides the Corporate Management Team with guidelines, if necessary, and the Corporate Management Team does not have authority based on laws or the cooperative society's statutes. The Corporate Management Team generally convenes twice a month. The retirement age of the members of SOK's Corporate Management Team is determined in accordance with personal executive contracts, and is 63 years.

In 2019, the Corporate Management Team consisted of the following members:

- **Taavi Heikkilä**, CEO, SOK
- **Arttu Laine**, COO, Executive Vice President, S-Group Chain Management, Procurement and Logistics
- **Jari Annala**, Executive Vice President, SOK Business Units and S-Pankki Oy
- **Susa Nikula**, Executive Vice President, SOK Human Resources
- **Sebastian Nyström**, Executive Vice President, SOK Strategy, IT and Digital Development
- **Jorma Vehviläinen**, Executive Vice President, SOK Customer Relations, Communications, Marketing and Digital Services
- **Veli-Pekka Ääri**, Executive Vice President, SOK Customer Relationships, Information and Digital Services

Seppo Kuitunen, Executive Vice President, Legal Affairs, served as Secretary to the Corporate Management Team.

The Corporate Management Team convened 20 times in 2019.

Subsidiaries

Primarily, the Chair 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 is the Chair 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 among S Group's employees.

The subsidiary's Board elects the company's managing director, but in accordance with the Group's internal guidelines, the election is also subject to approval by SOK's Executive Board. As a rule, the managing directors of subsidiaries do not have seats on the Board of Directors of the company in question. The operations of the subsidiaries are regulated by corporation-wide principles and operating policies decided upon by SOK's Executive Board.

Chain Management

SOK's chain management units are responsible for developing the business area or chains and for preparing matters for SOK's Executive Board to decide on. Key responsibilities include the preparation of the competition strategy of the chains and the development of the chain business idea and chain concept, as well as the preliminary preparation of the chains' annual operating plan. The business chain management units are managed by chain directors, who are included in the area of responsibility of the Executive Vice Presidents at the Corporate Management Team level. The business support teams support and assist the chain management functions. They consist of 4–13 representatives, who are managing directors or business area directors of regional cooperatives, as well as representatives of SOK's chain management. An Executive Vice President of SOK serves as the chair of the business support teams.

SOK's support and service functions also have their own support teams, which provide assistance and support to the management of the SOK function that is responsible for providing services 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 who is responsible for the support function in question serves as the chair of the team.

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

Internal control and risk management systems

INTERNAL CONTROL

Internal control and risk management ensure that the cooperative society operates efficiently, that its financial and other information is reliable and that it complies with the applicable regulations and operating principles. Internal control consists of risk management, financial control and internal audit and their supporting policies.

The operating principles of internal control at SOK determine the internal control process applied to the cooperative society and its subsidiaries. The internal control process includes goal setting, planning and implementation, the testing of operational efficiency, monitoring, continuous development and reporting.

SOK's Executive Board is responsible for ensuring that the cooperative has determined operating principles for internal control.

SOK'S Executive Board is responsible for monitoring the internal control system and the risk management systems. Internal control assists the Executive Board in meeting its monitoring obligation by ensuring that SOK Corporation's control measures have been planned and implemented appropriately.

The Chief Executive Officer, the directors of SOK's business areas and units, 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 areas of responsibility.

SOK's Executive Board is responsible for the appropriate organisation of the cooperative's operations and governance and for the legality and reliability of accounting, 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 (which was updated in 2019).

RISK MANAGEMENT

SOK's Executive Board has confirmed a risk management policy for identifying and analysing risks across the corporation and for determining risk management measures as part of operational planning. Based on analyses, key risks are identified in terms of the corporation's operations and the achievement of its strategic goals. The Executive Board discusses and decides on these key risks annually. The management of SOK Corporation's subsidiaries and units reviews and determines each unit's most significant risks and the related risk management measures, as well as being responsible for implementing risk management measures.

Precautions have been taken for property, loss-of-profit and liability damage risks related to operations through various measures, such as contingency plans and insurance policies. SOK Corporation's risk management expert organisation steers and develops risk management within S Group and provides support in implementing risk management. SOK's internal audit function assesses the sufficiency and functionality of risk management processes.

INTERNAL AUDIT

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, the Executive Board and the Supervisory Board's Audit Committee.

Auditing

The cooperative society's financial statements, consolidated financial statements, accounting and governance are audited by an auditor. The auditor must be a member of a community of Authorised Public Accountants in accordance with the Auditing Act. The cooperative society's Annual Cooperative Meeting elects the auditor.

The Annual Cooperative Meeting elected KPMG Oy Ab, Authorised Public Accountants, as SOK's auditor for 2019, with Jukka Rajala, APA, as the principal auditor.

In 2019, the auditing fees paid by the SOK Corporation companies in Finland, the Baltic countries and Russia for auditing operations amounted to EUR 454,560, and other fees not related to auditing amounted to EUR 222,426.

Related party transactions

SOK Corporation maintains a list of its related parties and monitors and evaluates related party transactions.

In 2019, in accordance with the Corporate Governance Code,

there were no significant related party transactions within SOK Corporation that would have deviated from the cooperative society's normal business operations or that would have been conducted on terms other than standard market terms.

Financial reporting

SOK Corporation publishes its result in February, and its financial statements are confirmed in April. A half-year financial report is published in August. Furthermore, reports on the development of S Group's retail sales are published quarterly. SOK Corporation's annual report is published at the Annual Cooperative Meeting in April.

Other disclosures of information

Up-to-date information about SOK Corporation and S Group, including press releases, is available on the Group's website at www.s-ryhma.fi. SOK Media's Communications and Community Relations unit is responsible for producing and updating the information.

Remuneration statement

ORDER OF DECISION-MAKING ON REMUNERATION

The Annual Cooperative Meeting decides on the remuneration of the Chair, Vice Chairs and members of the Supervisory Board, as well as the auditors.

The Supervisory Board decides on remuneration for the members of the Executive Board and the grounds for remuneration for the CEO. The Executive Board members' fees are determined based on a requirement evaluation carried out within S Group and a recommendation issued by the Nomination Committee. The Chair of the Supervisory Board is responsible, in cooperation with the Vice Chairs of the Supervisory Board, for determining the CEO's emoluments, including a performance-based reward system, based on the grounds for remuneration determined by the Supervisory Board.

With regard to the members of the Corporate Management Team, with the exception of the members who are not members of the Executive Board, emoluments and fringe benefits, as well as the grounds for performance-based reward systems and incentive systems, are approved annually by the Executive Board.

KEY REMUNERATION PRINCIPLES

(i) Annual bonus system

All of SOK Corporation's employees in Finland are covered by a bonus scheme. The bonus scheme for the senior management (Corporate Management Team) is based on both short-term and long-term targets. The maximum level of the Corporate Management Team's short-term bonus programme and long-term bonus programme corresponds to three months' salary per year.

For the time being, the Supervisory Board has set up a Compensation Committee responsible for assessing and developing the compensation systems and principles for S Group's senior management and issuing recommendations on compensation to SOK's decision-making bodies.

(i) Supervisory Board

The special compensation for the Chair of the Supervisory Board was EUR 4,200 per month, and the Vice Chairs were each paid compensation of EUR 2,100 per month in 2019. The meeting fee for the Chairs and members of the Supervisory Board in 2019 was EUR 480 for each meeting and per day spent carrying out a specific assignment.

The members of the Supervisory Board's committees were paid a fee of EUR 480 per meeting.

(ii) Executive Board

The members of the Executive Board were paid a total of EUR 237,600 in remuneration in 2019. For Executive Board members working for S Group, the monthly fee was EUR 1,800. For external Executive Board members, the monthly fee was EUR 3,000, in addition to a meeting fee of EUR 500. As Chair of the Executive Board, the CEO of SOK does not receive separate remuneration for their work on the Executive Board.

(iii) CEO

In 2019, the salary (including fringe benefits) and bonuses paid to SOK's CEO totalled EUR 1,115,417.40. SOK's CEO had a corporate residence as a fringe benefit, and its taxation value is included in the remuneration amount mentioned above. The CEO is covered by an additional defined contribution pension scheme, and their retirement age is 63 years.

(iv) Corporate Management Team

In 2019, the Corporate Management Team was paid a total of EUR 2,382,503.73 in salaries and bonuses. The total includes fringe benefits.

Responsibility management

Responsibility at S Group covers all business areas and is therefore managed jointly with the business management at the S Group level. SOK's Responsibility unit is in charge of the 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 determines the focus areas of S Group's responsibility development. The business area-specific responsibility objectives and procedures are defined jointly with the business units and subsidiaries and the Responsibility unit.

The Responsibility unit guides and monitors implementation 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, 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.

Responsibility programme

Our responsibility programme is centred around a list of a hundred concrete actions that affect our environment and our society. They include both small everyday improvements and acts that are ground-breaking even on an international scale.

Our mission is to produce benefits and services that generate well-being for our owners – in other words, our customers. However, well-being means much more than just economic well-being. Together with our co-op members, we work for the good of society, for the circular economy and against climate change, as well as improving our operating culture, safeguarding human rights and promoting well-being and health.

S Group is doing its part to help Finland become an even better place to live. As a major operator, we have a considerable impact on the present and on the legacy we leave for future generations. That is why foresight is important.

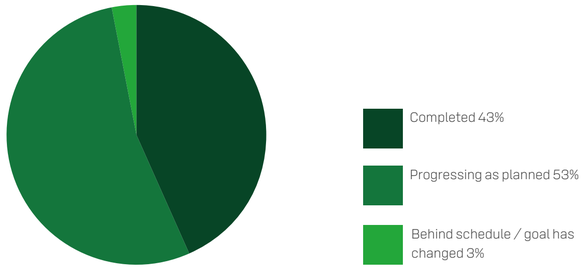
Our programme is built around the following four themes: for the good of society, climate change and the circular economy, ethical operating culture and human rights, and well-being and health. Read more about the programme at S-ryhmä.fi.



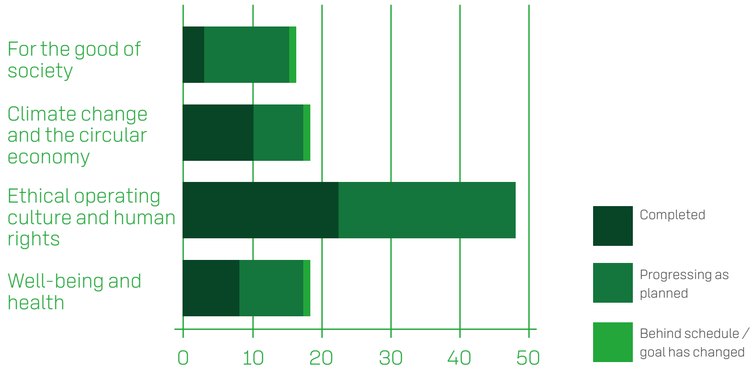
Progress of the responsibility programme

The responsibility programme is running from 2017 to 2020 in its current form. The progress of the 100 sustainability acts specified as part of the programme is monitored and reported annually. By the end of 2019, more than 40% of the acts had been completed and more than 50% were progressing as planned. Only a few acts had fallen behind their intended schedule.

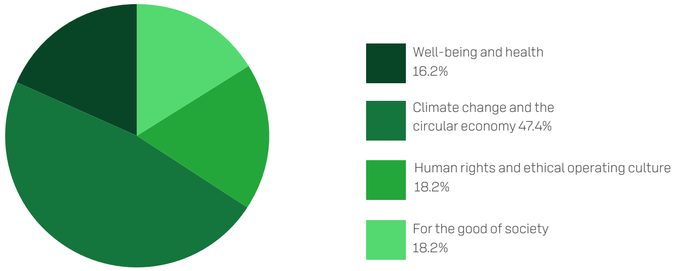
STATUS OF THE 100 ACTS ON 31 DECEMBER 2019, %



STATUS OF THE 100 ACTS ON 31 DECEMBER 2019, PCS



S GROUP'S 100 SUSTAINABILITY ACTS, %



Visit S-ryhmä.fi for a complete listing of the 100 sustainability acts.



We engage in active dialogue with our stakeholders

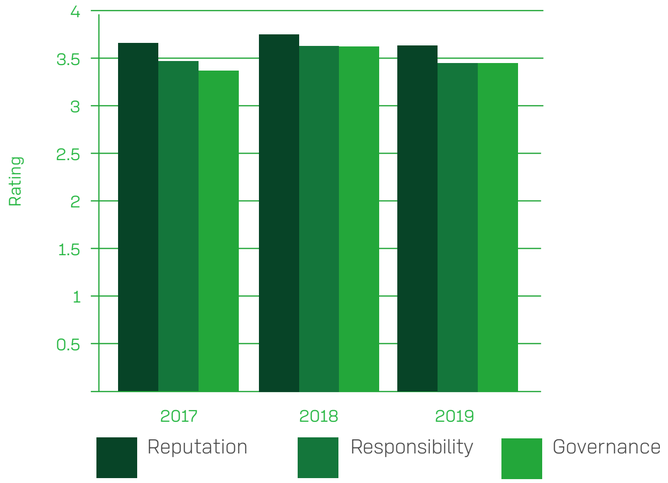
The goal of our stakeholder engagement work is to provide information about S Group, increase mutual understanding and make use of stakeholders' expertise when developing our operations. Successful engagement work enables us to better understand our operating environment and stakeholders' expectations. Our aim is for S Group to be perceived as a responsible member of society, a vital and attractive company and a reliable partner.

S Group is the largest private employer in Finland, and it secures local services and regional vitality across the country. In cooperation with our stakeholders, we are solving social challenges, from minor problems in daily life to major global issues, such as climate change, sustainable consumption, the competitiveness of the food chain, employment, social exclusion among young people, the integration of immigrants into Finnish society, and smoothly running daily lives.

Systematic and measurable cooperation with stakeholders

Our stakeholder cooperation is managed systematically and measured annually. Stakeholders' images of S Group as a responsible operator are studied by means of the Trust and Reputation survey conducted by T-Media, for example. The survey assesses our overall reputation through eight themes: governance, financial administration, management, innovation, interaction, products and services, workplace, and responsibility. In 2010, our overall reputation was regarded as good by the public, the media and decision-makers.

RATING OF S GROUP BY THE PUBLIC (ON A SCALE OF 1–5)



Transparency builds trust

Transparency is key for us in building trust. We communicate openly and actively about our operations. Matters are communicated as soon as objectives have been set for action. We listen to our stakeholders and share our views through constructive dialogue. We seek to learn. We engage in discussions at our stakeholder events and meetings, in traditional media and on social media.

We aim to build partnerships that enable us to learn, develop S Group's business operations and achieve shared goals. In 2019, we cooperated closely with ProAgria and the Baltic Sea Action Group, for example. In cooperation with ProAgria, we have developed and implemented the Training for the Future coaching programme for farmers. The programme is one of S Group's many ways to ensure a bright future for Finnish food. Coordinated by the Baltic Sea Action Group and supported by S Group, the Carbon Action project studies soil carbon sequestration and the impacts of various methods on carbon sequestration in Finnish fields. S Group aims to develop a carbon sequestration verification system that will enable emission compensation to be targeted at Finnish open field cultivation, as well as creating additional revenues for producers.

Interaction with decision-makers and the media

S Group participates in social discussion openly and proactively. We engage in regular and continuous dialogue with decision-makers on the development of the service sector and on issues impacting S Group's operations. It is important for us that S Group is recognised as a company that operates appropriately and responsibly, taking society and the environment into account.

In 2019, we met ministers and their special advisers as well as Parliament members interested in S Group's operations. Jari Leppä, Minister of Agriculture and Forestry, gave an address at our morning discussion event at Sokos Hotel Torni. We also actively participate in events held by our stakeholders, as well as various hearings at ministries and the Finnish Parliament. As a major Finnish company, S Group is subject to extensive media interest. We are easily accessible to the media, and we answer questions as quickly as possible. In addition to maintaining daily contact, we hold a number of meetings between SOK's

management and various editorial offices each year.

S Group's stakeholder engagement concepts include morning discussion events at Sokos Hotel Torni, for example. These events are intended for discussion about current topics that are important for S Group and its stakeholders. The guests to be invited to the discussion events are selected based on the topic and include representatives of organisations, decision-makers, representatives of the authorities, representatives of the media, and experts, among other people. Our theme for the morning discussions in 2019 was the future of the food chain and responsible investing.

Associations safeguard common interests

We cooperate with advocacy associations and other organisations on the development of our industry within the framework of the competition legislation. We have representation in retail organisations in Finland and abroad. In 2019, the CEO of SOK served as Vice Chair of the Board of Directors of the Finnish Commerce Federation, and the managing director of the Keskimaa Cooperative Society served as a Board member. An Executive Vice President of SOK served as Chair of the Finnish Grocery Trade Association in 2019. We also have representatives on the boards of the MaRa Finnish Hospitality Association and the Pellervo Co-op Centre. Furthermore, we have representation in the Confederation of Finnish Industries through our membership of the Finnish Grocery Trade Association. We are a member of the Finnish Fashion and Sports Commerce Association, and SOK's Chain Director served as Chair of the association's board of directors in 2019.

S Group is also a member of the Climate Leadership Coalition, which combats climate change and promotes the competitiveness of Finnish companies. Its members include significant Finnish companies and other organisations. SOK's Corporate Responsibility Director serves as a member of the Board of FIBS (Finnish Business & Society), a network promoting sustainable business.

As a cooperative enterprise, we are a member of Euro Coop, the European Community of Consumer Co-operatives, where we have Board representation. In addition, we impact EU legislation through EuroCommerce, a retail and wholesale advocacy organisation. We are also a member of the Board of Directors of the International Co-operative Alliance (ICA). ICA is the world's second largest organisation after the United Nations (UN). Furthermore, we are a member of amfori, an association promoting and monitoring corporate social responsibility among European companies, and SOK's Corporate Responsibility Director is a member of the Board of Directors of amfori.

Stakeholder recognition for S Group in 2019

S Group was selected as Finland's most impactful operator in sustainable development by the Finnish National Commission on Sustainable Development in 2019. Since 2014, S Group has entered into eight sustainable development commitments concerning energy efficiency, renewable energy and nutrition, for example. S Group's newest commitment is related to material efficiency. The Finnish National Commission on Sustainable Development commended S Group for its extensive commitments, good results and clear reporting.

Introduced by the commission, Society's Commitment to Sustainable Development is key tool in implementing the Sustainable Development Goals of the United Nations. The commitment is based on joint long-term vision for the Finland of the future.

In 2019, S Group was selected as the Member of the Year by amfori, an association promoting and monitoring corporate social responsibility among European companies. This recognition was awarded based on the concept of radical transparency developed by S Group. A study concerning working conditions within the supply chain for tinned tomatoes in southern Italy in 2018 is one example of the implementation of the concept. The study was carried out by Oxfam, an independent non-governmental organisation, and the report produced by Oxfam is available online. Several issues were detected during the study, concerning recruitment, for example.

In 2019, S Group's chains were again ranked highly in the Sustainable Brand Index, the largest brand study on sustainability in the Nordic countries. Finnish consumers rated S-market the most sustainable grocery store, and Prisma the second most sustainable. Sokos Hotels and S-Bank were also rated as the most sustainable operators in their respective fields.

S Group's stakeholders

- Co-op members
- Employees
- Non-governmental organisations
- Media representatives
- Political decision-makers
- Suppliers
- Industry associations
- Authorities

For the good of society

Well-being through cooperative activities 32

Finnish origin 35

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



S Group and its cooperatives create well-being across Finland. We have around 38,000 employees in Finland, and we create economic well-being by making purchases locally and paying taxes, as well as through investments, which have an indirect employment impact.



Well-being through cooperative activities

We are a Finnish group of companies. Most of the taxes we pay benefit our local regions, as do the benefits arising from procurement and construction. Our cooperatives, together with SOK Corporation, are the largest private employer in Finland.

Cooperative activities mean joint ownership and benefit sharing

Cooperative activities refer to business operations that emphasise both financial profitability and social responsibility.

Our operations are guided by our values:

- We exist for the customer
- We take responsibility for people and the environment
- We constantly renew our operations
- We operate profitably

The co-op members are the sole owners of S Group's cooperative enterprises. Each co-op member owns an equal share of the cooperative enterprise. In other words, everyone has an equal opportunity to impact the operations of their local cooperative by voting or running for membership in the Council of Representatives of the cooperative.

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 operations are invested for the benefit of the co-op members by developing services and renovating locations, or distributed to the co-op members in the form of various benefits, such as the Bonus and payment method-related benefits.

MORE THAN
2.4 MILLION
CO-OP MEMBERS

CASH BENEFITS PAID TO CO-OP MEMBERS EUR
401
MILLION

BONUS EUR
341
MILLION

RETURN OF SURPLUS EUR
46
MILLION

PAYMENT METHOD BENEFIT EUR
8.8
MILLION

PAYMENT OF INTEREST ON MEMBERSHIP FEE EUR
5.1
MILLION



A major Finnish taxpayer

S Group companies paid a total of nearly EUR 1.8 billion in taxes and payments to the Finnish state and municipalities in 2019. In addition to direct income tax and indirect taxes on consumption, S Group's tax footprint includes tax-like payments related to employees and tax withheld from their salaries.

In recent years, the focus in taxation has shifted from income taxes towards indirect taxes. Indirect taxes include value added tax and various excise duties, such as alcohol and tobacco taxes, beverage taxes and fuel tax. Value added tax is a common consumption tax ultimately paid by the consumers of goods and services; that is, mainly households. We pay value added tax to the state as a company selling goods and services. Excise duties are consumption taxes included in the price of the product, and are levied from product manufacturers, producers, importers or wholesalers.

Many products sold by S Group include excise duties. In addition to the taxes included in the tax footprint, we pay transfer tax, lottery tax, tax at source and vehicle tax, which are not included in the table here. We also pay local taxes on the operations of our companies in Estonia and Russia in accordance with the regulations of each country.

The majority of the tax income generated by S Group is distributed regionally around Finland. Tax withheld from salaries and the corporate tax paid by the S Group companies are primarily accumulated by municipalities. The tax revenue is used to finance services offered by society in each cooperative's region in Finland. The figure here shows the accumulation of tax withheld and corporate tax in the cooperatives' regions.

VALUE CREATED FOR SOCIETY IN 2019
10,975 MILLION



Purchases from suppliers of goods and services
EUR 7,206 million

Taxes
EUR 1,765 million

Remuneration to employees
EUR 1,107 million

Investments
EUR 496 million

Rewards to co-op members
EUR 401 million

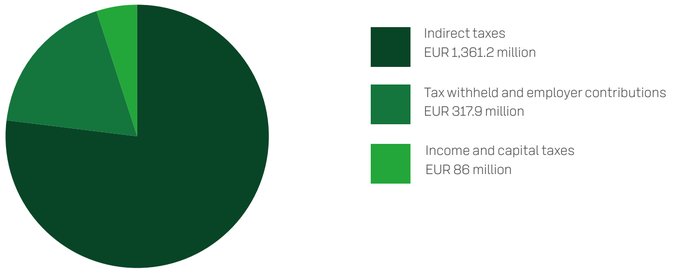
S GROUP'S TAX FOOTPRINT IN 2019

INCOME AND CAPITAL TAXES	EUR MILLION	INDIRECT TAXES	EUR MILLION	TAX WITHHELD AND EMPLOYER CONTRIBUTIONS	EUR MILLION
Corporate income tax	65,7	Remitted value added tax	285,5	Tax withheld on salaries	212,6
YLE tax (Finnish Broadcasting Company)	0,1	Insurance premium tax	0,8	Pension insurance payments	96,5
Property tax	20,2	Electricity tax	23,1	Sickness and unemployment insurance	8,8
		Waste tax	0,65		
		Fuel excise duty	676,5		
		Beverage excise duty	27,3		
		Alcohol tax	21,2		
		Tobacco tax	281		
		Importation customs dutiestullit	7,15		
		Vehicle tax	38,0		

TAX FOOTPRINT IN 2019 EUR

1,765.1
MILLION

TAX FOOTPRINT IN 2019
EUR 1,765.1 MILLION



TAX WITHHELD AND CORPORATE TAXES IN 2019
EUR 279 MILLION



National and regional responsibility cooperation

S Group's responsibility cooperation includes culture, sports, social activities and various donations.

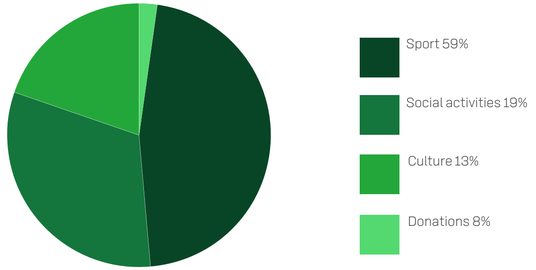
In 2019, we invested nearly EUR 5 million in supporting various parties locally and nationally. More than half of this support was allocated to sports. The remaining amount was divided between social activities, culture and various donations.

Our national partners included the Finnish Red Cross, the Mannerheim League for Child Welfare (MLL), the Children's Day Foundation and the Football Association of Finland. Most of the support we provide each year is allocated to our national partners.

We also have regional sustainability partners, and our cooperatives extensively support local activities. For example, the Supporters concept is a way for the cooperatives to support children's and young people's hobbies transparently. Co-op members can join as supporters and have an impact on the amount and recipients of the support paid by the cooperative.

In cooperation with the Football Association of Finland, our cooperatives have built 100 Ässäkenttä fields. The Ässäkenttä fields are open to everyone, and can be used for a variety of ball games and sports or just for fun exercise. We have invested a total of EUR 1 million in building free-of-charge local exercise areas and facilities for children across Finland.

RESPONSBILITY COOPERATION IN 2019, %



SPORT
59%

SOCIAL ACTIVITIES
19%

CULTURE
13%

DONATIONS
8%

Finnish origin

Our customers value the domestic origin of products. The demand for Finnish products also promotes employment in Finland. Climate change, global population growth, urbanisation, technological development and consumers' changing needs are challenging traditional food chain operations. We believe that the food sector can be one of the growth engines of the Finnish economy. The food production and technologies of the future offer opportunities for Finland.

We work to actively promote the success and future of Finnish food through our actions and by providing our customers with a wide range of options through our products and services. In 2019, we announced several food initiatives to be implemented in co-operation with our partners.

Training for the future for food producers

Offered jointly by S Group and ProAgria, the Training for the Future coaching programme provides farmers and business owners with information about consumption trends, as well as support for strategy work and for running a climate-related business. The goal is to provide the participants with various ways to plan and develop their business operations in line with future needs. The kick-off event was held in late 2019, and the coaching sessions started in early 2020.

Food sector capital investment fund

in 2019 we announced that we will establish a capital investment fund to support innovation in the food sector. Through the fund, we will seek to highlight Finnish food innovations and create new prospects for the sector. The first round of funding was planned to end in the first half of 2020. Because of the effects of the coronavirus epidemic these plans are still pending. The potential fund will operate in line with the principles of impact investing, meaning that social and environmental goals will be taken into account in addition to returns and risks.

Food discourse accelerator

In 2019 we announced that we will be providing funding for a food discourse accelerator to examine the opportunities offered by new technologies for the food sector, as well as the future challenges of food production. The accelerator was intended to start during the spring of 2020. Because of the effects of the coronavirus epidemic these plans are still pending. S Group provides initial funding for the accelerator, but will not steer its operations. The ideas produced by the accelerator are intended for the entire food sector.

A new global start-up programme in Helsinki

S Group and the Founder Institute, a start-up accelerator based in San Francisco, have established a global food-technology start-up programme in Finland. Based in Helsinki, the Food Founder Programme helps new companies and business owners engaged in food products, food technology and agricultural technology to develop ideas into international success stories. Two 13-week training programmes were organised in 2019. These resulted in the establishment of 17 start-ups, most of which seek to solve major problems related to food, food technology and primary production in particular.

A Finnish recipe for success

It usually takes a long time to get a new food product on the shelves, and many challenges need to be overcome along the way. Large companies have the resources for product development and marketing. Established in 2019, the Finnish Recipe for Success competition highlights innovative new products by small and medium-sized manufacturers. More than 100 companies participated in 2019. The finalists were provided with coaching on product development and packaging design,

Prisma and Food from Finland are boosting exports to Russia

Food from Finland, a food export programme established by Business Finland, and S Group's Prisma chain are seeking to increase awareness of opportunities to export to Russia among Finnish food industry companies, as well as offering companies a direct route to the Russian market. Events held in 2019 to this effect included a seminar on the Russian market. S Group's Prisma chain has 15 stores in St Petersburg, and it is currently the only Finnish supermarket chain in Russia.

Finnish products in our selections

We are Finland's largest seller of groceries and Finnish food. Of the food products sold in our grocery stores, 80% are of Finnish origin.

S Group's Kotimaista range includes nearly 400 products of Finnish origin that meet the generally accepted requirements of the Hyvää Suomesta label or the Sirkkalehti label for Finnish origin, meaning that their raw materials come from Finland and the products have been made in Finland.

Our ABC restaurants have only served Finnish pork, beef and chicken since 2015. For our other chains of restaurants, the goal is for the fresh chicken and pork to be 100% of Finnish origin by the end of 2020. For frozen and processed foods, the goal is 90% of Finnish origin. S Group has around 600 restaurants that serve food. Around 10 million meals are sold annually in our ABC restaurants alone, with meat being the main ingredient in most cases.

We are running campaigns to promote Finnish fish at S Group's grocery stores. In 2019, we introduced the Seasonal Fish campaign in our grocery stores, and we also reduced the price of Finnish fish and diversified our selection. As a result, our fish sales increased by around 20% and have remained at this level beyond the campaign.

DEGREE OF FINNISH ORIGIN OF MEAT IN RESTAURANT CHAINS IN 2019, %

	OF THE ACQUIRED VOLUME	OF PRODUCT ITEMS
Chicken, fresh	99.9%	98.8%
Frozen and processed chicken products	88.0%	61.2%
Pork, fresh	99.7%	96.6%
Frozen and processed pork products	80.7%	76.6%

How Finnish is your food?

In the autumn of 2019, we introduced a calculator indicating the actual degree of Finnish origin of food products in the My Purchases service in the S-mobiili mobile app. The calculator can be used to monitor food products and raw materials.

The calculator indicates the degree of Finnish origin of groceries on two levels. The first level includes products made from Finnish raw materials and products with the Hyvää Suomesta label or the Sirkkalehti label for Finnish origin. The second level includes products made in Finland. In addition, the calculator shows foreign groceries as a separate list.

100%

FINNISH MEAT AT ABC RESTAURANTS

Shelf labels for Finnish products

In the autumn, we also added the Hyvää Suomesta label on all shelf labels for Finnish products. Finns seek to favour Finnish food, but verifying the Finnish origin of food products can be complicated. The Hyvää Suomesta label on shelf labels makes it easier for customers to make choices, in addition to strengthening the Finnish food chain.

Food education through trips to grocery stores

‘Trip to the Store’ is a study module designed by S Group and the Finnish Food Information association. Its purpose is to support learning outside the classroom in line with the national curriculum, as well as encouraging schools to discover new learning environments. From the material offered, the teacher chooses material that best suits their class. Some of the study module is implemented at a store, and parts of it are implemented in the classroom before and after the trip to the store.

This operating model was piloted in 2018, and it became nationwide in the autumn of 2019. All cooperatives participate in the study module. At the store, the children learn about how food is delivered to the store and about food waste, which helps them understand the stories behind the products and appreciate food. Visiting a grocery store and interviewing its staff encourage children to learn consumer skills and to see the store as a place of work. The operating model has attracted international interest, and the concept is being exported to other European countries through WeValueFood, a food education project funded by the European Institute of Innovation & Technology and (EIT). The WeValueFood project has selected ‘Trip to the Store’ to participated in a pilot study. The selection was made from among more than 350 food education methods used in various European countries.



Climate change and the circular economy

Climate 39

The circular economy 46

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



We fight against climate change by reducing emissions from our operations and including our partners in this work. We also offer solutions for sustainable consumption and help our co-op members reduce emissions.



Climate

Global warming caused by human activity is one of the largest global crises of our time. Climate change is already having an impact on people and natural environments across the world, and its impacts are also evident in Finland. Taking urgent action to combat climate change is one of the UN's sustainable development goals.

The goal of the Paris Agreement is to limit global warming to 1.5 degrees Celsius. The climate agreement was signed in December 2015. To achieve the goal, all parties to the agreement are expected to implement ambitious measures to reduce emissions, adapt to climate change and increase climate funding.

The EU is also committed to the targets of the Paris Agreement and seeks to reduce its greenhouse gas emissions by at least 40% by 2030 compared with 1990. Finland seeks to lead the way in reducing emissions. Finland aims to reduce its emissions by at least 55% by 2030 compared with 1990. Finland also aims to be carbon-neutral by 2035. This is an ambitious goal, and measures are needed to reduce emissions in all sectors.

EMISSIONS FROM OUR OWN OPERATIONS

-90%

BY 2030
COMPARED WITH 2015

EMISSIONS FROM INEX DELIVERIES

-20%

BY THE END OF 2025
COMPARED WITH 2018

ENERGY EFFICIENCY IMPROVEMENT

30%

BY THE END OF 2030
COMPARED WITH 2015

RENEWABLE ELECTRICITY

100%

OF ALL ELECTRICITY CONSUMPTION
BY THE END OF 2030

We will achieve carbon negativity in our own operations by the end of 2025.

S Group's commitments and goals

- We will reduce emissions from our own operations by 90% by the end of 2030 compared with 2015.
- We will improve our energy efficiency by 30% by the end of 2030 compared with 2015.
- The electricity we use is emission-free and will be completely renewable by the end of 2030.
- We will achieve carbon negativity in our own operations by the end of 2025.
- We encourage our largest service and goods suppliers to set their own science-based targets for reducing emissions by the end of 2023.
- We are participating in the action plans for the retail sector and the hotel and restaurant sector under the national Energy Efficiency Agreement for 2017–2025.
- We will reduce emissions from deliveries transported by Inex by 20% by the end of 2025 compared with 2018.
- We will determine targets for reducing emissions from other transport operations during 2020.
- When carrying out repairs, we replace heating systems that use oil and natural gas with systems that use renewable forms of energy, whenever possible.
- We are reducing greenhouse gas emissions caused by refrigerants by replacing old refrigeration appliances with ones that use carbon dioxide.

Energy consumption

We are the largest non-industrial consumer of electricity in Finland. Refrigeration equipment and store lighting have the highest energy consumption in our locations. We can achieve considerable cost savings by making these more efficient and through renovations. S Group's is continuously working to save energy and use energy more efficiently.

We have set an energy efficiency target for S Group for 2030. We are aiming to improve the efficiency of our energy consumption by 30% compared with 2015. In 2019, our locations in Finland consumed 283 kWh of energy per gross m^2, which represents a decrease of 6.6% compared with 2015. Compared with 2018, the efficiency of our relative energy consumption has improved by 3%. Since 2010, we have reduced our relative energy consumption by 36% by adding doors to refrigeration cabinets and switching to LED lighting.

RELATIVE ENERGY CONSUMPTION

-36%

SINCE 2010

CONSUMPTION AND AREAS IN 2019

	2017	2018	2019	S GROUP TOTAL
Electricity, Finland GWh	1,119	1,120	1,070	**1,114**
Electricity, neighbouring countries, GWh	75	47	44	
Heating and cooling[1], Finland, GWh	449	422	432	**462**
Heating and cooling[1], neighbouring countries, GWh	40	28	30	
Water, Finland million m^3	2.03	2.03	2.00	**2,25**
Water, neighbouring countries, million m^3	0.38	0.26	0.25	
Area, Finland, million gross m^2	5.12	5.28	5.29	**5,53**
Area, neighbouring countries, million gross m^2	0.24	0.24	0.24	

[1]) Weather-normalised. Until 2018, our heat consumption was weather-normalised in accordance with Jyväskylä. Since 2018, our heat-consumption has been weather-normalised in accordance with a local comparison point.

Neighbouring countries include Russia and Estonia.

Coverage of data for monitoring: electricity 98%, heating 63%, water 64% and gross area 95% of sites.

The calculation principles for energy and area data are provided in an appendix to the S Group GHG Inventory Report 2019.

Assurance report on the energy and area data for 2019

We have joined the national Energy Efficiency Agreements for the commerce sector and the hotel and restaurant sector. The Energy Efficiency Agreements are a method chosen by the government and the sectors to meet Finland's international energy efficiency targets. Through the agreement, S Group is aiming to reduce its energy consumption by 7.5% by 2025 compared with 2015.

In December 2019, S Group implemented an ETJ+ energy efficiency system. The system determines a systematic operating model that helps S Group set and verify energy efficiency targets, in addition to providing support with the planning, implementation, monitoring and reporting of measures. ETJ+ is a method of continuous operational development towards increased efficiency in reducing emissions, energy consumption and costs. The related operating model is followed across S Group, in regional cooperatives and SOK's subsidiaries alike.

Purchasing of energy

We consume more than 1% of the electricity used in Finland. We have more than 1,800 locations, which need electricity for refrigeration equipment and lighting in particular. We have made significant investments in our own production of renewable energy. Increasing its share significantly supports the achievement of our emission reduction targets. We have used emission-free electricity since 2019, and will use renewable energy from 2030.

Most of the electricity we consume in Finland is produced using emission-free wind power generated by TuuliWatti Oy, a company owned jointly by S Group and St1. In 2019, S Group's share of TuuliWatti's production represented 60% of S Group's electricity

consumption. We ensure through guarantees of origin that the electricity we use is emission-free.

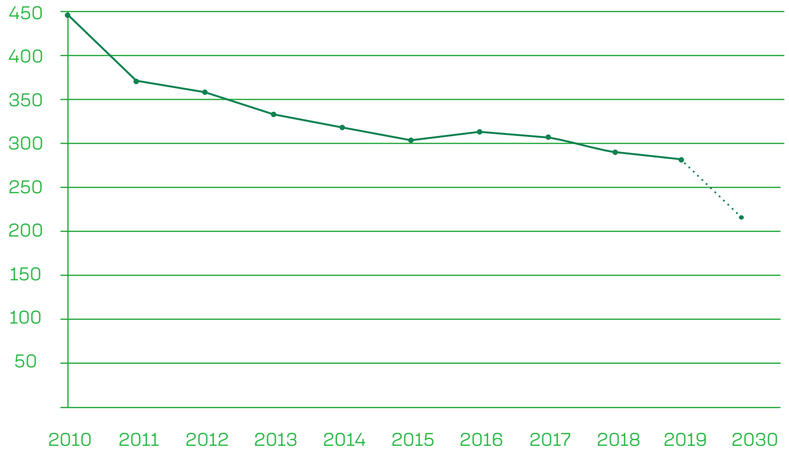
At the end of 2019, TuuliWatti had 119 wind power plants. Its first completely privately funded wind farm was completed in Viinamäki in the municipality of Ii in the autumn of 2019. In connection with the wind farm, a giant battery (6 MW) with six containers was completed in the municipality of Simo. The giant battery improves opportunities to balance electricity production and consumption.

In late 2019, TuuliWatti started the construction of Finland's largest wind farm in the Sarvisuo region of Simo in southwestern Lapland. The farm will include 27 wind power plants based on the latest and most powerful technology in the field. The Sarvisuo wind farm is the largest of the projects that won Finland's first competitive bidding process for the production of renewable energy in the spring. The wind farm is expected to start production by the end of 2021.

At the end of 2019, there were a total of 50,212 solar panels on the roofs of 71 S Group locations. During 2020, solar panels will be installed in more than 40 locations, and the number of solar panels is expected to exceed 70,000 by the end of the year. The key benefit is that the electricity produced on these sites can be used in our own locations.

Renewable electricity is one of the most significant ways to reduce the carbon dioxide emissions generated by our properties. We are also exploring the opportunity to use renewable forms of energy in all our new construction projects. When renovating properties, heating systems can also be replaced with more efficient ones. For example, we have replaced oil and natural gas heating systems with district heating and geothermal heating systems. At this point, we have only 79 properties with oil or natural gas heating systems.

SPECIFIC ENERGY CONSUMPTION, FINLAND (KWH PER GROSS M^2)



SPECIFIC ENERGY CONSUMPTION, FINLAND (KWH PER GROSS M^2)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
441	372	361	333	320	303	311	306	292	283

The reported consumption data is based on data measured and reported by building or by residence.

Until 2018, our heat consumption was weather-normalised in accordance with Jyväskylä. Since 2018, our heat-consumption has been weather-normalised in accordance with a local comparison point.

The calculation principles for energy and area data are provided in an appendix to the S Group GHG Inventory Report 2019.

Assurance report on the energy and area data for 2019



Emissions

Preventing and reducing emissions that cause climate warming are an important part of our ambitious and systematic climate work over the long term. Most of our emissions are generated within the value chain, but our own operations also generate emissions.

In May 2019, our emissions reduction target was approved by the Science Based Targets initiative, which is supported by the World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the UN Global Compact initiative, among other parties. The purpose of the Science Based Targets initiative is to help ambitious companies set emission reduction targets in accordance with the Paris Agreement. Companies' targets are considered to be science-based if they are consistent with the latest results of scientific climate research.

However, we decided to update our previous emission reduction target with a stricter and more ambitious target at the beginning of 2020. We aim to reduce emissions from our own operations by 90% by 2030 compared with 2015. In addition, we will achieve carbon negativity from 2025.

In addition to setting an emission reduction target for our own operations, we are aiming to reduce emissions generated by our value chain by 1 million tonnes. Our goal is for two-thirds of our goods suppliers and service providers to set science-based goals for their operations.

Our emissions have been calculated in accordance with the GHG Protocol standard. According to the standard, emissions are divided into Scope 1 and Scope 2 emissions from the company's own operations, and Scope 3 emissions from the value chain.

Scope 1 emissions are greenhouse gas emissions arising directly from our own operations. In practice, the emissions are generated by the fuel used for heating our properties and by refrigerant leakages. Refrigerants are cooling gases that circulate in the pipes of refrigeration equipment. When released into the atmosphere, refrigerants behave in the same manner as carbon dioxide and warm the climate. However, depending on the agent, their warming effect is nearly 4,000 times more intense than that of carbon dioxide. If a pipe in the refrigeration equipment is dented or has even a minor puncture, refrigerant may leak into the atmosphere. For this reason, the equipment is monitored closely for any leakages. Scope 2 emissions are greenhouse gas emissions generated by the production of purchased electricity, district heating and cooling.

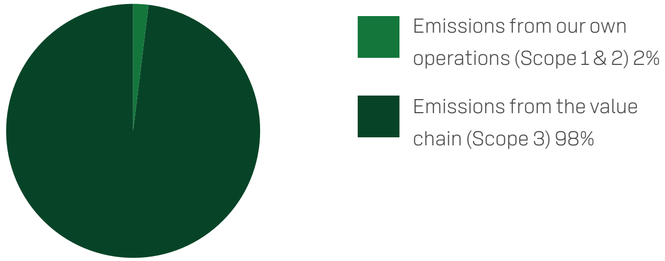
Scope 3 emissions, or other indirect emissions, include emissions from products and services purchased by S Group during their life cycle, such as the primary production of raw materials and the manufacture, packaging and transport of products, as well as customer traffic and the use of the products. In addition, indirect emissions are caused by commuting and business travel by S Group's personnel, final processing of S Group's waste, S Group's investments and the emissions generated by energy production and distribution waste.

In 2019, emissions from our own operations decreased by 39% year-on-year. Since 2015, our emissions have decreased by 63% due to improved energy efficiency, investments in our own production of renewable energy and guarantees of origin for electricity. Emissions generated by our value chain have decreased by 6% compared with 2018.

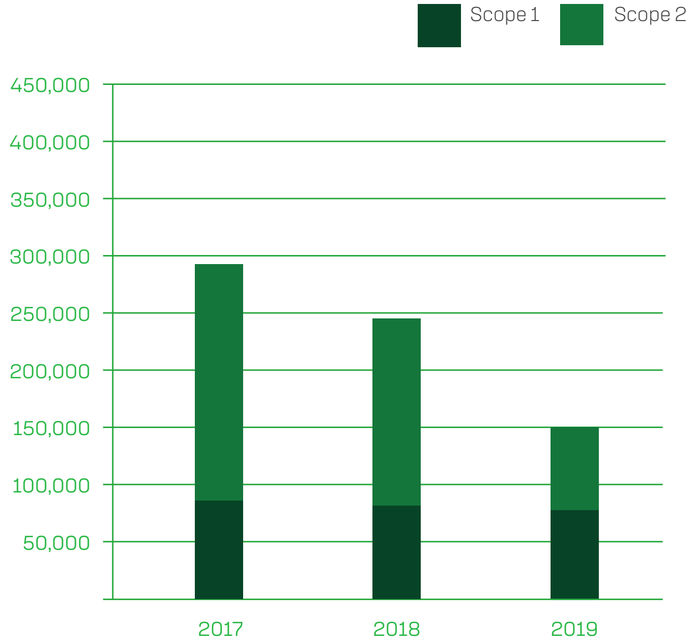
The calculation principles for energy and area data are provided in an appendix to the S Group GHG Inventory Report 2019.

Assurance report on the energy and area data for 2019

EMISSIONS FROM S GROUP'S OWN OPERATIONS IN 2019, %



EMISSIONS FROM S GROUP'S OWN OPERATIONS (TCO_2E)



BIG DEAL CLIMATE CAMPAIGN: REDUCING EMISSIONS BY

1,000,000 TONNES

IN COOPERATION WITH OUR PARTNERS BY THE END OF 2030 COMPARED WITH 2015

EMISSIONS FROM S GROUP'S OWN OPERATIONS

150,000

(TCO_2E)

OWN OPERATIONS: EMISSION INTENSITY

12.8

TCO_2E PER EUR 1 MILLION IN SALES

OWN OPERATIONS: EMISSION INTENSITY

27.1

TCO_2E PER 1,000 M^2

EMISSIONS FROM S GROUP'S OWN OPERATIONS (TCO_2E)

	2017	2018	2019
Direct, Scope 1			
Own heat production	5,600	6,400	5,700
Refrigerant leakages	81,000	76,100	71,400
Indirect, Scope 2			
Purchased electricity (marked-based)	171,900	134,600	0
Purchased electricity (location-based)	140,300	104,100	95,400
Purchased district heating and cooling (location-based)	68,700	60,300	72,900
Scope 1 and 2 total	295,600	246,900	150,000

The figures include Finland and the neighbouring countries.

A location-based emissions figure has been calculated for electricity consumption in Finland in accordance with the GHG Protocol standard. The combined emissions figures are market-based.

The calculation principles for emissions from our own operations are provided in an appendix to the S Group GHG Inventory Report 2019.

Assurance report on emissions figures for 2019

Reducing emissions

Key factors in reducing emissions from our own operations include improving the efficiency of energy use, increasing the share of renewable energy, minimising refrigerant leakages and replacing old refrigeration equipment with equipment that uses carbon dioxide.

Thanks to increased wind power production, our carbon dioxide emissions decreased by 310,000 tonnes in 2019 compared with the specific emissions in accordance with the residual mix of electricity production in Finland in 2018.

More than 95% of our emissions arise from our value chain, such as the manufacture of the products we sell. In terms of fuel, emissions are generated when products are used in transport. This is why it is important that we encourage our partners to measure the climate impacts of their products and reduce their emissions systematically. It is also important that we ensure that the fuel we sell meets the statutory requirements for biofuel content.

THE BIG DEAL CLIMATE CAMPAIGN ENCOURAGES OUR PARTNERS TO REDUCE THEIR EMISSIONS

S Group introduced the Big Deal climate campaign for its partner companies in 2018. The goal of the campaign is to reduce climate emissions by one million tonnes by 2030 in cooperation with our goods suppliers and service providers. With the campaign, we want to encourage and inspire our partners to reduce their emissions and achieve more effective results. A million tonnes is equal to as many as 8 million trips by car from Rovaniemi to Helsinki or the annual emissions generated by more than 100,000 Finns.

The 107 partner companies of S Group that are participating in the campaign have reduced their total climate emissions by nearly 25,000 over the past three years. Combined with the decrease of emissions from S Group's own operations and the increase in biofuels in fuel sales, the reduction in emissions is more than 630,000 tonnes. In other words, we have already achieved more than 63% of our target.

In addition, as part of our science-based climate targets, our goal is for two-thirds of our goods suppliers (based on purchases) to set their own science-based emission reduction targets by the end of 2023. Of the goods suppliers covered by the target, 44% have already set such targets, meaning that we have achieved around 65% of our target.

As part of the Big Deal climate campaign, S Group holds climate-themed events for its partners to provide information and highlight its partners' achievements. Representatives of more than 50 partners attended our climate-themed breakfast event in December 2019.

THE BIOFUEL CONTENT OF FUELS IS INCREASING YEAR BY YEAR

Emissions from the fuel we sell are reduced by increasing the share of biofuel mixed in the fuel. In 2019, the Finnish Parliament amended the Act on Promotion of Biofuels in Transport. The amended act obligates fuel distributors to increase the biofuel content of fuels until 2030, when the biofuel content must be 30%. In 2019, the biofuel content of the fuel sold by S Group's ABC service stations corresponded to a reduction of 170,000 carbon dioxide tonnes in emissions in relation to fossil fuels.

Of the raw materials of purchased biofuels, 77% were based on waste or residue. Part of the biowaste used as raw material is collected from S Group's own locations. The sales of the Eko E85 fuel (high-level ethanol blend) at ABC service stations increased by 21%, or by more than EUR 1.5 million litres, from the previous year in 2019.

THE INCREASING POPULARITY OF ELECTRIC CARS IS REFLECTED IN THE NUMBER OF RECHARGING EVENTS

Of our locations, 89 have electric car recharging points, and we have 281 recharging points in total. The increasing popularity of electric cars in Finland is reflected in the number of recharging events at the recharging points at ABC service stations. There were nearly 44,000 recharging events in 2019.

S GROUP IS A LEADER IN CLIMATE WORK AMONG FINNISH COMPANIES

According to the CDP (formerly Carbon Disclosure Project), S Group continues to be among the leaders in climate efforts. Our score in an international comparison was 'A-', and we were the only Finnish trade sector company at this level, which was achieved by 11 Finnish companies in total.

S Group is the only Finnish retail sector company that also participates in the CDP Supply Chain programme. The programme enables companies that supply products or services to report on their emission reductions in a consistent manner. Our score in the Supply Chain programme was 'A-'.

The CDP is an independent global organisation established by non-governmental organisations in 2000. It assesses the environmental efforts of hundreds of companies each year, mainly based on the wishes of their financiers and investors. In 2018, more than 8,400 companies responded to surveys conducted by the CDP on climate, water security and forest issues.

EMISSIONS FROM S GROUP'S VALUE CHAIN (TCO_2E)

	2017	2018	2019
Upstream			
Purchased products and services	5,779,000	5,739,000	5,395,000
Capital assets (buildings)	22,000	13,000	1,300
Indirect emissions from purchased energy	43,000	38,100	35,100
Product transportation and delivery	116,000	95,400	99,600
Waste	25,000	19,600	18,000
Business travel	2,200	2,300	4,000
Commuting	20,000	20,300	17,300
Downstream			
Customer traffic	289,000	283,000	319,000
Use of products sold	2,724,000	2,619,000	2,411,000
Investments	-	46,400	85,000
Total	9,020,200	8,876,100	8,386,000

The figures include Finland.

The calculation principles for Scope 3 emissions are provided in an appendix to the S Group GHG Inventory Report 2019.

Assurance report on emissions figures for 2019

S GROUP SUPPORTS RESEARCH INTO SOIL CARBON SEQUESTRATION

Coordinated by the Baltic Sea Action Group and supported by S Group, the Carbon Action project studies soil carbon sequestration and the impacts of various methods on carbon sequestration in Finnish fields. The project began in 2019, and its goal is to mitigate climate change.

The project aims to include soil carbon storage in a carbon measurement and verification system. This would enable open field cultivation to be included in a possible future carbon marketplace.

S GROUP COMPENSATES FOR CARBON DIOXIDE EMISSIONS FROM THREE OF ITS STORES THROUGH CARBON TRADING

Puro, the world's first voluntary carbon removal marketplace for businesses, was launched in May 2019. We are compensating for carbon dioxide emissions from three of our stores through Puro. These three stores, all in Espoo, are the Saunalahti and Karaportti S-markets, and the Alepa store in Tuomarila. These stores are relatively new, and emission reductions have been taken into account as early as the planning stage to a significant degree.

WE ADDED A CARBON FOOTPRINT CALCULATOR TO THE MY PURCHASES SERVICE

We added a carbon footprint calculator to the My Purchases service in the S-mobiili mobile app in September 2019. The service has been developed in cooperation with experts at the Natural Resources Institute Finland. The calculator indicates the magnitude of the climate impact of different product groups, as well as their impact on the customer's individual carbon footprint.

WE ARE OFFSETTING CARBON EMISSIONS FROM BUSINESS FLIGHTS

We are compensating for the climate emissions from our employees' business flights for the second year running. In 2019, the carbon offset was targeted at a Panamanian forest planting and cocoa growing project verified by a third party and certified in accordance with the Gold Standard. Forests are natural carbon sinks and bind carbon from the atmosphere during photosynthesis. The World Wide Fund for Nature (WWF) recommends that projects certified in accordance with the Gold Standard be used for carbon offsetting. The requirements of the standard ensure that actual emission reductions are achieved through the project. In 2019, our employees made 11,170 business flights, flying a total distance of more than 13 million kilometres, which generated climate emissions of 1,363 carbon dioxide tonnes. The total mileage and emissions increased by around 1% year-on-year.



The circular economy

Excessive use of resources and changes in the availability of raw materials are affecting and will continue to affect our operating environment. At the same time, the legislative framework is changing.

The European Union has set stricter targets for recycling, and is aiming to increase the recycling rate of municipal waste to 55% by 2035. In the spring of 2019, the European Parliament adopted a directive concerning disposable plastic products. The directive aims to limit and reduce the use of plastic in packaging.

The Plastics Roadmap for Finland is a compilation of measures to reduce the use of plastic, replace plastic and increase the efficiency of recycling plastic. In addition, the companies and public administration operators participating in Society's Commitment to Sustainable Development in Finland are committed to promoting the principles of sustainable development. A set of waste regulations is being prepared that also takes into account the new recycling rate targets for various packaging materials. On the other hand, awareness of sustainability is increasing among consumers, and they expect companies to implement measures to promote the sustainable use of natural resources.

S Group promotes the efficient use of raw materials and resources in line with the principles of the circular economy in many ways, focusing on the recycling of waste, waste management and solutions for consumers. We are continuously identifying new operating models related to the circular economy in order to recycle valuable raw materials and resources even more efficiently and for longer than before.

Waste management and recycling at S Group

The amount of waste we generate in Finland represents around 4% of all waste generated in Finland. In 2019, our total amount of waste, including in the neighbouring countries, was 111,600 tonnes. The amount of hazardous waste was around 500 tonnes. Most of the waste generated by our operations is organic waste, paperboard and paper, energy waste and mixed waste. Of the waste we generated in Finland, 99.98% was submitted to be reused as materials or energy. Our goal is to recycle 80% of our waste as materials or new products by the end of 2025. In 2019, we submitted 73% of our waste to be used in the manufacture of new products and packaging.

S Group's locations have a comprehensive network of Rinki eco take-back points for paperboard, glass, metal and plastic packaging. At the end of the 2019, there was a Rinki eco take-back point in connection with 427 stores. Of these recycling stations, 248 had a collection point for plastic, in addition to glass, paperboard and metal.

We expanded the collection of used clothing at our Sokos department stores through Emmy. In addition, 280 Rinki eco take-back points have a collection point for clothing. Refundable beverage containers, as well as batteries and waste electrical and electronic equipment, can be returned to our locations. Some of our Sokos and Emotion stores have collection points for expired nail polish.

S Group's goals and commitments

- The New Plastics Economy Global Commitment seeks to reduce the unnecessary use of plastic, develop reusable packaging and increase the efficiency of recycling.
- The national plastic bag commitment seeks to reduce the use of plastic bags. The goal is for Finns to use no more than 40 million plastic bags annually by the end of 2025.
- The material efficiency commitment for the food industry seeks to reduce the environmental impacts of food production, distribution and consumption.
- S Group's plastics policy provides a framework for the use of plastic and its reduction in our own operations.
- We will recycle 80% of our waste as materials or new products by the end of 2025.
- We will reduce food waste by 15% by the end of 2020.
- We will produce no landfill waste.

FOOD WASTE

-15%

BY THE END OF 2020

80%

OF WASTE WILL BE RECYCLED AS MATERIALS OR NEW PRODUCTS BY THE END OF 2025

S GROUP'S WASTE, TONNES	2017	2018	2019
Paper and paperboard	35,000	35,500	36,900
Organic waste	31,600	31,600	33,700
Energy waste	27,700	28,600	27,000
Plastic	1,700	1,400	1,600
Metal	2,300	2,200	1,900
Glass	700	700	700
Other solid waste	6,300	3,100	4,900
Total solid waste	**105,300**	**105,100**	**106,700**
Hazardous waste	200	800	500
Liquid waste	5,000	4,000	4,400
All waste in total	**110,500**	**107,900**	**111,600**

The waste data covers 91% of the locations.

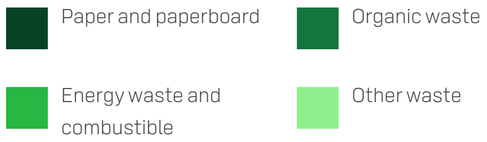
The figures include Finland and the neighbouring countries.

Assurance report on the waste figures for 2019

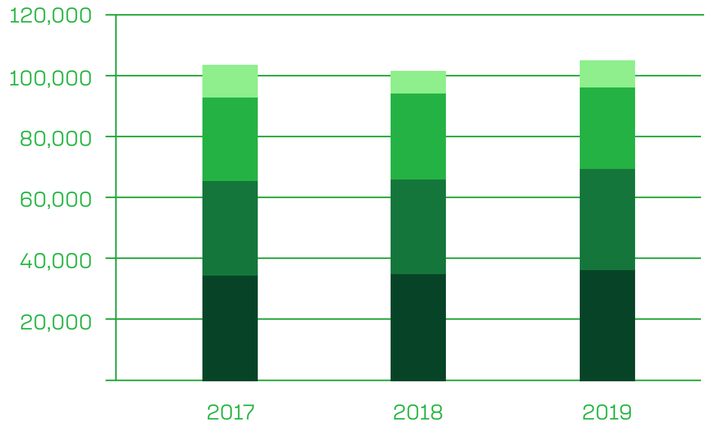
S GROUP PROMOTES THE CIRCULAR ECONOMY

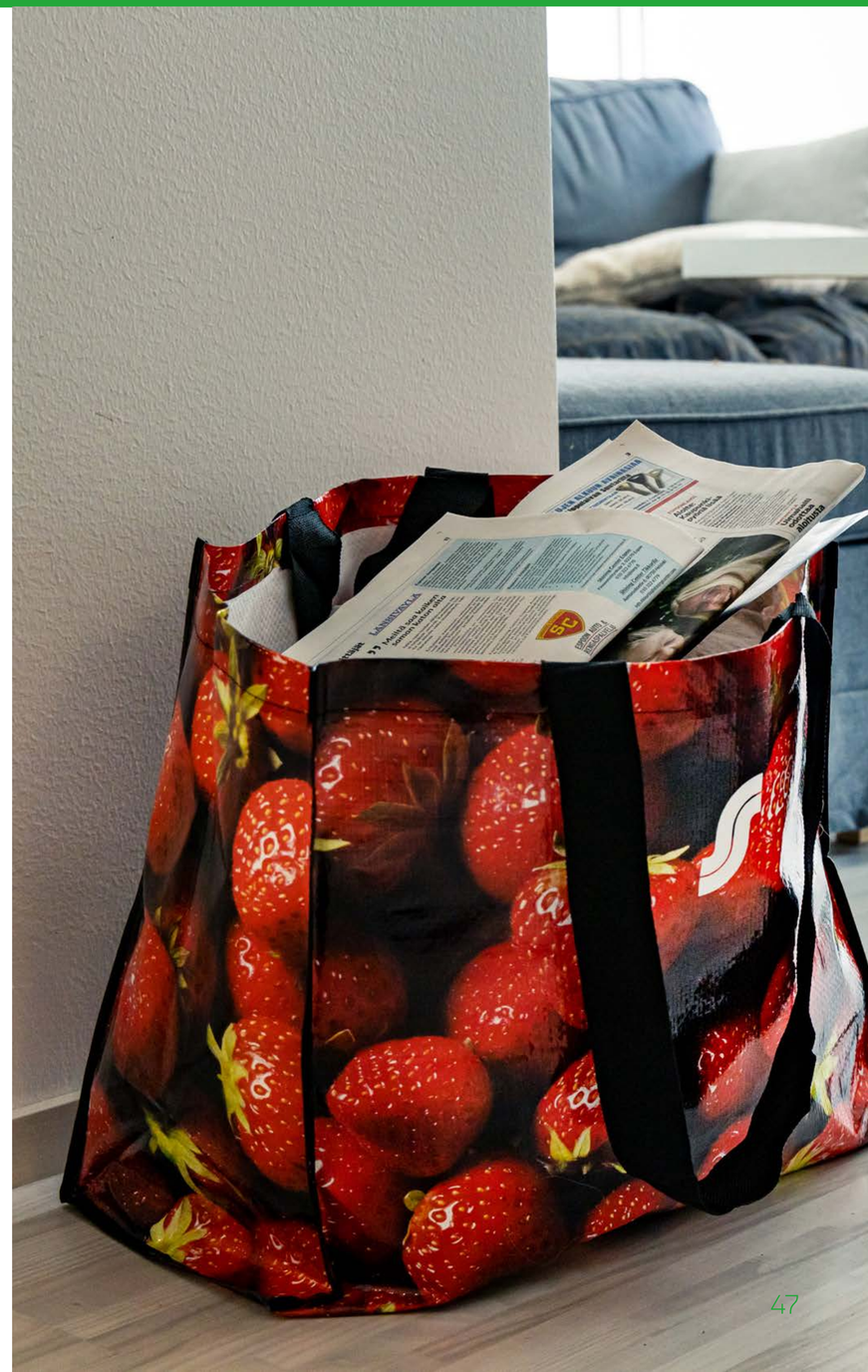
Waste is increasingly used as raw material. One practical example of this is our use of bread waste from stores in the production of the Eko E85 fuel, which is sold at ABC service stations.

Deep-frying oil from restaurants is recycled via Suomen Kasviöljykierrätys, a company specialising in recycling vegetable oils, to be used in the production of renewable fuels. The importance of return logistics has increased in recent years, even in terms of material efficiency. Today, our return logistics cover paperboard fraction, as well as bottles and cans. In cooperation with waste management operators, we have also discovered new ways to recycle plastic and paperboard over the years.



S GROUP'S SOLID WASTE, TONNES





S GROUP'S WASTE PROCESSING AND REUSE[1], %	2017	2018	2019
Material recycling	42	43	42
Reuse for energy	27	27	27
Reuse of biowaste[2]	30	30	31
Landfill processing	1	1	0.02

[1]) The figures do not include the neighbouring countries (Russia, Estonia).

[2]) The reuse of biowaste refers to composting or reusing biowaste in the production of biogas or bioethanol.

Assurance report on waste data for 2019

COLLECTION POINTS AND COLLECTED QUANTITIES	2017	2018	2019
Number of recycling stations	423	430	427
Returned recyclable plastic bottles, million	178	208	221
Returned recyclable glass bottles, million	43	47	51
Returned aluminium cans, million	579	616	617
Returned portable accumulators and batteries, tonnes	434	576	635

Food waste at stores

S Group's stores reduce waste monitoring and communication and by listening to customers. The continuous monitoring of selections and product quantities is an important aspect of waste management in order to ensure that the selection at the store meets customers' needs. Food waste has also decreased as a result of extended opening hours. We typically sell products nearing their best-before date or the end of their shelf life at a 30% discount.

In addition, we donate soon-to-expire food products to charity. Our grocery stores have more than 400 charity partners in Finland, with nearly 700 stores donating food.

In 2019, our stores' relative food waste was 1.52%. Between 2014 and 2019, our food waste decreased by 15%, and we have already achieved our reduction target for 2020.

OUR EVENING DICSOUNT REDUCES FOOD WASTE

In addition to the 30% discount on products nearing their best-before date or the end of their shelf life, the discount on food items marked with red labels is 60% at around 900 grocery stores of the S Group during the last opening hours of the day.

More than a million customers have contributed to the reduction of food waste by purchasing such products. Each year, more than 70 million products are marked with red labels and sold at a discounted price. The most popular red label products include various packaged meat and fish products.

Last year, our evening discount attracted international media attention. The New York Times, among other media outlets, described our evening discount as a good example of reducing waste in the trade sector.

Food waste at restaurants

Differences in recording practices have been identified as the most significant challenge for restaurants. During 2019, we further developed our food waste management culture and harmonised our definitions of food waste and our practices of recording food waste. It is essential to identify where and why food waste is generated.

In 2019, our restaurants' food waste was 1.05% in relation to sales. We have set chain-specific lower and upper limits for food waste, and we use these limit values to steer food waste management in our locations. In addition, the locations have access to monthly comparison reports on food waste.

The waste management ambassadors appointed by the regional cooperatives continued to their work to share best practices. The ambassadors monitor waste management and encourage and instruct regional cooperatives and their locations to record and monitor their waste more closely and reduce waste, as well as sharing best practices between chains and locations.

MORE THAN 7,000 MEALS SAVED THROUGH RESQ CLUB

The ResQ Club service for keeping food from going to waste was used by 13 regional cooperatives and 65 locations in 2019. The users of the service saved more than 7,000 meals through S Group's restaurants and ABC. The goal is to reduce food waste at the ABC restaurants by one-third in 2020.

In addition, HOK-Elanto's Coffee House cafés, as well as some other cafés of the cooperative, have an evening discount of 50% on products in the glass cabinets during the last opening hours of the day.

The plastics policy is producing results

Published in 2018, S Group's plastics policy is a compilation of measures to reduce the use of plastic. All our business operations contribute to the more sensible use of plastic. Our grocery stores are paying special attention to the packaging of our private label products and its recyclability. Our hotels will no longer use plastic toys and are replacing plastic pens with pens made from recycled plastic. We intend to replace the plastic in takeaway packaging with a recyclable, bio-based or compostable material at our ABC service stations, restaurants and cafés. We have already banned the use of microplastics in our private label cosmetics products and detergents.

We make recycling plastic easier for our customers by means of clearer instructions and labels, for example. In conjunction with updating packaging, we will also add easy-to-follow sorting instructions to our private label products. In addition, our locations have recycling stations, of which 248 can also be used to recycle plastic.

More information about S Group's plastics policy is available at S-ryhmä.fi.

Major measures related to the plastics policy in 2019

- The amount of plastic in ABC's takeaway packaging decreased by 16% year-on-year (in relation to product items). Our goal is to reduce the amount of plastic in our takeaway packaging by 20% by the end of 2022.
- ABC's disposable coffee cups have been replaced with cups made from a renewable material. This change has already concerned more than six million cups.
- Plastic straws have been replaced with paper straws or biodegradable straws at S Group's chain restaurants. Plastic drink sticks are no longer used.
- In line with our target, plastic ketchup and dip sauce cups were replaced with paper and reusable containers during 2019.
- S Group's private label juice bottles were replaced with refundable bottles during 2019. This change increases the amount of plastic covered by the deposit-refund system by 30 tonnes at the annual level.
- Of S Group's private label grocery product packaging, 98% is recyclable. However, further processing continues to be challenging for about 15 percentage points of this total. Our goal is for the packaging of our private label products to be fully recyclable by the end of 2022.

During 2019, we also increased the share of packaging made from recycled materials for our private label products, and we identified packaging that continues to be challenging in terms of recycling. This includes laminated packaging, multilayer plastic, black plastic packaging and polystyrene packaging. We are promoting the replacement of these types of packaging with a recyclable alternative, provided that such an option is available. Multilayer plastic and laminated packaging are challenging in terms of recycling, because optimal recyclable options are not necessarily available.

In addition, we have added easy-to-follow sorting instructions to our private label products to make it easier for consumers to recycle packaging. We have reduced the amount of plastic in consumer packaging by more than 100 tonnes through various solutions. We have also promoted the use of reusable packaging in logistics. For example, the use of reusable IFCO fruit and vegetable containers increased by 22% year-on-year in 2019.

THE USE OF PLASTIC BAGS CONTINUES TO DECREASE

The use of plastic bags decreased strongly for the third year running. The number of plastic bags purchased decreased by six million in 2019 year-on-year. Only around 25% of our grocery store customers purchase a plastic bag. The sales of plastic bags decreased by 4% in 2019, while the popularity of other options continued to grow. In 2019, the demand for biodegradable plastic bags increased by more than 40% and that of paper bags by 19%. The sales of reusable bags remained more or less unchanged compared with the previous year. Bags made from recycled plastic continue to be the most popular bags purchased at our stores. These generate the least emissions among the bag alternatives. The share of recycled materials used in bags was 63% in 2019. In the My Purchases service in the S-mobiili mobile app, our co-op members can monitor their consumption of various types of shopping bags at the monthly level.

SOKOS DISCONTINUED PLASTIC BAGS AS PART OF AN EXPERIMENT

In December 2019, Sokos introduced recyclable paper fabric bags developed by Paptic. The raw material for the bags is made from FSC-certified wood. The bags are part of an experiment to discontinue plastic bags. The new shopping bags support the achievement of Sokos and Emotion stores' goal to reduce the consumption of plastic bags and the amount of plastic waste

they generate. The change is also a response to customers' wishes for more sustainable department store operations.

Digital receipts save a great deal of paper

Our co-op members increasingly use digital receipts. The service is available at S Group's grocery stores, ABC service stations and Sokos stores. It is Finland's largest digital receipt service and the only one that enables completely paperless checkout counter service. More than 20% of S Group's co-op members – that is, around 750,000 customers – use the service. Around 350,000 co-op members have opted for completely digital service. If placed one after another, the unprinted paper receipts would form a line running from Helsinki to the North Pole.

S Group is participating in the material efficiency commitment for the food industry

S Group is participating in Finland's first material efficiency commitment. The commitment is intended to reduce the environmental impacts of food production, consumption and distribution between 2019 and 2021. The grocery trade sector is committed to seeking to reduce food waste by 13% by 2021 compared with 2016. The recycling rate target for the same period is 78%. S Group's own targets are more ambitious than those of the commitment.

The material efficiency commitment for the food industry for 2019–2021 covers the grocery trade sector, the food industry and the packaging industry, and the participants also include the Ministry of Economic Affairs and Employment, the Ministry of Agriculture and Forestry and the Ministry of the Environment.



Ethical operating culture and human rights

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WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



S Group is committed to respecting human rights in all its operations and complying with the due diligence obligation in accordance with the UN Guiding Principles on Business and Human Rights to prevent negative human rights impacts.



Human rights at S Group

Compliance with the UN Guiding Principles requires public commitment to respecting human rights, as well the careful assessment of human rights risks and operating methods to prevent risks and rectify adverse effects. In addition, the principles require open communication about risks, measures and challenges.

Our human rights impacts are related, in particular, to our employees and customers and the employees and communities in our supply chains. In supply chains in particular, human rights risks are closely linked to the surrounding society and must be impacted by means of systematic work over the long term through the operators in the supply chains and through other networks.

SOK Corporation's commitments and principles

- **SOK Corporation's ethical principles** – Through the ethical principles adopted by SOK's Executive Board, we are committed to respecting and promoting human rights in all our operations, and we expect the same from our partners. The ethical principles concern all SOK Corporation's employees. Many of our regional cooperatives have also adopted SOK Corporation's ethical principles, or have their own principles.
- **S Group's human rights principles** – Adopted by SOK's Executive Board, S Group's human rights principles describe our operating model, which is in line with the due diligence obligation, and the management of human rights efforts within our group of companies.
- **Amfori Code of Conduct** – As a member of amfori, an international sustainability network, S Group is committed to compliance with the amfori Code of Conduct. The amfori Code of Conduct is part of our supplier contracts and outlines our expectations towards goods suppliers.

S Group's human rights principles

In 2019, we drew up S Group's human rights principles. The principles supplement our commitment to respecting human rights, which is set forth in SOK Corporation's ethical principles.

The human rights principles have been approved by SOK's Executive Board. The human rights principles describe S Group's management model for identifying and managing matters related to human rights, as well as for risk management and communication. The principles also determine roles and responsibilities related to human rights. Their purpose is to support the systematic management of human rights at S Group over the long term, as well as describing our approach to human rights to our stakeholders.

ETHICS INDEX

Since 2017, we have been following the ethics index, which is part of our job satisfaction survey. The index measures employees' trust in their employer, as well as their perceptions of the ethicality of the company's operating methods and the implementation of its values and principles in day-to-day work. The index was 78.3 (2018: 78.2, with the corresponding score being 'good'. The scale is 0–100.

Management of human rights related matters

Management of human rights related matters at S Group is part of responsibility management, which is the duty of the SOK Responsibility unit. In S Group's management team, an Executive Vice President is in charge of the SOK Responsibility unit. The SOK Responsibility unit is responsible for human rights principles and their development, as well as for providing guidance for their implementation. Within S Group, the SOK Responsibility unit is responsible for the assessment of human rights risks and the development of new operating models. It also steers and coordinates the continuous assessment of human rights risks in different functions. The SOK Responsibility unit is also responsible for internal and external reporting related to human rights.

According to the management model, the SOK Responsibility unit regularly reports key risks related to human rights, key figures and the most significant selected projects to SOK's Executive Board and senior management. SOK's Executive Board approves principles and commitments related to human rights. SOK's units and subsidiaries evaluate key risks related to each business area and preventive measures. The units are also responsible for key preventive and corrective measures related to human rights.

Human rights are one of the four main themes of our sustainability programme. The goals, measures and projects related to human rights are determined in cooperation with the business operations. The most important goals have been integrated into our sustainability programme.

Assessment of risks associated to human rights

In accordance with the UN Guiding Principles on Business and Human Rights, we work to carefully assess and predict the human rights impacts of our operations and prevent and mitigate adverse human rights impacts. The assessment of human rights impacts is a continuous process.

In the assessment of human rights impacts, we have identified the groups on whose human rights S Group may have direct or indirect impacts. The assessment also covered particularly vulnerable individuals and groups, such as children, women, migrant workers and people with special needs.

In the assessment of S Group's human rights impacts, we used various organisations' and authorities' reports and studies, country-specific risk assessments (e.g. the amfori Country Risk Classification) and dialogue with non-governmental organisations and other stakeholders. We also used the information we have obtained through audits, as well as our experiences of monitoring the working conditions at factories, for example. The assessment involved S Group's specialists from different business areas and the procurement, HR management and responsibility units.

Most significant human rights risks

S Group has potentially both direct and indirect impacts on the human rights of different groups. The direct impacts are related to S Group's employees and customers, while the indirect impacts are related to supply chains through business relationships. Key direct and indirect human rights impacts are described below. The list is not exhaustive. It includes the key and most significant human rights impacts that we specifically aim to minimise. Other human rights are equally important, and we will continue our work to ensure that we do not hinder their fulfilment in any way.

DIRECT IMPACTS

S Group's most significant direct human rights impacts are related to the safety of our customers and employees. Ensuring the safety of locations and products, self-monitoring and the monitoring of compliance with the minimum age requirements for purchasing alcohol and tobacco products, for example, call for continuous work to ensure that no one's safety is jeopardised at work or when visiting an S Group location.

Our possible direct human rights impacts also include non-discrimination and the equality of our customers and employees. Non-discrimination means the equal treatment of customers and employees and the accessibility of our locations, for example. We respect our employees' right to join trade unions, and do not tolerate any kind of discrimination or harassment. For example, we prepare non-discrimination and equality plans for our employees and train our employees to ensure an equal workplace community without any discrimination.

INDIRECT IMPACTS

S Group may also have indirect impacts on the human rights of people working in the supply chains of products and services. Our most significant indirect human rights impacts are related to forced labour, discrimination, violations of freedom of association, child labour, insufficient salary, excessive working hours and compromised occupational health and safety.

Generally, S Group's greatest human rights risks in its supply chains are related to:

- countries where the legislation and its implementation and monitoring are insufficient or countries that have not ratified international labour and human rights agreements
- countries that have a large number of domestic or foreign migrant workers
- products and raw materials produced in high-risk countries that use low-skilled labour to a high degree
- goods suppliers that have not made a commitment to sustainability initiatives and have not developed operating methods to ensure responsible procurement
- non-certified high-risk raw materials
- long supply chains.
- It must also be taken into account that non-risk countries may have areas with elevated levels of human rights risks.

Prevention of adverse human rights impacts and implementation of corrective measures

S Group's human rights work is based on thorough risk assessments and on targeting measures at areas where the risks are the highest. According to the UN Guiding Principles on Business and Human Rights, measures are prioritised based on the severity, irrevocability and probability of impacts, and on whether the impacts are caused directly or indirectly by S Group through business relationships, for example.

We seek to prevent human rights risks in supply chains in many ways, including audits of suppliers in high-risk countries and certification of high-risk raw materials. We expect all our of suppliers of products and services to respect human rights, as well as to ensure that products can be traced back to the source of the raw materials. Alongside independent audits and certificates, we have developed a method to investigate the root causes of human rights risks in supply chains. The goal is to identify current human rights issues related to products or production countries and their root causes, so that we can have an impact on them, together with our partners and stakeholders. Investigations are conducted by an independent third party, and we communicate their results openly.

We seek to have an impact on the development of working conditions in key countries from where we purchase products and services and on the development of laws that govern these through our partnership networks, whenever this development is in conflict with international human rights agreements and ILO's standards. Open interaction with stakeholders and our partnership networks is key in making an impact. We can also have an impact by issuing various statements to the authorities or companies, either separately or jointly with international networks.

If any direct violations of human rights are detected in S Group's operations, we will immediately start an investigation in cooperation with the relevant business or other unit and stakeholders. Corrective measures are taken to prevent any broader impacts and, if possible, to fix any damage. We will also investigate our own operating methods to prevent similar violations from recurring.

If any defects related to human rights are discovered in S Group's procurement of products and services, we will immediately start an investigation. Corrective measures will be agreed upon with the partner concerned, and their implementation will be monitored through audits, for example. Cooperation with the partner will not primarily be discontinued, as doing so would not help the workers' situation at the factories and on the farms. Cooperation is the best way to improve operations. Furthermore, boycotting a specific product or procurement area is never our primary solution, as this would often damage the position of workers who are already in the weakest position. Cooperation can be discontinued if a partner does not show any willingness to address or is not committed to addressing repeatedly discovered defects. Cooperation can also be discontinued if a partner does not consent to any audits conducted by an independent third party. The goal is to increase the capabilities of partners to improve the conditions of workers by providing training and by requesting suppliers to participate in training provided by amfori.

In supply chains in particular, S Group is not always able to have any direct impact on the correction of defects. Increasing leverage through cooperation with other companies, responsibility initiatives and other networks is important in such cases.

Anonymous whistleblowing channel

In 2019, we established an anonymous whistleblowing channel for S Group's employees and external stakeholders. Suspected misconduct and violations of ethical principles can be reported through the channel, and all reports will be processed.

To ensure anonymity, the whistleblowing channel is managed by an external partner, WhistleB. The reporting process is encrypted, and all reports are processed confidentially. A total of 19 cases were reported through the whistleblowing channel in 2019. The reports mainly concerned inappropriate behaviour, cooperation between S Group and suppliers, and HR issues. The cases reported through the channel are processed by SOK Risk Management in cooperation with key people in various organisations of S Group in a manner that ensures impartiality.

In addition to S Group's whistleblowing channel, stakeholders can report unfair trading practices via the channel provided by the Board of Trading Practices in the Food Supply Chain and via the channel provided by amfori, through which any violations of human rights within the supply chains of amfori's members can be reported.

We are continuously providing our employees with training on ethical principles. This training covers the principle of integrity, disqualification from decision-making and equal treatment in the workplace, for example. The participants are also reminded of the opportunity to report any violations of the ethical principles anonymously. The training is also part of our induction training for new employees.

Support for defenders of human rights

S Group's long-standing practice is to openly support the civil society in order to support human rights in supply chains. Human rights defenders are individuals or groups who promote the fulfilment of human rights locally, nationally or internationally. Typically, non-governmental organisations, representatives of trade unions, and employees who highlight defects in working conditions can also be defenders of human rights.

We do not interfere with the work of human rights defenders or the functioning of the civil society, including campaigns related to S Group. We expect our partners to respect the work of human rights defenders rights and the functioning of the civil society, and we do not accept any type of interference from our partners. In situations where there is clear evidence of one of our partners interfering with or preventing the work of human rights defenders or the functioning of the civil society, we aim to exert pressure within the scope of our influence on our partner to stop this interference.

If the situation is directly related to S Group's operations legal and financial measures are also possible. Such situations will be investigated on a case-by-case basis. Improving legal protection at the national level is a key method in supporting the work of human rights defenders, and their lawful activities should not be impeded by legal means.



Responsible procurement

Our operations have indirect impacts on the human rights of the people working in the supply chains of our products and services, particularly in countries with a high risk level in terms of social responsibility.

In responsible procurement, it is essential to agree on expectations when selecting and cooperating with goods suppliers and service providers and to monitor their performance in terms of these expectations. Our supplier contracts require all our suppliers to respect key labour and human rights, as well as ensuring that products can be traced back to the source of the raw materials.

We assess human rights risks in procurement using the amfori BSCI's list of high-risk countries, which indicates country-specific risks, as well as a risk assessment tool for raw materials and other sources providing information about specific countries and raw materials. In addition, we conduct regular surveys among all our suppliers on social responsibility practices and the origin of products.

We require third-party factory audits from suppliers of private label products whose products are manufactured in countries with a high risk level in terms of social responsibility or contain raw materials procured from high-risk countries.

We are a member of the amfori BSCI (Business Social Compliance Initiative) and have actively participated in the development of the system and its tools for many years. The amfori BSCI aims to bring the working conditions of employees manufacturing products in high-risk countries to the level required by international agreements and to streamline and harmonise the monitoring of suppliers by companies. In addition to the amfori BSCI, we use the Sedex (Supplier Ethical Data Exchange) database to monitor goods suppliers' responsibility.

Principles of good business practice

We are committed to the principles of good business practice, which aim to ensure fair rules among the operators within the food supply chain. The purpose of the principles is to secure the competitiveness of the contract parties, as well as ensuring the continuity of the contract relationships by strengthening mutual trust. The principles of good business practice include policies concerning written contracts, predictability and responsibility for risks. The principles were agreed between the EU Commission and the EU organisations within the food supply chain in 2011.

In Finland, the Board of Trading Practices in the Food Supply Chain promotes procedures in line with good business practice in the food supply chain. If the Board detects non-compliance, it may intervene by issuing recommendations concerning good business practice, for example. In addition, the Board may develop the sector's ethical principles and issue statements concerning compliance with the principles of good business practice. We have taken the Board's recommendations into account.

S Groups purchases

TOP 10 SOURCING COUNTRIES

COUNTRY	% OF TOTAL PROCUREMENT
Finland	83.6%
The Netherlands	2.8%
Sweden	2.3%
Germany	1.6%
Denmark	1.5%
Spain	1.4%
China	1.1%
Italy	0.9%
Belgium	0.5%
Great Britain	0.5%

TOP 10 DIRECT HIGH-RISK SOURCING COUNTRIES

	% OF TOTAL PROCUREMENT	% OF DIRECT RISK-COUNTRY PURCHASES
China	1.13%	72.8%
Turkey	0.13%	8.2%
Bangladesh	0.10%	6.5%
Greece	0.10%	6.2%
India	0.07%	4.2%
Vietnam	0.05%	3.3%
Indonesia	0.04%	2.7%
Pakistan	0.04%	2.7%
South-Africa	0.04%	2.5%
Thailand	0.03%	1.8%

Human rights assessment in procurement

DIRECT PURCHASES FROM HIGH-RISK COUNTRIES

S Group has around 400 suppliers of private label and import products in high-risk countries. The share of direct purchases of private label products from high-risk countries is 11%. Of our direct purchases from high-risk countries, 98% (2018: 94%) come from suppliers audited by third parties. In 2019, BSCI audits were conducted at the factories of 531 S Group suppliers.

Non-risk countries may also have areas with elevated levels of human rights risks. For example, human rights risks have generally been identified in the working conditions of migrant workers in the agricultural sector in Spain and Italy. Consequently, we have expanded the third-party verification requirements to cover these purchases.

INDIRECT PURCHASES FROM HIGH-RISK COUNTRIES

Indirect purchases from high-risk countries include cases in which the product is manufactured in a low-risk country, such as an EU member state, but the main raw material of the product comes from a high-risk country. The share of indirect purchases of S Group's private label and import products from high-risk countries is 8%. For our private label food products, we confirm the production location of the main raw material. If the product or its main raw material is produced in a high-risk country, we require that a third-party audit or certification be conducted to ensure sustainability.

PURCHASES OF SERVICES

When purchasing services, we pay attention to risks related to labour exploitation in Finland. Our service supplier contracts include a requirement for appropriate working conditions, and we discuss the related risks with our service providers on a regular basis.

LOW-RISK PURCHASES

Some purchases are regarded as low-risk in terms of human rights, as the products and their raw materials are manufactured in areas that the amfori BSCI deems to be low-risk.

Human rights require common rules

S Group participated in the #ykkösketjuun campaign. Through the campaign, nearly 140 companies, non-governmental organisations and trade unions required that a corporate responsibility law concerning human rights be prepared and implemented in Finland. Such a law would require companies to identify their human rights impacts and avoid or reduce any adverse effects. According to the Programme of Prime Minister Sanna Marin's Government (10 December 2019), the 'possibility to legislate at European level on corporate social responsibility based on due diligence, which takes into account companies of different sizes and international value chains, will be investigated'.

S Group has promoted this initiative at the European Parliament, for example.

Audits – Factory inspections by third parties

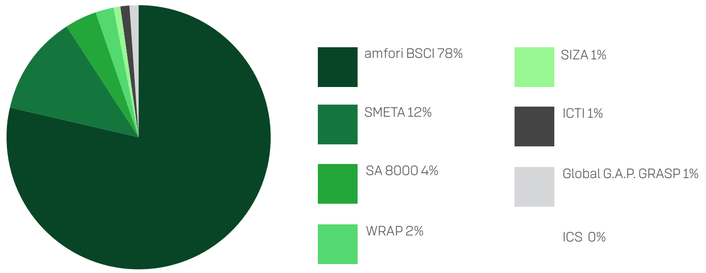
When monitoring our goods suppliers, we pay special attention to countries with the most significant risk of labour and human rights violations. According to the amfori BSCI, such high-risk countries include several countries in Africa, Asia and South and Central America, as well as certain European countries. We purchase from audited suppliers in high-risk countries.

Audits refer to factory inspections, such as amfori BSCI audits or equivalent third-party audits. In the amfori BSCI system, independent auditors inspect production plants to ensure that the criteria of the Code of Conduct are met in practice.

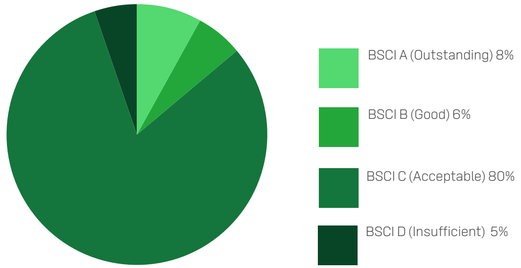
Audits cover, for example, working time and occupational safety practices, as well as the payment of the statutory minimum wage.

Of the direct purchases of S Group's private label and import products from high-risk countries, 98% (2018: 94%) are audited. Because of the coronavirus epidemic, we have not received the latest updated audit results for a few factories from our Chinese partners. This missing information is included in purchases from non-audited suppliers. Our goal is to audit all high-risk country suppliers of private label products through amfori BSCI audits or equivalent third-party audits.

PURCHASES FROM AUDITED SUPPLIERS 2019, %



RESULTS OF S GROUP'S AMFORI BSCI AUDITS IN 2019, %



AUDIT SCORES

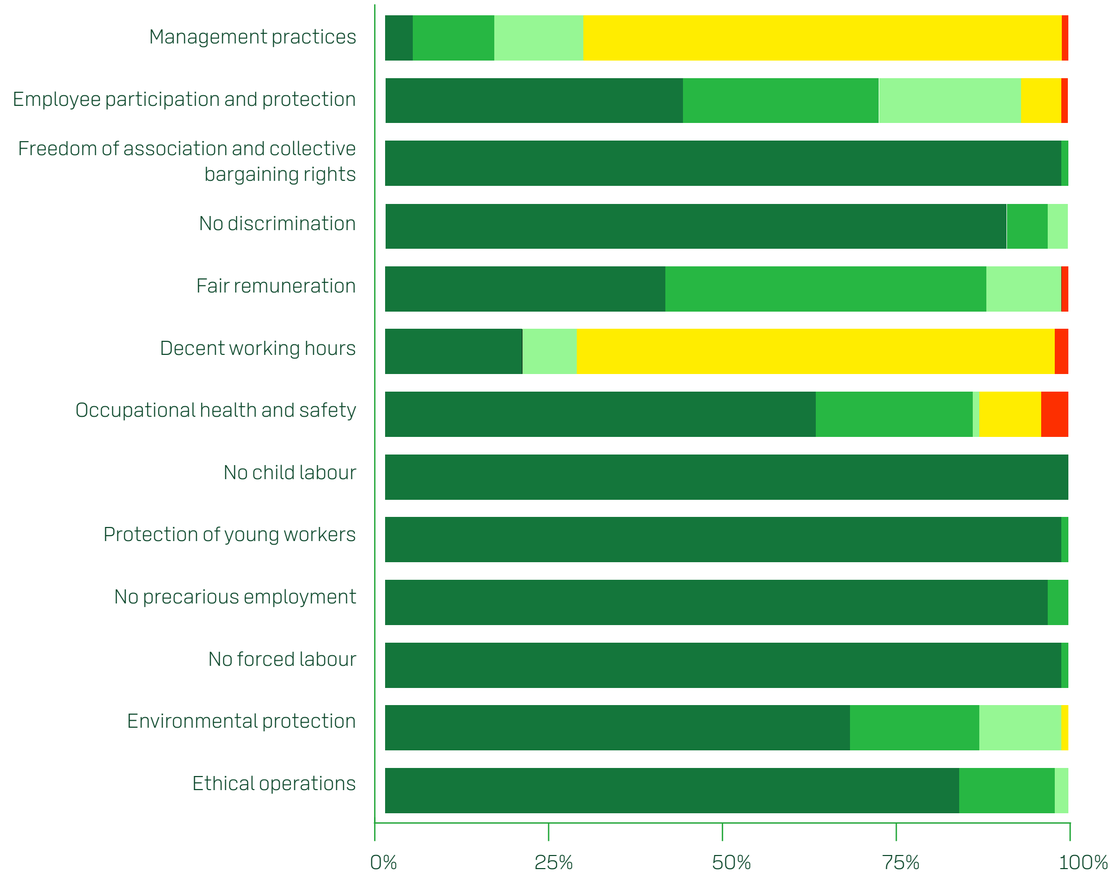
In 2019, the most significant development needs detected during the amfori BSCI audits were related to management and working time practices and safety at work.

If the audit score is low, the factory will draw up a plan for corrective measures. A new audit will be performed to monitor compliance with the plan. Cooperation with the partner will not be discontinued, as doing so would not help the workers' situation at the factories and on the farms. Cooperation is the best way to improve operations. This is also backed by the results of the initial and follow-up audits.

To help goods suppliers improve their operations, the amfori BSCI provides training on correcting typical issues detected during audits. We encourage our suppliers to participate in such training.

There was one Zero Tolerance observation in the 2019 audits – that is, an observation of child labour, forced labour or bribery, or safety defects causing immediate danger. The Zero Tolerance observation concerned attempted bribery in connection with a BSCI audit. The audit was discontinued, and the amfori BSCI started an investigation in line with its Zero Tolerance Protocol. S Group participated in the investigation. After the incident, the factory has prepared guidelines concerning bribery and has provided its employees with training on the guidelines. In addition, representatives of the factory participated in training provided by the amfori BSCI on ethical business operations in the autumn of 2019. A new audit has been conducted at the factory, and the score was C.

FULL AUDITS IN 2019



FOLLOW-UP AUDITS IN 2019



A (Outstanding) B (Good) C (Acceptable) D (Insufficent) E (Unacceptable)

Certified products

Choices based on values

ALIGNMENT AND GOAL	SITUATION IN 2019
COCOA For our private label products, our goal is to use only cocoa that has been certified or verified for sustainability by the end of 2020. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fairtrade, UTZ and Rainforest Alliance, for example.	Of the sales volume of S Group's private label cocoa and chocolate, 99% (2018: 98%) was certified by the end of the year. Of S Group's private label cocoa and chocolate product items, 83% (2018: 67%) were certified by the end of the year. Non-certified product items are products that will be discontinued and will be replaced with certified products as soon as the stock runs out.
COFFEE For our private label products and S Group's restaurants, our goal was to use only coffee that has been certified or verified for sustainability by the end of 2019. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fairtrade, UTZ and Rainforest Alliance, for example.	Of the sales volume of S Group's private label coffee, 99% (2018: 87%) was certified by the end of the year. Of S Group's private label coffee product items, 86% (2018: 67%) were certified by the end of the year. Of the sales volume of coffee in S Group's restaurants, 96% (2018: 7%) was certified by the end of the year. Of the coffee product items in S Group's restaurants, 84% (2018: 26%) were certified by the end of the year.*
FISH AND SHELLFISH Fish product procurement follows S Group's fish policy, which is based on the species endangerment classification, WWF's seafood guide and the recommendations of the Marine Conservation Society, as well as research information from the Natural Resources Institute Finland. The policy applies to S Group's centralised procurement and purchases made by the cooperatives in both grocery stores and restaurants within S Group. The fish policy is updated every two years, most recently in 2018. The basic principle is to exclude from our product selection fish from fish stocks that are endangered, threatened or subject to overfishing, and the origin of fish must always be known. In addition, undersized or protected fish are not accepted in the product selection. Separate criteria concerning the fishing areas or fishing methods have been set for many fish species, such as prohibition of bottom trawling, or prohibition of using drift nets in tuna fishing.	At the end of the year, the selections of our grocery stores included 134 (2018: 115) MSC-certified products. Food Market Herkku has a MSC-certified fish counter.
EGGS S Group will discontinue the sale of enriched cage eggs in stages by the end of 2026. S Group's hotels and restaurants will discontinue using enriched cage eggs by the end of 2021. The change will be implemented in two stages at S Group's grocery stores: the sale of enriched cage eggs under the Kotimaista brand will be discontinued by the end of 2023, and the sale of other enriched cage eggs will be discontinued gradually by the end of 2026. This policy also concerns S Group's Prisma stores and hotels in Estonia.	Of the eggs sold at S Group's grocery stores, 58% were enriched cage eggs at the end of the year.
PALM OIL S Group's goal is to only use certified palm oil traceable to palm oil plantations in private label products and in deep-frying oil in restaurants by the end of 2021. S Group has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011. RSPO's criteria for palm oil plantations include the conservation of biodiversity and the improvement of operations through ethical and ecological standards.	The certification rate of the palm oil used in S Group's private label food products and in deep-frying oil in restaurants was 100% at the end of the year (2018: 99%). The share of traceable RSPO Segregated palm oil was 86% (2018: 89%). The decrease is due to changes in product sales and a few new products certified in line with the RSPO Mass Balance model.
COTTON For our private label and import products, our goal is to use only sustainably produced cotton by the end of 2025. At that point, all cotton is intended to be organic or recycled, or produced in line with the Fairtrade International or Better Cotton initiative. The use of Turkmen and Uzbek cotton is prohibited.	This policy was implemented in 2019, and it will be reflected in our product selection from 2020.
SOY Our goal is that the soy from high-risk countries that is used as an ingredient in our private label products, as well as the soy from high risk countries used for animal feed in the production chains of animal based ingredients (meat, fish, dairy, eggs) for our private label products, will be certified by the end of 2021. The soy from high-risk countries that is used in meals served in our restaurants and cafés, as well as the soy from high risk countries used for animal feed in the production chains of animal based ingredients (meat, fish, dairy, eggs) for the meals, will also be certified by the end of 2021. Responsible soy certificates include Round Table on Responsible Soy (RTRS) and ProTerra.	This policy was implemented in 2019, and it will be taken into account in our products from 2020.
TEA For our private label products and S Group's restaurants, our goal is to use only tea that has been certified or verified for sustainability by the end of 2019. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fairtrade, UTZ and Rainforest Alliance, for example.	Of the sales volume of S Group's private label tea, 100% (2018: 82%) was certified by the end of the year. Of S Group's private label tea product items, 100% (2018: 86%) were certified by the end of the year. Of the sales volume of tea in S Group's restaurants, 65% (2018: 42%) was certified by the end of the year. Of the tea product items in S Group's restaurants, 55% (2018: 27%) were certified by the end of the year.

* Of the sales volume of coffee in our restaurants, 26% is certified. Of the coffee product items in our restaurants, 48% are certified. The remaining sales volume and product items have been otherwise verified for sustainability. S Group's restaurants do not serve private label coffee.

Radical transparency for supply chains

At the beginning of 2019, we published the results of our first Radical Transparency study. The study concerned the production of processed tomatoes in Italy. It was conducted by the non-governmental organisation Oxfam, which produced a report independently based on the study.

The study was a pilot project for a new research model that we have developed to supplement traditional audit work. The purpose of the new model is to identify typical and current human rights issues, and their root causes in particular, in our key production regions or potential sourcing areas. This enables us to identify measures and procedures to minimise typical challenges. The studies will always be conducted by a third-party partner familiar with the region in question. The tool has been developed in cooperation with non-governmental organisations and other stakeholders.

Italy was selected because, rather than being a traditional high-risk country, it is an EU country with recent reports of poor working conditions for employees with immigrant backgrounds.

In the production of tinned tomatoes, key human rights issues are related to primary production – that is, tomato farms. These farms have a high number of employees with immigrant backgrounds, who are in a very vulnerable position in the labour market. They are often recruited by illegal gangmasters who deduct considerable agency and transport fees from their salaries. As a result of this, the salaries paid to the employees are small, and they cannot afford appropriate living conditions. Serious occupational safety issues have also been detected on the farms.

We have implemented the following measures after the study:

- We discussed the results with our suppliers and visited tomato farms in southern Italy before and during the harvest season. Our suppliers have established whistleblowing channels for plantation employees to report any misconduct and poor working conditions.
- We expanded our monitoring of social responsibility in Italy and other Mediterranean countries to cover the primary production of fresh fruit and vegetable products.
- We conducted an extensive global study on the use of migrant workers. During the study, we examined internal and international immigration in various countries, as well as identifying countries that employ particularly large numbers of migrant workers and how appropriate working conditions are ensured through legislation, for example. Based on this information, we will be able to identify the product categories and areas of procurement in which we need to pay special attention to migrant workers in our supply chains.
- We joined the Fresh Produce working group of the Ethical Trading Initiative in Italy. The group seeks to find solutions to problems that migrant workers face in the agricultural sector in Italy. The members of the working group include several major British retailers, for example.
- We have also promoted the results of the study in our international networks, as well as communicating them to political decision-makers, for example. Cooperation is key in addressing problems and finding sustainable solutions.

S Group's Radical Transparency concept won amfori's Member of the Year Award in the Leadership category in 2019. The concept was also shortlisted for the Ethical Corporation's Responsible Business Award for reporting and transparency.

Animal welfare

The welfare of production animals is increasingly important to our customers. In 2019, we implemented a policy to discontinue the sale of enriched cage eggs, and we also began to prepare a more extensive animal welfare policy. We have criteria in place for animal welfare in production in our procurement of private label food products. During 2019, we monitored the implementation of the animal welfare requirements through farm visits and surveys.

DISCONTINUING THE SALE OF ENRICHED CAGE EGGS

In 2019, we implemented a policy to discontinue to sale of enriched cage eggs gradually by the end of 2026. S Group's hotels and restaurants will discontinue using enriched cage eggs by 2021. The change will be implemented in two stages at S Group's grocery stores: the sale of enriched cage eggs under the Kotimaista brand will be discontinued by the end of 2023, and the sale of other enriched cage eggs will be discontinued gradually by the end of 2026. This policy also concerns S Group's Prisma stores and hotels in Estonia. Many producers have made major investments in henhouses with enriched cages in recent years, after henhouses with traditional cages were prohibited by law in 2012. For this reason, it is our view that this change must be implemented in a controlled manner and in good cooperation with the producers. Of the eggs sold at our grocery stores, 58% were enriched cage eggs in 2019.

Ensuring the safety of our customers and employees

In addition to creating a safe environment for our customers and employees, it is important for us that our customers can trust the safety and high quality of our products and services. Our products and supply chains are monitored in many ways. The monitoring is supported by standards concerning products and manufacture, as well as by audits.

Ensuring the practices of goods suppliers

We use a wide range of product safety certification practices in the assessment of the food production of the manufacturers of S Group's private label products. We approve, for example, the following standards: BRC, IFS, FSSC 22000 and ISO 22000. In addition, we conduct our own audits to assess product safety processes and ensure the fulfilment S Group's quality requirements. We audited the product safety of 63 food product suppliers in 2019.

Product testing and self-monitoring

We regularly test product samples before releasing the product for sale. In 2019, we examined a total of 8,084 product samples. The samples were mainly related to the product development of our private labels.

As part of self-monitoring, we took 5,560 samples of our private label and import products. The samples were studied to ensure the fulfilment of safety and quality requirements. Most of the studies were conducted by third-party research and testing laboratories.

Our self-monitoring covers the entire supply chain. For example, the freshness and quality of products is monitored in all S Group's grocery stores and restaurants. If product quality is compromised for any reason, 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-monitoring plan.

Product recalls

Quality and product safety management mainly take place before the product is delivered to stores. Product recalls are implemented if a product is detected to be defective at the store.

In 2019, we implemented 259 product recalls, of which 66 concerned our private label products. Erroneous product labelling was the most common reason for a recall (40% of product recalls).

If a product at one of our stores is deemed to be defective in a way that poses a risk to consumers' health or safety, the product recall is communicated to consumers. During the year, we implemented 48 public product recalls, of which seven concerned S Group's private label products. The most common reason for product recalls was erroneous product labelling, such as insufficient information about allergens.

Oiva inspections

The Finnish Food Authority coordinates inspections conducted in line with the Oiva system in facilities where foodstuffs are sold or served. The inspections cover the temperature management of food products, the cleanliness of the facilities and personnel performance, among other aspects. In 2019, a total of 595 Oiva inspections were conducted at S Group's stores, and 309 Oiva inspections were conducted in restaurants and other catering facilities. In the Oiva inspections of S Group's stores, 68% of the results were excellent, 27% were good, and 4% led to corrective measures. For catering facilities, 47% of the results were excellent, 43% were good, and 10% led to corrective measures. No poor results of Oiva inspections were recorded for S Group's stores and catering facilities in 2019. The Oiva reports are available at www.oivahymy.fi and are on display at every outlet inspected.

Monitoring of minimum age requirements

Each of our checkout counter employees must complete age-limit supervision training. Through guidelines and training, we ensure that products subject to age-limit supervision are not sold to underage people. In line with our age-limit supervision guidelines, we check the age of customers buying alcoholic beverages or tobacco products who appear to be aged under 30. If a customer purchases other products that have a minimum age requirement of 18, such as films, games or Veikkaus products, their age will be checked if they appear to be aged under 23.

In 2019, our checkout counter employees checked the age of 11,473,946 customers purchasing alcoholic beverages and the age of 8,191,052 customers purchasing tobacco products. Based on these checks, we refused to sell alcoholic beverages in 19,662 cases and tobacco products in 14,832 cases.

A safe working and service environment is a fundamental right

A safe working and service environment is a fundamental right of our personnel and customers. We ensure safety through accident prevention and the identification and avoidance of hazardous and near miss situations. Continuous improvement of safety awareness among employees and the regular assessment of work-related risks are important means of prevention.

The safety of facilities is maintained and improved through regular training for employees, as well as through safety drills and thorough induction, among other means. We have a wide selection of online courses for our employees. Hazards and risks in our facilities are assessed regularly, and safety aspects are considered in the planning and design of our locations.

Each location has a rescue plan, which has been communicated to the employees. Our goal is to have employees who have completed S Group's Safety Passport training or equivalent safety training in all our locations. The Safety Passport indicates that the person has the required first aid and fire extinguishing skills, and knows how to prevent safety risks.

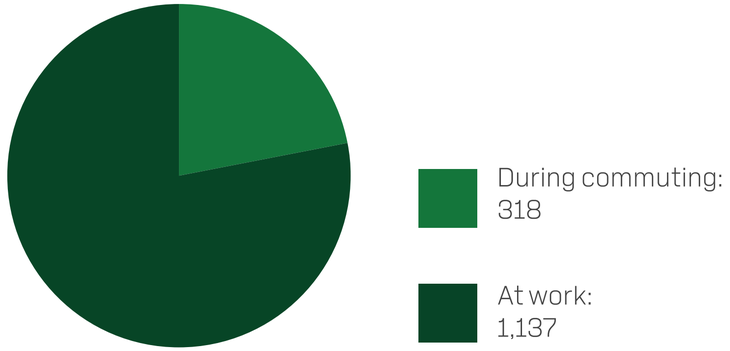
We have a centralised safety information management system, S-Turva, in place across S Group. The system offers one-stop access to safety guidelines, audits, inspections, training materials and the easy reporting of deviations and observations.

The active reporting of safety deviations improves transparency and provides a good situation picture of safety development needs in our locations.

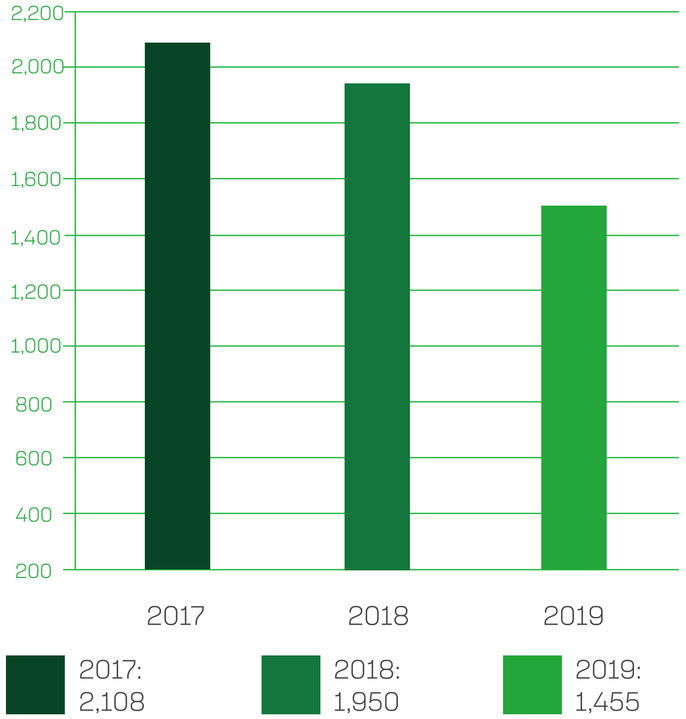
Safety work in our locations is supported through technical security solutions, such as camera surveillance and access control, and by using various security services, such as guarding, shop assistants with security training, and security monitoring.

Since the spring of 2019, we have been running a pilot project concerning Seifi employees – that is, shop assistants with security training – in our grocery stores. The Seifi employees have the qualifications of a security guard, and they take care of safety as part of daily routines in a grocery store. The Seifi services are provided by Reila, a subsidiary of SOK, and are based on observing the store environment and preventing safety deviations. The service enables us to respond rapidly to unexpected situations and thereby improve the safety of our employees and customers.

LOCATIONS OF ACCIDENTS IN 2019



OCCUPATIONAL ACCIDENTS



OCCUPATIONAL ACCIDENTS	2017	2018	2019
Share of serious accidents of all accidents, %[1]	4.4	4.9	5.6

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

We promote diversity and equality

S Group is Finland's largest private employer. We play a significant role in society, and we are expected to contribute through our work to the future success of Finland. Measures are needed to meet the employment targets set by the Finnish Government, among other goals.

A shortage of labour is already evident in many sectors, and we are doing our part to improve the situation. The age of retirement is increasing, and various flexible solutions and the adjustment of work to working and coping capacity will play a key role in the workplace.

We appreciate one another and respect diversity

A workplace community where diversity is respected and supported ensures equal treatment and equal opportunities for everyone. Our key principles include respecting and appreciating others, as well as non-discrimination and equality. Our employees are free to be themselves. Competence, attitude towards work and the ability to learn are what counts, not personal background factors.

S Group's companies prepare annual plans concerning personnel, training, equality and the equal treatment of employees. The personnel and training plan is prepared in order to maintain and develop employees' professional skills.

The purpose of the equality plan is to promote gender equality in the workplace. The equal treatment plan aims to promote the equal treatment of employees with different backgrounds, prevent discrimination and improve the legal protection of individuals who experience discrimination.

The trade sector serves as a bridge to working life for young people

S Group is one of Finland's largest employers of young people. We provide a significant number of young people with their first and very important experiences of working life through a summer job or internship, for example. On the other hand, young people working evenings and weekends are vital to the operations of many of our locations.

Our goal is to provide young people with positive learning experiences. Studies show that a young person's first experiences of working life contribute to the formation of their professional identity and their success throughout their career. We take our role as a teacher of workplace skills seriously. Although we receive tens of thousands of applications each year, many cooperatives and S Group companies invite all applicants to participate in a quick job interview. We organise and participate in many recruitment events across Finland and are continuously developing our cooperation with educational institutions. We want to make working life attractive for young people, as well as inspiring them to learn on the job.

In 2019, we were one of the main partners of the Responsible Summer Job campaign. In the summer of 2019, we employed nearly 14,000 young people in our stores, service station stores, restaurants and hotels across Finland.

To support young people's workplace skills, we developed the Duunipassi programme for summer employees to learn about workplace skills and well-being at work. The programme pays special attention to providing and receiving feedback. After studying independently, the summer employee discusses the various aspects covered by the programme with their supervisor. The Duunipassi programme has been designed to ensure face-to-face meetings between young people and their supervisors. According to our Young Minds at Work studies, a feeling of belonging and encouraging feedback from the supervisor are the most important factors for young people at the beginning of their career.

S GROUP EMPLOYED NEARLY

14,000

SUMMER WORKERS IN 2019

Age is just a number

When people apply for a job with us, we do not require them toprovide their age or year of birth. We were inspired by the Work Does Not Discriminate campaign to implement this policy. The campaign was started by the Confederation of Finnish Industries. In 2019, we promoted a non-discriminatory work culture through a one-month recruitment campaign, during which job applications were submitted anonymously.

Age was excluded from the criteria of SOK's recruitment of experts in 2019. Since the beginning of 2020, this policy has been expanded across S Group to cover stores, restaurants and ABC service station stores, among other outlets. The goal is to prevent attitudes from affecting invitations to participate in job interviews, not even unconsciously.

Employee diversity

76
NATIONALITIES

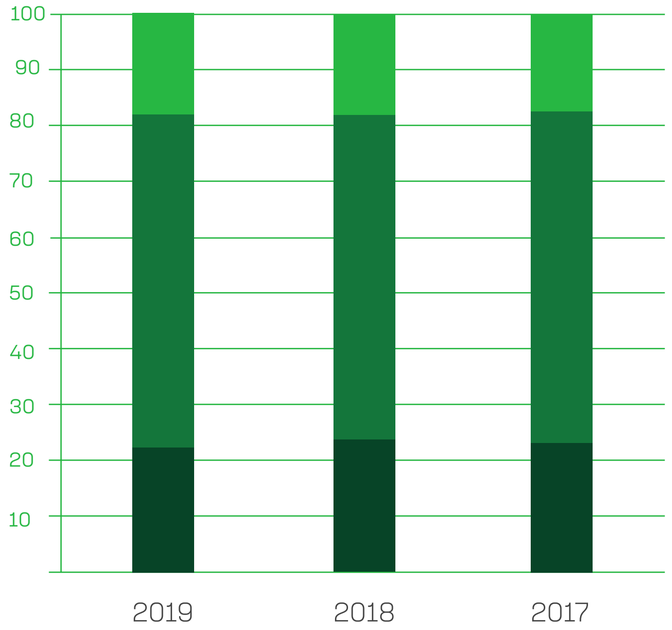
36
AVERAGE AGE OF EMPLOYEES

Communications and advertising to promote diversity

We also work to promote diversity through communications and marketing. For example, Prisma's 'Fashion belongs to everyone' slogan is promoted by models of different ages, appearance and size. In its outdoor advertising campaign, the Prisma store in the new Tripla shopping centre used the eight most commonly spoken languages in Helsinki: Finnish, Swedish, Somali, Chinese, English, Estonian, Russian and Spanish. The purpose was to welcome people to Prisma, a store for all city residents.

Various operators within S Group have served as partners of the Helsinki Pride event over the past three years.

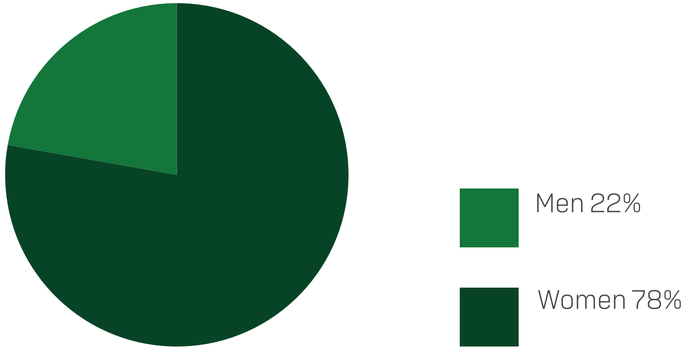
EMPLOYEES' AGE IN 2019, %



SHARE OF WOMEN, SOK CORPORATION	2017	2018	2019
Share of women of Executive Board members (%)	3.0	7.5	22.0
Share of women of Corporate Management Team members (%)	17.0	14.0	14.3
Share of women in supervisory and managerial roles (%)	55.0	57.0	45.0

SHARE OF WOMEN, S GROUP	2017	2018	2019
Share of women of board members (%)	14.8	21.0	35.0
Share of women of management team	14.0	12.8	10.8
Share of women in supervisory and managerial roles (%)	66.0	66.0	65.5

GENDER DISTRIBUTION OF S GROUP'S EMPLOYEES IN 2019, WOMEN/MEN, %



Data protection is data responsibility

S Group has around 2.4 million co-op members. Including the members of their households, we have more than 4 million registered customers. In addition, we process the personal data of our around 40,000 employees. The careful and lawful processing of personal data is a key prerequisite for our operations.

Data protection principles guide all processing of personal data at S Group. Their purpose is to ensure compliance with data protection laws in all personal data processing. Through the implementation of data protection principles, we are able to provide S Group's co-op members and other customers with new and better services. Through our data protection principles, we also support the needs, profitability and continuity of our business operations. We use customer data to develop services that benefit the customers the most.

Carefully thought-out, clear and comprehensive operating methods for personal data processing across S Group are a prerequisite for our credibility as a responsible operator. More information about S Group's data protection principles is available at S-ryhmä.fi.

Focusing on data privacy rights

We have implemented the data protection processes related to the data subjects' rights consistently across all S Group companies. We seek to serve data subjects in matters related to data protection through high-quality services without delay. Our customers and employees have presented S Group with requests related to their personal data and have exercised their rights in 2019 as follows:

- A total of 6,761 data requests concerning basic co-op member and customer data were submitted via Oma S-kanava or Customer Service.
- A total of 4,267 purchase data reports were retrieved via Oma S-kanava or printed at Customer Service.
- A total of 109 data requests were submitted to various data controllers within S Group using an online form.
- A total of 13 requests to erase personal data were submitted to S Group's data controllers.
- Personal purchase data and consumption habits can also be viewed in the My Purchases service, which was introduced in 2019.

Co-op members and their household members can manage and update some of their personal data via Oma S-kanava or by contacting the relevant data controller.

Implementation and management of data protection

In 2019, we continued to implement a data protection culture across S Group. The management model created during the GDPR application process was implemented through SOK's and regional cooperatives' management teams, training for employees and data controllers, internal communication and the further development of processes. Around 30,000 employees of S Group who process personal data as part of their work completed the annual data protection training in 2019.

S Group's designated data protection officer monitors and guides the management, implementation and development of data protection. The data protection officer serves a contact person for customers, employees and the authorities, in addition to monitoring compliance with data protection principles and statutory data protection requirements at S Group. Their duties also include reporting to senior management.

The organisation participating in the management and development of data protection at S Group is determined in the data protection policy. Data protection is implemented through the data protection development team and the Group-wide data protection network and by means of data protection services and information security measures.

To ensure data protection by default and design, we conducted around 150 data protection and information security assessments concerning S Group's projects, initiatives and modification work in 2019. Projects, initiatives and modifications that may expose data subjects to significant risks have also been subjected to separate impact assessments. In 2019, impact assessments were conducted concerning S Pharmacy Services, the Collect and Scan service and the HR system reform.

30,000

EMPLOYEES HAVE COMPLETED DATA PROTECTION TRAINING

Health and well-being

Personnel well-being 68

For a healthier daily life 70

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Eating healthy food and investing in personal well-being are a lifestyle for an increasing number of people. We work to take good care of our employees' well-being, as well as helping our customers make healthier choices.



Personnel well-being

Few are the companies that succeed without employees who are satisfied with their jobs and feel good at work. Well-being at work can be improved in simple ways that are easy to implement in day-to-day work. The most important thing is to anticipate changes and their impacts on employees and to genuinely involve them in developing better ways of working.

Within S Group, the most significant recurring annual indicator is the workplace community survey, in which all employees are invited to participate. The survey identifies and monitors factors related to each employee's work and performance, as well as factors related to their units and the company. The survey consists of several indices, which are used to measure various aspects of job satisfaction. Our annual target is a result that exceeds the general standard in Finland by at least five units. Our employees are clearly more satisfied with their jobs than employees on average in Finland. In 2019, our result was 6.3 units above the standard.

S Group has a shared set of well-being indicators, including key indicators for job satisfaction, the quality of supervisory work and perceived working capacity, as well as for disability. Group-level management promises are also in place: I dare, I appreciate and I do. The purpose of these promises is to ensure good supervisory work and management for everyone and further develop the Group's management culture. The workplace community survey, or the TYT survey, is our Group-level indicator for monitoring supervisory work. The survey has been conducted annually for many years, and it helps us develop supervisory work in the right direction.

In 2019, our level of job satisfaction increased by 0.5 units, and the supervisor index improved by 0.4 units year-on-year.

Our measures to strengthen employees' working capacity include common principles for adjusted work and the further development of the practices for returning to work after sickness absences caused by accidents, for example. In 2019, we focused on supporting mental health by means of new tools and recommendations and by increasing the use of adjusted work in our organisation.

S GROUP'S WORKPLACE COMMUNITY SURVEY RESULTS (SCALE 0–100)	2017	2018	2019	GENERAL STANDARD IN FINLAND IN 2019
TYT index (including all questions)	72.7	72.9	73.4	67.1
Dedication index	75.9	76.3	76.9	73.8
Commitment index	72.5	72.8	73.7	68.5
Leadership index	72.9	73.2	73.5	65.7
Performance index	70.6	70.5	70.6	62.5
Supervisory work index	75.3	75.4	75.8	71.9
Ethics index	78.1	78.2	78.3	-
Average score for the statement 'The daily operations of our unit comply with the principles and values of our company'. (Scale 1–4)	3.42	3.42	3.42	3.2
Leadership promise index	-	-	75.8	70.1

The results have been weighted in accordance with the number of respondents.

Flexible work

Our 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 particularly popular among people aged under 25, as well as employees nearing retirement.

TYPE OF EMPLOYMENT, %	2017	2018	2019
Permanent	86	88	90
Fixed-term	14	12	10
Full-time	36	35	36
Part-time	64	65	64

EMPLOYEE TURNOVER, %	2017	2018	2019
Permanent	15.7	16.3	19.9

Young Minds at Work

Around 12,000 of our employees are aged under 25. Including seasonal employees, trainees and work experience students, we employ a considerable number of young people each year. The trade sector often serves as a bridge between student life and working life, and this role comes with great responsibility. Young people's expectations of work have changed, and issues related to workplace skills are challenging employers to change.
In response to this challenge, we launched the Young Minds at Work project at the beginning of 2017. This three-year project aims to find ways to further develop working life from young people's perspective. The purpose of the project is to support young people's transition from education to working life and their integration into working life; develop their workplace skills and capabilities; increase awareness of young people's expectations, motivation and capabilities in organisations and among supervisors; and develop their skills in self-management, the maintenance of working capacity and the promotion of lifestyle choices that support working capacity.

As part of the project, we carried out a study and produced a report, Young People's Expectations of Working Life, in cooperation with the Elo Mutual Pension Insurance Company and the Finnish Institute of Occupational Health in 2018. The survey included in the study was targeted at all S Group employees aged under 25.

According to the results of the study, the most important aspects for young people are an opportunity to work in an encouraging and supportive workplace community under a good supervisor, as well as a good balance between work and life. Young people represent an entirely new type culture: they know how the provide feedback and want to receive feedback. The study also revealed that 39% of the respondents had been feeling down or depressed during the 30 days immediately preceding the time of the survey.

Implemented in cooperation with a large group of partners, the Young Minds at Work project resulted in several operating models and outputs for S Group that have become part of day-to-day work in our locations. The information produced during the project is also valuable, as it helps us provide our supervisors with coaching on meeting and managing young people, for example.

Support for the Mind

Mental health issues and the related disability pensions are a growing challenge for working life. This phenomenon should be examined comprehensively: mental health issues are linked to many areas of life, such as lifestyle choices, life situations and life management. Work culture and supervisors have a particularly significant impact. During 2019, we expanded the measures and tools developed as part of S Group's Young Minds at Work project to cover employees of all ages.

Systematic management and effective support services and treatment models are at the core of mental well-being, in addition to increasing awareness of the connection between mental well-being and work and management among supervisors and managers.

Our practical measures include offering brief therapy to employees and the implementation of low-threshold digital services, such as our chat service and coaching by a psychologist or psychotherapist via a video connection. We are also increasingly advising employees to use preventive services provided by an occupational health psychologist, and are offering enhanced support for supervisors in addressing various situations.

Our mental health promotion model, Support for the Mind, has produced promising results. For example, absences caused by work-related stress and anxiety decreased by more than 50% compared with the previous year. Long absences in particular have decreased, which significantly reduces the disability pension risk.

S Group's regional cooperatives are Finland's most inspiring workplaces

Eezy Spirit (formerly Corporate Spirit) grants Finland's Most Inspiring Workplaces awards annually to organisations that have achieved the best scores in personnel surveys. Organisations are divided into three categories: large (more than 1,000 people), medium-sized (150 to 1,000 people) and small (30 to 149 people). Hundreds of Finnish companies participate in the competition.
In 2019, the Suur-Savo Cooperative Society won the category of large companies, the PeeÄssä Cooperative Society came second, and the Southern Ostrobothnia Cooperative Society came third. As many as 15 of the 17 organisations recognised in this category were S Group companies. In addition to the cooperatives, Sokotel and Inex Partners fared well in this category.

The Varuboden-Osla Handelslag Cooperative Society came third in the category of medium-sized organisations. In addition, three other cooperative societies made the Top 12 in this category.

For a healthier daily life

Food plays a key role in promoting health and well-being. We work to offer everyone opportunities for healthy eating, and we have made a nutrition commitment to increase the consumption of vegetables and promote healthy eating among children, for example.

Grocery stores can have an impact on what Finnish people eat. We believe that people will make smart choices if such choices are made easy. For example, the demand for organic products continues to grow, as does their selection. At the end of the year, the product ranges of our grocery stores included more than 4,000 organic products, and their sales grew by 4% year-on-year. Organic products represented 2.5% of all sales of food products (2,5% in 2018).

S Group implemented the Nutrition Commitment in 2017. The Nutrition Commitment is an operating model intended to improve the nutritional quality of Finns' diets. This plays a major role in combatting common diseases. We were the first Finnish company to make a company-specific nutrition commitment.

Our operating model received recognition from the National Nutrition Council of Finland in 2019.

Half a kilo of vegetables per day

We seek to encourage Finns to eat more vegetables by lowering the prices of Finnish vegetables, for example. The sales of vegetables are increasing rapidly: compared with 2015, sales have increased by around 20 million kilos. In cooperation with the Harvest Season Calendar, we have increased communication and marketing related to vegetables at our stores. Our Yhteishyvä magazines reaches up to three million Finns, and its website at yhteishyvä.fi features articles, recipes and videos about seasonal vegetables and healthy options.

We have also diversified the salad buffets at all ABC service stations, and have added a vegetarian meal to the daily buffet. Around 30,000 people enjoy a meal at an ABC service station each day, meaning that we can have an impact on the diets of a large number of Finns by offering a wide selection of vegetarian meals and vegetables.

We also believe that people can learn to eat more healthily by monitoring their consumption of vegetables, which is why we added a functionality to our My Purchases service that enables our customers to see how much fruit and vegetables they have purchased in a year or month, or per day on average. By using the service, customers can monitor their total consumption of vegetables, as well as their consumption of fruit, berries, root vegetables and vegetables or specific product groups, such as bananas, grapes and kiwi fruit.

Healthier food for children

Over the past few years, we have considerably expanded our selection of nutritionally better options for children at our grocery stores. By the end of 2019, we had introduced more than 70 new products, such as meals, snacks and juices for children, when our goal was to add 20 new products by the end of 2020.

As well as through selection development and adjustments to products and recipes, healthy food choices can be affected through education. In cooperation with Finfood, we are implementing Trip to the Store, a study module for Year 1 to 6 pupils that enables them to visit their local grocery store, under the supervision of their teacher, to learn about the food chain. The trip and the related material help pupils learn about the themes of sustainable consumption, consumer skills and multiliteracy. This operating model was piloted in 2019, and it became nationwide in the autumn of 2019. All cooperatives participate in the study module. The learning materials have been produced by Finfood, and they do not contain marketing materials.

We are also organising free Ässäkokki cooking classes for school-age children in cooperation with the Martha Organisation, a Finnish home economics organisation. During the classes, the children learn everyday food skills and how to cook in accordance with the season. During the spring, summer and autumn seasons of 2019, we organised around 80 Ässäkokki cooking classes in different parts of Finland.

Reducing the salt, sugar and fat content of our Kotimaista, Rainbow and Xtra products

When developing our private label products, we always take the amount of salt, sugar and fat into consideration, aiming for an

end result that is as healthy as possible.

For example, we are always aiming for a salt content below the limit for labelling foods as being high in salt. By the end of 2019, we had reduced the salt content of 19 products, such as in-store bakery products and salami. We have reduced the sugar content of 49 products, as well as adding 20 new products that contain less sugar or are sugar-free to our selections.

S-Bank is participating in an international anti-tobacco initiative

S-Bank's Asset Management joined the international Tobacco-Free Finance Pledge initiative in early 2019. The initiative seeks to increase awareness of the role of the financial sector in promoting the implementation of anti-tobacco guidelines. S-Bank's Asset Management had excluded tobacco companies from its principles for responsible investment before joining the initiative. This means that S-Bank and the FIM funds do not make direct investments in companies that manufacture tobacco products. By joining the international initiative, S-Bank seeks to highlight the role of the financial sector in limiting investments in the tobacco industry globally.

The signatories are committed to encouraging investors to discontinue funding for the tobacco industry. This would promote the goal of reducing smoking globally by discouraging people from starting to use tobacco products. The signatories are also committed to increasing the popularity of funding free from the tobacco industry by providing information and increasing awareness of the harmful effects of tobacco.

An investment of EUR 5 million in the well-being of children and young people

S Group (Helsinki Cooperative Society Elanto, Suur-Seutu Cooperative Society and S-Bank), LocalTapiola, Sitra, the City of Espoo, the Folkhälsan Foundation and Tradeka, among other parties, are investing EUR 5 million in total in a private equity fund related to Children SIB, a project promoting well-being among children and young people.

The project is about an investment style known as impact investing, which seeks to find innovative solutions to challenges in society, such as social exclusion among children and young people. The popularity of impact investing is increasing rapidly in Finland and worldwide. The purest form of impact investing is based on social impact bonds (SIB). They provide the public sector, for example, with a new way to acquire measurable results instead of services.

The Children SIB project provides funding for measures to promote well-being among children and young people. The purpose of such measures is to reduce the costs and losses of income incurred by municipalities by reducing the need for child protection services, for example. The cost savings will be divided between the municipality and the investors. The FIM Private Equity Funds company, which is part of S Bank's Asset Management operations, is responsible for the Children SIB project in cooperation with the Central Union for Child Welfare and the participating municipalities. Operations related to the project have already started in Hämeenlinna and Vantaa. Operations in Lohja will begin during 2020.

Description of the annual report

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

S Group is a leader in responsibility, which requires systematic management. Comprehensive and reliable monitoring information is needed about a number of key indicators for this purpose. External reporting must also be transparent.

S Group has reported on its operations in line with the Global Reporting Initiative (GRI) standard for sustainable development reporting since 2012. However, the cooperative structure of S Group has been taken into account.

The annual report provides information about the policies prepared and implemented at Group level, as well as about key targets and measures. As legally independent businesses, the cooperatives also report their own operations in their annual reports and on their websites.

The information about greenhouse gas emissions (Scope 1, 2 and 3), as well as the data on energy consumption and waste, has been verified by a third party.

GRI index

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PART 1: DESCRIPTIVE INFORMATION

Descriptive information	Company response
Company name	SOK Corporation (reporting S Group data)
Description of the company	S Group is a Finnish cooperative group of companies operating in the retail and service sector. S Group comprises the cooperatives and SOK Corporation along with its subsidiaries employing around 40.000 people with retail sales total of €11.7 billion. The co-op members own the cooperatives, which in turn own SOK Corporation. SOK produces procurement, expert and support services to cooperatives. 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. The group wants to offer diverse services and an extensive network of around 1600 outlets for co-op members in Finland, Estonia and Russia. 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 • travel industry and hospitality business. In addition, S-Bank offers banking services to co-op members.
Chosen consolidation approach (equity share, operational control or financial control)	Operational control
Description of the businesses and operations included in the company's organizational boundary	The GHG emissions reported by S Group under Scope 1 and Scope 2 include all business units in Finland, Estonia and Russia. Scope 1 and 2 emissions include the fuel consumed at properties managed by S Group companies and co-ops and the purchased energy used by properties managed by S Group companies and co-ops. Outlets in which the heat consumption is included in the rental agreement and separate consumption meters are not in place, are excluded (25 per cent of outlets). GHG emissions from refrigerant leaks in outlets are included. S Group's Scope 3 emissions occur from sources owned or controlled by other entities in the value chain. Most significant indirect emissions (not included in Scopes 1 and 2) that occur along S Group's value chain, including both upstream and downstream emissions, are presented in the Scope 3 emissions inventory. The Scope 3 GHG emissions inventory of S Group includes emissions from all business units except for car and agriculture trade which represent around 4 percent of total sales. These deviations as well as other limitations in the boundary are reported in connection with the categories and indicators in question.
The reporting period covered	01/01/2019-31/12/2019
A list of scope 3 activities included in the report	The following categories, adapting the GHG Protocol, are included in S Group's Scope 3 GHG emissions inventory: Category 1: Purchased goods and services • Purchased goods for resale including daily food, non-food, consumer goods for grocery stores, restaurants and hotels, and fuel sold at petrol stations and indirect purchases (machines and equipment) • Purchased indirect services Category 2: Capital goods • New constructed buildings Category 3: Fuel- and energy-related activities (not included in Scope 1 and 2) • Upstream emissions from purchased fuels, electricity and heat. In Finland upstream emissions from renewable electricity and nuclear are excluded. • Transmission and distribution losses from purchased electricity and heat Category 4: Upstream transportation and distribution • Outsourced contract operators for retail, food service and fuel logistics Category 5: Waste generated in operations Category 6: Business travel • Business flights and emissions from leased cars Category 7: Employee commuting Category 9: Downstream transportation and distribution • Customer transportation to and from outlets Category 11: Use of sold products • GHG emissions from the use/combustion of fuel sold Category 15: Investments • GHG emissions from direct investments by S Group associated company S Bank's (S Group ownership 75%) subsidiary FIM. Calculated based on the share of ownership: https://www.fim.com/fi/fim/vastuullinen-fim/rahastojen-hiilijalanjalki/
A list of scope 1, scope 2, and scope 3 activities excluded from the report with justification for their exclusion	The following activities were excluded from the report: Category 8: Upstream leased assets – Category excluded •This category is relevant for S Group regarding leased IT and other equipment and cars leased for employees, however the GHG emissions from the use of the IT equipment is included in scope 2 and the GHG emissions from other stages of the lifecycle are included in category 1 Category 10: Processing of sold products – Category excluded • This category is relevant for S Group, but GHG emissions from purchased raw materials for the restaurants are included in category 1 and GHG emissions from the food preparation stage are included in scopes 1-2. Category 12: End-of-life treatment of sold products – Category excluded • This category is relevant for S Group but is excluded to avoid double accounting as the end-of-life treatment emissions are included in the emissions from Category 1: Purchased goods and services. Also, difficult to calculate due to lack of reliable data for different product and service categories. Category 13: Downstream leased assets – Category excluded •This category is not relevant for S Group as it does not lease assets to other companies which would not be included in Scope 1 or Scope 2 inventories. Category 14: Franchising – Category excluded • This category is relevant for S Group regarding the 79 Hesburger fast-food restaurants located in the ABC service stations in Finland. However the emissions from these franchises are included in S Group's scope 1 and 2 inventories.

PART 2: GREENHOUSE GAS EMISSIONS DATA

Scopes and categories	Metric tons CO_2e
Scope 1: Direct emissions from owned/controlled operations	77.100
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating, and cooling	Location based electricity: 0 Market based electricity: 95.400 Heating & cooling: 72.900
Upstream scope 3 emissions	
Category 1: Purchased goods and services	5.395.000
Category 2: Capital goods	1.300
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	35.100
Category 4: Upstream transportation and distribution	99.600
Category 5: Waste generated in operations	18.000
Category 6: Business travel	4.000
Category 7: Employee commuting	17.000
Category 8: Upstream leased assets	N/A
Other	N/A
Downstream scope 3 emissions	
Category 9: Downstream transportation and distribution	319.000
Category 10: Processing of sold products	N/A
Category 11: Use of sold products	2.411.000
Category 12: End-of-life treatment of sold products	N/A
Category 13: Downstream leased assets	N/A
Category 14: Franchises	N/A
Category 15: Investments	85.000
Other	N/A

PART 3: DESCRIPTION OF METHODOLOGIES AND DATA USED

Scope	Methodologies used to calculate or measure emissions, providing a reference or link to any calculation tools used
Scope 1	Activity data: • Oil: kWh of heat produced with oil as measured and registered in the S Group real estate system. • Gas: kWh of heat produced with gas as measured and registered in the S Group real estate system. • Refrigerant leaks: kg of substance as reported fill-ups of the equipment by the service provider for each co-op and company • Self-produced wind power (S-Voima/TuuliWatti): cancelled Certificates of Origin for S-voima based on the share of ownership of S Group co-ops and companies. Emission factors: • Oil: Statistics Finland Fuel Classification 2020: https://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html • Gas: https://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html • Refrigerant leaks: https://helda.helsinki.fi/handle/10138/155617
Scope 2	Activity data: • Electricity: consumption data in kWh based on the S Group real estate system and S-Voima electricity purchases • Heat: consumption data in kWh based on the S Group real estate system, electricity consumption used for geothermal heat pumps included in electricity metering • Cooling: consumption data in kWh based on the S Group real estate system Emission factors: Finland • Electricity (S-Voima/TuuliWatti wind power is categorized in scope 1): 0 • Electricity (other, market-based): Renewable electricity guarantees of origin were used. • Electricity (location-based): Finland average electricity energy mix, 5 year average: 158 kg CO2/MWh; https://www.motiva.fi/ratkaisut/energiankaytto_suomessa/co2-laskentaohje_energiankulutuksen_hiilidioksidipaastojen_laskentaan/co2-paastokertoimet • Heat: same emissions factor for both market and location based: Motiva district heat segregated production average emissions factor: 164 kg CO2/MWh; https://www.motiva.fi/ratkaisut/energiankaytto_suomessa/co2-laskentaohje_energiankulutuksen_hiilidioksidipaastojen_laskentaan/co2-paastokertoimet • Cooling: real estates located in Helsinki region, thus emissions factor in 2019 from local service provider used, 72 kg CO2/MWh; https://www.helen.fi/helen-oy/tietoa-yrityksesta/energiantuotanto/sahkon-ja-lammon-ominaispaastot/ • Cooling: real estates located in Tampere region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.sahkolaitos.fi/lampoa-ja-viileytta/jaahdytysratkaisut/alkupera/ • Cooling: real estates located in Turku region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.turkuenergia.fi/kaukolampo-ja-jaahdytys/kaukojaahdytys-ekologinen-valinta/ • Cooling: real estates located in Espoo region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.fortum.fi/yrityksille-ja-yhteisoille/lammitys/kaukokylma Estonia: • Electricity: Estonia electricity residual mix 2018; 1043 g CO2/kWh, same factor used for heat; https://www.aib-net.org/sites/default/files/assets/facts/residual-mix/2018/AIB_2018_Residual_Mix_Results_1_4.pdf Russia: • Electricity and heat combined intensity emissions factor in Russia in 2016, 46,9 tn CO2/TJ; https://webstore.iea.org/co2-emissions-from-fuel-combustion-2018-highlights

Scope and category	Description of the types and sources of data used to calculate emissions	Description of the methodologies, allocation methods, and assumptions used to calculate emissions	% of emissions calculated using data obtained from suppliers or value chain partners
Upstream scope 3 emissions			
Category 1: Purchased goods and services	Activity data (primary data): Calculations based on volumes (kg/l) sold by category (majority of daily food and non-food items) and spend (euros) by category (consumer goods and services). Emission factors (secondary data): Lifecycle emissions factors were taken from different sources including: https://helda.helsinki.fi/bitstream/handle/10138/300737/SYKEra_15_2019_korjattu_26_02_2020.pdf?sequence=4&isAllowed=y LUKE 2016: Summary of the chosen methodologies and practices to produce GHGE-estimates for an average European diet Luke 2019: Product group specific carbon foot print calculations based on SOK's data and the scientific articles. For fuel: well-to-tank emissions factor was calculated based on the lifecycle emissions factors provided by S Group fuel trade partner NEOT and by deducting the combustion emissions factors based on LIPASTO fuel mix emissions factors 2017: http://lipasto.vtt.fi/yksikkopaastot/tunnusluvut/tunnusluvuttie.htm	Coverage: all countries and divisions except for car and agriculture sales (5 per cent of retail sales). Method: Average lifetime GHG emissions factors were acquired for product categories from different sources. Activity data used in the calculation was 1) the physical mass (kg) or volume (liters) of the products sold during the fiscal year, or where physical volume was not available, the emission factors were used for each 2) euro of the "basic price"/purchase price of the product as indicated in an input-output model including the environmental impacts. The lifetime emissions of products were not split between cradle to gate and gate-to-end-of-life due to limited split LCA data availability for the sources used. Scope 1-2 emissions were not deducted from the category due to limited data availability on the retail/storage share of the category specific LCA factors so the category contains approx. 5 % double counting risk for this reason. Exception was made for the most significant individual product - fuel, for which the use-phase/tank-to-wheel emissions we're excluded from category 1 and are presented in category 11. Thus category 1 only includes the estimated well-to-tank share of the fuel life-cycle CO2 emissions. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of products and services purchased by S Group in 2019.	13% (well-to-tank emissions factor for fuel)
Category 2: Capital goods	Activity data: constructed square meters of new buildings. Emissions factors: Kurnitski 2012: emission factor for construction and materials (excluding energy use during life-cycle) https://www.puuinfo.fi/sites/default/files/content/info/puurakentamisen-roadshow-2012-luentoaineistot/4_2012-03-21_Kurnitski-Hiilijalanj%C3%A4lki_0.pdf	Coverage: Finland Method: Calculations are based on area of constructed buildings in Finland in 2019 and emission factors for construction per square meter regarding building emissions from materials and construction with the assumption that all new buildings are made with concrete.	0%

Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	Activity data: energy and fuel consumption in kWh as collected from the group and co-op energy meters. Emissions factors: Defra 2016-2019 WTT and T&D emissions factors for fuels, electricity and heat: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/526958/ghg-conversion-factors-2016update_MASTER__links_removed__v2.xls https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/677300/Copy_of_Conversion_factors_2017_-Full_set__for_advanced_users__v02-00.xls https://www.greenelement.co.uk/new-2018-uk-defra-beis-carbon-factors-download/	Coverage: all countries. Method: country and energy specific consumption figures were multiplied by the relevant Defra emissions factor. For electricity in Finland, the share of renewable energy (own and market-based) and nuclear (in residual market mix) were excluded from the calculation and thus only the upstream emissions for the residual fossil fuel based energy were included. Residual mix was based on 2018 as 2019 mix was not yet available at the time of reporting.	0%
Category 4: Upstream transportation and distribution	Activity data: logistics partner's reported mileage Emissions factors: LIPASTO fossil fuel emissions factors 2016: http://lipasto.vtt.fi/yksikkopaastot/tunnusluvut/tunnusluvuttie.htm	Coverage: Finland, business units: grocery, consumer goods, restaurants and hospitality and fuel trade Calculations are based on contracted logistics partners' reported mileage and related GHG emissions. Includes domestic and inbound transportation for Inex Partners, Meira Nova and North European Oil Trade by the contracted partners. The share of transportation emissions from transportations is allocated to SOK according to the share of products that have been supplied to SOK during the reporting year. Excludes transportation directly from food suppliers to outlets.	100%
Category 5: Waste generated in operations	Activity data: waste amounts in tonnes by type of waste. Emissions factors: HSY / Natural Interest 2014: WWF Finland's Climate Calculator. http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746	Coverage: all countries Method: waste per type (tonnes) multiplied with the respective emissions factor.	100%
Category 6: Business travel	Activity data: mileage and fuel used Emissions factors: Provided by service providers (AMEX and LeasePlan)	Coverage: Flights: S Group in Finland, leased vehicles: SOK Corporation (regional co-ops excluded) Calculation made for SOK Corporation's leased cars and employees business travel by plane. Data and emission calculations provided by service partners	100%
Category 7: Employee commuting	Activity data: S Group employees in Finland estimated average distance to their workplace (km) multiplied by annual average estimated working days. Emissions factors: Emissions factors: for cars and local transportation buses: WWF Climate Calculator (based on LIPASTO database): http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746 Transportation methods: KSV, Helsinkiläisten liikkumistottumukset 2018: https://www.hel.fi/static/liitteet/kaupunkiymparisto/julkaisut/julkaisut/julkaisu-07-19.pdf HSL Liikkumistapatutkimus 2018: https://www.hsl.fi/sites/default/files/hsl_julkaisu_9_2019_netti.pdf https://www.liikennevirasto.fi/documents/20473/434710/Esite_HLT2016_ENGLANTI.pdf/3d811186-db02-4680-bba4-63732c6d9f33	Coverage: Finland Method: Calculation made based on 2016 data for S Group employees in Finland, who have the "employee" information linked to their S Group loyalty card. Average work commute distance estimated based on the average distance between the employee's postal code and their respective workplace. The mode of transport was estimated based on a national Transportation study stating the share of different modes of transport in different size towns/communities. Average mileage and modes of transport was then multiplied with the average annual working days. Part-time employees annual working days were estimated based on their average weekly working hours. It is acknowledged, that there is a possible overlap with scope 3 category 11 emissions where employees purchase fuel for their commute from S Group service stations however, the share of such overlap is difficult to estimate accurately. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of S Group employees work commute.	0%
Downstream scope 3 emissions			
Category 8: Upstream leased assets	Not relevant		
Category 9: Downstream transportation and distribution	Emissions factors: Emissions factors: for cars and local transportation buses: WWF Climate Calculator (based on LIPASTO database): http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746 Transportation methods: KSV, Helsinkiläisten liikkumistottumukset 2018: https://www.hel.fi/static/liitteet/kaupunkiymparisto/julkaisut/julkaisut/julkaisu-07-19.pdf HSL Liikkumistapatutkimus 2018: https://www.hsl.fi/sites/default/files/hsl_julkaisu_9_2019_netti.pdf https://www.liikennevirasto.fi/documents/20473/434710/Esite_HLT2016_ENGLANTI.pdf/3d811186-db02-4680-bba4-63732c6d9f33	Coverage: loyal customer transportation to and from outlets in Finland, approx. 80 % of customer visits by loyal customers. Method: Calculation made based on the S Group customer loyalty card holders annual visits to S Group outlets multiplied by the average distance between the card holders hometown/commune (based on postal codes) and the closest S Group outlet weighted by the nr of visits and taking into account the town/area specific transportation methods. Employee visits deducted based on the assumption that they visit the outlets on their way from work. Ways of transportation obtained from national and regional transportation surveys. It is acknowledged, that there is a possible overlap with scope 3 category 11 emissions if customers purchase fuel for their vehicles from S Group service stations however, the share of such overlap is difficult to estimate accurately. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of S Group customers visits to S Group outlets.	0%
Category 11: Use of sold products	Activity data: volume of fuel (liters) sold to end customers in 2019. Emission factors: TTW emissions factors provided by S Group fuel sourcing company NEOT based on actual fossil to bio mixes in 2019. Fossil fuel combustion factors from VTT LIPASTO database 2016.	Coverage: Finland. Method: volume of fuel sold to end customers multiplied with the relevant combustion emissions factor by fuel type.	100%
Category 13: Downstream leased assets	Not relevant		
Category 15: Investments	Data used: MSCI data from those direct shares and bonds for which either publicly available or otherwise estimated CO2 emissions data is available for more than 50% of the fund's investments.	Emissions allocation per investment/fund to S Group/FIM based on the share of ownership.	100%

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Riippumaton varmennusraportti Suomen Osuuskauppojen Keskuskunnan johdolle

Olemme Suomen Osuuskauppojen Keskuskunnan (jäljempänä "SOK") johdon pyynnöstä suorittaneet rajoitetun varmuuden antavan toimeksiannon, jonka kohteena ovat olleet S-ryhmän vuosikatsauksessa 2019 esitetyt kasvihuonekaasutiedot ja tietyt muut ympäristövastuun tiedot 31.12.2019 päättyneeltä vuodelta. Varmennuksen kohteena olevat tiedot käsittävät seuraavat tunnusluvut:

- Energiankulutus suorista ja epäsuorista (Scope 1 ja 2 vastaavista) lähteistä
- Energian ominaiskulutus
- Suorat CO2-päästöt (Scope 1): oma lämmöntuotanto, kylmäainevuodot
- Epäsuorat CO2-päästöt (Scope 2): sähkö, kaukolämpö, kaukokylmä
- Raportoidut merkittävimmät välilliset CO2-päästöt (Scope 3): ostetut tuotteet ja palvelut, pääomahyödykkeet, hankitun energian epäsuorat päästöt, tuotteiden kuljetus ja jakelu, jätteet, liikematkat, työmatkaliikenne, asiakasliikenne, myytyjen tuotteiden käyttö ja sijoitukset
- Päästöintensiteetit
- Kiinteistöjen pinta-ala sekä kiinteistöjen energian ja päästöjen neliötehokkuusluvut
- Jätteiden määrä, jätejakeiden erittely ja hyötykäyttöasteet

Varmennuksen kohteena olevat tiedot on esitetty S-ryhmän vuosi ja vastuullisuus -katsauksen 2019 "Ilmasto" -osion taulukoissa: "Kulutus ja pinta-alat 2019", "Energian ominaiskulutus, Suomi", "S-ryhmän oman toiminnan päästöt", "S-ryhmän arvoketjun päästöt", "S-ryhmän jätteet", "S-ryhmän jätteiden käsittely ja hyödyntäminen", (jäljempänä "vastuullisuuden tunnusluvut").

Johdon vastuu

SOK:n johto vastaa vastuullisuustietojen sekä niissä esitettyjen väittämien laatimisesta ja esittämisestä raportointikriteeristön eli *GRI Sustainability Reporting Standards* -raportointiohjeiston mukaisesti käsittäen SOK:n tavoitteiden määrittämisen kestävään kehitykseen liittyvän suoriutumisen ja raportoinnin osalta, mukaan lukien sidosryhmien ja olennaisten näkökulmien tunnistaminen, sekä niiden toiminnan johtamisen ja sisäisen valvonnan järjestelmien perustamisen ja ylläpitämisen, joista raportoitu toimintaan liittyvä tieto on saatu.

Meidän velvollisuutemme

Meidän velvollisuutemme on suorittaa rajoitetun varmuuden antava toimeksianto ja esittää toimeksiannon perusteella riippumaton johtopäätös. Olemme suorittaneet varmennustoimeksiannon vastuullisuuden tunnusluvuille International Auditing and Assurance Standard Board IAASB:n julkaiseman kansainvälisen varmennustoimeksiantostandardin International Standard on Assurance Engagements ISAE 3000 (uudistettu), *Muut varmennustoimeksiannot kuin mennyttä aikaa koskevan taloudellisen informaation tilintarkastus tai yleisluonteinen tarkastus*, mukaisesti ja varmennustoimeksiannon kohteena olleille vastuullisuuden tunnuslukuihin sisältyville kasvihuonekaasutiedoille ISAE 3410, *Kasvihuonekaasuraportteja koskevat varmennustoimeksiannot*, mukaisesti. Kyseiset standardit edellyttävät, että suunnittelemme ja suoritamme toimeksiannon hankkiaksemme rajoitetun varmuuden siitä, onko vastuullisuuden tunnusluvuissa ja kasvihuonekaasuraportissa olennaista virheellisyyttä.

KPMG Oy Ab soveltaa kansainvälistä laadunvalvontastandardia International Standard on Quality Control ISQC 1 ja sen mukaisesti ylläpitää kattavaa laadunvalvontajärjestelmää, johon sisältyvät dokumentoidut toimintaperiaatteet ja menettelytavat eettisten vaatimusten, ammatillisten standardien sekä sovellettaviin säädöksiin ja määräyksiin perustuvien vaatimusten noudattamista koskien.

Olemme noudattaneet International Ethics Standards Board for Accountants IESBA:n eettisten sääntöjen riippumattomuusvaatimuksia ja muita eettisiä vaatimuksia, jotka perustuvat rehellisyyden, objektiivisuuden, ammatillisen pätevyyden ja huolellisuuden, salassapitovelvollisuuden ja ammatillisen käyttäytymisen periaatteille.

KPMG Oy Ab, a Finnish limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
Document Classification: KPMG Confidential

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Tehdyt toimenpiteet

Rajoitetun varmuuden antava toimeksianto toteutetaan tekemällä tiedusteluja pääasiassa henkilöille, joiden tehtävänä on laatia esitetyt vastuullisuustiedot, sekä soveltamalla analyyttisia ja muita asianmukaisia evidenssin hankkimismenetelmiä. Toimeksiannossa olemme suorittaneet muun muassa seuraavat toimenpiteet:

- Olemme haastatelleet SOK:n ylimmän johdon edustajaa;
- Olemme haastatelleet asiaankuuluvia, vastuullisuuden tunnuslukujen raportoinnista vastaavia henkilöstön jäseniä;
- Olemme arvioineet *GRI Sustainability Reporting Standards* -raportointiohjeistoa koskevien periaatteiden soveltamista varmentamisen kohteena olleiden vastuullisuuden tunnuslukujen laatimisessa;
- Olemme arvioineet vastuullisuuden tunnuslukujen keräämiseen ja yhdistelemiseen käytettäviä tiedonhallinnan prosesseja, tietojärjestelmiä sekä käytännön menettelytapoja ja tutkineet niihin liittyviä sisäisiä dokumentteja;
- Olemme käyneet läpi esitetyt vastuullisuuden tunnusluvut ja arvioineet tietojen laatua ja laskentarajojen määrittelyä;
- Olemme testanneet vastuullisuuden tunnuslukujen oikeellisuutta ja täydellisyyttä otospohjaisesti;

Rajoitetun varmuuden antavassa toimeksiannossa suoritettavat toimenpiteet poikkeavat luonteeltaan ja ajoitukseltaan kohtuullisen varmuuden antavassa toimeksiannossa suoritettavista toimenpiteistä ja ovat niitä suppeampia. Tämän vuoksi rajoitetun varmuuden antavassa toimeksiannossa saatava varmuuden taso on huomattavasti alempi kuin varmuus, joka olisi saatu suorittamalla kohtuullisen varmuuden antava toimeksianto.

Toimeksiannon luontaiset rajoitukset

Kaikkiin varmennustoimeksiantoihin liittyy luontaisia rajoituksia tarkastellun tiedon valikoivasta testauksesta johtuen. Siten havaitsematta jääneitä väärinkäytöksiä, virheellisyyksiä tai säädöstenvastaisuuksia saattaa esiintyä. Lisäksi ei-taloudelliseen tietoon saattaa liittyä merkittävämpiä luontaisia rajoituksia kuin taloudelliseen tietoon ottaen huomioon sekä sen luonteen että menetelmät, joita käytetään tällaisten tietojen keräämiseen, laskemiseen ja arvioimiseen.

Johtopäätökset

Suorittamiemme toimenpiteiden ja hankkimamme evidenssin perusteella tietoomme ei ole tullut seikkoja, jotka antaisivat aiheen olettaa, että S-ryhmän vastuullisuuden tunnusluvut 31.12.2019 päättyneeltä vuodelta eivät olisi olennaisilta osiltaan laadittu *GRI Sustainability Reporting Standards* -raportointiohjeiston mukaisesti.

Helsinki, 23. maaliskuuta 2020

KPMG Oy Ab

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Partner, Advisory

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