

S Group's year and responsibility





2017



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This is how we make Finland a better place to live



We pay nearly EUR 400 million

in cash to our co-op members annually.

164 €

PER CO-OP MEMBER ON AVERAGE

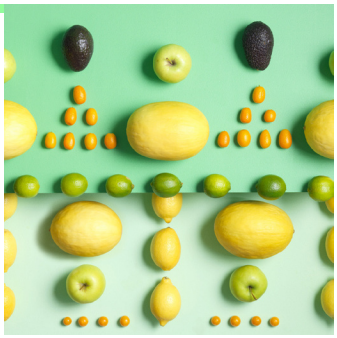
We lower the price of food,

because in our opinion, everyone should be able to afford to eat well.

WE HAVE LOWERED THE PRICES OF

3,000

PRODUCTS SINCE 2015





Lowering prices is possible

thanks to increased efficiency in the use of energy.

30 %

INCREASE IN THE EFFICIENCY OF OUR USE OF ENERGY COMPARED TO 2010

In addition, we work to mitigate climate change

by increasing the use of renewable energy.

60 %

OF ELECTRICITY IS GENERATED FROM RENEWABLE SOURCES OF ENERGY





We reduced food waste

so much that the goal set for 2020 goal was achieved ahead of schedule.

-17 %

LESS RELATIVE FOOD WASTE COMPARED TO 2014

We encourage our customers

to eat healthful vegetables.

23 MILLION KG

MORE SALES OF VEGETABLES SINCE 2014





We are the largest private-sector employer in Finland

and for many young people, a bridge to working life.

13,000

YOUNG SUMMER EMPLOYEES



S Group

S Group is a Finnish cooperative group of companies. Its key business operations are the supermarket trade, department stores and speciality stores, service station store and fuel sales, the travel industry and hospitality business as well as the hardware trade. In 2017, S Group's retail sales amounted to approximately EUR 11 billion and, with its 37,000 employees, S Group was the largest private sector employer in Finland.

S Group = cooperatives + SOK Corporation

S Group is composed of 20 regional cooperatives, SOK Corporation, and 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 comprises Suomen Osuuskauppojen Keskuskunta (SOK) and its subsidiaries. SOK is a central cooperative which produces expert and support services – such as 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.

Key figures

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

11,273

S GROUP IN TOTAL

OPERATING RESULT EUR

344

MILLION

The steadily growing sales and improved performance boosted S Group's result in 2017. The good financial performance continued in the department store trade, hotels and restaurants, in particular, and in ABC stations.

INVESTMENTS EUR

492

MILLION

The largest investment was the new logistics centre for the grocery trade, which will be taken into use fully by the end of 2018.

10,869

SALES: FINLAND

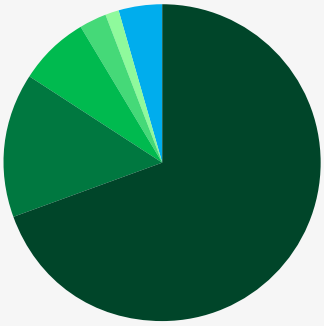
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SALES: THE BALTIC COUNTRIES

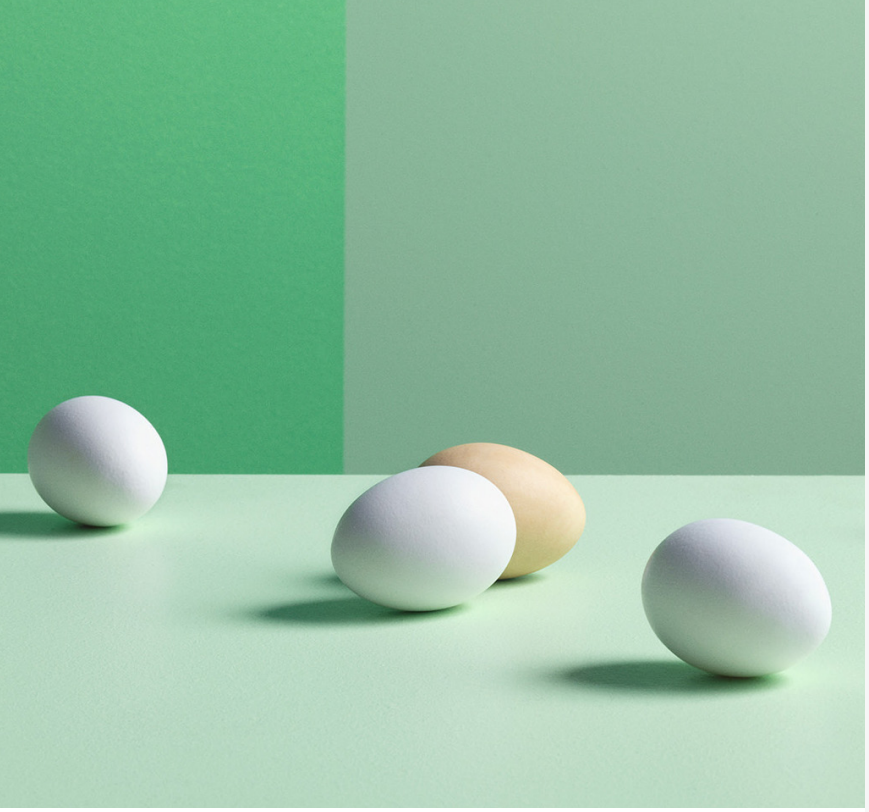
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SALES: RUSSIA

RETAIL SALES EXCLUDING TAXES
EUR 11 273 MILLION



- Supermarket trade EUR 7820 million
- Service station store and fuel sales EUR 1633 million
- Travel industry and hospitality business EUR 811 million
- Department stores and speciality stores EUR 310 million
- Hardware trade EUR 177 million
- Other EUR 473 million



NUMBER OF CO-OP MEMBERS

2,355,963

CASH BENEFITS PAID TO CO-OP MEMBERS EUR

382

MILLION

Cooperative activities and co-op membership

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

Co-op members are eligible to a Bonus of up to 5%; in other words, they receive money back from purchases at more than 2,000 outlets. In addition to making daily purchases, the monthly bonus amount can be accumulated by staying in hotels and eating out.

In addition to the Bonus payable once per year, co-op members are also eligible to other cash benefits. If the cooperative's financial performance in the previous year was good enough, the cooperative may pay interest on the membership fee paid by its co-op members.

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 only by some of the cooperatives.

The payment method-related benefit is a cash benefit that is worth taking. By paying your purchases with your S-Etukortti card, you will receive a payment method-related benefit of 0.5% on purchases covered by the benefit.

334

BONUS, EUR MILLION

16

INTEREST ON THE MEMBERSHIP FEE, EUR MILLION

23

RETURN OF SURPLUS, EUR MILLION

8

PAYMENT METHOD-RELATED BENEFIT, EUR MILLION



Personnel and outlets

NUMBER OF PERSONNEL

39,382

S GROUP IN TOTAL*

6,668

SOK CORPORATION

32,714

REGIONAL COOPERATIVES

* Since 2016, the annual report displays the situation on 30 November. The figure includes both active and inactive employment relationships and provides the most detailed information on personnel at an annual level, since the figures collected at the end of the year include seasonal employees.

OUTLETS

1,631

S GROUP IN TOTAL

KEY FIGURES	2017	2016	2015
Retail sales excluding taxes, EUR million	11 273	11 020	10 840
Finland	10 869	10 580	10 315
The Baltic countries and Russia	404	439	489
Operating result, EUR million	344	290	265
Investment, EUR million	492	511	559
Cash benefits paid to co-op members EUR	382	394	384
Co-op members	2 355 963	2 292 039	2 225 506
Personnel	39 382	40 482	37 758
Outlets	1 631	1 633	1 632

CEO’s comments

The cooperative form of retail looks to the future

"When cooperatives were established more than a hundred years ago, they were considered to be bold in a way never seen before. The cooperatives challenged the unhealthy markets and stood up to profiteers, who sold low-quality food at a high price.

The same need for affordable prices and high-quality food still exists decades later. However, as we are approaching the 2020s, our operating environment is completely different from what it was 100 years ago. What is the strength of the cooperatives today? What makes us different from other stores?

In a cooperative, every member is an owner with equal rights. We do not maximise profit over the short term, but build business operations with a long-term focus and set our sights on the future. S Group is and will continue to be Finnish – its business will not be sold outside Finland.

We will continue to exist solely for our more than two million co-op members. They receive a monthly cash reward, or the Bonus, which can be accumulated by centralising purchases to our cooperatives. We provide portable digital services to increase convenience in the daily life. Thus, cooperatives are tools for co-op members in making many aspects of their daily life easier.

The basic principle of cooperatives stands the test of time, as was demonstrated by the good performance of S Group in 2017. The progress of all our sectors was strong, and our performance improved across the board.

Although the cooperatives operate on a long-term basis, we must ensure we keep abreast of the development. We will renew ourselves and pick up our pace in digital services, in particular. In the 2020s, the cooperatives will be highly contemporary providers of unparalleled benefits and convenience from the co-op members’ own store.”



Taavi Heikkilä
CEO of SOK

Strategy

Unparalleled benefits and convenience from the own store

The purpose of S Group's operations is to provide its owners with competitive services and benefits. Our vision is to offer unparalleled benefits and convenience from the co-op member's own store. How will this be achieved?

We must maintain our competitiveness in all our sectors in order to genuinely realise the vision unparalleled benefits and convenience for our customers. Keys to succeeding in this include, in particular, affordable grocery stores, cash rewards to co-op members, and good customer encounters both digitally and face-to-face.

The operating environment is changing rapidly in retail and services. Competition is becoming tighter and increasingly international in all sectors. Supply and demand will meet in new ways created by digital services. Customer needs will become increasingly diverse. Individuality will be highlighted against the masses. The changes will be challenging, but they will also be full of opportunities.

In 2017, S Group took determined measures towards its vision, in line with its strategy. We continued to lower the prices of food products in the value of dozens of millions of euros. We introduced new interesting products to our product range. In addition, we developed digital services and tuned up our background operations for better performance. Profitable operations provide a foundation for renewal and service development that meets the customers' changing needs.

We want to offer convenience that makes responsible and sustainable choices possible every day as well. Taking care of people and the environment is one of our most important values. This annual report offers many examples of how S Group does just that.

For more information on S Group's values, strategy and vision, please visit S-kanava.

Business Areas

A diverse range of services and outlets

Supermarket trade

Record performance in our main sector. Why are S Group's supermarkets so popular?

"Our prices are low and we offer a wide variety of different products. In addition, customers can shop in our stores when it is convenient for them. I believe that these are the cornerstones of our success. And we offer a good Bonus, too.

Our personnel encounter millions of customers every year. Earning the customers' trust requires persistent and sustainable work, which is what we have been doing for years. Our 20,000 or so employees keep the extensive organisation running smoothly day after day – they truly deserve praise for it.

Currently, the biggest thing in S Group's grocery stores is definitely the permanent lowering of prices. We have been doing it for a while now and will continue for a long time. Lowering prices is one reason why our sales and profitability have grown fairly quickly.

However, our actions will have long-term effects. For example, the lowering of the prices of vegetables and displaying seasonal vegetables more visibly in stores have increased the sales of vegetables by millions of kilograms. In my opinion, all of our customers should be able to afford to eat well and enjoy healthy food. Thus, our role in society is bigger than many may think. We organised the great food discussion and compiled the conclusions into the food manifesto.

In addition to lowering prices, our most important actions this year concern the product range development and improvement of quality. The acquisition of the Stockmann Delicatessen stores by the cooperatives supports our objective of providing customers with more quality. In addition, our well-functioning order and logistics processes are vital for the efficiency of our operations. Our logistics centre in Sipoo will be fully operational this year, which will further improve the availability of products.

We are on a roll, and our pace will not be slowing down this year. In addition to the daily high-quality service, we continuously develop the retail sector to reach new horizons. Among other things, we plan to look for solutions to promote healthier eating habits among children together with our partners, renovate the Delicatessen stores at the end of the year and create innovations concerning food in the future."

7 870
SALES (EUR MILLION)

432
S-MARKETS

45.9 %
MARKET SHARE*

302
SALE STORES

92
PRISMA STORES

109
ALEPA STORES

*The figure is not comparable with the previous years' figures. Nielsen's method of calculating the market share has changed. In reality, our market share increased by 0.5% from the previous year.



Ilkka Alarotu
SVP, SOK Retail chain management

Department stores and speciality stores

Brick-and-mortar shops are a strength in an increasingly digital world.

"Despite the powerful development of e-commerce and digitalisation, department stores still have their own niche. For years, there has been talk about the death of brick-and-mortar shops, but we know they are not going anywhere. On the contrary, we believe that the need for real-life customer encounters will increase in coming years.

Approximately four years ago, we realised it was time for us to transform ourselves and focus on our strengths: fashion and beauty. This paid off. The Emotion chain strengthened its position as a market leader in 2017. The Sokos chain also increased its market share, especially in men's fashion. It has been amazing how Sokos bounced back from the previous unprofitable situation.

Our growth is also in part attributable to many of our fashion market competitors closing their stores last year. For example, in the new market situation, Sokos in Oulu became one of the largest stores in our chain.

In the cosmetics market, we are preparing for the tightened competition that manifested last year by opening more Emotion stores – in the Helsinki region, in particular.

We will also focus on developing e-commerce and our multi-channel approach. However, for us the future of bricks-and-mortar is also bright. The sector has been transforming from gigantic hypermarkets towards stores that customers feel are more manageable and convenient for their everyday shopping needs.

Customer satisfaction and the increase in sales are clear indicators of our success in catering to the needs of our target group."



Mika Laakso
Chain Director, SOK Department store and speciality business (Sokos and Emotion)



310
SALES (EUR MILLION)

4
MARKS & SPENCER

20
SOKOS

8
PUKUMIES

35
EMOTION

8
OTHER SPECIALTY STORES

Service station store and fuel sales

Deregulation of opening hours boosted ABC's development.

"We are extremely happy with our performance in the service station store and fuel sales in 2017. We have adapted very well to the deregulation of opening hours in the supermarket trade, although we lost a significant competitive edge due to the change. Nevertheless, the new situation challenged us to find new operating methods.

The approximately 40 local ABC stores located in densely populated areas now meet the needs of local residents even better. The product range inside the store was adjusted as needed, and the operations now increasingly focus on the core of the service station store: the restaurant operations.

We listen to our customers carefully and develop our service culture in a determined manner. This persistent work is now bearing fruit, and both our result and customer satisfaction exceeded our expectations in 2017. This is thanks to the 4,000 professionals whose encounters with customers are the measuring stick for customer satisfaction every day.

The changes we made in the restaurant operations, in particular, and more specifically the revamping of the salad buffet, received positive feedback. Our buffet is also appreciated by customers who prefer getting their meals quickly.

Competition in the fuel sales sector was tight in 2017, but we performed well and grew our sales in a sector which overall is shrinking. The highlights of 2017 included the introduction of the Refuelling Bonus, which was welcomed by customers. It also helped attract new customers to ABC outlets.

This year is the 20th anniversary of our chain, and we are proud of our history. At the same time, we want to ensure that ABC will grow and evolve. Our renewal will be ongoing, but the customers will still always know what they get when visiting an ABC service station store."



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



1 633
SALES (EUR MILLION)

31.8 %
PETROL SALES MARKET SHARE

302
UNMANNED ABC STATIONS

14.5 %
DIESEL SALES MARKET SHARE

41
LOCAL-ABCS

61
ABC SERVICE STATION STORES

15
OTHER ABCS

Travel industry and hospitality business

Every service encounter between people is unique.

"The motto of the Sokos Hotels is “Individual for everyone”. This reflects S Group’s travel industry and hospitality business very well as a whole. Customers increasingly expect service that is unique, and we address this need by always offering individualised service to each customer.

Restaurants are continuously expected to come up with new ideas and offer new experiences. Convenience is also a powerful trend. The year 2017 was characterised by renewals in our restaurants. We have many loyal customers, who like to come to a restaurant that is familiar but with its own local twist. We applied this idea when we revamped the Fransmanni chain: now each Frans & les Femmes restaurant is unique.

In the hospitality business, sales increased and profitability improved – despite the fact that we slightly downsized our network.

We have been reforming our hotel chains to offer increasingly diverse services on a long-term basis. Each one of our hotels has a story to tell. In 2017, we renovated Radisson Blu Seaside and Break Sokos Hotel Bomba. The new concept of the Original Sokos Hotel Presidentti, designed in collaboration with Ivana Helsinki, was a received extremely well.

We experienced strong growth in the travel industry. We are particularly happy with the sales in our sokoshotels.fi channel. The appeal of Lapland as a popular international travel destination was strengthened in 2017. Our growth was also increased and our operations were boosted by major events and the livelier business travel and the measured satisfaction of customers with our services Sokos Hotels also won several travel industry awards, which we are proud of.

Overall, our profit was record high and our performance was quite good in 2017. We will continue to secure our market share in the future by considerably investing in hotels and surveying new opportunities abroad."



Harri Ojanperä
Chain Director, SOK Travel Industry and Hospitality Chain Management



811
SALES (EUR MILLION)

650
RESTAURANTS

50
SOKOS HOTELS

24.6 %
HOTELS’ MARKET SHARE

8
RADISSON BLU HOTELS

16.5 %
RESTAURANTS’ MARKET SHARE (2016)

3
OTHER HOTELS

41
GREEN KEY CERTIFIED HOTELS

Hardware trade

Confidence in the face of competition.

"The boost in the construction industry has been growing the building supplies trade in Finland for a couple of years. Competition in the hardware trade has been fierce for a long time, and we are extremely well equipped to do well in this competition. Last year, we launched reforms necessary for ensuring this success.

The service provided to consumer customers, in particular, is a strength of S Group's hardware trade. In 2017, we renewed the product range of our chains to better meet the changed needs of customers. Today, customers appreciate the possibility of purchasing full modules, such as a bathroom including the tiles and fixtures, for their home conveniently from one place. Our customers trust us and find our product range diverse.

The seasonal nature of our operations is also among our strengths. For example, we offer an extensive range of yard and garden products. However, the seasons do not always guarantee high sales. The exceptionally poor weather last spring and summer reflected in the sales of yard and garden products immediately.

There is still room for improvement. Hardware trade is currently experiencing growth in large growth centres, in particular, where we are not able to make optimal use of that growth with our present network. In addition, Finns generally find shopping at hardware stores inconvenient. We have taken this message seriously and will reform the Kodin Terra concept and service model in 2018.

Our goal is ambitious. We want to build Finland's best hardware trade chain and to offer our customers a superior hardware trade experience."



Lasse Ketola
Vice President, hardware, SOK Retail chain management



177
SALES (EUR MILLION)

9
KODIN TERRA

16
S-RAUTA

S-Bank

Unparalleled convenience and benefits in banking services.

"S-Bank is a young bank, established 10 years ago, which challenges the traditional banks with its agile operations. S-Bank's operations are based on strong cooperative values and its services are designed to meet the needs of the co-op members and to make their daily lives easier.

We have clearly succeeded in this: in 2017, Finns selected S-Bank as the most responsible bank for the fifth time in a row in the Sustainable Brand Index, the most extensive brand comparison for sustainable development. Customer trust and satisfaction are among the most important indicators of success for S-Bank.

In 2017, we offered increased convenience to our customers through new S-Bank products available in the S-mobiili application, which has been downloaded 1.35 million times. We released the Siirto service for transferring money between accounts with a mobile phone by using just a phone number. In the joint Siirto service for banks, funds are also transferred from one account to another between different banks without any delay.

We launched the identification with S-mobiili service through which S-Bank customers can use services that require an online banking ID by fingerprint identification or by using a PIN code they have chosen themselves. Identification with the S-mobiili application is an alternative to using the paper format PIN table. In addition, the ABC mobile refuelling service was expanded to all ABC service stations. Now, paying for fuel purchases with S-mobiili is possible everywhere in Finland.

We applied robotics in simple processes which required manual work, such as transferring data between systems. This helped save time for customer service and development of operations.

S-Bank's future looks bright. We offer basic banking services free of charge, in other words, a current account, online bank and the S-Etukortti Visa debit card, to S Group's co-op members, and concurrently, our comparable net income grew and expenses decreased in 2017.

We will continue to develop new services, making the daily lives of our customers a bit easier year by year."



Pekka Ylihurula
Managing Director, S-Bank



16.7 %
CAPITAL ADEQUACY RATIO

16
OPERATING RESULT (EUR MILLION)

3
MILLION CUSTOMERS

2.1
MILLION VISA CARDS

1.8
MILLION BANKING IDS

Responsibility programme

The Best Place to Live

S Group is doing its part to help Finland become an even better place to live. As a major operator, our impact on the present and on the legacy we leave for future generations is considerable. That is why we must set our sights farther ahead.

Our mission is to produce benefits and services that generate well-being for our owners – in other words, our customers. However, well-being does not mean just economic well-being. Together with our co-op members, we perform concrete acts for the good of society, for the circular economy, against climate change, and in order to improve our operating culture and human rights and to promote well-being and health.

The core of our responsibility programme, which is named "the Best Place to Live", is a list of one hundred acts that impact our environment and society. They include both small everyday improvements and acts that are groundbreaking even on an international scale.

WHAT DOES S GROUP'S RESPONSIBILITY WORK INCLUDE IN PRACTICE?

Responsibility work covers a wide range of topics and touches all of the themes in our Best Place to Live programme. Examples of this include our aim of being Finland's largest employer of young people, the construction of 100 outdoor sports fields ('Ässäkenttä') for children and young people, the reduction of food loss, energy savings and the increased use of renewable energy, promotion of human rights in our own and our partners' operations, and encouraging Finns to eat more vegetables.

WHO PARTICIPATES IN THIS WORK?

In one way or another, all of us. Each S Group employee can do their part in making Finland a better place to live. The most important thing is for everyone to be aware of how the responsibility programme is linked to their own job duties and to find the issues that resonate with them most. These could be, for example, reducing food waste, promoting well-being at work or highlighting local products.

In addition, personnel working with customers have opportunities to tell them about our responsibility work and relay customer feedback to the appropriate parties in order to develop the operations.

We want each S Group employee to be able to be proud of their employer.

HOW DO THE SAME PRINCIPLES WORK IN A SERVICE STATION STORE IN OULU AND AN ALEPA STORE IN HELSINKI?

Both the ABC stores and Alepa stores can take significant action to reduce food waste, for example. We also have harmonised waste recycling goals for all outlets. Implementing energy-saving measures and talking to customers about our responsibility work are also actions that can be taken at different units.

WHICH OF THE THEMES IN THE BEST PLACE TO LIVE PROGRAMME CURRENTLY RESONATES WITH YOU MOST AND WHY?

Climate change and human rights are currently the closest to my heart. These two issues are also closely interconnected. I have an engineering degree in environmental technology, and want to work towards a future where the next generations can also enjoy winters. Therefore, mitigating climate change is important. As much as we can, the entire S Group also comes together to take care of people and ensure their rights are respected.

For more information about the programme, S Group's responsibility work and managing it, please see this report and visit the Best Place to Live pages.



Lea Rankinen
Director, Corporate Responsibility, SOK



Programme progress

At the end of 2017, the majority of S Group's 100 acts of responsibility progressed according to plan and on schedule. Nearly a quarter of the acts had already been completed, and only a few acts either were behind schedule or the goal associated with the act had changed.

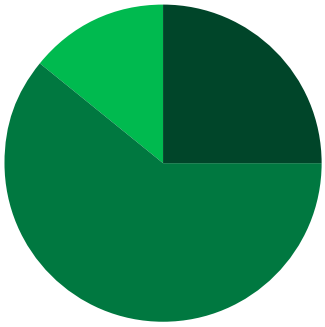
For more information on each of the 100 acts, please visit the Best Place to Live pages.

S GROUP'S 100 ACTS OF RESPONSIBILITY, %



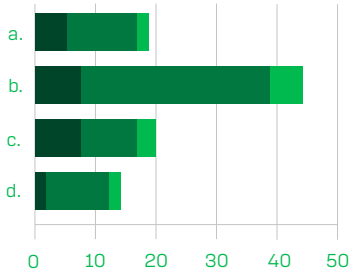
- For the good of society 19 %
- Climate change and the circular economy 46 %
- Ethical operating culture and human rights 20 %
- Well-being and health 15 %

STATUS OF THE 100 ACTS, 31.12.2017, %



- Completed 25 %
- Progressing as planned 61 %
- Behind schedule / goal has changed 14 %

STATUS OF THE 100 ACTS, 31.12.2017, PCS



- a. For the good of society
- b. Climate change and the circular economy
- c. Ethical operating culture and human rights
- d. Well-being and health

- Completed
- Progressing as planned
- Behind schedule / goal has changed

Stakeholder engagement

We engage in open dialogue with stakeholders

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

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

In 2017, the public evaluated our reputation as good and our responsibility as fair. In addition, governance, which covers openness and transparency as well as doing the right thing, was rated fair.

We participate in social discussion openly and proactively. We openly answer the questions asked and respond to feedback given by customers, civic organisations or the media alike.

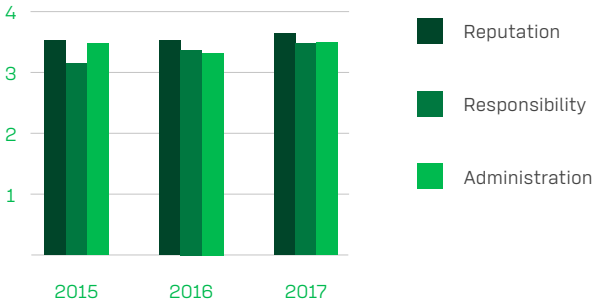
In March, we invited food sector influencers and stakeholders to discuss the sector's future, innovations and responsibility. The objective of the 'Kekseliäin ruokamaa' event on food innovations was to generate theses concerning the future of Finnish food. The theses drawn up together with the stakeholders formed the basis of S Group's food manifesto, which we published at the SuomiAreena event in Pori in July.

In November, we invited suppliers, decision-makers, representatives of associations and researchers to a seminar on healthy nutrition for children. Our goal was to challenge the parties to improve communication, marketing and products associated with the theme. The speakers at the event included Annika Saarikko, the Minister of Family Affairs and Social Services, and Maijaliisa Erkkola, adjunct professor of nutrition science and a university lecturer.

The participants we invite to 'Tornin aamu' discussion events include stakeholders relevant for each topic, such as representatives of associations, decision-makers, senior officials, the media and experts. The 2017 event focused on human rights in supply chains. The event introduced a new operating model being prepared by S Group for addressing the root causes of human rights risks in the procurement areas.

We engage in continuous and systematic dialogue with decision-makers and officials concerning issues that impact our operations. In addition, we actively influence the development of the sector and the related discussion. Our communication with the influencers is open and we are a reliable partner for our stakeholders.

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



S GROUP'S STAKEHOLDERS

- CO-OP MEMBERS
- PERSONNEL
- CIVIC ORGANISATIONS
- MEDIA REPRESENTATIVES
- POLITICAL DECISION-MAKERS
- SUPPLIERS
- BUSINESS AREA ORGANISATIONS
- AUTHORITIES

Management and governance

Supervisory Board, Executive Board and Corporate Management Team

SOK's Supervisory Board 2017



MATTI PIKKARAINEN

(born 1953)

- Oulu
- D. Th.
- chairperson 2013–
- chairperson of the Supervisory Board of the Osuuskauppa Arina cooperative
- member of the Supervisory Board 2004–
- outgoing in 2019



TIMO SANTAVUO

(born 1960)

- Pori
- lawyer, LL.M. with court training
- first vice chairman 2017–
- chairman of the Supervisory Board of the Satakunnan Osuuskauppa cooperative
- member of the Supervisory Board 2000–
- outgoing in 2018



ANTTI MÄÄTTÄ

(born 1966)

- Muurame
- M.Sc. (B.A.)
- second vice chairman 2015–
- managing director of the Osuuskauppa Keskimaa cooperative
- member of the Supervisory Board 2013–
- outgoing in 2019

JORMA BERGHOLM

(born 1954)

- Helsinki
- managing director
- chairman of the Supervisory Board of the Helsingin Osuuskauppa Elanto cooperative
- member of the Supervisory Board 2005–
- outgoing in 2020

PENTTI HÄMÄLÄINEN

(born 1954)

- Hamina
- lawyer
- chairman of the Supervisory Board of the Kymen Seudun Osuuskauppa cooperative
- member of the Supervisory Board 2008–
- outgoing in 2018

HENRIK KARVONEN

(born 1972)

- Kuusamo
- managing director of the Koillismaan Osuuskauppa cooperative
- member of the Supervisory Board 2014–
- outgoing in 2018

SINIKKA KELHÄ

(born 1964)

- Rauma
- lawyer
- chairperson of the Supervisory Board of the Osuuskauppa Keula cooperative
- member of the Supervisory Board 2017–
- outgoing in 2020

KIMMO KOIVISTO

(born 1956)

- Salo
- farmer
- chairman of the Supervisory Board of the Suur-Seudun Osuuskauppa SSO cooperative
- member of the Supervisory Board 2007–
- outgoing in 2019

MARTTI LOKKA

(s. 1967)

- Mikkeli
- managing director, building manager
- chairman of the Supervisory Board of the Osuuskauppa Suur-Savo cooperative
- member of the Supervisory Board 2014–
- outgoing in 2018

MATTI MANNER
(born 1953)

- Naantali
- lawyer, law counsellor
- chairman of the Executive Board of the Turun Osuuskauppa cooperative
- member of the Supervisory Board 2016–
- outgoing in 2019

ANNE MÄKELÄ
(born 1965)

- Kokkola
- lawyer, LL.M. with court training
- chairman of the Supervisory Board of the Osuuskauppa KPO cooperative
- member of the Supervisory Board 2015–
- outgoing in 2020

HANNU PELKONEN
(born 1967)

- Sotkamo
- managing director of the Osuuskauppa Maakunta cooperative
- member of the Supervisory Board 2015–
- outgoing in 2018

ILKKA PIRSKANEN
(born 1962)

- Joensuu
- managing director
- chairman of the Supervisory Board of the Pohjois-Karjalan Osuuskauppa cooperative
- member of the Supervisory Board 2015–
- outgoing in 2019

TIMO RAJALA
(born 1957)

- Akaa
- administrative director
- chairman of the Supervisory Board of the Pirkanmaan Osuuskauppa cooperative
- member of the Supervisory Board 2017–
- outgoing in 2020

JARKKO RAUTAOJA
(born 1964)

- Heinola
- M.Sc. (Tech.)
- Vice chairman of the Supervisory Board of the Osuuskauppa Hämeenmaa cooperative
- member of the Supervisory Board 2017–
- outgoing in 2020

PEKKA RITVANEN
(born 1955)

- Kuopio
- M.Sc. (Tech.)
- managing director
- member of the Board of Directors of the Osuuskauppa Peeässä cooperative
- member of the Supervisory Board 2014–
- outgoing in 2020

MERVI SILLANPÄÄ-JAATINEN
(born 1957)

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

MATTI TIMONEN
(born 1956)

- Nurmes
- farmer
- chairman of the Supervisory Board of the Jukolan Osuuskauppa cooperative
- member of the Supervisory Board 2011–
- outgoing in 2020

ELINA VARAMÄKI
(born 1971)

- Seinäjoki
- vice principal, docent
- chairman of the Supervisory Board of the Etelä-Pohjanmaan Osuuskauppa cooperative
- member of the Supervisory Board 2016–
- outgoing in 2019

KRISTIAN WESTERHOLM
(born 1969)

- Inkoo
- M.Sc. (Agr.)
- chairman of the Supervisory Board of the Varuboden-Osla Handelslag cooperative
- member of the Supervisory Board 2016–
- outgoing in 2019

PERSONNEL REPRESENTATIVES:

ULLA KIVILAAKSO
(born 1970)

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

IIRIS MERIMAA
(born 1962)

- Helsinki
- administrative assistant
- SOK Administrative Services and Risk Management
- member of the Supervisory Board 2009–
- outgoing in 2018

SOK's Executive Board 2017



TAAVI HEIKKILÄ
(born 1962)

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



MATTI NIEMI
(born 1955)

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



HEIKKI HÄMÄLÄINEN
(s. 1966)

- Managing Director, M.Sc. (B.A.)
- Osuuskauppa Suur-Savo cooperative
- Member of SOK's Executive Board 2014–
- With S Group 1990–



TAPIO KANKAANPÄÄ
(born 1962)

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



HANNU KROOK
(born 1965)

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



TIMO MÄKI-ULLAKKO
(born 1963)

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



OLLI VORMISTO
(born 1967)

- Managing Director, M.Sc. (B.A.)
- Osuuskauppa Hämeenmaa cooperative
- Member of SOK's Executive Board 2017–
- With S Group 1989–

SECRETARY OF THE EXECUTIVE BOARD:

SEPPO KUITUNEN
(born 1961)

- General Counsel, LL.M
- Legal Affairs
- With S Group 2005–

Corporate Management Team 2017



TAAVI HEIKKILÄ
(born 1962)

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



JARI ANNALA
(born 1964)

- Executive Vice President, CFO, M.Sc. (B.A.)
- Finance and Administration
- With S Group 1989–



ARTTU LAINE
(born 1970)

- Executive Vice President, M.Sc. (B.A.)
- Chain Management, Procurement and Logistics
- With S Group 1995–



SUSA NIKULA
(born 1970)

- Executive Vice President, M.A. (Ed.)
- HR
- With S Group 1995–



SEBASTIAN NYSTRÖM
(born 1974)

- Executive Vice President, M.Sc. (Tech.)
- Strategy
- With S Group 2015–



JORMA VEHVILÄINEN
(born 1967)

- Executive Vice President, M.Sc. (B.A.)
- SOK Liiketoiminta Oy
- With S Group 1991–



VELI-PEKKA ÄÄRI
(born 1968)

- Executive Vice President, M. Soc. Sc.
- Customer Relations, Communications, Marketing and Digital Services
- With S Group 2011–

SECRETARY OF THE CORPORATE MANAGEMENT TEAM

SEPPO KUITUNEN
(s. 1961)

- General Counsel, LL.M
- Legal Affairs
- With S Group 2005–

SOK Corporation's Corporate Governance and Management System

Applicable Rules

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

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

Cooperative Meeting

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

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

Supervisory Board

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

The Supervisory Board oversees that the administration of the cooperative society and SOK Corporation complies with the law, the Statutes, and the decisions of the Cooperative Meeting and the Supervisory Board, and that such administration is in the cooperative society's best interests. 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 who are employed by the cooperative society.

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

The Supervisory Board has ratified rules of procedure for itself.

The chairman of the Supervisory Board and the two vice-chairmen comprise the Committee of Presiding

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

The members of the Committee of Presiding Officers are:

- Chairman Matti Pikkarainen (born 1953), D. Th.n
- 1st vice-chairman, lawyer Timo Santavuo (born 1960)
- 2nd vice-chairman, managing director Antti Määttä (born 1966), M. Sc. (Econ.)

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

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

The Supervisory Board had 20 members and two personnel representatives in 2017. In 2017, the Supervisory Board convened five times. The attendance rate of the Supervisory Board members in the meetings was 90%.

The special compensation for the chairman of the Supervisory Board was EUR 4,000 per month, and the vice-chairmen were each paid a compensation of EUR 1,500 per month in 2017. The meeting compensation for the chairmen and members of the Supervisory Board in 2017 was EUR 460 for each meeting and per day spent carrying out a specific assignment.

Executive Board

ELECTION AND COMPOSITION OF THE EXECUTIVE BOARD

According to SOK's Statutes, the Executive Board is composed of the Cooperative's CEO, acting as chairman, and of a minimum of three and a maximum of eight other members. The Supervisory Board elects the members of the Executive Board for a term of one calendar year on the basis of the Nomination Committee's proposal. According to the rules, a person being elected 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, but, on the other hand, continuity is also considered important in the work of the Executive Board. The Board composition that deviates from the Code of Governance is attributable to SOK's ownership base, S Group's structure and the Executive Board's role in steering the Group's operations. The steering requires that the owner organisations have sufficient representation in the Board.

In 2017, SOK's Executive Board had seven members, six of whom were managing directors of cooperative enterprises. In accordance with the cooperative society's rules, SOK's Chief Executive Officer is the Chairman of the Executive Board.

In 2017, the composition of SOK's Executive Board was as follows:

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

Matti Niemi and Tapio Kankaanpää resigned from SOK's Executive Board in 2018. In its meeting of 9 November 2017, the Supervisory Board elected managing director, M.Sc. (B.A.) Veli-Matti Liimatainen (born 1969) and managing director, M.Sc. (B.A.) Juha Kivelä (born 1966) as the new members replacing the resignees. The terms of the other 2017 members in the Board continue, and Hannu Krook was elected as vice-chairman for 2018.

DUTIES OF THE EXECUTIVE BOARD

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

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

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

MEETINGS OF THE EXECUTIVE BOARD

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

The Executive Board convened 13 times during 2017, and the members' attendance rate was 99 per cent. The members of the Executive Board were paid a total of EUR 115,200 in remuneration in 2017. As the chairman of the Executive Board, the CEO of SOK does not receive separate remuneration for his work in the Executive Board. The chairman and vice chairmen of the Supervisory Board are also entitled to attend the meetings of the Executive Board.

CEO

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

CEO Taavi Heikkilä (born 1962) was chairman of SOK's Executive Board and CEO, as referred to in the Cooperatives Act. In 2017, the salary (including fringe benefits) and bonuses paid to SOK's CEO totalled EUR 1,070,506. The fringe benefits of SOK's CEO included a corporate residence. Its taxation value is included in the aforementioned remuneration amount. The CEO is covered by a defined contribution additional pension scheme, and their retirement age is 63 years.

SOK's Corporate Management Team

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

At the end of the year, the Corporate Management Team had six members, and it convened 24 times in 2017. In 2017, the Corporate Management Team was paid a total of EUR 2,320,794 in salaries and bonuses. This amount also includes fringe benefits.

Subsidiaries

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

The subsidiary's Board elects the company's managing director, but 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 subsidiaries are guided by the Corporation-wide principles and operating policies decided by SOK's Executive Board, among others.

Chain Management

SOK's chain management units are responsible for developing the business area or chains and the value chain and for preparing matters to be decided on by SOK's Executive Board. Key responsibilities include the preparation of the competition strategy of the chains, the chain business idea and development of the chain concept as well as the chains' annual operating plan. The business

chain management units are managed by chain directors, who are included in the responsibility area of Executive Vice Presidents at the Corporate Management Team level. The business support teams provide inspiration and assistance to the chain management units. The teams consist of 4–6 representatives of regional cooperatives' managing directors and representatives of SOK's chain management. An Executive Vice President of SOK serves as the chairperson of the business support teams.

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

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

Management Bonus Scheme

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

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

Audit

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

The Annual Cooperative Meeting elected KPMG Oy Ab, Authorised Public Accountants, as SOK's auditor for 2017, with Jukka Rajala, APA, as the principal auditor.

In 2017, the auditing fees paid by the SOK Corporation companies in Finland, the Baltic countries and Russia for auditing operations amounted to EUR 465,417, and other fees not related to auditing amounted to EUR 153,951.

Internal Control, Internal Audit, and Risk Management

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

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

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

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

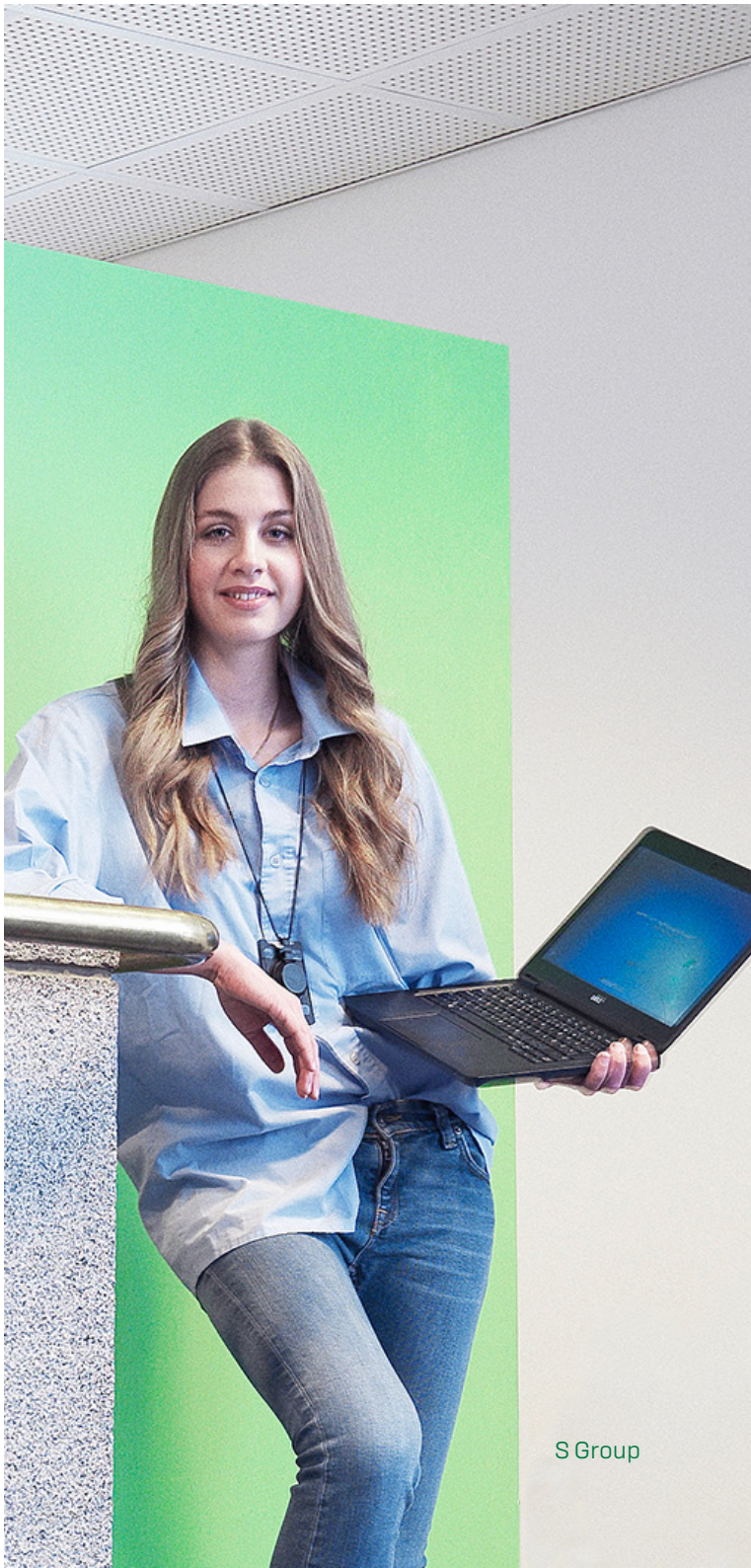
support for risk management. SOK's internal audit function assesses the sufficiency and functioning of the risk management processes.

Financial Reporting

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

Communications

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





For the good of society

S Group and cooperatives create well-being in all of Finland. We employ nearly 40,000 people and specifically invest in employing young people. As a responsible employer, we offer many young people their first contact with working life.

We create economic well-being throughout the country by making investments and by doing that, employing people indirectly as well. We take responsibility for the vitality of the Finnish food supply chain, in particular, by purchasing local products and services.

We reward our co-op members monthly with cash. In addition to the Bonus, our co-op members receive a payment method-based benefit, interest on the membership fee, and return of surplus. Moreover, we support sports, culture and the common good both locally and nationally with millions of euros per year.

COMMON GOOD MORE THAN EUR

6

MILLION

More than half of the support sum was allocated to sports. The remaining amount was divided between supporting social activities and culture as well as used in various donations.

TAX WITHHOLDINGS AND CORPORATE TAX EUR

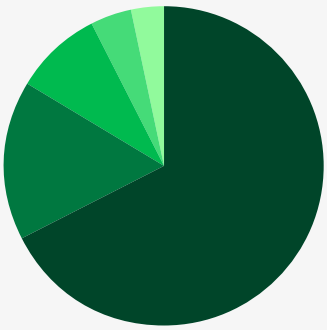
272

MILLION

Tax withholding from salaries and the corporate tax paid by the S Group companies are, to a large extent, accumulated by municipalities. The tax revenue is used to finance services offered by society in each cooperative's region in Finland.



S GROUP'S SOCIAL INFLUENCE EUR 11 732 MILLION



- Purchases from suppliers of goods and services EUR 7931 million
- Taxes EUR 1907 million
- Personnel remuneration EUR 1020 million
- Investments EUR 492 million
- Rewards to co-op members EUR 382 EUR

Tax footprint

The taxes we pay are distributed across Finland

S Group companies remitted a total of EUR 1.9 billion in taxes and payments to the state of Finland and municipalities in 2017. In addition to direct and indirect taxes on consumption, S Group's tax footprint includes the tax-like payments related to the personnel and the tax withholdings from the employees' salaries

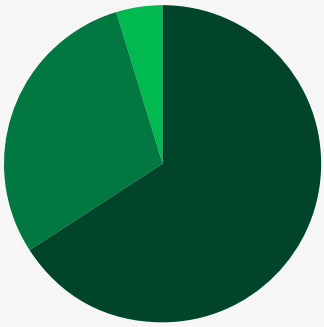
In addition to the remittances described in the tax footprint, S Group has paid local taxes on the operations of its companies in Estonia, Latvia, Lithuania and Russia in accordance with the regulations of each country.

In the recent years, the focus of taxation has shifted from income taxes towards indirect taxes. Indirect taxes include value added tax and various excise duties, such as alcohol and tobacco taxes as well as fuel tax. Value added tax is a common consumption tax ultimately paid by the consumers of goods and services, in other words mostly households. S Group remits 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, which are levied from product manufacturers, producers, importers or wholesale. Many products sold by S Group include excise duties.

In addition to the taxes described in the tax footprint, S Group pays transfer tax, lottery tax, tax at source and vehicle tax, which are not included in the figure below.

TAX FOOTPRINT EUR 1,9 BILLION

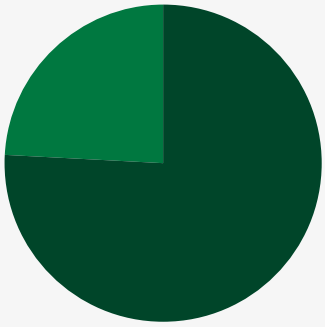


- Indirect taxes EUR 1259 million
- Withholdings and employer contributions EUR 563 million
- Income and capital taxes EUR 85 million

S GOUP'S TAX FOOTPRINT	2017	2016	2015
Income and capital taxes			
Corporate income tax	65,2	63,5	70,4
YLE tax	0,1	0,1	0,1
Property tax	19,7	18,4	17,8
Indirect taxes			
Remitted value added tax	269,3	261,3	267,9
Insurance premium tax	0,7	0,6	0,6
Electricity tax	24,4	24,8	24,8
Waste tax	0,5	0,5	0,5
Fuel excise duty	612,0	480,4	459,8
Excise duty on soft drinks	31,8	63,5	57,8
Alcohol tax	24,1	24,3	27,1
Tobacco tax	253,0	231,5	230,1
Import customs duties	7,1	5,3	4,0
Car tax	35,7	34,5	N/A
Withholdings and employer contributions			
Remitted withholdings from salaries	206,4	215,1	220,9
Pension insurance payments	306,5	255,9	257,9
Employer's social security payment	50,6	21,9	22,2
Total	**1 907,1**	**1 701,6**	**1 661,9**

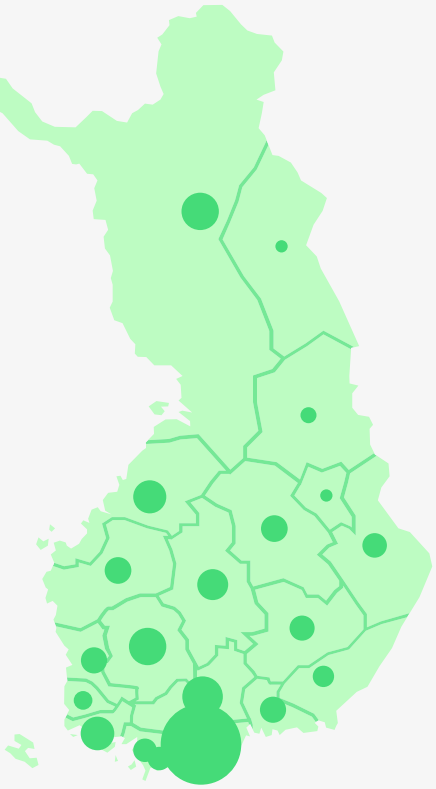
The majority of the tax income generated by S Group is distributed regionally around Finland. In particular, tax withholding from salaries and the corporate tax paid by the S Group companies are, to a large extent, accumulated by municipalities. The tax revenue is used to finance services offered by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

WITHHOLDINGS AND CORPORATE TAXES EUR 272 MILLION



Withholdings EUR 207, million

Corporate taxes EUR 65, million



Responsibility partnerships

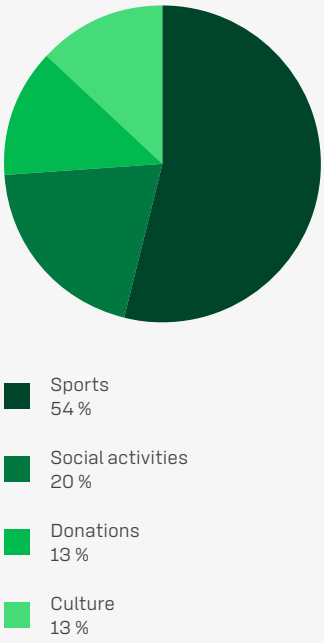
Sports, culture and the common good

In 2017, S Group supported various instances by more than six million euros both locally and nationally. More than half of the support sum was allocated to sports. The remaining amount was divided between supporting social activities and culture as well as used in various donations.

Our nationwide partners include the Finnish Red Cross, the Mannerheim League for Child Welfare (MLL), the Children's Day Foundation, and the Football Association of Finland. S Group annually awards the largest share of its support to national partners.

We also have regional responsibility partnerships, and the cooperatives extensively support local activities. For example, the Kannustajat ('Supporters') concept is a way for the cooperatives to support for the hobbies and activities of children and young people in a transparent way. Co-op members can join as supporters and influence the target and amount of the support the cooperative pays.

RESPONSIBILITY PARTNERSHIPS, %



A better Christmas for low-income families

S Group participated in the Good Holiday Spirit fund-raising campaign in 2017 as well. The proceeds of the campaign amounted to approximately EUR 2 million and were used to purchase gift cards for 30,000 families. The gift cards were distributed to families with children in Finland who are experiencing financial hardships due to unemployment, illness or excessive indebtedness, for example.

Employing young people

Working in retail – a dream job for the young?



Samir Heroum is a 24-year-old Helsinki resident, who has been working at Alepa for a few years. Samir has always been interested in working in customer service.

“This is my job, and I like it a lot. The work is interesting, and my co-workers are fun to work with and the team spirit is great. There is never a dull moment at work with my co-workers.”

Samir appreciates S Group employing lots of young people and offering summer jobs and trainee positions.

“I also know young people who would not want to work in retail. I don’t think it’s because they have had any bad experiences; they just don’t have accurate information on what working in retail entails. Many I’m sure may also have a biased opinion about it.”

S Group employees play an important role in how the young people experience their jobs and in putting out a good word.

“Employing young people who often may not have previous work experience comes with huge responsibility. Successful experiences create a sense of competence and of being valued in the workplace. At worst, negative experiences may even lead to marginalisation,” says SOK’s well-being director Sanna-Mari Myllynen.

Samir Heroum is one of the young sponsor employees in S Group’s Nuori mieli työssä (‘Young minds at work’) project.

S GROUP EMPLOYS

13 000

SUMMER EMPLOYEES

The food manifesto

Finland – a country with the world's best food innovations

S Group wants to make Finland a country with the world's best food innovations. That is why we decided to compile the food manifesto, which envisions the future through both ideas and action.

We asked ourselves: What can we – S Group – do for Finnish food? What new can we come up with? What should we do even more? The answer we found is a series of acts by which we want to contribute to Finland becoming a leading country in terms of food development.

The acts are based on the nine theses prepared in the manifesto, which will predict how everyone's grocery store will be changing. For example, we want children to develop healthier eating habits. We need more products that are delicious, healthy and appealing and designed for children. In addition, we want there to be less food waste, more fact-based discussion on food, increased consumption of domestic products and more innovations in the food supply chain.

It is clear that for Finland to become one of the leaders of food development on a global scale, we all must contribute to and accelerate the development. Our food manifesto has three objectives. The spirit of open-mindedness, tolerance and doing things together should be strengthened. In addition, we want to be bold and exposed to faster changes. Our goal is to activate and inspire discussion.

In the discussion, focusing on the future instead of the past is important.

How was the food manifesto created?

The manifesto is a result of gradual steps and collaboration. It all started with the Great Food Discussion, which brought together more than 500 food supply chain operators and influencers. The ideas were honed further in an idea incubator with food sector specialists after the discussion.



After that, we involved more than 8,000 customers of ours in creating the manifesto.

And voilà – we had prepared the theses concerning food in the future.

Why does S Group lower prices?

We want everyone to afford to eat well



"Lowering prices is basic activity in the cooperative and addresses the wishes of our customers. When we launched the price lowering concept January 2015, 81% of Finns considered the price of food to be too high in Finland. This figure has decreased by as much as seven percentage points in three years.

Lowering prices is not a temporary campaign but a long-term strategic change.

Naturally, there will be fluctuation in our prices as well, but we will continue to accept a lower margin in order to continue this strategy. In part, the continued lowering of prices will be made possible by the state-of-the-art automation of the Sipoo logistics centre."



Arttu Laine
Executive Vice President, SOK



Climate change and the circular economy

Keyfigures

Climate change is one of the greatest challenges of our time, and everyone must be on board to mitigate it.

S Group's most important tools for mitigating climate change include reducing emissions by making energy consumption more efficient and switching to renewable energy sources. Efficient recycling of materials and management of food waste also play an important role.

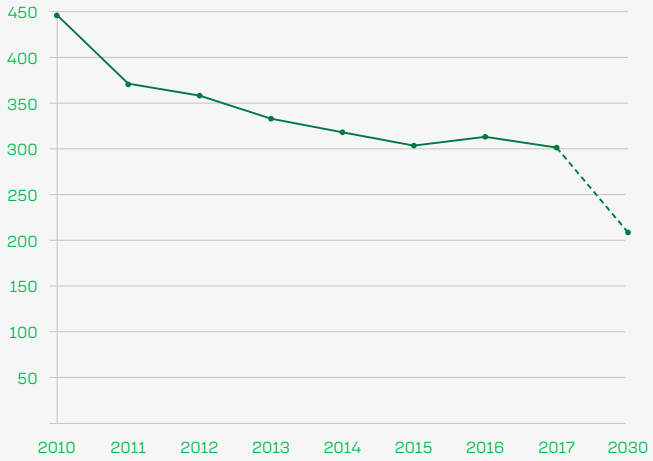
Energy consumption

In Finland, our goal is to increase the efficiency of our use of energy by 30 per cent compared to the 2015 level by 2030. In 2017, the energy we consumed in our outlets in Finland totalled 306 kWh per gross m2, which is 1.1 per cent more than in 2015. Compared to 2016, the efficiency of our relative energy consumption has improved by 1.5 per cent. Since 2010, we have reduced our relative energy consumption by nearly 30 per cent by adding doors to refrigeration cabinets and switching to LED lighting.

Renewable electricity

In 2017, S Group's own, emission-free wind energy accounted for 50.2 per cent of the production of electricity we used in Finland. In total, the share of electricity produced from renewable sources was nearly 60 per cent. Our goal is to cover 80 per cent of our electricity consumption with own renewable wind and solar energy by the end of 2025.

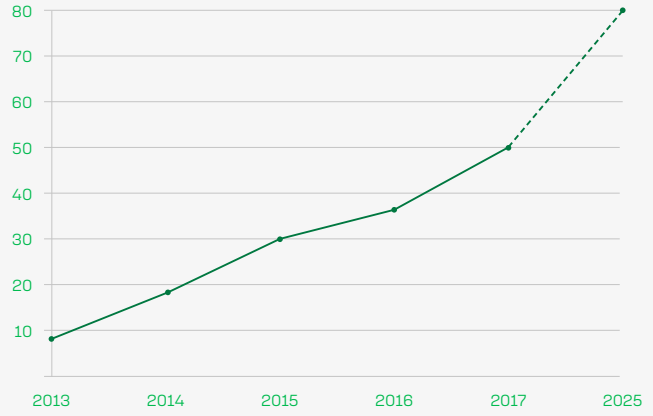
SPECIFIC CONSUMPTION OF ENERGY, FINLAND (KWH PER GROSS M²)



KWH PER GROSS M²	2010	2011	2012	2013	2014	2015	2016	2017
	441	372	361	333	320	303	311	306

[1]Weather-corrected. The reported consumption data is based on data measured and reported by building or by residence. Coverage of data in the outlets being monitored: electricity 90%, heating 62%, water 67%. The area data covers 88% of the outlets.

SHARE OF S GROUP'S OWN WIND ENERGY (%)

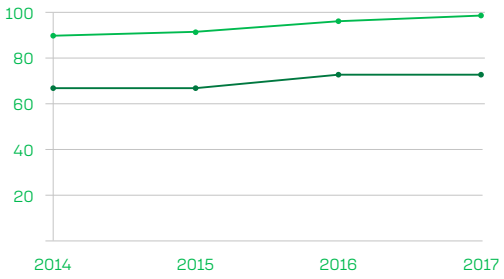


%	2013	2014	2015	2016	2017
	9	19	30	35	50



Recycling rate and waste utilisation rate (Finland)

Our recycling rate exceeded the target of 70 per cent we had set, and nearly all waste was utilised as material or energy.



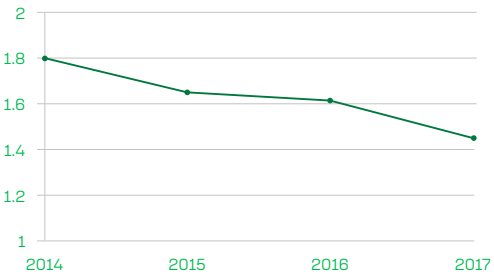
Recycling rate (%)* Waste utilisation rate (%)

%	2014	2015	2016	2017
Recycling rate (%)*	67	67	72	73
Waste utilisation rate (%)	90	91	98	99

*Recycling rate includes material recycling as well as composting and the utilisation of separately collected organic waste in the production of biogas or bio ethanol.

Food loss

We reduced our relative food loss by more than the target we had set, in other words 17 per cent from 2014.



Relative food loss (%)

%	2014	2015	2016	2017
Relative food loss %	1.79	1.67	1.63	1.49

Disposed food loss in relation to sales (EUR/EUR). The absolute food loss amount was 31.5 million kg in 2017

Renewable energy

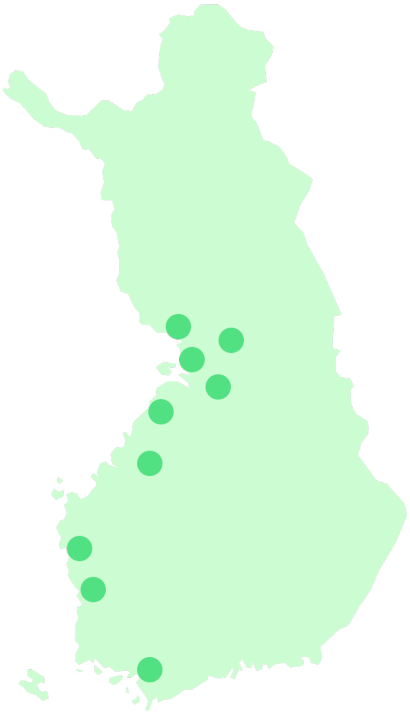
We invest in wind power

S Group consumes more than one per cent of the electricity in the whole of Finland. Our 1,600 outlets around Finland need electricity for lighting and refrigeration, in particular. Emission-free Finnish wind energy produced by Tuuliwatti Oy, owned jointly by S Group and St1, already accounts for more than 50% of electricity

50 %
SHARE OF S GROUP'S OWN WIND POWER IN ELECTRICITY

14
WIND FARMS

131
WIND TURBINES



Is the emission-free wind also efficient?

S Group's electricity procurement company S-voima and St1 jointly own Tuuliwatti Oy, which produces approximately 1.3 per cent of electricity in Finland with its 130 wind turbines.

"I believe that an increasing share of the electricity we use will be produced from renewable sources of energy in the future. The technological advances in the production of renewable energy are rapid, increasing the cost effectiveness of energy produced in this manner. The existing wind turbines are already fairly effective. The amount of electricity produced by one wind turbine of ours equals the electricity consumption of ten S-markets.

Government subsidies have accelerated the transitioning to renewable energy. All Finnish wind power projects completed by the end of 2017 will be supported by means of a subsidy based on the market price of electricity for a period of 12 years. The same subsidy mechanism will also support electricity produced from forest chips, biogas and wood fuels. It should be kept in mind that investments in electricity production always require considerable financial inputs from the operator as well.

The amount of subsidies will decrease in the future. In Finland, a model is being prepared for the renewable energy portion, in which competitive bidding on a certain amount of renewable energy is organised at regular intervals and the most economical offer wins. However, any competitive bidding is just one interim stage, in which the ground rules play an important role."



Mikko Halonen
Managing Director, S-voima

How do Simo residents feel about the wind turbines?

More than 25% of Tuuliwatti's wind turbines operate in Simo, a municipality with roughly 3,000 residents and located in the northern part of the Gulf of Bothnia. How do the residents of the municipality feel about the 37 wind turbines?

"Overall, the residents have a positive attitude towards wind power. I think the reasons for this include, in part, wind power being aligned with our environmental values and, in particular, our partner being a reliable and responsible Finnish operator. Wind power creates jobs and generates tax revenue, and the construction phase gives an overall extra boost to the municipality.

Of course, a few opposing voices have also been heard. In a few cases, the turbines located around the municipal centre have interfered with TV reception. However, usually the issue has been associated with the direction of the antenna, which has been solved by a professional installing the antenna."



Vivi Marttila
municipal manager of Simo

RENEWABLE ELECTRICITY TARGET

80 %

IN 2025

Our objective is that in 2025, 80 per cent of the electricity we use is produced from our own renewable energy.



Energy consumption

S Group is in the process of implementing harmonised operating models for the systematic maintenance and annual repair planning of properties. Measures concerning energy consumption will be included in the long-term plans and used for defining outlet-specific energy consumption targets. The goal is to define and maintain an energy consumption target specific to each outlet. Opportunities to increase the use of renewable forms of energy are surveyed at each site when properties are renovated or new outlets are built.

In Finland, the absolute consumption of electrical energy has decreased compared to the previous year, whereas the consumption of heating energy has increased slightly. Based on specific consumption, energy efficiency in Finland has improved by slightly more than one per cent. The network of outlets in retail has not grown significantly, but the deregulation of the opening hours of outlets has continued. The retail group has implemented a number of measures to improve the efficiency of energy use, but improving energy efficiency further is still possible.

S Group has signed energy efficiency agreements concerning the retail sector and travel industry and hospitality business. The objective of the agreements is to reduce energy consumption by a total of 101 gigawatt hours in 2017–2025.

CONSUMPTION AND AREAS IN S GROUP

1 194
ELECTRICITY GWH

488
HEATING GWH

2,41
WATER, MILLION M3

5,36
AREA, MILLION GROSS M2

CONSUMPTION AND AREAS IN FINLAND	2015	2016	2017
Electricity, GWh	1111	1137	1119
Heating[1], GWh	419	440	449
Energy, total, GWh	1530	1577	1568
Water, million. m^3	2,11	2,06	2,03
Area, million gross m^2	5,05	5,07	5,12

[1]Weather-corrected

CONSUMPTION AND AREAS IN THE NEIGHBOURING COUNTRIES [2]	2015	2016	2017
Electricity, GWh	82	85	75
Heating[1], GWh	28	36	40
Energy, total, GWh	110	121	115
Water, million. m^3	0,14	0,24	0,38
Area, million gross m^2	0,17	0,37	0,24

[1]Weather-corrected
[2]The neighbouring countries refer to Russia, Estonia, Latvia and Lithuania. The 2015–2016 figures include Latvia and Lithuania, where business operations were discontinued in 2017. In 2017, the coverage of data concerning Estonia and Russia improved compared to the previous years.

Emissions

Steadily decreasing

Preventing and reducing emissions released into the atmosphere are an important part of S Group's climate work, and S Group has reduced greenhouse gas emissions from its own operations by nearly 30 per cent since 2015.

S Group is also committed to setting a science-based emissions reduction target, which covers not only S Group's own operations but also the emissions generated in S Group's value chain, such as in the production of products sold by S Group.

S Group's emissions 2017

The majority of emissions in S Group's own operations are generated by the production of the electricity and heating used by the outlets and by refrigerant leakages from cold storage equipment. S Group's emissions have been calculated in accordance with the GHG Protocol standard.

EMISSIONS FROM S GROUP'S OWN OPERATIONS

295,600

TCO2E

S GROUP'S EMISSION INTENSITY

26,2

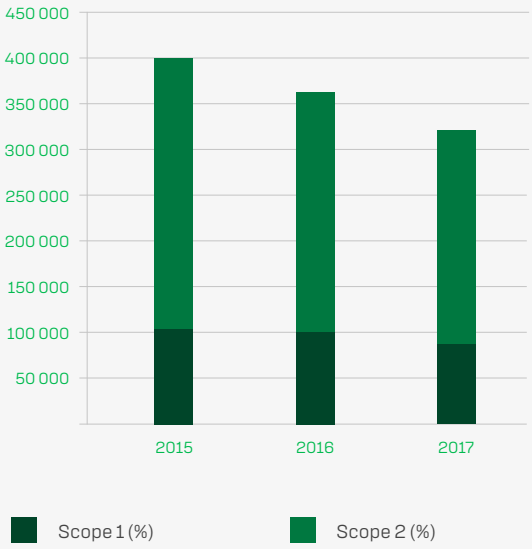
TCO2E/SALES EUR MILLION)

EMISSION INTENSITY

55,2

TCO2E/1000 M2

EMISSIONS FROM S GROUP'S OWN OPERATIONS (TCO2E)



EMISSIONS FROM S GROUP'S OWN OPERATION (TCO2E)	2015	2016	2017
Direct scope 1			
Own heating production	9,000	4,400	5,600
Refrigerant leaks in stores	94,000	96,000	81,000
Indirect scope 2			
Purchased electricity (area-specific)	224,000	187,000	140,300
Purchased district heating and cooling (area-specific)	74,000	78,000	68,700
Scope 1 & 2 total	**401,000**	**365,400**	**295,600**

The figures include Finland and the neighbouring countries. Previous years' reports included Finland only. Scope 1 and 2 emissions assurance report. The market-based emissions of electricity in accordance with the GHG Protocol standard for purchased electricity were 172,000 tCO2e in 2017.

SCOPE 1

Emissions included in Scope 1 reporting, or direct emissions, are greenhouse gas emissions generated directly by S Group's own operations. In practice, the emissions are generated by the fuel used for heating S Group's properties and by leakage of refrigerants. Refrigerants are cooling gases which circulate in the pipes of freezers and refrigerators. When released into the atmosphere, refrigerants behave like carbon dioxide and warm the climate, although their warming effect is nearly 4,000 times more intense than that of carbon dioxide. If a pipe in the cold storage equipment is dented or has even a minor puncture, refrigerant may leak into the atmosphere. Therefore, leaks are carefully monitored and measures are taken to minimise them.

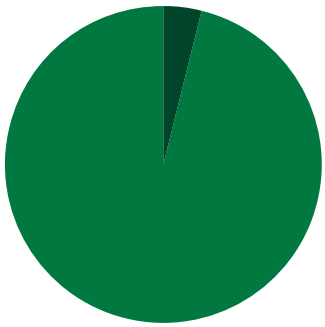
SCOPE 2

Emissions included in Scope 2 reporting, or indirect emissions, are greenhouse gas emissions generated by the production of purchased electricity and district heating.

SCOPE 3

Scope 3, or other indirect emissions include the emissions of products and services purchased by S Group during their life cycle, such as the manufacturing, packaging and transporting of products, customer transportation 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 from the production, transmission and distribution of purchased energy. liikematkat, S-ryhmän jätteiden loppukäsittely, S-ryhmän investoinnit sekä hankitun energian tuotannon- ja jakelun hävikistä aiheutuneet päästöt.

S GROUP'S DIRECT AND INDIRECT EMISSIONS, %



Emissions from own operations (Scope 1 & 2)
4 %

Emissions generated in the value chain (Scope 3)
96 %

EMISSION FROM S GROUP'S VALUE CHAIN (SCOPE 3)	2015	2016	2017
Upstream			
Purchased products and services[1]	6,094,000	6,104,000	5,804,000
Capital assets (buildings)	22,000	34,000	14,000
Halndirect emissions of purchased energy[1]	43,000	47,000	41,000
Product transportation and delivery[2]	116,000	78,600	72,600
Waste	25,000	22,000	21,800
Business travel	2,200	2,000	1,900
Commuting	25,000	26,000	24,000
Downstream			
Customer transportation	289,000	283,000	278,000
Use of products sold[1]	2,400,000	2,330,000	2,200,000
Total	**9,016,200**	**8,926,600**	**8,457,300**

[1] The assurance report of selected Scope 3 emissions categories. The calculation principles of Scope 3 emissions are provided in a separate Scope 3 report.
[2] The 2017 transportation emissions also include the emissions from ABC fuel transports.

Reducing emissions

Key factors in reducing the emissions of S Group's own operations include improving the efficiency of energy use, increasing the share of renewable energy, minimising refrigerant leakages and replacing old cold storage equipment with equipment using carbon dioxide. S Group is also committed to setting a science-based emission reduction target in2018.

S Group's own wind power enabled the Group to reduce emissions by 160,000 tonnes (CO2e) in 2017 compared to the semissions of the residual mix of electricity production in Finland in 2016.

More than 90 per cent of S Group's emissions are generated within our value chain, such as in the manufacture of products sold by S Group. In terms of fuel, emissions are generated when products are being used on the road. We surveyed our suppliers' targets concerning energy efficiency, renewable energy and emissions reductions by means of a supplier survey at the end of 2017. Nearly half of the respondents had objective target in place for reducing emissions, such as renewable energy or energy efficiency targets. The results of the survey were applied in defining the emissions reduction target for S Group's value chain.

In terms of fuel sold by S Group, emissions can be reduced by increasing the share of the bio component mixed in the fuel. In addition, the high-level ethanol blend (Eko E85) sold to customers reduces emissions in relation to fossil fuels. In 2017, the computational emission reduction of biofuels purchased by S Group in relation to fossil fuels was approximately 188,000 tonnes (CO2e). Sixty-four per cent of the raw materials of purchased biofuels were based on waste and residue, and part of the organic waste used as raw material is collected from S Group's own outlets. The sales of the Eko E85 fuel increased by 24 per cent from the previous year.

Energy self-sufficiency in Finland's largest logistics centre

The grocery logistics centre of S Group's Inex Partners is 30 times larger than the Parliament House of Finland. Millions of products travel to S Group stores across Finland through the centre every day.

In addition to its size and advanced automation, the advanced self-sufficiency in terms of energy is also among the characteristics of the centre, located in Sipoo. For example, the building is designed to recover the waste heat generated by the cooling of the storage rooms of dairy products, meat and fish, and the recovered heat is used to heat other areas. A full third of the heating needed by the centre was generated in this manner. Together with the adjacent consumer goods logistics centre, the grocery logistics centre is one of the largest sites where geothermal heating is used in Europe. There are a total of 300 geothermal wells underneath the buildings, and they covered 20 per cent of the total energy need of the logistics centre in 2017.

The remaining 57 per cent of heat was generated in the centre's own heating plant with renewable pellet energy, and the last percentage of heating energy is produced with oil, which is a supplementary source of energy. In the future, the need for heat generated with pellets will increase. Since February 2018, processed fresh products, such as fish and dairy, travel through the automated system of the Sipoo centre, and Finland's largest freezer will be opened in Sipoo in August. An increasing amount of heat is generated as a by-product of cooling the cold storage equipment and cooled halls, which will substitute for the need of heat produced with pellets.

In 2017, the grocery operations of the logistics centre used 28,740 megawatt hours of electricity and 16,682 megawatt hours of heat, which is equivalent of the annual consumption of approximately 3,000 single-family homes. Sixty per cent of electricity was generated by renewable energy, the majority of which is S Group's own wind power.

The renewable forms of energy used in the new logistics centre have helped reduce the emissions of the grocery operations by 2,000 tonnes annually, compared to an equivalent facility using district heating. Overall, the centre's grocery operations generate 1,630 tonnes less emissions than the former Kilo logistics centre, although the consumption is considerably higher.





New winds in driving – electricity or bioethanol?

The Sustainability Director of NEOT Oy, the joint fuel procurement company of SOK and St1, compares the climate impacts of ABC's Eko E85 bioethanol and an electric car. Which one offers cleaner driving?

"Switching from a traditional combustion engine to either an electrical engine or combustion engine running on biofuel can reduce emissions generated by traffic by nearly 75 per cent.

The share of waste and residue raw materials, such as bread not suitable for sale and sawdust, in the E85 bioethanol available at ABC stations is 85 per cent. The fuel is produced at seven different facilities across Finland. The waste heat generated by the production of bioethanol is used for energy, and the mash from distilling is used for animal feed or energy. In practice, the emissions of the E85 fuel are generated by fossil petrol, which accounts for approximately 15 per cent of the fuel.

Whether the electricity used to recharge electric cars is renewable or from fossil sources is important in terms of the emissions generated by driving electric cars. When electric cars are recharged with renewable electricity, such as that available at Fortum's recharging points at ABC stations, driving is practically emission-free. Proportioned to the average emissions in the electrical grid of Finland, driving electric cars reduces emissions by nearly 90 per cent compared to driving conventional petrol-powered cars and, based on the EU's average, approximately as much as using the E85 fuel."



Timo Huhtisaari
Sustainability Director, NEOT

EKO E85 REFILLING POINTS

81

ABC STATIONS

EXPRESS RECHARGING POINTS FOR ELECTRIC CARS

38

ABC STATIONS

For the Eko E85 refuelling points and electric car recharging points at ABC stations, please see the map at abcasemat.fi/stations.

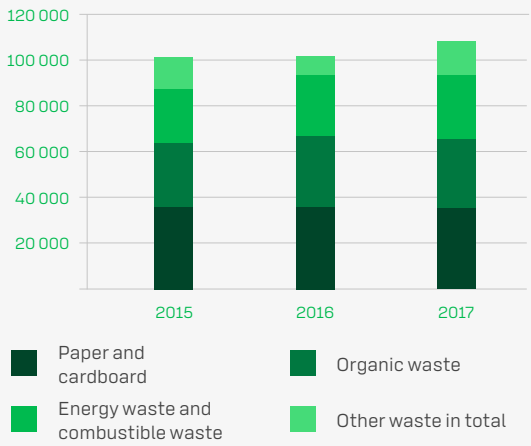
Waste

Utilization rate of 99%

The amount of waste generated by S Group in Finland accounts for approximately 4 per cent of all waste generated in Finland. In 2017, the total amount of waste, including the neighbouring countries, was 112,600 tonnes. The amount of hazardous waste was approximately 200 tonnes.

Most of the waste generated in S Group's operations is organic waste, cardboard and paper, energy waste and mixed waste. The majority, or 99 per cent, of S Group's waste in Finland was directed to be utilized – in other words, to be used for either materials or energy production. The goal is to recycle 70 per cent of waste and use it for materials or new products. This goal was reached in 2017, when 73 per cent of the waste was recycled for materials and, organic waste was reused by composting or in the production of biogas or bioethanol.

S GROUP'S SOLID WASTE, TONNES



S GROUP'S SOLID WASTE, TONNES	2017	2016	2015
Paper and cardboard	34,916	35,453	35,346
Organic waste	31,588	32,064	29,316
Energy waste and combustible waste	27,691	26,193	23,309
Plastic	3,876	1211	1,225
Metal	2,284	1,367	1,237
Glass	700	688	868
Other waste	6,283	4,203	9,243
Total	**107,338**	**101,179**	**100,545**

S GROUP'S HAZARDOUS AND LIQUID WASTE, TONNES	2017	2016	2015
Hazardous waste	213	386	366
Liquid waste	5,032	4,102	3,411
All waste in total	**112,583**	**105,667**	**104,322**

The 2015–2016 data on waste does not include the neighbouring countries (Russia, Estonia). In 2017, the total amount of waste in the neighbouring countries was 4,112 tonnes.
The 2016 waste amount was corrected due to an error detected afterwards. The assurance report concerning the 2017 waste figures.
Liquid waste (from grease traps, sand traps and septic tanks) contains mainly water.



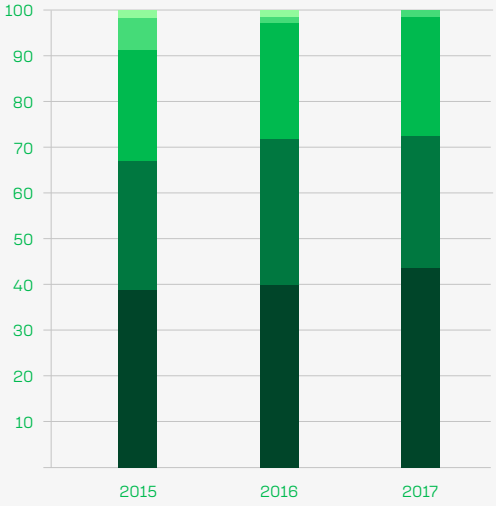
Considerable reduction in the use of plastic bags due to charges and biodegradable light-weight bags

At the beginning of 2017, Sokos started charging for plastic shopping bags. This reduced the use of plastic bags by an amazing 60 per cent, or 4.5 million bags. In grocery stores, the use of small light-weight bags for packing fruit and vegetables decreased by a total of 20 per cent, or 52 million bags, from the previous year. At the same time, the use of biodegradable light-weight bags for fruit and vegetables increased by 20 per cent. In all, the use of biodegradable bags for fruit and vegetables increased five-fold during the past year.

The declined popularity of light-weight plastic bags and plastic shopping bags is a result of committed work. At the end of 2016, S Group joined a commitment to reduce the generation of plastic waste and pollution of the oceans. Among other things, S Group pledged to start charging for all plastic bags, promote the sales of reusable bags, and stop making free-of-charge light-weight bags available to customers at checkouts.

All S Group grocery stores offer biodegradable bags for fruit and vegetables, and the quantity of reusable fruit and vegetable bags is also increasing. Customers are also choosing alternatives to conventional plastic bags at checkouts. The popularity of environmentally smart choices is increasing. Last year, the demand for biodegradable plastic bags increased by more than 60 per cent, that of reusable bags by 20 per cent, and that of paper bags by eight per cent. The most popular bags purchased at S Group's stores are still bags made from recycled plastic, which generate the least emissions among the bag alternatives. Their climate impact is 60 per cent smaller than that of a bag made from virgin plastic.

WASTE PROCESSING METHODS, %



WASTE PROCESING METHODS, %	2015	2016	2017
Material recycling	39	40	44
Reusing for energy	28	32	29
Reusing for energy	24	26	26
Landfill processing	8	1	1
Data not available	1	1	0

The figures do not include the neighbouring countries (Russia, Estonia).
Reuse of organic waste refers to composting or utilization of waste in the production of biogas or bioethanol.
The 2015–2016 figures do not include hazardous and liquid waste; the 2016 data have been corrected due to an error detected afterwards

-20 %
CONSUMPTION OF LIGHT-WEIGHT PLASTIC BAGS

-60 %
SALES OF PLASTIC BAGS IN SOKOS

+20 %
SALE OF REUSABLE BAGS

The circular economy

Effective use of materials and services

The objective of the circular economy is to conserve natural resources and reuse materials efficiently and sustainably. In addition, the circular economy is also deemed a new economic model in which value is increasingly created by means of intangible methods and products are replaced with new kinds of services.

In 2017, S Group began surveying opportunities provided by the circular economy, together with different business sectors. Joint workshops mapped ways to further promote the resource efficiency of operations, and ideas to provide new services that apply circular economy principles were also sought. The survey will be the basis for our circular economy plan for the coming years. Existing good examples of the circular economy in S Group include the following: a textile recycling scheme launched by HOK-Elanto at Sokos stores in the autumn, PKO's cooperation with the Emmy Second Hand clothing service, and the wild fish patty served at ABC restaurants. The product made of wild fish supports local fishing and also helps remove nutrients that cause eutrophication from waterways through management fishing.

Recycling guide

Customers, too, can recycle their waste at S Group's outlets. As a measure to support our customers in recycling even better, we carried out a consumer survey in spring 2017 in order to learn about how Finns recycle. Based on the results, we compiled a recycling guide, which is available at www.yhteishyvä.fi/kierrätysopas.

RECYCLING STATIONS

441



RECYCLING	2017	2016	2015
Number of recycling stations	441	423	332
Returned recyclable plastic bottles, million	178	169	153
Returned recyclable glass bottles, million	43	41	41
Returned aluminium cans, million	579	576	564
Clothes donated to UFF, tonnes	3182	2986	2760
Returned portable accumulators and batteries, tonnes	434	382	342

Food loss

We exceeded our 2020 target

S Group's grocery stores exceeded their targets in reducing their food loss in 2017. The food loss relative to sales decreased by more than 17 per cent compared to 2014, while the target of the entire S Group was to reduce the food loss by 15 per cent by 2020. The total amount of food loss was 31.5 million kg.

Last year, the share of food loss from sales was 1.49 per cent, and this figure also includes the products donated to charity. The primary destination of products included in food loss is charity, but if this cannot be done, bread approaching its sell by date, for example, can be used as raw material for bioethanol. The remaining food loss is then reused in energy production.

An effective way to reduce food loss is to sell expiring products at discounted prices. These products are marked with red discount labels, and the quantity of such products sold in S Group's grocery stores annually is approximately 50 million. Last year, food loss was further reduced by the introduction of the evening discount in approximately 900 S Group grocery stores in September: during the last store hours, the discount on food items marked with red labels is 60 per cent. In some grocery stores, the evening discount has reduced food loss by up to 10 per cent.

Vegetables account for approximately 45 per cent of the food loss in S Group grocery stores, bread accounts for 20 per cent and dairy 12 per cent. The remaining 23 per cent is fairly evenly distributed between different product categories. Each product is recorded in food loss separately, so that the excess quantity can be monitored and analysed by product and by store on a daily basis.

RELATIVE FOOD LOSS

1,49 %

DISPOSAL LOSS (EUR)/ SALES (EUR)

DEVELOPMENT OF FOOD LOSS

-17 %

FROM 2014

FOOD LOSS GENERATED

31,5

MILLION KG

S Group's hotels and restaurants also participate in reducing food loss

In 2017, S Group's hotels and restaurants launched their own projects to reduce food loss. Reducing waste in restaurants is challenging also due to the buffets, which account for most of the food loss in restaurants.

In addition to the outlets increasing the accuracy of recording and monitoring food loss, the amount of food thrown to waste by customers is minimised by means of communication. S Group's restaurants participated in the national Food loss Week in September, and a working group was established to compile the best practices in food loss and waste management for the outlets.

The ResQ Club service for keeping food from going to waste was used by seven regional cooperatives and 23 restaurants last year. The service helped save more than 16,000 portions from going to waste in 2017. In addition, HOK-Elanto offered evening discounts in its three cafes, selling products served from the glass cabinets at half-price during the last store hour.

WASTE BATTLE FOR SCHOOLCHILDREN

2000

COMPREHENSIVE SCHOOL PUPILS

During the Food loss Week, S Group participated in the Food Loss Battle organised by Motiva, in which approximately 2,000 eighth- and ninth-graders prepared meals from S Group's food loss. The purpose of the project was to improve the appreciation of food and children's knowledge of food loss. The battle was a success and will be organised again in 2018.



Ethical operating culture and human rights

Our customers and S Group employees are a diverse and mixed group of people. Valuing each other and respecting diversity is the foundation of our ethical operating culture.

Through our products, we are linked to farmers, factory workers and product manufacturers around the world. S Group is committed to respecting human rights in all our operations, and our mission is to ensure that human rights are respected and working conditions are decent in the manufacture of the products.

In 2017, S Group assessed in accordance with human rights due diligence the potential targets of human rights impacts and the operating methods aiming to minimise the impacts on human rights. However, the assessment of human rights impacts is an ongoing process at S Group. We monitor the realisation of human rights in the supply chains in many ways, including audits of suppliers in high risk countries and certifications of risk raw materials.

In terms of reporting human rights impacts, S Group has applied the UN Guiding Principles Reporting Framework, and next year, we aim to meet requirements of the framework in full.

AUDITS

99 %

SHARE OF PURCHASES FROM COUNTRIES WITH A HIGH RISK CLASSIFICATION

CERTIFICATION LEVEL OF PRIVATE LABEL PRODUCTS (OF THE SALES VOLUME)

86 %

COFFEE

62 %

TEA

83 %

COCOA

Human rights in S Group

S Group's operations have impact on the human rights of customers, personnel and the employees and producer communities in supply chain, in particular.

From the customer perspective, the most central human rights are non-discrimination, the right to health and children's right to special protection. Non-discrimination includes equal treatment of customers and accessibility of the outlets. Ensuring the safety of products and outlets is part of our daily work, and we take care of the rights of children by means of product safety measures and by enforcing age limits.

From the personnel perspective, the central human rights include occupational safety, equality and non-discrimination. We also respect employees' right to join trade unions and do not tolerate any kind of discrimination or harassment.

S Group also has potential direct of indirect impacts on the rights of the people and producer communities working in the supply chains of goods and services. To prevent adverse impacts, we carry out continuous risk assessment and monitor the production conditions and our suppliers' practices by regular visits and surveys, among other things.

PERSONNEL ASSESSMENT OF ETHICS

78,10

ETHICS INDEX

In 2017, we deployed the ethics index, which is part of S Group's job satisfaction survey. The index maps personnel's trust in their employer, measures how ethical they consider the company's operating methods are and how they think company's values and principles are complied with in the daily work. The index was used now for the first time, and the score was 78.1 (on a scale of 0–100), in other words, good.

Ethical principles and personnel training

We provide personnel with training on the contents of our ethical principles. Personnel training covers anti-corruption, incapacity in decision-making and equal treatment in the working community. The training is also included in the orientation of new employees.

Responsible procurement

Focus on human rights also at supply chains

S Group is committed to respecting and promoting human rights in its supply chains. Our procurement practices are guided by, for example, the principle of non-discrimination and respecting labor rights and human rights.

Our supplier contracts require all our suppliers to respect the central labor rights and human rights as well as to ensure that products can be traced to the source of the raw materials.

Third-party factory audits are required of suppliers of private labels whose products are manufactured in countries with high risk in terms of social responsibility or contain ingredients obtained from countries with a high risk classification.

S Group is a member of the BSCI (Business Social Compliance Initiative) and has actively participated in developing the system and its tools for many years. The BSCI aims to bring the working conditions of workers manufacturing products in risk countries to the level required by international agreements and to streamline and harmonise supplier monitoring carried out by companies. In addition to the BSCI, S Group uses the Sedex (Supplier Ethical Data Exchange) database to monitor supplier responsibility.

S GROUP'S 10 LARGEST PROCURMENT COUNTRIES		S GROUP'S 10 LARGEST RISK COUNTRIES OF PROCUREMENT		
COUNTRY	% OF TOTAL PURCHASES	COUNTRY	% OF DIRECT RISK COUNTRY PURCHASE	% OF TOTAL PURCHASES
Finland	84,3	China	50	1,0
The Netherlands	2,4	Turkey	9,7	0,2
Sweden	2,0	Thailand	8,2	0,2
Germany	1,7	India	6,8	0,1
Spain	1,5	South Africa	5,4	0,1
Denmark	1,5	Bangladesh	4,8	0,1
China	1,0	Pakistan	4,7	0,1
Italy	0,9	Indonesia	2,0	0,0
Great Britain	0,7	Vietnam	2,0	0,0
Belgium	0,6	Egypt	1,6	0,0

TOP 10 Procurement countries

- **84,3 %** FINLAND
- **2,4 %** THE NETHERLANDS
- **2,0 %** SWEDEN
- **1,7 %** GERMANY
- **1,5 %** SPAIN
- **1,5 %** DENMARK
- **1,0 %** CHINA
- **0,9 %** ITALY
- **0,7 %** GREAT BRITAIN
- **0,6 %** BELGIUM

TOP 7 Procurement countries with a high risk classification

- **50,0 %** CHINA
- **9,7 %** TURKEY
- **8,2 %** THAILAND
- **6,8 %** INDIA
- **5,4 %** SOUTH AFRICA
- **4,8 %** BANGLADESH
- **4,7 %** PAKISTAN

Human rights assessment in procurement

We follow the due diligence principle defined in the UN's Guiding Principles on Business and Human Rights in our operations. In other words, we work to carefully assess and anticipate the human rights impacts of our operations and to prevent and mitigate adverse human rights impacts.

Tools used to assess human rights risks include the amfori BSCI list of risk countries, which indicates country-specific risks, a risk assessment tool for raw materials, and other country and raw material-specific sources of information in use. In addition, we conduct regular surveys among all our suppliers concerning social responsibility practices and the origin of the products.

DIRECT PURCHASES FROM RISK COUNTRIES

S Group has approximately 300 suppliers of private label products operating in risk countries. The share of direct purchases of private label products from risk countries is 12 per cent. Ninety-nine per cent of direct purchases from risk countries come from suppliers audited by third parties. In 2017, BSCI audits were performed at the factories of 249 S Group suppliers.

INDIRECT PURCHASES FROM RISK COUNTRIES

Products which are manufactured in a low-risk country, such as in the EU region, but for which the main raw material originates from a country with a high risk classification, are considered indirect purchases from risk countries. S Group investigates the production location of the main raw material for indirect purchases from risk countries. If the raw material is produced in a risk country, we require that a third-party audit or certification be conducted to ensure its responsibility. Human rights issues typical of the production area in question are also reviewed with the supplier.

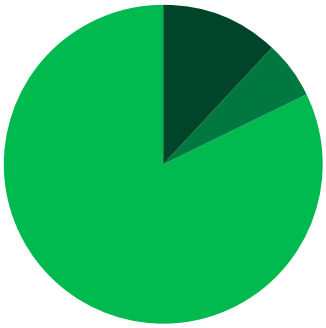
SERVICE PURCHASES

We updated S Group's service purchase agreement in 2017. In the agreements, we paid special attention to the risks of work-based exploitation in Finland, since the number of workers who are in a vulnerable position in the labour market has grown due to the refugee situation and increased immigration. Human rights assessments concerning service purchases and providing guidelines to the cooperatives will begin in 2018. S Group has approximately 18,000 service suppliers.

LOW-RISK PURCHASES

Some of the products are assessed as low-risk products, since they, raw materials included, are manufactured and produced in low-risk areas defined by amfori BSCI. As we require respect for human rights and traceability of products in the production of all products, we regularly review our suppliers' practices regarding compliance with these principles by means of regular supplier surveys, for example. The most recent such survey was conducted at the end of 2017. The response rate among approximately 2,000 suppliers was 51 per cent.

PRIVATE LABEL PURCHASES (%)



Direct purchases from risk countries
12 %

Indirect purchases from risk countries
6 %

Purchases from non-risk countries
82 %

* Direct purchases from risk countries refers to purchases from suppliers whose home country is a risk country according to amfori BSCI's classification. Indirect purchases from risk countries refers to purchases from suppliers whose home country is not a risk country, but the product they sell was manufactured in a risk country or the main raw material originates from a risk country.

Principles of good business practices

S Group is committed to the principles of good business practices, which aim to ensure fair ground rules among the operators in the food supply chain. The purpose of the principles is to secure the competitiveness of the contracting parties, strengthen mutual trust and consequently ensure the continuity of the contracts. The principles of good business practice include policies concerning written contracts, predictability and responsibility for risks, and they were agreed between the EU Commission and the EU organisations in the food supply chain.

In Finland, the Board of Trading Practices in the Food Supply Chain promotes procedures in line with the good business practice in the food supply chain. The Board may intervene in grievances it observes by issuing recommendations concerning the 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 the good business practice. S Group takes the Board's recommendations into consideration.

Audits

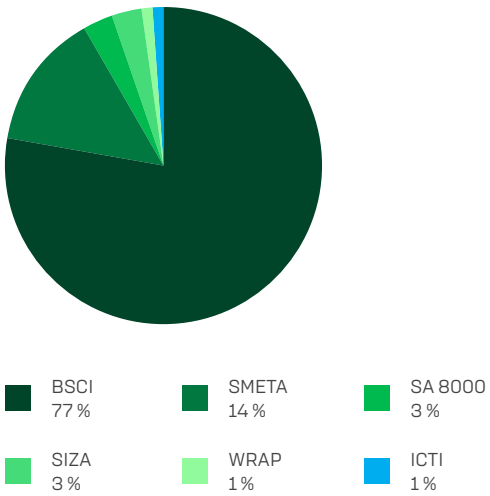
Third-party factory inspections

When monitoring its suppliers, S Group focuses, in particular, on countries with the greatest risk of violating rights at work and human rights. Such risk countries defined by amfori BSCI include several countries in Africa, Asia, South and Middle America as well as certain European countries. S Group purchases from audited suppliers in risk countries.

Audits refer to factory inspections, such as the BSCI audit or an equivalent third-party audit. In the BSCI system, independent auditors inspect production plants to ensure that the criteria of the system are met in practice. Audits cover, for example, working time and occupational safety practices as well as the payment of the statutory minimum wage.

Ninety-nine per cent of the direct risk country purchases of S Group's private labels and own imports are audited (2016: 97 per cent). The goal is to audit all risk country suppliers of private label products through BSCI audits or an equivalent third-party audits

PURCHASES FROM AUDITED SUPPLIERS 2017, (%)



A day with a BSCI auditor

Amfori BSCI (Business Social Compliance Initiative) is one of the best-known and most regularly used third-party auditing models. The targeted factory is often informed of the time frame of the audit, but the exact date is not given. The BSCI audit is conducted in the language of the workers and it follows a list of 90 items to be covered, used in all BSCI inspections around the world. The audits look at whether workers can take a lunch break and have access to clean drinking water, for example.

"The audit started at 8 in the morning. First, the auditor talked with the factory directors about their management practices. We then headed for the factory and inspected the workers' facilities, cafeterias, first aid supplies and anything that had to do with occupational safety. The auditor verified that exits were unobstructed and that fire alarms functioned. They seemed particularly interested in the noise level and wanted to see proof of decibel measurements. They looked very closely at what kind of hearing protection the workers were wearing," says Senja Forsman, Senior Compliance Manager at S Group's grocery trade. Forsman participated in a BSCI audit at a Serbian food product factory, among others, as an observer.

The auditor wants to see the workers' timesheets and holiday schedules as well as their identity cards. Sometimes workers who live in dormitories want the employer to retain their identity cards. However, the auditor wants to ensure that this is being done at the worker's request. Forsman says that at the Serbian factory, the rounds ended with the auditor talking with workers without the directors and Forsman being present to find out how the employer treats the workers and whether they are paid decent wages.

"Sometimes an audit can last for several days. It is completed with a feedback discussion on the auditor's findings and on how the working conditions should be improved. This information is shared between the member companies in the amfori BSCI system.

Audit scores

The areas with the greatest need for improvement in the 2017 BSCI audits included management, working time, occupational health and safety practices.

If the audit result is poor, 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 is not severed, since doing so would not help the workers' situation at the factories and plantations – the best way to develop the operations is to do it together. This is also backed by the results of the initial audits and re-audits.

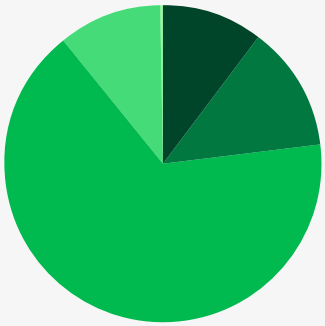
Amfori BSCI organises training for suppliers so they can develop their operations and correct the defects typically observed in audits, and S Group encourages suppliers to attend such training. S Group also participates in a Nordic project with the aim to develop a new training tool for factory workers. The tool will be tested in food product factories in Thailand in 2018.

A new assessment model to supplement audits

Concurrently with traditional auditing, S Group is in the process of developing a new kind of model for assessing root causes. The goal is to discover the typical and current human rights issues are and their root causes in the production regions or potential procurement areas of S Group's central products. This will help us identify measures and procedures which can help S Group to minimise the typical challenges. An external partner familiar with the target area will conduct the assessment. The tool has been developed in cooperation with civic organisations and other stakeholders. A pilot assessment will be conducted in 2018.



RESULTS OF S GROUP'S BSCI AUDITS IN 2017 (%)



- BSCI A (Outstanding) 10.5 %
- BSCI B (Good) 12.6 %
- BSCI C (Acceptable) 66.1 %
- BSCI D (Insufficient) 10.7 %
- BSCI E (Unacceptable) 0.1 %

* There were no Zero tolerance observations in the 2016 audits. They refer to child labour, forced labour, safety defects causing immediate danger, or corruption

Results of S Group's BSCI audits by area in 2017



Certified products and raw materials

Choices aligned with one's own values



We want to offer our customers an opportunity to make choices based on their own values by making available Finnish products and products with environmental or sustainability certifications.

Coffee, tea, cocoa and chocolate

The production of coffee, tea and cocoa is associated with human rights and environmental violation risks, because the production centres round countries where compliance with laws and monitoring by the authorities may be low. S Group's objective is to use only coffee, tea and cocoa that have been certified or verified for responsibility in private label products and in S Group's restaurants.

For a product to be verified for responsibility, its supply chain must be verified by audits all the way to primary production. Acceptable certifications include Fair Trade, UTZ and Rainforest Alliance.

CERTIFICATION RATE IN THE SALES VOLUME OF PRIVATE LABEL PRODUCTS (COFFEE, TEA, COCOA, CHOCOLATE)

86 %
COFFEE

62 %
TEA

83 %
COCOA

68 %
CHOCOLATE

	PRODUCT ITEMS		SALE VOLUMES	
	S GROUP'S PRIVATE LABEL	S GROUP'S RESTURANTS	S GROUP'S PRIVATE LABEL	S GROUP'S RESTURANTS
Kahvi	50 %	19 %	86 %	7 %
Tee	68 %	32 %	62 %	37 %
Kaakao	64 %		83 %	
Suklaa	67 %		68 %	

TARGETS FOR RAW MATERIALS CERTIFIED OR VERIFIED FOR RESPONSIBILITY

100 %
COFFEE 2019

100 %
TE 2020

100 %
COCOA AND CHOCOLATE 2020

Palm oil

Palm oil is the most commonly used plant-based oil in the world, and its production involves issues, such as deforestation, weakening biodiversity and substandard working conditions of workers in south-east Asia, in particular.

S Group is committed to using sustainably produced palm oil. S Group's goal is that by 2021, only certified palm oil traceable to palm oil plantations (RSPO segregated) is used in private label products and in deep-frying oil in restaurants. S Group has been a member of the Roundtable for Sustainable Palm Oil organisation (RSPO) since 2011.

PALM OIL CERTIFICATION RATE

99 %

RSPO SEGREGATED CERTIFICATION RATE

88 %

TARGET FOR THE USE OF CERTIFIED PALM OIL

100 %

2021

Organic products

The demand for and product range of organic products continue to grow. At the end of the year, the product ranges of S Group's grocery stores included more than 3,500 organic products and sales grew by 16 per cent. The share of organic products in the sales of food products was 2 per cent. In particular, customers were interested to buy organic minced meat, eggs and coffee. The sales of organic bananas, apples and lemons also developed favourably compared to the previous year.

ORGANIC PRODUCTS

3500
NUMBER IN THE PRODUCT RANGE

16 %
INCREASE IN SALES

2 %
SHARE OF FOOD PRODUCT SALES

Fish and shellfish

S Group's grocery stores want to serve responsibly caught fish from sustainable fish stocks to consumers. Fish product procurement adheres to S Group's fish policy based on the species endangerment classification, WWF's seafood guide, the recommendations of the Marine Conservation Society, as well as research data from the Natural Resources Institute Finland. The policy applies to S Group's centralised procurement and purchasing by the cooperatives in both grocery stores and restaurants in S Group.

The basic principle is to not accept in the product range fish from fish stocks that are endangered, threatened or subject to overfishing, and the origin of fish must always be known. Undersized or protected fish are also not accepted in the product range. 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. The fish policy is updated every two years. The most recent update was carried out in 2016.

In addition to being required to comply with separate restrictions concerning fish species, fishing areas and fishing methods, the producers of private label tuna products also must participate in the activities of the International Seafood Sustainability Foundation (ISSF). The large purse seine vessels used to catch tuna should also be entered in ISSF's Proactive Vessel Register. The fishing operators who participate in the operations of ISSF are committed to sustainable fishing methods and third-party audits to verify the sustainability of their operations.

At the end of the year, the product ranges of S Group's grocery stores included 86 MSC-certified products, of which 43 were private label products.

MSC-CERTIFIED PRODUCTS

86
NUMBER IN THE PRODUCT RANGE

43
NUMBER IN PRIVATE LABELS

Diversity

Employees and customers





S Group employs nearly 40,000 retail professionals, who work in a wide variety of positions ranging from sales assistants to warehouse workers and specialists. A working community where diversity is respected and supported ensures equal treatment and equal opportunities for everyone. Our key principles include respecting and valuing others, non-discrimination and equality.

S Group companies in Finland compile annual plans concerning personnel, training, equality and equal treatment of employees. The personnel and training plan is prepared in order to maintain and develop employees' vocational skills. The purpose of the equality plan is to promote gender equality in the workplace, whereas the equal treatment plan aims to promote equal treatment of employees with different backgrounds, prevent discrimination and improve the legal protection of individuals who experience discrimination.

We also want to promote diversity through communication and marketing. For example, Prisma's 'Fashion belongs to everyone' slogan is promoted by models of different age, appearance and size.

Employee diversity

NATIONALITIES

64

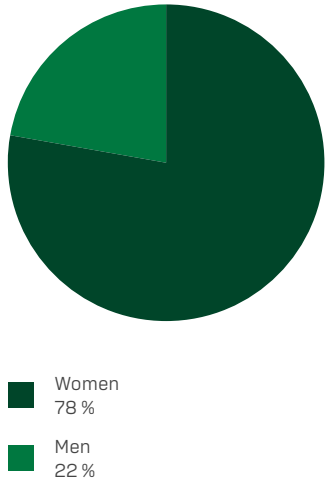
AVERAGE AGE OF EMPLOYEES

37

EMPLOYEE AGE (OVER 50, 25–50 & UNDER 25), %



GENDER DISTRIBUTION AND AGE WOMEN/MEN %





GENDER DISTRUBUTION AND AGE	2012	2013	2014	2015	2016	2017
Women (%)	74,8	73	76,3	76	77	78
Men (%)	25,2	27	23,7	24	23	22

SHARE OF WOMEN

14,8 %
OF BOARD MEMBERS

14,0 %
MANAGEMENT TEAM MEMBERS

66,0 %
IN SUPERVISOR AND MANAGER ROLES

SHARE OF WOMEN, %	2016: SOK COOPORATION	2016: S GROUP	2017: SOK COOPERATION	2017: S GROUP
Share of women in Board members, %	3,1	16,0	3,0	14,8
Share of women in management team members, %	14,3	10,0	17,0	14,0
Share of women in supervisor and manager roles , %	52,5	60,0	55,0	66,0





Diversity is an obligation in cooperative activities

“What resonates with me in the cooperative activities is how they span many generations and are based on values, such as democracy and equality. They create involvement, which challenges the individualism and increased inequality of today’s world. For 160 years, the cooperative model has demonstrated that we can both conduct profitable business and do social good at the same time.

The cooperative principles and values also obligate us to ensure diversity. From the standpoint of equality, diversity is realised well in those cooperative bodies which apply a democratic process for electing their members. In large cooperative societies, the Council of Representatives is a fairly good cross-section of Finnish society, and often even the majority of the members are women.

On the other hand, the Executive Board, which is tasked with ensuring that the business operations are successful, is composed of professionals, and there diversity is not as broad. I do not believe this is intentional. I absolutely think that it is a matter of competence rather than of gender. However, there are competent women out there as well, and therefore, ensuring diversity requires management with open eyes. By simply looking a bit further than one’s immediate network could help make changes.”



Anu Puusa
member of PKO’s Board & professor of management at the University of Eastern Finland



Well-being and health

For an increasing number of people, eating healthy food and investing in one's well-being are a lifestyle. We want to help our customers to make healthier choices, and we also want to take care of the well-being of our employees.

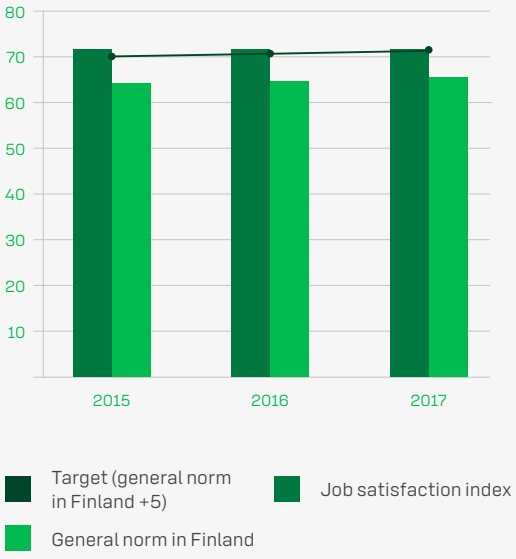


The key objectives of the Well-being and health theme of our Best Place to Live programme include employee satisfaction and customers' healthier choices. The success in meeting these objectives is measured by, in particular, monitoring the development of the job satisfaction index and the increase in the sales of vegetables.

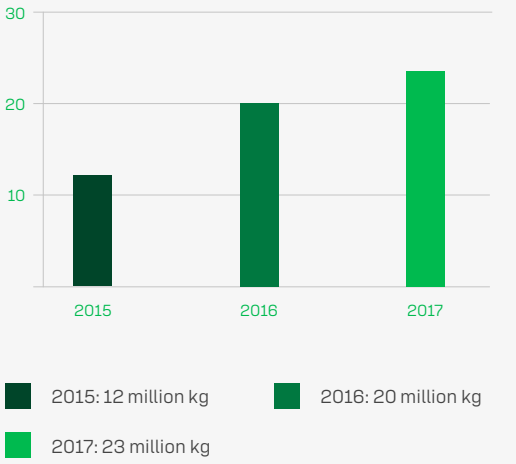
Our employees are clearly more satisfied with their jobs than the average in Finland. Our annual target is a result that is at least five points over the general norm in Finland. In 2017, we exceeded the norm by 6.6 points.

We make it even more convenient for customers to consume vegetables by preparing visible displays of seasonal produce in our stores and by lowering the prices of vegetables. The sale of vegetables has increased by approximately 23 million kg in S Group's grocery stores in the past three years.

S GROUP JOB SATISFACTION INDEX



CUMULATIVE INCREASE IN THE SALES OF VEGETABLES, MILLION KG



Well-being at work

Taking care of people and teams

RESULTS OF THE JOB SATISFACTION SURVEY (A SCALE 0-100)	S Group 2017	General norm in Finland 2017	S Group 2016	General norm in Finland 2016
Job satisfaction index	72,7	66,1	72,6	65,6
Dedication index	75,9	72,7	76,0	72,1
Commitment index	72,5	67,5	71,9	67,0
Management index	72,9	64,6	72,7	64,1
Performance index	70,6	61,9	70,7	61,5
Supervisory work index	75,3	70,5	75,3	69,9
Ethics index*	78,1	-	-	-
Average: "The principles and values of our company are complied with in the daily operations of our unit" (a scale of 1–4)	3,42	3,19	3,42	3,17

* The Ethics index is new.

Few are the companies that succeed without employees who are satisfied with their jobs and feel good at work. The keys to improved well-being at work can be simple and easily available in daily work. The most important thing is to anticipate changes and their impacts on personnel and to genuinely involve employees on developing better work practices.

Within S Group, the most significant recurring annual indicator is the work community survey, in which all employees are invited to participate. The survey maps factors related to one's own work and performance as well as those related to one's work unit and company. The survey consists of several indices, which are used to measure various aspects of job satisfaction.

"Compared to the general norm in Finland, our strengths lie in management and performance, in particular. At the end of last year, the majority of our cooperatives introduced the management promises of 'I dare, I appreciate and I do'. They provide a framework for the work of supervisors', says Susa Nikula, S Group's Executive Vice President, Human Resources.

Supervisors play a key role in improving job satisfaction. Poor supervisory work should not be tolerated, but supervisors should also be supported so that they can succeed. A motivating and skilled supervisor makes their employees shine and consequently perform even better in their duties.

S Group employees also feel they are doing the right things at work, since the new ethics index in the survey was high. In addition, compliance with the company's principles and values in daily work is higher than the average in Finland.

In 2017, S Group also implemented a new shared measuring tool for well-being at work, which consists of indicators for job satisfaction, quality of supervisory work, working ability experienced by respondents, and disability. The indicators can be used to monitor how various factors affecting job satisfaction develop throughout the retail group and to set targets for measures to improve well-being at work.

The measuring tool helps us reach mutual understanding of factors that affect well-being at work and of disability-related costs.

New colleagues at Delicatessens

We received a few hundred new colleagues, as the Stockmann Delicatessen stores, acquired by the cooperatives at the turn of the year, opened under the new owners. The employees of the stores were the same as before. Niina Saari, who has worked at the Delicatessen store in Tampere for nearly 20 years, reflects on the new situation.

"It was a relaxing summer day when I received the message: S Group will acquire the Delicatessen stores. The news felt good, and I figured the new situation offered lots of new opportunities.

Daily work with the new owner has started to flow nicely. We have received orientation to the new systems and how things are done in S Group. It has all been made very easy for us, and we have received plenty of support from employees of SOK's other units.

I think the new winds blowing have boosted personnel morale and increased motivation. The new employer is interested in our well-being and coping. It feels really nice."

Quality of employment relationships: 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 popular among young people under 25 years of age and those in the last years of their work career, in particular.

A stress injury slowed down active daily life

The daily life changed for Virva Kaipainen, 55, a cashier at Pickala ABC, when her ankle gave out. The solution to her situation was adapted work duties.

"I started feeling pain in my ankle in autumn 2016. I thought the culprit was my new work shoes. I stopped wearing them, but the symptoms persisted. I did not say a word to my boss, but figured I could just grin and and bear it. Eventually, the pain was so severe that I hobbled on one leg at work, and the incorrect body position started to cause pain in my back, too. After handling the situation in this manner for six months, I went to see a doctor. They diagnosed a stress fracture and put me on sick leave right away.

I tolerated being on sick leave for two weeks. Not being allowed to move was awful. Finally I realised I wouldn't burden my foot if I cleaned the house on all fours. I had always liked being on the move, and usually my pedometer showed 10,000–15,000 steps at the end of the workday. I had been working in customer service for 30 years and had very rarely been ill.

I love my job, and as an extroverted individual, I need contacts with other people. After two weeks, I wanted to go back to work to see if I could return to my job at the checkout. The pain in my foot returned.

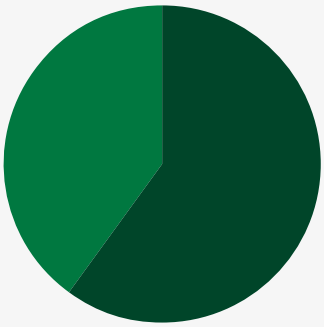
However, I did not want to mope around at home so I suggested to my boss Susanne that I could maybe take on lighter duties. This arrangement was possible, and I transferred to work three-day weeks at the office. For six months, I handled magazine returns, worked on shoplifting cases and handled funds transactions. Previously, my husband and I had worked as service station entrepreneurs, so I had prior experience in similar duties. Still, I learned a lot. I think one should be open to accepting new tasks.

I give a lot of praise to my boss Susanne for taking my situation seriously and organising everything. For me, returning to working life was easier, since I was still a member of the working community and stayed up-to-date on new products and menus."



Virva Kaipainen
ABC Pickala

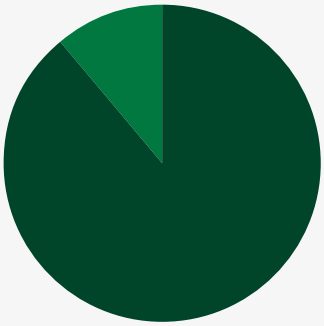
FULL-TIME AND PART-TIME EMPLOYEES, %



Part-time
64 %

Full-time
36 %

PERMANENT AND FIXED-TERM EMPLOYEES, %



Permanent
86 %

Fixed-term
14 %

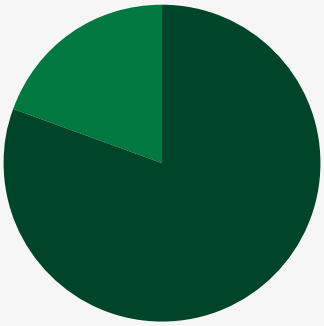
15,7 %

EMPLOYEE TURNOVER, PERMANENT EMPLOYEES

Safe work

A safe working and service environment is a fundamental right of our personnel and customers. S Group ensures safety through accident prevention as well as identification and avoidance of various hazardous and near miss situations. Continuous improvement of the personnel's safety awareness and the regular reviewing of work-related risks are important means of prevention.

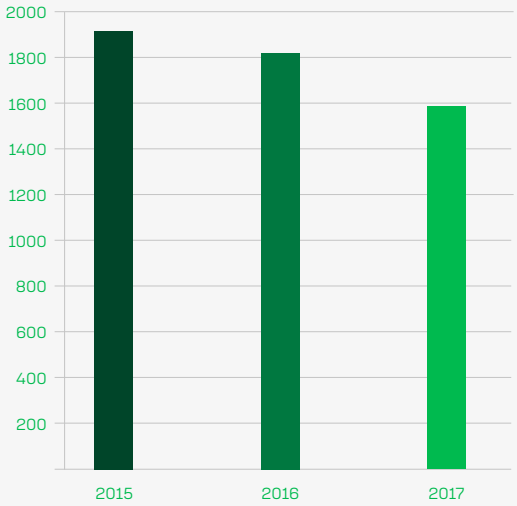
ACCIDENT SITE



At work
1 275 kpl

During commute
306 kpl

ACCIDENTS AT WORK



2015: 1 909

2016: 1 829

2017: 1 581

TYÖTAPATURMAT	2017	2016	2015
Accident frequency / accidents per one million hours worked)	29	33	35
Share of serious accidents in all accidents, %*	4,4	4,5	4,8

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

Young minds at work

Retail as a bridge to working life

Young people value different things in working life than the previous generations and have completely new skills and views. S Group's three-year Nuori Mieli Työssä ('Young minds at work') project is a programme for developing working life and it targets young people under 25 years of age. The idea of the programme is to listen to the young and provide employers with more information on their expectations and, on the other hand, to help young people understand the employer's objectives better.

The number of young people S Group employs is among the highest in Finland, and we help a significant group of young people gain their very first working life experiences by hiring them in summer job or trainee positions. On the other hand, young people who work evenings and weekends are vital to the operations of many of our outlets.

The first project in the programme is an extensive study concerning the expectations young people have of working life. For the study, all 10,000 S Group employees under 25 years of age will be invited to respond to a survey about the purpose of work, skills and preparedness in working life as well as well-being at work and maintaining one's working ability. The study reflects the core of the programme, namely, listening to young people.

Another way to ensure young people are heard in all stages of the programme is to involve four young sponsor employees in the Nuori Mieli Työssä steering group that leads the programme.

"Young people can look at the operating methods in the workplace in a new, bold way and also bring IT skills to the table, whereas the seasoned old-timers offer wisdom gained though experience. The young are often those who question old ways and are enthusiastic about learning new," says Jonna Eerola, one of the young members of the steering group.

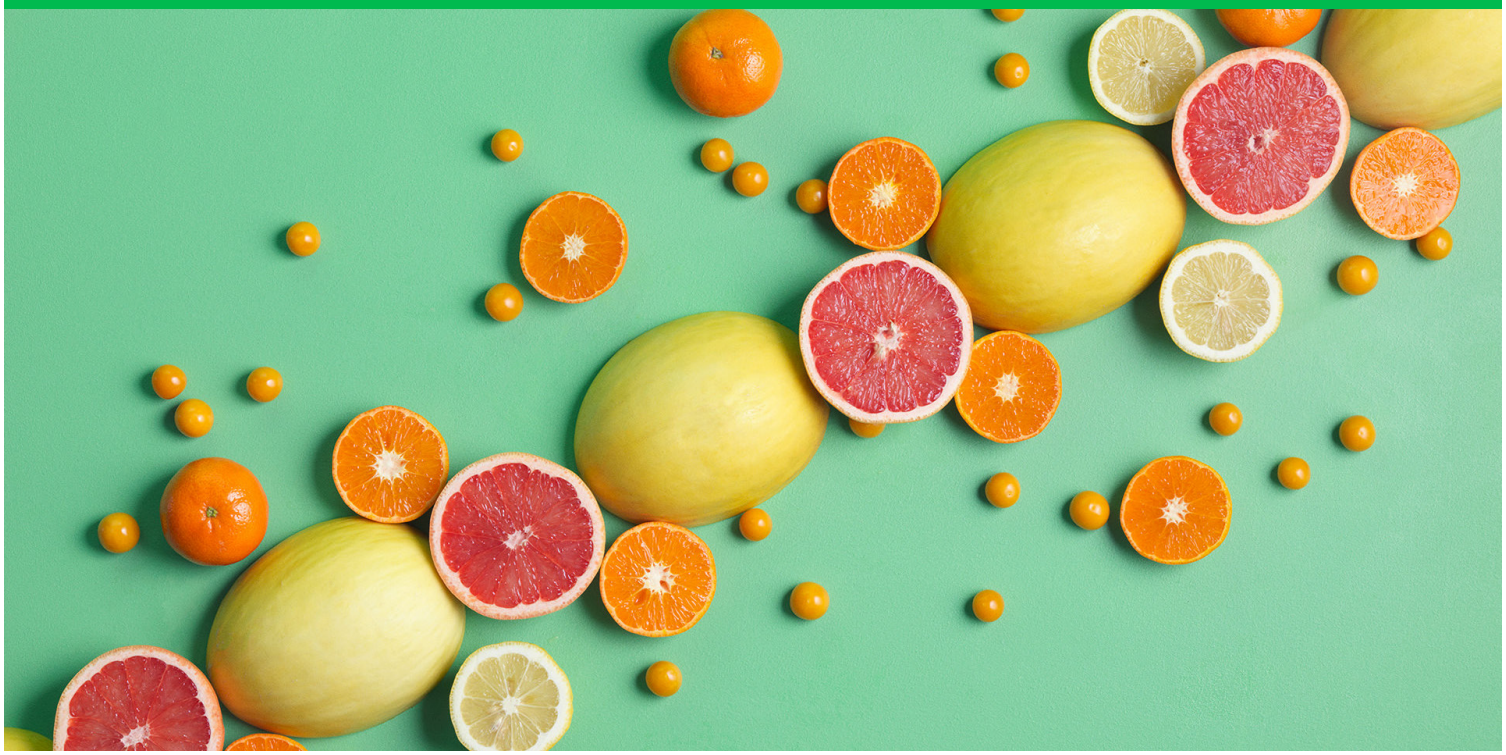
The realisation that the retail sector functions acts a bridge to working life has increased willingness in S Group to participate in the discussion about phenomena that currently affect the working ability of young people. In all of Finland, mental health issues are a growing cause of disability pensions, even among young people. Thus, both mental and physical aspects are taken into consideration in the measures taken to support the coping of young people at work.

A young person between the ages of 19 and 25 on the verge of adulthood undergoes a number of significant life changes. Young people going through this critical stage in life should be supported so they are able to enter working life early on. This will help prevent many challenges, such as marginalisation. Providing a young person with orientation to their first job offers them guidance and skills needed in the working life in general.

The programme is sponsored in S Group by the management team of the Osuuskauppa Hämeenmaa cooperative. The partners include Elo Mutual Pension Insurance Company, LocalTapiola, Opteam, PAM, SAKU ry, the Finnish Association for Mental Health, Terveystalo, the Working Life 2020 project and the Finnish Institute of Occupational Health.

For a healthier daily life

We help our customers make healthier choices



Interest in healthy food

Currently, eating healthy food is one of the largest food trends around the world. We want everyone to be able to eat well.

S Group has addressed the demand for healthy food by lowering the prices of Finnish vegetables, in particular, and by offering a diverse range of plant-based products. The sale of vegetables is growing rapidly: compared to 2015, it has increased by approximately 23 million kg.

This is a positive trend, since there is still room for increasing the consumption of vegetables. Only about 10 per cent of people eat the recommended five portions of vegetables per day.

Unfortunately, this is not always due to one's eating habits but also price. In S Group's customer panel about a year ago, more than half of the participants said they would buy more vegetables if they were cheaper.

We lowered the prices of vegetables, because everyone should be able to afford to eat well. Our customers have also discovered the seasonal produce. Every month, we highlight the seasonal and most affordable vegetables by means of eye-catching displays in stores.

S Group's other business operations also encourage people to make healthy choices. For example, the assortment of the completely revamped salad buffet at the ABC restaurants appeals to the palates of truck drivers and health enthusiasts alike.



Healthier food for children

“In Autumn 2017, we announced a series of initiatives with the aim to help families with children to make healthy choices and boost new kinds of product and communication innovations throughout the food supply chain. As a retailer, we want to contribute to highlighting the benefits of a varied diet.

One aspect of doing this is to design product packaging that is appealing and motivating to children. We are also launching store visits of primary school pupils. The idea is to offer insights into foods that are healthy.”



Katja Tapio
Vice President, Assortments and Pricing, SOK

Ässäkokki cooking classes

“To honour the 100 years of Finnish independence, our cooperatives organised more than 100 Ässäkokki cooking classes jointly with the Martha home economics and well-being organisation. The classes let children get creative in the kitchen. They prepared the food themselves and grown-ups lent a hand, if needed. The variety of dishes prepared in the classes was wide. One of the classes prepared, for example, pizza with kale, dipping vegetables, rolls and an apple pastry. More classes are scheduled for this year.

Children are the future of the Finnish culinary culture. The basic skills in cooking smarter learned at a young age are a good foundation for healthy eating habits for many years to come.”



Outi Hohti
Communications Manager, SOK



Researchers take a look at the eating habits of S Group's customers

What do Finns eat and what are the factors that affect food consumption? Researchers at the Universities of Helsinki and Tampere thought information about what S Group's co-op members purchase might provide answers to this question, and co-op members were asked for their permission to use their purchasing data.

More than 14,000 S Group co-op members consented to the use of their purchasing data in the study, which surveys the purchasing habits of Finns.

"The advantage of the co-op member registry data is that it is objective: using it eliminates the need to ask customers to think about and report what they buy or eat. On the other hand, this approach also has challenges: the customer cards usually provide information on families instead of individuals, and food purchases are not always centralised to the stores of the same chain," says Mikael Fogelholm, professor at the Department of Food and Nutrition of the University of Helsinki.

The main objective of the study, launched in 2017, is to produce information on whether the data on co-op members' purchases describes the food consumption habits of the population as well. In addition, S Group's goal is to use the purchasing data to develop services that support customers' healthier lifestyles

The Cosmethics application helps customers to interpret the contents of cosmetics at Sokos

The list of ingredients of cosmetics products is often so cryptic that using an interpreter would be in order. For example, what is polyethylene? The Cosmethics application in use at the Sokos and Emotion stores helps customers find that out. By scanning the product bar code, the application checks whether the product contains ingredients that you might want to avoid, such as allergens or animal ingredients. The application will be available at all units by the end of 2018.

A hot topic in the recent discussion has been microplastics in cosmetics. Plastic substances go by a number of different names in the ingredient list, but the most common name is polyethylene. Cosmethics helps identify whether there are microplastics or other ingredients of concern in products. The We Care Icon product line of the Sokos and Emotion stores does not contain microplastics.

The cosmetics line also works in cooperation with WWF. A portion of the proceeds of each make-up product supports the conservation work of WWF Finland.

S Group does not sell cosmetics that are tested on animals or contain prohibited substances.



Ässäkenttä fields

Children and young people need places where they can play sports without advance planning, near their homes and without fees. Therefore, S Group and the Football Association of Finland jointly run the Ässäkenttä field programme.

The objective is to build 100 multi-purpose fields in the yards of Finnish primary schools. At the end of 2017, 80 fields had been completed, and the 100th field will be finalised this year.

The Ässäkenttä fields are free of charge and open for everyone, and can be used for a variety of ball games and sports or to just play. For S Group, building the fields is very important, since exercising is an integral part of the daily life and well-being of children and young people.

The initiatives to build fields come from municipalities, which make the decisions concerning the construction of local sports facilities. The cooperatives' share of the costs of building the fields is approximately 40 per cent.

THE ÄSSÄKENTTÄ FIELDS OFFER OPPORTUNITIES TO PLAY AND HAVE FUN TO APPROXIMATELY

40 000

CHILDREN AND YOUNG PEOPLE.

GRI table

102 - GENERAL DISCLOSURES

ORGANIZATIONAL PROFILE			LOCATION
102	1-7	S-Group: operations, brands, ownership and scale	S Group
102	8	Information on employees and other workers	S Group
102	9	Supply chain	Responsibility procurement
102	10	Significant changes to the organization and its supply chain	No significant changes in 2017
102	11	Precautionary principle or approach	Management
			Responsibility procurement
102	10	Significant changes to the organization and its supply chain	Principles and policies (s-kanava.fi/web/s-ryhma/en/vastuullisuus)
102	11	Precautionary principle or approach	Memberships and commitments (s-kanava.fi/web/s-ryhma/en/vastuullisuus)
STRATEGY			
102	14	Precautionary principle or approach	CEO's comment
102	15	Key impacts, risks, and opportunities	Responsibility programme
ETHICS AND INTEGRITY			
102	16	Values, principles, standards, and norms of behavior	Values (s-kanava.fi/web/s/en/arvot-strategia-ja-visio) Code of conduct (s-kanava.fi/web/s-ryhma/en/periaatteet-ja-linjaukset
GOVERNANCE			
102	18-24	Governance structure, composition and nomination of the highest governance bodies	Management
102	35	Remuneration policies	Management
STAKEHOLDER ENGAGEMENT			
102	40-44	Stakeholders and engagement	Stakeholder engagement
REPORTING PRACTICE			
102	45	Entities included in the consolidated financial statements	Description of the annual report
102	46	Defining report content and topic Boundaries	Responsibility programme
102	47	List of material topics	Responsibility programme
102	48	Restatements of information	Reported with figures
102	56	External assurance	Assurance statement

103 - MANAGEMENT APPROACH			LOCATION
103	1-2	Material topics and the management approach	s-kanava.fi/web/s-ryhma/en/vastuullisuus

200 - ECONOMIC

ECONOMIC PERFORMANCE			LOCATION
201	1	Direct economic value generated and distributed	Society
INDIRECT ECONOMIC IMPACTS			
203	1	Infrastructure investments and services supported	Ässäkenttä fields
203	2	Significant indirect economic impacts	Society
PROCUREMENT PRACTICES			
204	1	Proportion of spending on local suppliers	Responsibility procurement
ANTI-CORRUPTION			
205	2	Communication and training about anti-corruption policies and procedures	Human rights

300 - ENVIRONMENTAL

MATERIALS			LOCATION
301	3	Reclaimed products and their packaging materials	Circular economy
ENERGY			
302	1	Energy consumption within the organization	Climate
302	2	Energy consumption outside of the organization	Climate
302	3	Energy intensity	Climate
302	4	Reduction of energy consumption	Climate
WATER			
303	1	Water consumption	Renewable energy
EMISSIONS			
305	1	Direct (Scope 1) GHG emissions	Emissions
305	2	Indirect (Scope 2) GHG emissions	Emissions
305	3	Other indirect (Scope 3) GHG emissions	Emissions
305	4	GHG emissions intensity	Emissions
305	5	Reduction of GHG emissions	Emissions
WASTE			
306	2	Waste by type and disposal method	Waste
SUPPLIER ENVIRONMENTAL ASSESSMENT			
308	1	New suppliers that were screened using environmental criteria	Certified products and raw materials

400 - SOCIAL

OCCUPATIONAL HEALTH AND SAFETY			**LOCATION**
403	2	Injuries, occupational diseases and absenteeism	Well-being at work
DIVERSITY AND EQUAL OPPORTUNITY			
405	1	Diversity of governance bodies and employees	Diversity
CHILD LABOR			
408	1	Operations and suppliers at significant risk for incidents of child labor	Audits
FORCED AND COMPULSORY LABOR			
409	1	Forced and Compulsory Labor	Audits
HUMAN RIGHTS ASSESSMENT			
412	1	Operations that have been subject to human rights reviews or impact assessments	Responsible procurement
412	2	Employee training on human rights policies or procedures	Responsible procurement
SUPPLIER SOCIAL ASSESSMENT			
414	1	New suppliers that were screened using social criteria	Responsible procurement
414	2	Negative social impacts in the supply chain and actions taken	Responsible procurement
NEGATIVE SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN			
416	1	Assessment of the health and safety impacts of product and service categories	Interest in healthy food The Cosmethics application helps customers to interpret the contents of cosmetics at Sokos

Description of the annual report

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

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

This report applies the Global Reporting Initiative (GRI) standard, taking into consideration the cooperative structure of S Group.

The S Group-level report looks at the policies drawn up at the entire Group level and their implementation, as well as the key indicators and measures. As legally independent businesses, the cooperatives also report their own operations in their annual reports and on their websites.

The greenhouse gas emission data presented in the report (Scope 1 and 2 and part of the Scope 3 data) as well as the energy consumption and waste data have been verified by an external party.