2020



S GROUP AND SUSTAINABILITY 2020

CONTENTS



S GROUP

5 S GROUP IN BRIEF
9 CEO'S REVIEW
10 STRATEGY
11 BUSINESS AREAS
15 ADMINISTRATION
19 MANAGEMENT
30 SUSTAINABILITY MANAGEMENT
32 STAKEHOLDER ENGAGEMENT
35 VALUE CREATION

FOR THE GOOD OF SOCIETY

37 WELL-BEING THROUGH COOPERATIVE ACTIVITIES
42 FINNISH ORIGIN

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

46 CLIMATE
60 CIRCULAR ECONOMY

ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

67 HUMAN RIGHTS AT S GROUP
71 RESPONSIBLE PROCUREMENT
80 ENSURING SAFETY
83 DIVERSITY
87 DATA PROTECTION

WELL-BEING AND HEALTH

90 PERSONNEL WELL-BEING
93 FOR A HEALTHIER DAILY LIFE

SCOPE AND ASSURANCE OF THE REPORT

96 DESCRIPTION OF THE ANNUAL REVIEW AND SUSTAINABILITY REVIEW
97 GRI CONTENT INDEX
100 S GROUP GHG INVENTORY REPORT
107 ASSURANCE REPORT

WELL-BEING THROUGH COOPERATIVE ACTIVITIES

GROCERIES REMAINED AVAILABLE DESPITE THE CORONAVIRUS

As part of the Finnish security of supply system, S Group will ensure the availability of food and other groceries even in exceptional situations. The operations of retail and foodservice wholesales coped well with the challenge posed by the year affected by coronavirus. The security of supply was ensured by the high degree of Finnish origin of our product ranges and our extensive network of stores covering the whole country. When the pandemic started, we extended our opening hours and online store services, and increased the stocks of popular products. Our strong procurement competence, work shift planning and cooperation with the food industry were also important.

P. 38

‘TRIP TO THE STORE’ MODEL EXTENDED TO COVER SECONDARY SCHOOLS

The food education model created by S Group and the Food Information Association, much liked in primary schools and entitled Retki kauppaan (Trip to the Store), was extended to cover secondary schools through the Food Quiz. The trip guides students in planning everyday meals and making sustainable choices in the grocery trade. The effectiveness of the Trip to the Store concept was studied at the University of Helsinki in autumn 2020, and the results showed that school-children's interest in and commitment to food was enhanced by teaching compliant with the concept. The idea will be introduced in other European countries as part of an EU-funded food education project.

P. 44

CLIMATE CHANGE AND THE CIRCULAR ECONOMY

FINLAND’S LARGEST SOLAR POWER PRODUCER

At the end of 2020, there were more than 70,000 solar panels on the roofs of 96 S Group locations. During 2021, solar panels will be installed in some 60 new locations, and the number of solar panels is expected to exceed 100,000 by the end of the year. The key benefit is that the electricity produced on these sites can be used in our own locations.

P. 54

NEARLY 80 EMISSION-FREE PROPERTIES

We are making rapid progress in achieving our ambitious climate targets. At the turn of the year, 79 of our outlets had achieved zero emissions. Continuous improvement of energy efficiency, renovating refrigeration facilities into carbon dioxide facilities, and the recovery of surplus heat generated in refrigeration equipment have been important for achieving this. In addition, our decision to switch exclusively to using renewable electricity has directly affected the emissions of properties.

P. 57

ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

100% CERTIFICATION TARGET FOR COFFEE, TEA AND COCOA ACHIEVED IN PRIVATE-LABEL PRODUCTS

In 2020, we achieved our goal to use only coffee, tea and cocoa that is certified or verified to be sustainable in our private-label products. Acceptable certificates include Fair Trade, UTZ and Rainforest Alliance, for example. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production.

P. 76

THE SAFETY OF OUR CUSTOMERS AND PERSONNEL IS OF UTMOST IMPORTANCE TO US

The coronavirus pandemic that began in the spring of 2020 had a significant impact on every S Group employee’s work and on customers’ visits to our outlets. We quickly introduced several new practices and security measures to prevent the spread of the coronavirus, and to ensure that our personnel remain healthy and that it is safe to visit our outlets.

P. 80

COMMITMENT TO WOMEN'S EMPOWERMENT PRINCIPLES

In autumn 2020, we signed the Women’s Empowerment Principles, established by the UN Global Compact and UN Women. By signing the commitment, we support the objective of the principles to promote equality in working life and extensively support the materialisation of inclusion and diversity.

P. 84

HEALTH AND WELL-BEING

PERSONNEL JOB SATISFACTION AT A RECORD HIGH

Despite the year being impacted by coronavirus, job satisfaction among our personnel was at a record high. The result reflects, among other things, the increased appreciation of jobs in the retail and service sectors, the successful adaptation measures and, above all, the great team spirit of our personnel across Finland.

A particularly good example of this are the extensive transfers of our personnel carried out by our cooperatives, where thousands of employees of restaurants, hotels, speciality stores and service station stores who were at risk of being furloughed were employed to make up for the increased need for workers in the supermarket trade and online trade.

P. 90

NUTRITION CALCULATOR

In the autumn of 2020, we introduced a nutrition calculator in the My Purchases service of the S-mobiili mobile app. The service, which is unique even on a global scale, has been developed in cooperation with leading Finnish nutritionists. The users of the calculator can monitor the health and nutritional values of the food they buy, and compare it with the Finnish nutritional recommendations.

P. 95

S GROUP

5 S GROUP IN BRIEF
9 CEO'S REVIEW
10 STRATEGY
11 BUSINESS AREAS
15 ADMINISTRATION
19 MANAGEMENT
30 SUSTAINABILITY MANAGEMENT
32 STAKEHOLDER ENGAGEMENT
35 VALUE CREATION



S Group is a Finnish cooperative group of companies owned by its customers. We offer services in the supermarket trade, department store and speciality store trade, service station store and fuel sales, as well as services of the travel and hospitality business. In addition, some of the cooperatives engage in automotive trade, and the comprehensive banking services provided by S-Bank cover the whole of Finland.

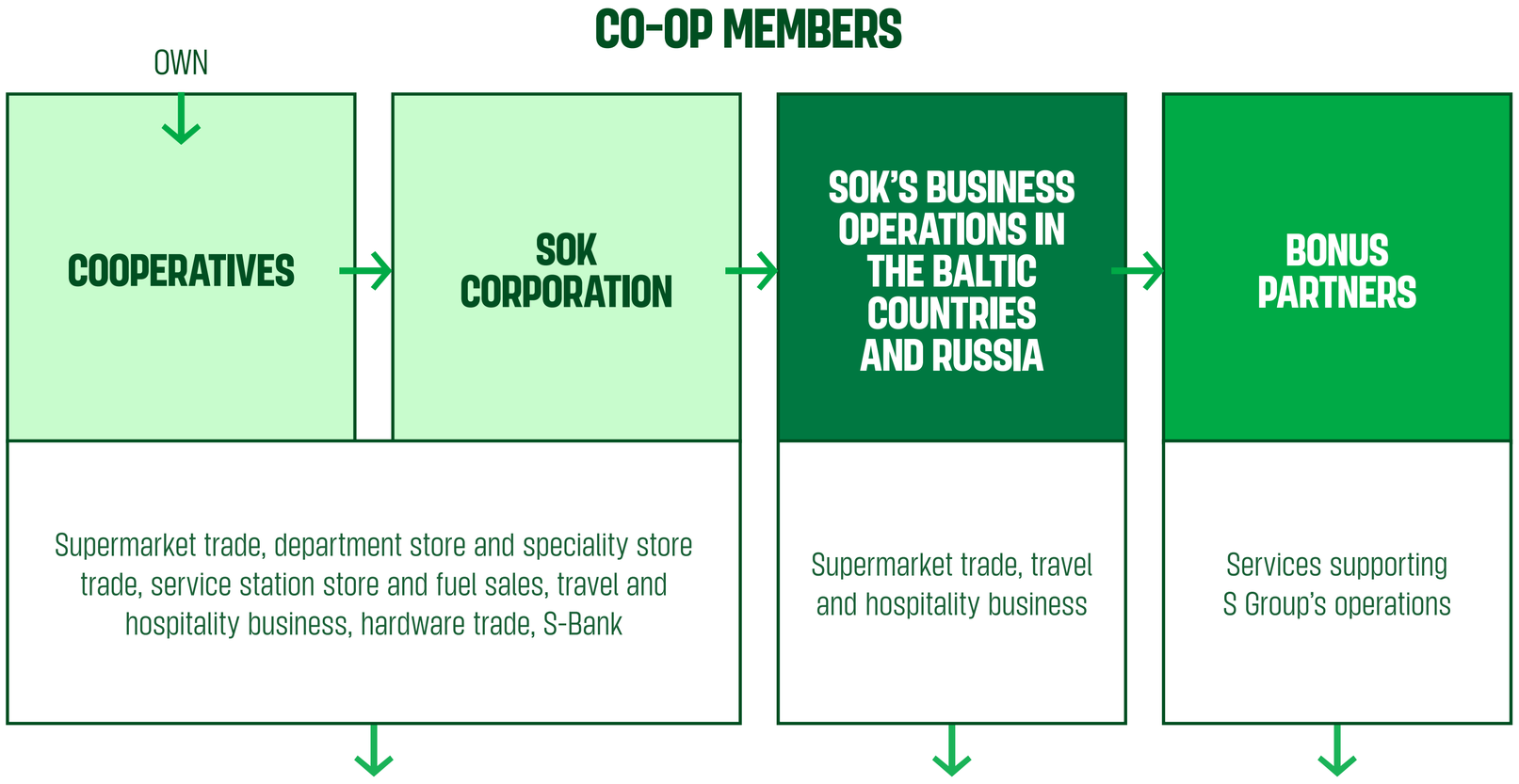
In 2020, S Group's retail sales amounted to around EUR 11.6 billion. With its 37,000 employees, S Group was the largest private sector employer in Finland.

S GROUP IN BRIEF

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

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

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



S GROUP'S REGIONAL COOPERATIVES AND INTERNATIONAL BUSINESS

REGIONAL COOPERATIVES

Helsinki
Helsingin Osuuskauppa Elanto

Joensuu
Pohjois-Karjalan Osuuskauppa

Jyväskylä
Osuuskauppa Keskimaa

Kajaani
Osuuskauppa Maakunta

Kirkkonummi
Osuuskauppa Varuboden-Osla Handelslag

Kokkola
Osuuskauppa KPO

Kouvola
Kymen Seudun Osuuskauppa

Kuopio
Osuuskauppa PeeÄssä

Kuusamo
Koillismaan Osuuskauppa

Lahti
Osuuskauppa Hämeenmaa

Lappeenranta
Etelä-Karjalan Osuuskauppa

Mikkeli
Osuuskauppa Suur-Savo

Oulu
Osuuskauppa Arina

Pori
Satakunnan Osuuskauppa

Rauma
Osuuskauppa Keula

Salo
Suur-Seudun Osuuskauppa

Seinäjoki
Etelä-Pohjanmaan Osuuskauppa

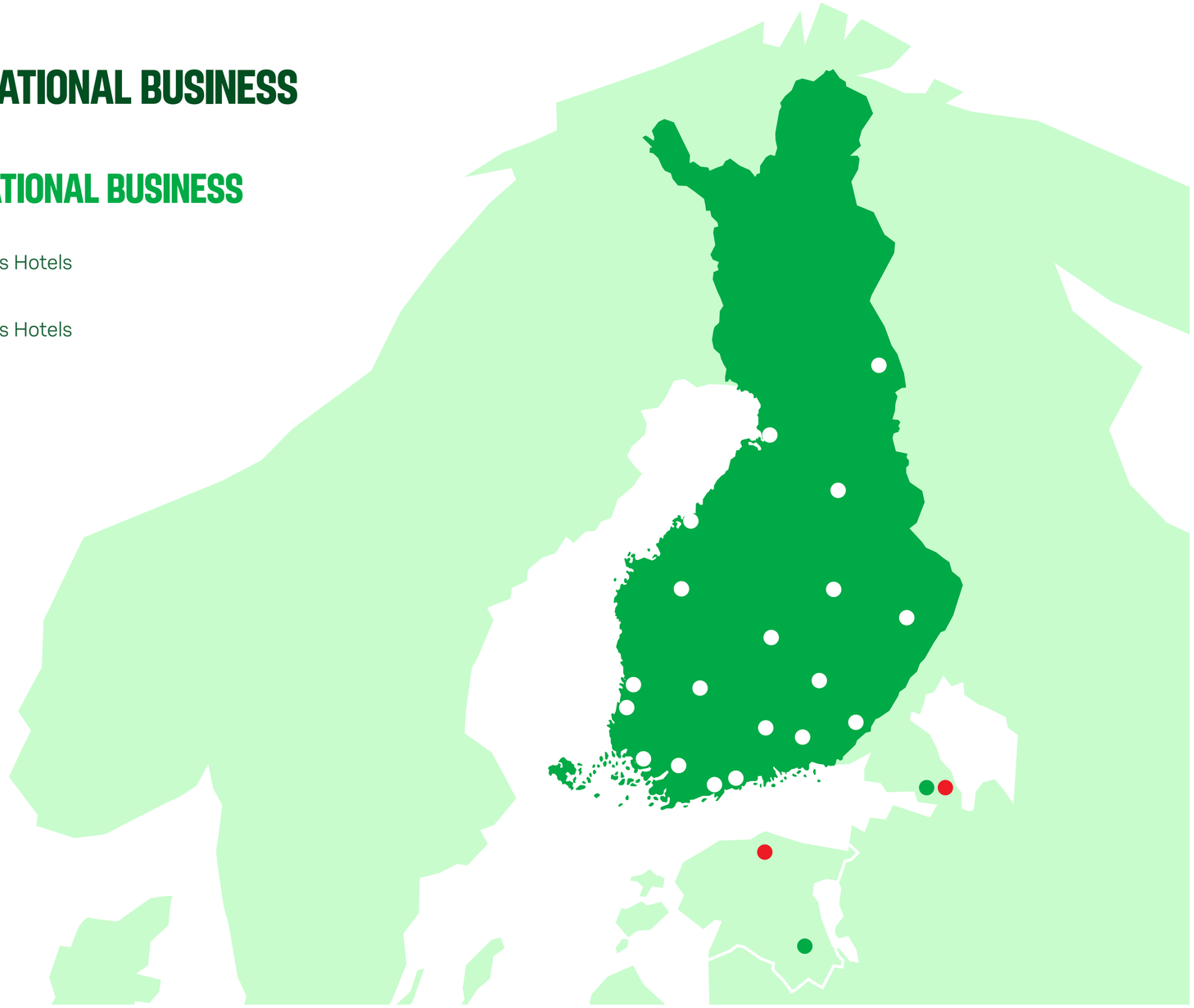
Tampere
Pirkanmaan Osuuskauppa

Turku
Turun Osuuskauppa

INTERNATIONAL BUSINESS

Russia
Prisma, Sokos Hotels

Estonia
Prisma, Sokos Hotels



S GROUP IN FIGURES

For S Group, there was a clear dichotomy in the year with regard to both sales and result. The supermarket trade produced record sales and result due to the impact of the coronavirus crisis, whereas the sales of the travel and hospitality business collapsed. The other business areas managed reasonable sales during the difficult year, but made losses, with the exception of service station and fuel sales. Overall, the result decreased clearly from the previous year.

In 2020, investments were clearly higher than in the previous year. The investments during the year included renovations to 200 S-market stores and the continuing renewal of the hotel network. Two completely new Sokos Hotels were opened: Tripla in Helsinki and Kupittaa in Turku.

OPERATING RESULT
196
EUR MILLION

INVESTMENTS
642
EUR MILLION

RETAIL SALES EXCLUDING TAXES: EUR 11,625 MILLION

BUSINESS AREA	SALES (EUR MILLION, S GROUP TOTAL)	COMPARED WITH THE PREVIOUS YEAR, %
Supermarket trade	8,898	+7.8
Hardware trade	126	-6.8
Service station store and fuel sales	1,470	-14.4
Travel industry and hospitality business	439	-47.8
Department stores and speciality stores	236	-18.8
Others	456	-3.3
S Group total	**11,625**	**-0.7**

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

SALES: FINLAND
11,337
EUR MILLION

SALES: ESTONIA
183
EUR MILLION





SALES: RUSSIA
106
EUR MILLION



S GROUP TOTAL
11,625
EUR 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 operations are invested for the benefit of the co-op members by developing services and renovating locations, or distributed to

CO-OP MEMBERS
2,453,715

CASH BENEFITS PAID TO CO-OP MEMBERS
415
EUR MILLION

BONUS
358
EUR MILLION

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.

INTEREST ON THE MEMBERSHIP FEE

2.7

EUR MILLION

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

RETURN OF SURPLUS

45

EUR MILLION

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

PAYMENT-METHOD BENEFIT

9.6

EUR MILLION

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

S GROUP'S KEY FIGURES

	2020	2019
Retail sales excluding taxes, EUR million	**11,625**	11,713
Finland	**11,337**	11,384
The Baltic countries and Russia	**289**	329
Operating result, EUR million	**196**	345
Investments, EUR million	**642**	498
Cash benefits paid to co-op members, EUR million	**415**	401
Co-op members	**2,453,715**	2,425,167
Personnel	**38,585**	37,764
Outlets	**1,849**	1,854
Specific energy consumption, KWh per gross m²	**257**	283
Emissions from S Group's own operations, tCO_2e	**120,000**	150,000
Recycling rate, %	**75**	73
Relative food waste, %	**1.41**	1.52
Coverage of audits of purchases from high-risk countries, %	**97**	98
Rate of certification for sales volume of private label products, %		
Coffee	**100**	99
Tea	**100**	100
Cocoa	**100**	99
Ethical index in the workplace community survey (TYT)	**79.6**	78.3

The figures of specific energy consumption, recycling rate, Market trade's relative food waste and coverage of audits of purchases from high-risk countries do not include operations in Estonia and Russia.

Assurance report on specific energy consumption, emissions from own operations, recycling rate, Market trade's relative food waste and coverage of audits of purchases from high-risk countries for 2020.

PERSONNEL AND LOCATIONS

EMPLOYEES

38,585

S GROUP TOTAL

OUTLETS

1,849

S GROUP TOTAL

REGIONAL COOPERATIVES

32,445

EMPLOYEES

SOK CORPORATION

6,140

EMPLOYEES



CEO'S REVIEW

A SUCCESSFUL YEAR DESPITE THE CORONAVIRUS

The year marked by the coronavirus crisis was in many ways challenging for S Group, but it also brought a lot of good things. The crisis had a varying impact on our business operations, but the development of our operations did not slow down, become more effective instead. Our sights are already firmly on the future.

In the light of the figures, the coronavirus caused a deep divide, particularly between the supermarket trade and the travel and hospitality business. The supermarket trade achieved the best sales and result due to the boom in remote working, people spending time at home, and outdoor activities. Correspondingly, restaurants and hotels suffered from the restrictions to operations and loss of customers, and lost nearly half of their sales. Despite the adjustment measures, the losses of operations were also significant. Other business operations also managed to adjust their operations and survived the year with a tolerable amount of damage.

S Group's companies carry out annual surveys to measure, among other things, the satisfaction of our personnel with their work and the working atmosphere. Despite the coronavirus year, the satisfaction of our personnel was at a record high. The result reflects, among other things, the increased appreciation of the work in retail and service sectors, successful adaptation measures and, above all, the magnificent team spirit of our personnel throughout Finland.

I would like to mention, in particular, the extensive transfers of staff carried out by our cooperatives, where thousands of employees under threat of temporary layoffs in restaurants, hotels, speciality stores and ABC service stations were employed to satisfy the sharply increased need for labour in the supermarket trade and online trade.

The exceptional year did not interrupt the development of our operations, which can also be seen in the business section of this annual report. For example, we quickly reacted to the increase in online trade by increasing capacity and by launching new services. We will continue the strong development of our online trade and digital services, with the aim of significantly improving the customer experience.

In addition to the development of our operations, the renewal of our network continued almost at a record level. Among other things, we invested approximately EUR 640 million in completely renewing the S-market chain and in our hotels. Year after year, S Group's investments have amounted to approximately EUR 500 million, which in the longer term means investments of several billion euros for the vitality of the whole of Finland.

At the turn of the year, we updated our Sustainability programme for 2021–2030. Its focus areas are sustainable consumption, sustainable growth by respecting natural resources, and an equal world together with customers, partners and other stakeholders. Our ambitious goal of our own operations being carbon-neutral by 2025 remains at the core of the programme.

The coronavirus pandemic is continuing, and the related restrictions are also reflected in S Group's business areas. However, we believe that society will start quickly restoring normality when the coverage of vaccinations improves. Even though the outlook for the current year is still fuzzy due to the coronavirus, we at S Group are looking forward with confidence. We have a strong, customer-oriented strategy and excellent competence to implement it.

Hannu Krook, CEO, SOK

During the coronavirus pandemic, the S Group and society met a completely new driver of change that also brought significant uncertainty with it. The pandemic has also accelerated the existing drivers of change.

S GROUP'S STRATEGY CARRIES BEYOND THE PERIOD OF CORONAVIRUS

Rapid changes have taken place in consumer behaviour, among other things as digitalisation has grown to a new order of magnitude. Although there is still no certainty about the permanence and extent of these changes, the three focus areas of S Group's strategy are still relevant, and we continue to be determined to implement them.

Online trade and digital services have quickly become an increasingly important part of consumers' daily lives. Creating an optimal combination of online and bricks and mortar is one of S Group's most significant development goals in the future. More accurate targeting will also make services more useful, as will the increasing customer influence on product range development and service renewal.

We will clarify the core of cooperative activities to be more concrete through practical actions. In addition, we want to grow and further increase the advantages experienced by customers. This requires that our development work is increasingly customer-oriented and our performance further enhanced. We aim to continuously develop and renew our services so that customers perceive co-op membership as an increasingly attractive option and want to concentrate their business with our group.

S Group updated its sustainability programme for 2021–2030. The new sustainability programme implements S Group's mission to create a better place to live. The greatest change made is shifting the focus more towards customers. We help our customers make healthy and environmentally responsible decisions. In addition, the programme takes biodiversity and the sustainable use of natural resources more strongly into account. Our goal is to be a pioneer in sustainability in all our business areas. The climate goals of S Group, ambitious even by international comparisons, are aimed at ensuring that S Group's own operations are carbon-negative as early as 2025.



BUSINESS AREAS

SUPERMARKET TRADE

PRISMA WAS ONE OF THE SUCCESSES OF THE YEAR

As a result of the 2020 coronavirus crisis, people stayed in remote work and remote learning, and spent their leisure time at home, at summer cottages or in outdoor activities. This resulted in strong growth in supermarkets of sales of food and consumer goods related to home or activities. S-market, Sale, Alepa and Kodin Terra stores increased their sales, but the biggest success of the coronavirus year was Prisma: the business idea of providing everything under one roof is attractive at times like this.

The past year was also a year of online sales. The online food trade tripled, and even quadrupled in December. In consumer goods, online sales grew along the same lines, and the successful launches and campaigns during the year, such as the Antti Tapani and Telcollection clothing lines at Prisma.fi, resulted in peaks of a 16-fold increase in sales.

The wild peaks in the sales of food and consumer goods at times caused challenges to availability. At the start of the crisis, there were challenges in consumer goods due to hoarding, but cooperation throughout the Finnish food supply chain managed to ensure availability very well. The capacity of the online trade was also increased in an agile manner. In consumer goods, the demand for face masks, for example, skyrocketed from zero to enormous quantities in a few weeks. This was successfully responded to by using both domestic and foreign procurement channels.

The labour force pressures of the supermarkets were alleviated by the fact that cooperatives quickly managed to relocate thousands of employees of restaurants, hotels and ABC stations, for example, to collect products for online deliveries and to replenish the store shelves. This way, extensive lay-offs were avoided in closed restaurants, for example.

S Group made considerable investments despite the coronavirus. The renewal of the entire S-market chain's 440 outlets in 2020–21 is progressing on schedule, and last year, more than 200 S-markets received a new visual appearance. Renewal of the Sale chain is also about to begin. The Ruokatorit food markets providing fresh meat, fish and high-quality, ready-made meals were renewed in Prisma stores and in some S-market stores. Campaigns to promote domestic fish continued, resulting in a strong increase in sales for the second year in succession. During the year, sushi kiosks also became a highly visible part of several stores' fresh food selection. This resulted in a ten-fold increase in sales of sushi dishes.

In 2020, S Group's online stores had bottlenecks that weakened the customer experience. The years 2021–2022 will be a period of strong development during which the customer experience in online stores will significantly improve.

In 2021, the implementation of a new competitive strategy for the supermarket trade will continue. At its core is the best possible customer experience, an appropriate product range, agile activities that respond to customer demand, as well as price leadership in the grocery trade and rewarding of co-op members. The objective of S Group's supermarket trade is to be the most sustainable operator in its industry.

SALES

9,024

EUR MILLION*

MARKET SHARE IN THE FOOD TRADE

46%

99
PRISMA STORES

121
ALEPA STORES

5
FOOD MARKET HERKKU STORES

442
S-MARKET STORES

298
SALE STORES

* Includes hardware trade

DEPARTMENT STORES AND SPECIALITY STORES

TOWARDS NEW HEIGHTS AFTER A DIFFICULT YEAR

e strong rise of the Sokos department stores since 2016 came to an end when the coronavirus crisis started in March 2020. Sales at bricks-and-mortar outlets experienced a rapid loss of customers, but sales in online stores quickly rose to a record level. This, in turn, caused a significant requirement to improve the performance of the online store regarding smooth shopping, background processes and delivery capabilities. Late in the year, the situation slightly steadied and took a turn for the better, especially in the Emotion chain.

The sales of the main product areas – beauty and fashion – followed the development of the overall market in S Group's chains. The total market for fashion contracted by almost 20 per cent, and the key categories of cosmetics – skincare and colour cosmetics – took a hefty fall. However, sales developed considerably in the home product area as a result of increasing demand for Finnish brands and interior decoration products.

Regarding sales, the year progressed largely in line with the pattern familiar from S Group's other operations: The year started well for the first two months. In March–May, sales at bricks-and-mortar stores stopped almost completely, until a better period followed in June–August, especially in the cosmetics trade. As a result of the second wave of coronavirus, the business declined again, particularly in the Helsinki metropolitan area and in large shopping centres.

In the online store, the sales of sokos.fi tripled year-on-year. The strongest growth – 3.5 times normal – was experienced in ladies' fashion sales. At the beginning of the coronavirus crisis, there were even tenfold peaks in sales.

The improvement of the customer experience that started the year before also continued in 2020. The aim is to stand out with good service and create memorable customer experiences. Rather than offering individual products, the aim is to help customers find their own style and to provide an overall experience and pleasure. Net Promoter Score, which measures customer loyalty, developed strongly in both chains.

In 2020, a new Sokos department store opened in Rovaniemi. Now the Sokos chain consists of 20 department stores and the sokos.fi online store. The Emotion chain had its 20th anniversary in spring 2020. It is Finland's largest beauty chain, with 37 outlets.

The first part of 2021 will still involve adapting to the coronavirus crisis, but also preparations for a new rise. The migration of online sales to new technology, and thus to a world-class customer experience, has begun. This will advance a multichannel vision that includes, in addition to the online store, the continuous development of beauty, fashion, home selection and service. There is a special focus on the beauty product area, where the goal is to further strengthen market leadership in both chains.

The Emotion chain will expand by 2–3 locations during 2021–2022. In turn, the Sokos chain will be 70 years old in 2022. The oldest chain in the S Group wants to show its vitality during its jubilee year by offering even more memorable shopping experiences.

SALES

236

EUR MILLION

21

SOKOS STORES

37

EMOTION SHOPS

6

OTHER SPECIALITY STORES

SERVICE STATION STORE AND FUEL SALES

ABC SURVIVED THE VARYING YEAR VERY WELL

The coronavirus reduced people's mobility in 2020, which was reflected in the sales and profitability at ABC service station stores. The closure of restaurants in spring also had a significant impact, when only takeaway sales were allowed. There was a lot of variation during the year, both in terms of time and location.

After the low point in spring, the summer and autumn sales were close to normal, but due to the second wave of the coronavirus, restaurant sales in particular decreased. The biggest impact has been on sales during weekends and public holidays. In addition, the absence of group travel and events has had a significant impact on ABC service station stores.

The coronavirus had the biggest impact on restaurants, but the sales of supermarkets fared well. The car wash trade increased its sales, whereas decreased mobility reduced the total litres of fuel sold. However, ABC maintained its market share and succeeded in improving its result in fuel sales. The entire chain made a positive result in 2020.

While restaurant operations were restricted, their need for workers decreased, but a significant proportion of the employees were temporarily employed in other business operations of the cooperatives.

In order to meet the new requirements created by coronavirus, the ABC chain quickly adapted and renewed in particular its restaurant operations by developing the ABC-mobiili app, the product range, the pre-order option (deliveries to parking spaces) and packaging. At the same time, particular attention was paid to safe services and work. The service level remained high, and despite the exceptional year, customer satisfaction increased in many places.

In addition to features facilitating food orders, the popular ABC-mobiili app was developed by introducing the possibility of purchasing a series of car washes at the same time. During the year, the car wash network expanded according to plan by establishing several new units, and the washing network already consists of around one hundred wash stations. The new Kebabc family, introduced to the chain's

restaurant products, quickly became very popular among customers.

The coronavirus situation also had the effect of reducing people's mobility and restaurant visits during the early months of the current year. This year, the duration of the coronavirus pandemic will be the most significant factor affecting the profitability of the service station stores. Regional variations are still bigger than usual. The outlets have responded to poor demand for example by reducing their opening hours, but they are prepared to immediately restore normal operations. No outlet is closed due to the coronavirus.

Last year showed that there is an undeniable need for the ABC chain in securing the availability of basic services and security of supply throughout Finland, even in exceptional times. During the exceptional situation in 2020, the ABC chain carried out development work to provide an even better customer experience. When the coronavirus situation alleviates, the ABC chain will be prepared to support Finland's return to busines as usual and to serve its customers more strongly than ever throughout Finland.

SALES

1,470

EUR MILLION

97

ABC SERVICE STATIONS

333

UNMANNED ABC STATIONS

TRAVEL AND HOSPITALITY BUSINESS

THE CORONAVIRUS PUNISHED HOTELS AND RESTAURANTS

The year was difficult for S Group's travel and hospitality business, as it was for the entire sector. The growth in sales and result, which had continued since 2014, still continued in January–February 2020. However, starting from March, the coronavirus caused a collapse in both sales and result. The most difficult months were April and May, when restaurants were closed with the exception of takeaway sales, and hotels lost customers.

The summer made the situation easier, as restaurants re-opened and travellers filled hotels in some parts of Finland. However, there were big regional variations. The hotels in the Helsinki capital region have suffered the most throughout the coronavirus crisis. In the almost total absence of foreign travellers and business travellers, the occupancy rates of hotels have remained low. Therefore Sokotel Oy, SOK's subsidiary operating in the Helsinki capital region, has had to considerably adjust its operations. The same thing has happened in Finland's neighbouring areas, as overnight stays at Original Sokos Hotel Viru in Tallinn have collapsed due to the absence of Finnish tourists.

In late 2020, hotels and restaurants experienced a second wave of coronavirus, which practically prevented the Christmas season from happening.

Despite the exceptional year, personnel satisfaction was very high. Many regional cooperatives achieved record-high results in job satisfaction surveys. S Group was able to show the strength of its multidisciplinary approach when the supermarket trade required more labour, as more than 3,000 hotel and restaurant professionals moved to help e.g. with the online trade, instead of being furloughed.

The coronavirus did not stop the development of operations or renewal of the network either. The digitalisation of hotels proceeded with, among other things, the introduction of the first self-service points and the pilot use of mobile keys. At the same time, Raflaamo.fi, the website compiling the details of S Group's restaurants, was also renewed. During the year, 54 restaurants were renewed and considerable investments in the hotel network continued. In addition to several comprehensive renovation operations, two completely new hotels opened during the year: Original Sokos Hotel Tripla in Helsinki in January, and Original Sokos Hotel Kupittaa in Turku in July.

The recovery of the travel and hospitality business from the coronavirus crisis will, to a large extent, depend on progress in vaccinations in Finland and elsewhere in the world. The restaurant sector is likely to recover more quickly than hotels, and the accumulated need for consumption may already manifest itself as high demand during the summer, the vaccination situation permitting. Private and personnel restaurants may be in the most difficult position, as business events are not likely to start properly before autumn, and remote working may cause a permanent decrease in sales at personnel restaurants.

Changes in business travel and the slow recovery of international travel may affect the demand for hotel accommodation for years. Some permanent changes may also take place regarding travel, but the need of people to experience something new and gain experiences has not disappeared with the coronavirus crisis. In the future, Finland's strengths, such as cleanliness, absence of congestion and safety, can also be trump cards for tourism.

SALES

439

EUR MILLION

500

RESTAURANTS

49

SOKOS HOTELS

8

RADISSON BLU HOTELS

2

OTHER HOTELS

S-BANK

GROWTH AND DEVELOPMENT DESPITE THE CORONAVIRUS

The coronavirus pandemic of 2020 impacted Finnish society and also S-Bank in many different ways. When the crisis started, S-Bank focused on looking after the safety and well-being of its customers and personnel. During the first few weeks of the crisis, a significant part of S-Bank's personnel transferred to remote working. As the situation regarding the disease has varied, the methods of working have been adjusted as required.

Customers have been advised to use the S-mobiili app and online banking services. In particular, the popularity of S-mobiili has grown rapidly throughout the year. The app has also been supplemented with many new features at the customers' request: now it can be used to apply for a loan and to invest in funds, for example.

In addition to digital services, the pandemic was reflected in customers' daily lives in many ways. For example, foreign travel decreased clearly and the importance of home was emphasised. In April–June, the uncertainty experienced by consumers was reflected in the weak demand for many banking products, whereas the second half of the year was a period of recovery. For the whole year, S-Bank's core business continued its sound growth, despite the effects of the coronavirus pandemic.

The demand for S-Bank's mortgage loans continued to be intense. The stock of mortgage loans increased at a rate 5.5 times faster than the market average, looking at the previous 12 months. The managed assets also increased significantly, boosted by the corporate acquisition. At the start of August, the corporate transaction with Fennia Group was completed. It made S-Bank one of the most significant property asset managers in Finland.

During the year, S-Bank made determined advances in many of its key development projects. The expansion of fundraising progressed rapidly, which enables continued strong growth in the long term. In the summer, S-Bank received its first credit rating and, in November, the European Central Bank authorised it to act as a mortgage bank. S-Bank is investigating the possibility to seek funding from the market with secured and unsecured bonds within the framework of the EUR 1.5 billion bond programme approved by the Financial Supervisory Authority.

S-Bank has its sights on the future with confidence. Even though the coronavirus pandemic is not over yet, the return to more usual everyday life is already on the horizon, as the coronavirus vaccinations progress. S-Bank is a full-service bank owned by S Group's co-op members, and it wants to provide everyone with a slightly wealthier tomorrow. S-Bank offers its customers superior convenience and benefits, both in everyday life and for the big changes in life. This is evidenced by the fact that S-Bank's services are in high demand amidst the pandemic, which has been reflected in extensive growth.



ADMINISTRATION

SOK'S SUPERVISORY BOARD IN 2020



Matti Pikkarainen (b. 1953)
Oulu

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



Timo Santavuo (b. 1960)
Pori

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



Tapio Kankaanpää (b. 1962)
Kuopio

- MSc (Econ)
- Second Vice Chair 2019–
- Managing Director of the PeeÄssä Cooperative Society
- Member of the Supervisory Board 2018–
- Outgoing in 2023

Jorma Bergholm
(b. 1954) Helsinki

- MSocSc
- Chair of the Supervisory Board of the Helsinki Cooperative Society Elanto
- Member of the Supervisory Board 2005–
- Outgoing in 2023

Sinikka Kelhä
(b. 1964) Rauma

- Lawyer
- Chair of the Supervisory Board of the Keula Cooperative Society
- Member of the Supervisory Board 2017–
- Outgoing in 2023

Pentti Hämäläinen
(b. 1954) Hamina

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

Kimmo Koivisto
(b. 1956) Salo

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

Henrik Karvonen
(b. 1972) Kuusamo

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

Martti Lokka
(b. 1967) Mikkeli

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

Leena Munter-Ollus
(b. 1968) Kantvik
- Managing Director
- Chair of the Supervisory Board of the Varuboden-Osla Handelslag cooperative
- Member of the Supervisory Board 2020–
- Outgoing in 2022

Anne Mäkelä
(b. 1965) Kokkola
- Lawyer, LLM with court training
- Chair of the Supervisory Board of the Osuuskauppa KPO cooperative
- Member of the Supervisory Board 2015–
- Outgoing in 2023

Antti Määttä
(b. 1966) Muurame
- MSc (Econ), Commercial Counsellor
- Managing Director of the Keskimaa Cooperative Society
- Member of the Supervisory Board 2013–
- Outgoing in 2022

Hannu Pelkonen
(b. 1967) Sotkamo
- Managing Director of the Maakunta Cooperative Society
- Member of the Supervisory Board 2015–
- Outgoing in 2021

Timo Rajala
(b. 1957) Akaa
- Project Director
- Chair of the Supervisory Board of the Pirkanmaan Cooperative Society
- Member of the Supervisory Board 2017–
- Outgoing in 2023

Mika Rantanen
(b. 1959) Kaarina
- MA (Ed)
- Chair of the Supervisory Board of the Turku Cooperative Society
- Member of the Supervisory Board 2019–
- Outgoing in 2022

Jarkko Rautaoja
(b. 1964) Heinola
- MSc (Tech)
- Chair of the Supervisory Board of the Hämeenmaa Cooperative Society
- Member of the Supervisory Board 2017–
- Outgoing in 2023

Kari Suninen
(b. 1963) Lappeenranta
- Managing Director
- Chair of the Supervisory Board of the Southern Karelia Cooperative Society
- Member of the Supervisory Board 2018–
- Outgoing in 2021

Elina Varamäki
(b. 1971) Seinäjoki
- Vice Principal, Adjunct Professor
- Chair of the Supervisory Board of the Southern Ostrobothnia Cooperative Society
- Member of the Supervisory Board 2016–
- Outgoing in 2022

Kim Wrange
(b. 1968) Lehmo
- Licentiate of Science (Econ.), Head Lecturer
- Chair of the Supervisory Board of the Northern Karelia Cooperative Society
- Member of the Supervisory Board 2018–
- Outgoing in 2022

EMPLOYEE REPRESENTATIVES

Ulla Kivilaakso
(b. 1970) Helsinki
- Vocational Qualification in Economics and Business Administration, diploma in marketing and communications management (MJD)
- Marketing Manager
- SOK Travel Industry and Hospitality Chain Management
- Member of the Supervisory Board 2011–
- Outgoing in 2021

Iiris Merimaa
(b. 1962) Helsinki
- Administrative Assistant
- SOK Administrative Services and Risk Management
- Member of the Supervisory Board 2009–
- Outgoing in 2021

SOK'S EXECUTIVE BOARD 2020



Taavi Heikkilä (b. 1962)
- CEO, MSc (Econ)
- Chair of SOK's Executive Board
- Member of SOK's Executive Board 2007–2011, 2014–2020
- With S Group 1987–2020



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



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



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



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



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



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



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



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

SOK CORPORATION'S CORPORATE MANAGEMENT TEAM 2020



Taavi Heikkilä (b. 1962)
- CEO, MSc (Econ)
- With S Group 1987–2020



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



Jari Annala (b. 1964)
- EVP, MSc (Econ)
- SOK Business Units, banking business
- With S Group 1989–



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



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



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



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

SOK CORPORATION'S CORPORATE GOVERNANCE AND MANAGEMENT SYSTEM 2020



SOK Corporation (SOK) is a Finnish cooperative, subject to the provisions of the Cooperatives Act and other regulations concerning the operations of its business areas, as well as SOK's Statutes. Its subsidiaries' operations are regulated by the Limited Liability Companies Act, among other regulations. SOK Corporation's operations are also governed by the operating principles, operating policies and investment and approval guidelines confirmed by SOK's Executive Board, as well as the rules of procedure confirmed for its various bodies.

On 19 September 2019, the Securities Market Association approved a Corporate Governance Code for listed companies (available at http://cgfinland.fi/), which entered into force on 1 January 2020. In accordance with the statement issued by the Finland Chamber of Commerce in 2006, other nationally significant organisations should also adhere to the Code to the extent possible, taking into account their special characteristics, in accordance with the "comply or explain" principle, so that any deviation and the reason for it must be indicated. SOK adheres to the Corporate Governance Code to the extent relevant and possible considering its cooperative form of business and special characteristics.

This Corporate Governance Statement (CG report) and the remuneration report attached to it have been prepared in accordance with the Corporate Governance Code's recommendations. SOK will present the report by the Executive Board as a separate report.

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

DEVIATIONS FROM THE CORPORATE GOVERNANCE CODE

The Corporate Governance Code was drawn up for listed companies, and its recommendations complement the obligations prescribed in legislation. Therefore, it is basically not applicable to SOK in all respects.

Deviations from the Corporate Governance Code are largely based on the fact that SOK is a cooperative society whose co-op members are consumer cooperatives, which differ significantly from listed companies and other limited liability companies. In addition, according to the presentation of the Corporate Governance Code, the directive amending the rights of shareholders ("the Directive") that was implemented as part of national legislation on 10 June 2019 has been a key element in the background of the Corporate Governance Code reform that entered into force on 1 January 2020. However, the Directive is not applicable to SOK or its member cooperatives. According to the rules regarding SOK's member cooperatives, only natural persons can be members, and each member may only have one share.

The purpose of the operations of the member cooperatives of SOK is to provide members with services and benefits, not to produce profit for shareholders. In order to fulfil the purpose of operations and to ensure that owner control and the participation of the owners can be realised in an efficient and comprehensive manner, SOK has a Supervisory Board. Among other things, the deviations further improve communication and decision-making in SOK's administration and provide the members with more influence over SOK's operations through the administrative structure, which includes a Supervisory Board.

Taking into account the above, the material deviations by SOK from the Corporate Governance Code are the following:

- According to the Statutes, SOK has a two-level governance model; in other words, in addition to the Executive Board and the CEO, the cooperative has a Supervisory Board.
- According to the Statutes, the Supervisory Board elects the Executive Board (Recommendation 5) on the basis of the two-level governance model referred to above.
- According to the Statutes, SOK's Cooperative Meeting elects the members of the Supervisory Board for three calendar years at a time, so that approximately one third of the members of the Supervisory Board are outgoing each year (Recommendation 6). The term of office of three calendar years is justified to maintain the continuity of the work of the Supervisory Board.
- According to the Statutes, SOK's Chief Executive Officer (managing director) acts as Chair of the Executive Board (Recommendation 20). A deviation from the recommendation is justified, as SOK also has a Supervisory Board that supervises the activities of the Executive Board and the CEO (the managing director).
- According to the Statutes, the Supervisory Board decides on the CEO's (managing director's) remuneration (Recommendation 22). A deviation from the recommendation is justified, as the Supervisory Board also elects the CEO, and the CEO acts as Chair of the Executive Board.
- SOK has a remuneration policy, but its content differs from the remuneration policy required by the legislation governing listed companies referred to in the Corporate Governance Code.
  - The legislation governing listed companies does not apply to SOK.
  - According to the Statutes, the Annual Cooperative Meeting decides on the remuneration of the Chair, Vice Chairs and other members of the Supervisory Board.
  - According to the Statutes, the Supervisory Board also decides on the basis of the CEO's remuneration, and the Chair of the Supervisory Board agrees together with the Vice Chairs of the Supervisory Board on the remuneration of the CEO in accordance with the basis of the pay criteria set by the Supervisory Board, and on the remuneration of Executive Board members employed by the cooperative on the basis of the CEO's proposal and in accordance with the basis of remuneration set by the Executive Board.
- The reporting on SOK's remuneration policy is not fully compliant with the remuneration reporting required of listed companies by the Securities Market Act and the Ministry of Social Affairs and Finance Decree on the remuneration policy of and remuneration report by the organisation issuing shares ("legislation governing listed companies") (Recommendations 1, 4, 17, 20 and 22)
- SOK's Supervisory Board has set up an Audit Committee, but its duties, operations and composition differ from the requirements of compelling audit legislation applicable to listed companies, because they are not applied to SOK. (Recommendation 16)

SOK AND S GROUP

S Group is a group of companies that comprises cooperatives and the SOK owned by them, as well as the subsidiaries owned by the cooperatives. The purpose of S Group is to provide co-op members with services and benefits. SOK provides the cooperatives with procurement, expert and support services, as well as being responsible for S Group's strategic steering and the control and development of business chains.

According to its Statutes, the purpose of SOK is to provide services primarily for the cooperative members and other companies included in the S Group. For this purpose, it must:

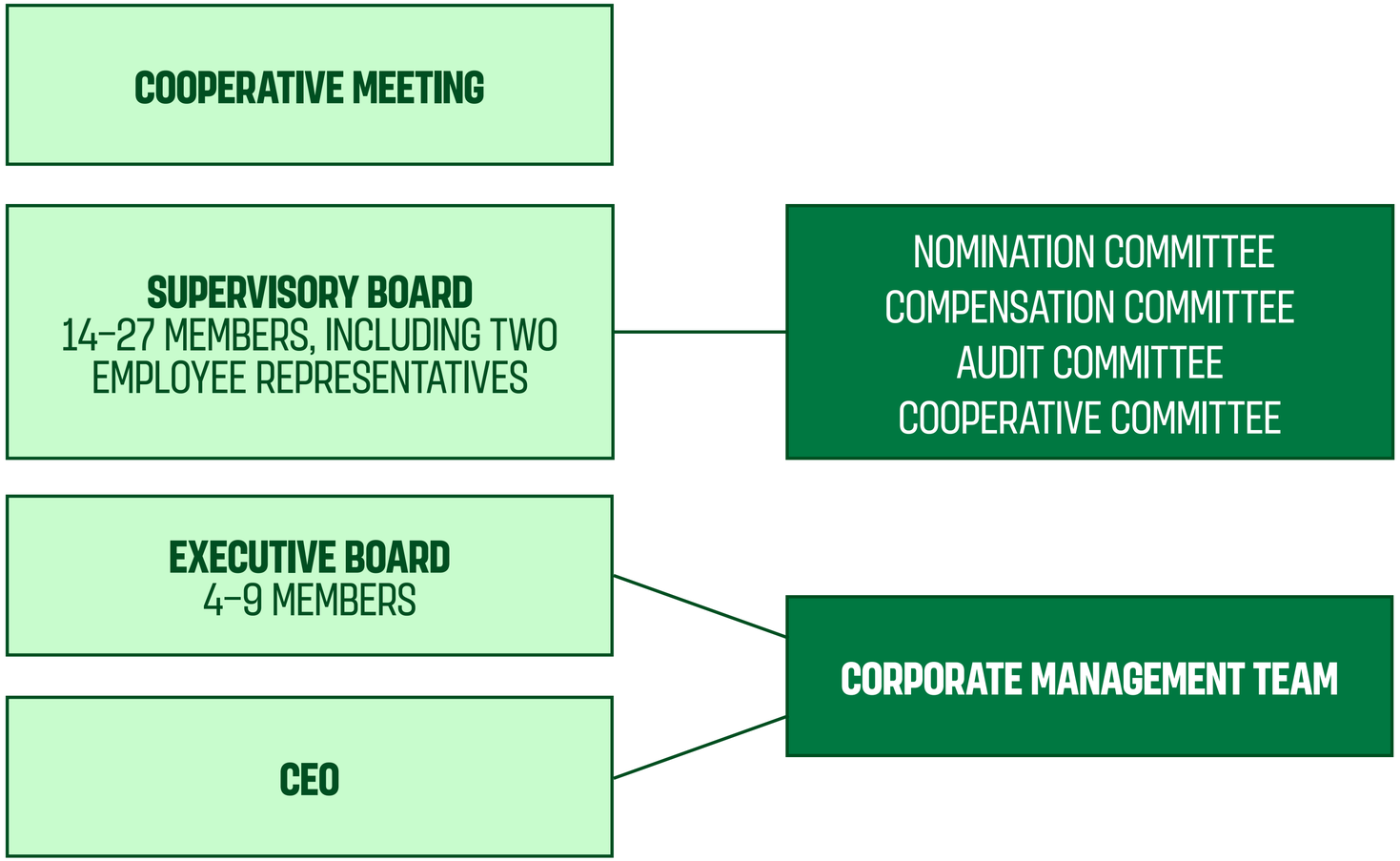
1. **PROMOTE AND DEVELOP THE OPERATIONS OF THE COOPERATIVE ENTERPRISES AND OTHER COMPANIES BELONGING TO THE S GROUP, AS WELL AS GUIDING AND SUPERVISING THE EFFICIENT USE OF THE OVERALL RESOURCES OF THE GROUP;**
2. **MONITOR THE OPERATIONS AND INTERESTS OF THE S GROUP AND ITS SEGMENTS;**
3. **MANAGE THE CENTRALISED SUPPORT AND SERVICE OPERATIONS REQUIRED BY THE S GROUP;**
4. **ENGAGE IN BUSINESS ACTIVITIES IN FINLAND AND ABROAD, IN ITS OWN NAME OR THROUGH ITS SUBSIDIARIES AND ASSOCIATED COMPANIES.**

SOK Group (SOK Corporation) includes the parent cooperative SOK and its wholly owned subsidiaries. SOK Corporation's organisational diagram (including commercial companies; the companies shown indented are subsidiaries of the company shown above them):

- → SOK LIIKETOIMINTA OY
  - → SOKOTEL OY
    - → KIINT. OY OULUN VAAKUNA
  - → AS SOKOTEL
  - → SOK RETAIL INT. OY
    - → SOK SERVICE CENTER RUS
    - → SOKOTEL
    - → PRISMA
  - → PRISMA PEREMARKET AS
- → INEX PARTNERS OY
- → INEX EXPORT OY
- → MEIRA NOVA OY
- → S-HERKKUKEITTIÖ OY
- → REILA OY
- → JOLLAS-OPISTO OY
- → S-BUSINESS OY
- → S-YRITYSPALVELU OY
- → SOK REAL ESTATE INT. OY
  - → OTEL PLUS
  - → ITIS 2
  - → KARELIA
- → SOK FUND MANAGEMENT OY
- → S-VERKKOKAUPPA OY

SOK'S GOVERNANCE MODEL

Contrary to the Corporate Governance Code, SOK has a two-level governance model, which consists of the Cooperative Meeting, Supervisory Board, Executive Board and CEO (managing director) in line with the diagram below. The CEO is assisted in the operational management of the company by the Corporate Management Team.



COOPERATIVE MEETING

The members (owners) of SOK exercise their decision-making power at the Cooperative Meeting. The Cooperative Meeting makes decisions concerning issues that fall into its sphere of responsibility in accordance with the Cooperatives Act and SOK's Statutes. Each member cooperative of SOK is entitled to elect a maximum of five representatives to the Cooperative Meeting, all of whom have the right to address the meeting, but only one of whom has the right to vote on behalf of the cooperative. The execution of ownership rights and the voting rights are based on the members' ownership shares and SOK's Statutes.

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

According to the Statutes, the members of the Supervisory Board are elected at the Cooperative Meeting on the basis of proposals made by the delegates of the cooperative enterprises.

In 2020, the Annual Cooperative Meeting was held on 23 April. The meeting attended to the matters on its statutory agenda. No Extraordinary Cooperative Meetings were held in 2020.

SUPERVISORY BOARD

According to the Statutes, SOK has a Supervisory Board. The Supervisory Board convenes at the invitation of the Chair as often as matters require or when the Executive Board proposes it.

COMPOSITION AND ELECTION

The Supervisory Board has 14–27 members, of whom 12–25 are elected by the Cooperative Meeting based on proposals from the cooperatives. The members of the Supervisory Board are elected for three years so that their term of office begins at the close of the meeting electing them and ends at the close of the third Annual Cooperative Meeting following their election. The terms of office of the members of the Supervisory Board are staggered in order to secure continuity in such a way that approximately one third of the terms of office end each year.

According to the Statutes, a person cannot be elected as a member of the Supervisory Board if he or she has turned 68 before the beginning of the term of office.

SOK contributes to taking into account the diversity of the members of the Supervisory Board, including age and gender distribution, when seeking new members for the Supervisory Board.

In addition to the members elected by the Cooperative Meeting, SOK's Statutes require that SOK's personnel can, pursuant to the Act on Personnel Representation in the Administration of Undertakings, nominate two members for the Supervisory Board from among its members, as well as personal deputies for them. The term of office of the personnel representatives in the Supervisory Board is in practice determined by the decisions of personnel groups regarding the election of representatives. The purpose of personnel representation is, among other things, to provide employees with an opportunity to influence SOK's organisation, to improve communication and decision-making, and to increase the trust between management and personnel. However, the employees' representatives do not participate in the processing of matters concerning the selection or dismissal of the company's management, its contract terms, the terms and conditions of employees' employment contracts or industrial action.

In its first meeting held after the Annual Cooperative Meeting, the Supervisory Board elects a Chair as well as the First and Second Vice Chairs from among its members for one year at a time. The Chair of the Supervisory Board and the two Vice Chairs make up the Committee of Presiding Officers, which assists the Supervisory Board in carrying out its duties. The Chief Executive Officer attends the meetings of the Committee of Presiding Officers. In addition, the Committee of Presiding Officers decides, for example, on the emoluments of the CEO in accordance with the guidelines provided by the Supervisory Board.

THE DUTIES

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

The Supervisory Board monitors to ensure that the governance of the cooperative society and SOK Corporation complies with the law, the Statutes and the decisions of the Cooperative Meeting and the Supervisory Board, and that such governance is in the cooperative society's best interests. In addition, the Supervisory Board approves and, if necessary, expels members of the cooperative society and appoints and dismisses the Chief Executive Officer and other members of the Executive Board, and also decides on the remuneration of Executive Board members other than those employed by the cooperative society.

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

The Supervisory Board regularly receives from the CEO and the Executive Board sufficient information for attending to the duties of the Supervisory Board. In practice, such information is provided in connection with the meetings of the Supervisory Board. The Chair and Vice Chair of the Supervisory Board are entitled to participate in the meetings of the Executive Board and to exercise the right to be heard there.

The key duties and the principles of work of the Supervisory Board are specified in the Rules of Procedure approved by the Supervisory Board. The Rules of Procedure are available on the Cooperative's website **Administration and management - S Group (s-ryhma.fi)**

COMMITTEES OF THE SUPERVISORY BOARD

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

Nomination Committee

The Nomination Committee prepares matters related to the selection of the CEO and the members of the Executive Board. The Nomination Committee consists of the Chair of the Supervisory Board, the first and second Vice Chairs of the Supervisory Board and two other members elected by the members of the Supervisory Board from among themselves. The members are elected at the meeting of the Supervisory Board. The Chair of the Nomination Committee is held by the Chair of the Supervisory Board and its Vice Chair is held by the First Vice Chair of the Supervisory Board. The Supervisory Board's election procedure ensures the owners' possibilities to influence the composition of the Executive Board and thus the operations of SOK as a whole.

The terms of office of the Nomination Committee members expire when the new Nomination Committee has been appointed.

The rules of procedure of the Nomination Committee are available on the Cooperative's website **Administration and management – S Group (s-ryhma.fi)**

In 2020, the Nomination Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

NAME	BORN	EDUCATION	MAIN JOB	ROLE	MEETING ATTENDANCE RATE
Matti Pikkarainen	1953	DTh	Chair of the Supervisory Board of the Arina Cooperative Society	Chair of the Supervisory Board	100%
Timo Santavuo	1960	LLM with court training	Lawyer	First Vice Chair of the Supervisory Board	100%
Tapio Kankaanpää	1962	MSc (Econ)	Managing Director of the Osuuskauppa PeeÄssä cooperative	Second Vice Chair of the Supervisory Board	100%
Jorma Bergholm	1954	MSocSc.	Chair of the Supervisory Board of the Helsinki Cooperative Society Elanto	Member of the Supervisory Board	100%
Anne Mäkelä	1965	LLM with court training	Lawyer	Member of the Supervisory Board	100%

The Nomination Committee convened eight times during 2020, and its members' attendance rate was 100%. The committee presented the Supervisory Board with its proposal for the composition of the Executive Board on 16 December 2020.

Compensation Committee

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

In 2020, the Nomination Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

NAME	BORN	EDUCATION	MAIN JOB	ROLE	MEETING ATTENDANCE RATE
Matti Pikkarainen	1953	DTh	Chair of the Supervisory Board of the Arina Cooperative Society	Chair of the Supervisory Board	100%
Timo Santavuo	1960	LLM with court training	Lawyer	First Vice Chair of the Supervisory Board	100%
Martti Lokka	1964		Managing Director, Building Manager	Member of the Supervisory Board	100%
Jarkko Rautaoja	1967	MSc (Tech)	Managing Director	Member of the Supervisory Board	100%
Sinikka Kelhä	1964	LLM with court training	Lawyer	Member of the Supervisory Board	80%

The Compensation Committee convened five times during 2020, and its members' attendance rate was 96%. The committee presented the Supervisory Board with its proposal for remuneration of the members of the Executive Board on 16 December 2020.

The rules of procedure of the Compensation Committee are available on the Cooperative's website **Administration and management – S Group (s-ryhma.fi)**

Audit Committee

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

In 2020, the Audit Committee consisted of the following members of the Supervisory Board:

NAME	BORN	EDUCATION	MAIN JOB	ROLE	MEETING ATTENDANCE RATE
Tapio Kankaanpää	1962	MSc (Econ)	Managing Director of the Osuuskauppa PeeÄssä cooperative	Second Vice Chair of the Supervisory Board	100%
Timo Rajala	1957	LLM with court training	Project Director	Member of the Supervisory Board	100%
Mika Rantanen	1959	MA (Ed)	Leading Headmaster	Member of the Supervisory Board	100%
Kari Suninen	1963		Managing Director	Member of the Supervisory Board	100%
Kim Wrange	1968	Licentiate of Science (Econ.)	Head Lecturer	Member of the Supervisory Board	100%

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

The rules of procedure of the Audit Committee are available on the Cooperative's website **Administration and management – S Group (s-ryhma.fi)**

Cooperative Committee

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

In 2020, the Cooperative Committee, which prepared proposals for the Supervisory Committee, consisted of the following members of the Supervisory Board:

NAME	BORN	EDUCATION	MAIN JOB	ROLE	MEETING ATTENDANCE RATE
Timo Santavuo	1960	LLM with court training	Lawyer	First Vice Chair of the Supervisory Board	100%
Pentti Hämäläinen	1954		Lawyer	Member of the Supervisory Board	75%
Kimmo Koivisto	1956		Farmer	Member of the Supervisory Board	100%
Antti Määttä	1966	MSc (Econ)	Managing Director of the Keskimaa Cooperative Society, Commercial Counsellor	Member of the Supervisory Board	100%
Elina Varamäki	1971	DSc (Econ), Docent	Vice Principal	Member of the Supervisory Board	100%

The Cooperative Committee convened four times, and its members' attendance rate was 95%.

The rules of Procedure of the Cooperative Committee are available on the Cooperative's website **Administration and management – S Group (s-ryhma.fi)**

CHAIR OF THE SUPERVISORY BOARD

In addition to leading the meetings of the Supervisory Board, the Chair of the Supervisory Board has the following duties, for example:

- → Acting as the administrative manager of the CEO
- → Preparing Supervisory Board meetings together with the Executive Board
- → Agreeing together with the Vice Chairs of the Supervisory Board, on the remuneration of the CEO (managing director) in accordance with the pay criteria set by the Supervisory Board
- → Issuing notice of Cooperative Meetings on behalf of the Supervisory Board

YEAR 2020

The Supervisory Board had 19 members and two personnel representatives. The Supervisory Board convened seven times during the year. The attendance rate was 99%.

In 2020, the members of the Supervisory Board were:

NAME	BORN	EDUCATION	MAIN JOB	MEETING ATTENDANCE RATE
Matti Pikkarainen	1953	DTh	Chair of the Supervisory Board of the Arina Cooperative Society	100%
Timo Santavuo	1960	LLM with court training	Lawyer	100%
Martti Lokka	1964		Managing Director, Building Manager	100%
Jarkko Rautaoja	1967	MSc (Tech)		100%
Sinikka Kelhä	1964	LLM with court training	Lawyer	100%
Pentti Hämäläinen	1954		Lawyer	100%
Kimmo Koivisto	1956		Farmer	100%
Antti Määttä	1966	MSc (Econ)	Managing Director of the Keskimaa Cooperative Society, Commercial Counsellor	100%
Elina Varamäki	1971	DSc (Econ), Docent	Vice Principal	100%
Timo Rajala	1957	LLM with court training	Project Director	86%

NAME	BORN	EDUCATION	MAIN JOB	MEETING ATTENDANCE RATE
Mika Rantanen	1959	MA (Ed)	Leading Headmaster	100%
Kari Suninen	1963		Managing Director	100%
Kim Wrange	1968	Licentiate of Science (Econ.)	Head Lecturer	100%
Jorma Bergholm	1954	MSocSc	Chair of the Supervisory Board of the Helsinki Cooperative Society Elanto	100%
Anne Mäkelä	1965	LLM with court training	Lawyer	100%
Henrik Karvonen	1972		Managing Director of the Koillismaa Cooperative Society	100%
Leena Munter-Ollus	1968		Managing Director	100%
Hannu Pelkonen	1967		Managing Director of the Maakunta Cooperative Society	100%
Ulla Kivilaakso (Employee Representative)	1970	Vocational Qualification in Economics and Business Administration	Diploma in Marketing and Communications Management (MJD), Marketing Manager, SOK Travel Industry and Hospitality Chain Management	100%
Iiris Merimaa (Employee Representative)	1962		Administrative Assistant (SOK Administrative Services and Risk Management)	100%

INDEPENDENCE OF THE MEMBERS OF THE SUPERVISORY BOARD

The Supervisory Board evaluates its members' independence annually on the basis of the independence criteria set out in the Corporate Governance Code.

Due to the structure of S Group and its ownership, the members of the Supervisory Board are mainly other Chairs of the Supervisory Boards or managing directors of the S Group's cooperatives. SOK has only one significant shareholder as referred to in the Corporate Governance Code, Helsinki Cooperative Society Elanto, whose Chair of the Supervisory Board was in 2020 on its Supervisory Board.

Of the members of the Supervisory Board, the managing directors of S Group's cooperatives (Recommendation 10, item f), the representative of Helsinki Cooperative Society Elanto, and the representatives of personnel are not independent of the cooperative in the manner referred to in the Corporate Governance Code.

EVALUATING THE ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board regularly evaluates its work and procedures by carrying out a self-assessment annually.

EXECUTIVE BOARD

COMPOSITION AND ELECTION

SOK:n According to SOK's Statutes, the Executive Board consists of the cooperative society's CEO, who serves as Chair of the Executive Board, and 3–8 other members.

The Supervisory Board elects the members of the Executive Board for a term of one calendar year based on the Nomination Committee's proposal. When preparing its proposal, the committee evaluates the size and composition of the Executive Board, as well as the competences required of its members from the perspective of the cooperative society's current and changing needs. The purpose of the preparatory work is to ensure that the Executive Board is sufficiently diverse in terms of gender and age distribution and that its members have complementary experience and a diverse range of competences, as well as the qualifications required for the efficient management of the Executive Board's duties. According to the Statutes, a person being elected to the Supervisory Board must be a Finnish citizen and under 68 years of age at the beginning of the term of office. The goal is to ensure sufficient rotation, and sufficient continuity is also considered important in the work of the Executive Board.

The composition of the Executive Board deviates from the requirements of the Corporate Governance Code. This is due to SOK's ownership base and S Group's structure, as well as the Executive Board's role in steering the Group's operations, which requires that the owner organisations have sufficient representation on the Board.

THE DUTIES

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

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

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

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

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

The Executive Board's key duties and operating principles are defined in its rules of procedure, which the Supervisory Board has confirmed. The Rules of Procedure are available on the Cooperative's website **https://s-ryhma.fi/en/finance-and-administration/governance**

Given its duties and composition, the Executive Board did not consider it necessary to establish any committees for preparing matters to be decided by the Executive Board.

YEAR 2020

In 2020, SOK's Executive Board had nine members, 22% of whom were women. Six were managing directors of cooperatives, and two were external to the S Group. In accordance with the cooperative society's statutes, SOK's Chief Executive Officer is the Chair of the Executive Board.

In 2020, SOK's Executive Board consisted of the following members:

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

In 2020, all members of the Executive Board continued to serve as members. Hannu Krook was elected as Vice Chair for 2020.

The Executive Board convened 13 times during 2020, and its members' attendance rate was 100%. The Chair and Vice Chairs of the Supervisory Board are also entitled to attend the meetings of the Executive Board.

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

INDEPENDENCE OF THE MEMBERS OF THE EXECUTIVE BOARD

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

In accordance with the Statutes, the CEO of the cooperative society serves as Chair of the Executive Board. As of the beginning of 2019, the composition of the Executive Board has also included two independent members from outside S Group. Due to S Group's structure and ownership base, the other members of the Executive Board are managing directors of S Group's cooperatives. In this respect, the composition of the Executive Board deviates from the recommendation of the Corporate Governance Code with regard to independence. SOK has only one significant shareholder as referred to in the Corporate Governance Code, Helsinki Cooperative Society Elanto (Recommendation10, item f) whose managing director has acted as a member of SOK's Executive Board in 2020.

THE EXECUTIVE BOARD'S SELF-ASSESSMENT

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

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

CEO

The CEO of SOK is the managing director as referred to in the Cooperatives Act. The CEO is responsible for the cooperative society's routine management duties in accordance with the instructions and regulations issued by the Executive Board and the Supervisory Board. As the managing director, the CEO is responsible for ensuring that the cooperative society's accounting complies with the applicable laws and that its financial management is appropriately organised. If the CEO is indisposed, a deputy elected by the Supervisory board will act on behalf of the CEO.

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

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

Taavi Heikkilä, (b. 1962), CEO, MSc (Econ),

- → CEO since 2014
- → With SOK Corporation since 2014
- → Retirement age: 63 years
- → Main work experience:
  - – Managing Director of the Osuuskauppa Hämeenmaa cooperative
  - – Managing Director of Intrade Partners Oy
  - – SOK's Development Director and CFO
- → Main positions of trust:
  - – Member of the Board of Directors of the Confederation of Finnish Industries in 2015–2019 and its Vice Chair in 2015
  - – Member of the Board of the Finnish Commerce Federation since 2014, and its Chair in 2016–2017
  - – Member of the Board of the Finland Chamber of Commerce in 2015–2019
  - – Member of the Board of the Finnish Grocery Trade Association (PTY) in 2008–2014, and its Chair in 2011–2012
  - – Member of the Supervisory Board of LocalTapiola Mutual Insurance Company since 2013

Arttu Laine, (b. 1970), Executive Vice President, MSc (Econ),

- → With SOK Corporation since 2014
- → Deputy to the CEO since 2014
- → Retirement age: 63 years
- → Main work experience:
  - – Managing director of KPO cooperative society
  - – Regional Director of SOK in the Baltic countries
  - – Managing Director of AS Prima Peremarket
- → Main positions of trust:
  - – Chair of the Board of Directors of the companies belonging to his scope of responsibility
  - – Vice Chair of the Finnish Grocery Trade Association
  - – Member of the Board of Directors of the Association for Finnish Work
  - – Member of the Supervisory Board of LocalTapiola Mutual Life Insurance Company

CORPORATE MANAGEMENT TEAM

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

In 2020, the Corporate Management Team consisted of the following members:

			EMPLOYED BY S GROUP	IN THE CORPORATE MANAGEMENT TEAM	RETIREMENT AGE
Taavi Heikkilä	b. 1962	CEO	1987–2020	2014–2020	63
Arttu Laine	b. 1970	Executive Vice President, SOK, Chain Management, Procurement and Logistics	Since 1995	Since 2014	63
Jari Annala	b. 1964	Executive Vice President, SOK Business Units	Since 1989	Since 2007	63
Susa Nikula	b. 1970	Executive Vice President, SOK Human Resources	Since 1995	Since 2016	63
Sebastian Nyström	b. 1974	Executive Vice President, SOK Strategy	Since 2016	Since 2016	63
Jorma Vehviläinen	b. 1967	CFO, Executive Vice President, SOK Finance and Administration	Since 1991	Since 2013	63
Veli-Pekka Ääri	b. 1968	Executive Vice President, SOK Customer Relations, Communications and Digital Services	Since 2011	Since 2015	63

Seppo Kuitunen, Executive Vice President, Legal Affairs, served as Secretary to the Corporate Management Team in 2020.

The Corporate Management Team convened 22 times in 2020.

SUBSIDIARIES

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

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

CHAIN MANAGEMENT

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

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

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

INTERNAL CONTROL

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

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

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

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

The Chief Executive Officer, the directors of SOK's business areas and units, and the Boards of Directors of the subsidiaries and their managing directors carry out the management and control of business activities in day-to-day operations within their areas of responsibility.

SOK's Executive Board is responsible for the appropriate organisation of the cooperative's operations and governance and for the legality and reliability of accounting, financial management and routine management. In addition, the Chief Executive Officer, SOK's unit directors, and the Boards of Directors of the subsidiaries and their managing directors carry out the management and control of business activities in day-to-day operations within their own areas of responsibility. In November 2016, SOK's Executive Board approved the operating policy for SOK Corporation's internal control and the Compliance policy (which was updated in 2019).

RISK MANAGEMENT

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

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

INTERNAL AUDIT

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

AUDITING

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

The Annual Cooperative Meeting elected KPMG Oy Ab, Authorised Public Accountants, as SOK's auditor for 2020, with Jukka Rajala, APA, as the principal auditor.

In 2020, the auditing fees paid by the SOK Corporation companies in Finland, the Baltic countries and Russia for auditing operations amounted to EUR 375,892, and other fees not related to auditing amounted to EUR 222,426. Of these fees, EUR 190,836 was audit fees for the parent company, and EUR 172,705 was fees from the parent company for other consulting services.

RELATED PARTY TRANSACTIONS

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

SOK defines the related parties in a manner appropriate for its structure, particularly taking into account the purpose of the recommendation concerning related party transactions and, where possible, taking into account the related parties in accordance with the Corporate Governance Code (as specified in the Limited Liability Companies Act, which is binding on listed companies). SOK's related parties include all Group companies, the members of the Executive Board, the Supervisory Board and the Corporate Management Team, as well as their immediate family members. Any conflicts of interest will be taken into account in decision-making, and each Group company maintains a list of companies belonging to its related parties in accordance with the Corporate Governance Code.

SOK Corporation presents information on related party transactions as a note to the financial statements, if they are significant and not implemented at ordinary commercial terms.

FINANCIAL REPORTING

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

OTHER DISCLOSURES OF INFORMATION

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

The remuneration report is available on a separate website: **Administration and management - S Group (s-ryhma.fi)**

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

SUSTAINABILITY MANAGEMENT

SOK's Sustainability unit is in charge of strategic goal setting and determines the focus areas of S Group's sustainability development. The business area-specific sustainability objectives and procedures are defined jointly with the business units and subsidiaries and the Sustainability unit.

The Sustainability unit guides and monitors implementation and reports regularly to the Business Operation Group and SOK's Corporate Management Team on sustainability development. In addition, SOK's Executive Board approves the S Group-level sustainability principles and programme as well as the strategic policies. Policies concerning products and services are prepared jointly with the business areas. Sustainability matters are regularly discussed with regional cooperatives through internal groups and forums.

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



TOGETHER WE WILL MAKE A BETTER PLACE TO LIVE

Our new sustainability programme launched in late 2020, “Together we will make a better place to live”, realises our group’s mission, in which sustainability is a central theme. The programme contains both long- and short-term goals, and its policies are based on the UN Sustainable Development Goals and the UN Guiding Principles on Business and Human Rights.

Our mission is to produce benefits and services that generate well-being for our owners – in other words, our customers. However, well-being means much more than just economic well-being. With our co-op members, we will make a better place to live. As a major operator, we have a considerable impact on the present and on the legacy we leave for future generations. Foresight is therefore important, and our sustainability programme will extend until 2030.

Our sustainability programme has three themes:

TOWARDS A NEW NORMAL OF SUSTAINABLE CONSUMPTION – TOGETHER, ONE STEP AT A TIME

We encourage our customers to make healthy and sustainable choices. Our goal is that in 2030, at least 65 per cent of the food we sell will be plant-based, and 80 per cent will be produced in Finland. We will also ensure the improvement of animal welfare. We promote the carbon-neutral mobility of Finnish people.

TOWARDS SUSTAINABLE GROWTH – BY RESPECTING NATURAL RESOURCES

We consider nature and the climate in our choices. Our decisions help preserve different living environments and species. In 2025, we will remove more carbon from the atmosphere than we produce. We are moving towards halving the amount of food waste, and we promote the circular economy.

TOWARDS AN EQUAL WORLD – BY REMOVING INEQUALITY

All people are equally important to us and welcome. We make sure that our own and our partners’ employees are treated fairly in Finland and around the world. We mention the origin of the products we sell and their main ingredients to ensure we can track human rights matters. We are the common, non-discriminatory and diverse S Group.

PROGRESS OF THE SUSTAINABILITY PROGRAMME

Our new sustainability programme is valid for 2021–2030, and its progress is monitored and reported annually.

Of the 100 actions in the sustainability programme that was valid up to the end of 2020, some 47 per cent had been completed and 49 per cent proceeded according to plan. Only a few actions were behind the planned schedule when the programme ended. For more detailed reporting on the actions, see **S-ryhmä.fi**.





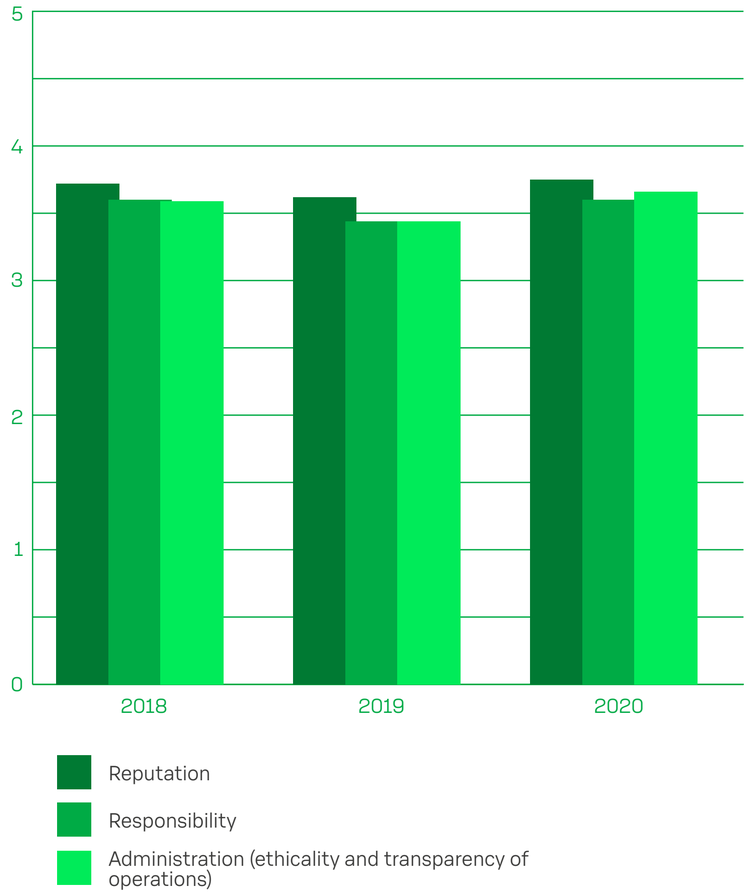
The goal of our stakeholder engagement work is to provide information about S Group, increase mutual understanding and make use of stakeholders' expertise when developing our operations.

WE ENGAGE IN ACTIVE DIALOGUE WITH OUR STAKEHOLDERS

Successful engagement work enables us to better understand our operating environment and stakeholders' expectations. Our aim is for S Group to be perceived as a responsible member of society, a vital and attractive company and a reliable partner.

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

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



SYSTEMATIC AND MEASURABLE COOPERATION WITH STAKEHOLDERS

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

S Group's chains were again ranked highly in the annual Sustainable Brand Index, the largest brand study on sustainability in the Nordic countries. In 2020, Finnish consumers rated S Group as a whole as the number one among companies selling consumer goods.

Of the companies in the S Group, S-market took first place and Prisma second place in a comparison of grocery stores. The chains also did very well in a comprehensive comparison of all brands: S-market was second and Prisma fourth. The overall success was complemented by S Group's own Kotimaista label, which was fifth in the overall comparison.

Sokos Hotels and S-Bank achieved first place for the eighth consecutive time in their respective categories: hotels and banks. In other categories, Sokos came second in the clothing and fashion trade category, while Rosso and ABC were third in the restaurant and fuel trade categories, respectively.

TRANSPARENCY BUILDS TRUST

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

We aim to build partnerships that enable us to learn, develop S Group's business operations and achieve shared goals. As a significant operator in the food supply chain, we want to support the success of the Finnish food supply chain. In 2020, we worked in close cooperation with the Baltic Sea Action Group and ProAgria, for example. In cooperation with ProAgria, we have developed and implemented the Training for the Future coaching programme for farmers.

Future-related coaching sessions are one of S Group's many actions for ensuring a bright future for Finnish food. Coordinated by the Baltic Sea Action Group and supported by S Group, the Carbon Action project studies carbon deposits in deeper soil layers and the impacts of different methods on carbon sequestration in Finnish fields. S Group aims to develop a carbon sequestration verification system that will enable emission compensation to be targeted at Finnish open field cultivation, as well as creating additional revenues for producers. In 2020, we also decided to become a partner of the *Uudistavan viljelyn opisto* ("Institute of regenerative cultivation"), which will start operating in 2021.

WE LISTEN TO OUR STAKEHOLDERS AND SHARE OUR VIEWS THROUGH CONSTRUCTIVE DIALOGUE.

INTERACTION WITH DECISION-MAKERS AND THE MEDIA

S Group participates in public debate openly and proactively. We engage in dialogue with those preparing decisions and those making them regarding issues impacting S Group's operations and regarding development of the service sector. It is important for us that S Group is recognised as a company that operates appropriately and responsibly, taking society and the environment into account.

We held dialogues with the key ministers, their assistants and civil servants of pivotal importance to our sector, as well as with MPs interested in S Group's activities. We also bring perspectives to decision-making through statements.

In addition, we actively participate in events held by our stakeholders, as well as various hearings at ministries and the Finnish Parliament. As a major Finnish company, S Group attracts extensive media interest. We are easily accessible to the media, and we answer questions as quickly as possible. Due to the coronavirus, media meetings between SOK's management and the editorial staff of different media outlets were not held in 2020.

Neither were any Tornin aamu discussion events held. This is S Group's concept of stakeholder engagement where issues topical and important for stakeholders and the S Group are discussed. The participants invited to the events include guests relevant for each topic, such as representatives of associations, decision-makers, senior officials, the media and experts.

ASSOCIATIONS SAFEGUARD COMMON INTERESTS

We collaborate with advocacy associations and other communities in the development of our industry within the framework allowed by competition legislation. For example, we are represented in retail organisations in Finland and abroad. In 2020, the CEO of SOK served as Vice Chair of the Board of Directors of the Finnish Commerce Federation, and the Managing Director of the Keskimaa Cooperative Society served as a Board member. An Executive Vice President of SOK served as Chair of the Finnish Grocery Trade Association in 2020. We also have representatives on the boards of the MaRa Finnish Hospitality Association and the Pellervo Co-op Centre. The Chair of SOK's Supervisory Board was Vice Chair of Pellervo's delegation.

We have representation in the Confederation of Finnish Industries through our membership of the Finnish Grocery Trade Association. We also participate in the activities of Chambers of Commerce. In addition, we participate in many organisations that look after the interests and development of our sectors.

SOK is also a member of the Climate Leadership Coalition, which combats climate change and promotes the competitiveness of Finnish companies. Its members include significant Finnish companies and other organisations. SOK is also a member of Finnish Business & Society (FiBS), a network promoting sustainable business.

As a cooperative enterprise, we are also members of the international organisations in the sector. We have a Board membership in Euro Coop, the European Community of Consumer Co-operatives. In addition, we impact EU legislation through EuroCommerce, a retail and wholesale advocacy organisation. We are also a member of the Board of Directors of the International Co-operative Alliance (ICA). ICA is the world's second largest organisation after the United Nations (UN).

Furthermore, we are a member of amfori, an association promoting and monitoring corporate social responsibility among European companies.



S GROUP'S MAIN STAKEHOLDERS

- > CO-OP MEMBERS
- > EMPLOYEES
- > NON-GOVERNMENTAL ORGANISATIONS
- > MEDIA REPRESENTATIVES
- > POLITICAL DECISION-MAKERS
- > CIVIL SERVANTS
- > SUPPLIERS
- > INDUSTRY ASSOCIATIONS
- > AUTHORITIES

VALUE CREATION

	INPUT	S GROUP	OUTPUT	IMPACTS
SOCIAL CAPITAL	→ Almost 40,000 S Group employees, 74 different nationalities → Procurement sustainability policies to promote human rights → Daily work to ensure the safety and healthiness of products	19 regional cooperatives, supermarket trade, department store and speciality store trade, service station and fuel trade, travel and hospitality business, hardware trade, banking services, supermarket trade, travel and hospitality business in Estonia and Russia. **OUR VISION** Superior benefits and Convenience from your own store. **OUR MISSION** We make Finland a better place to live. **KEY THEMES** Towards a new normal of sustainable consumption – together and one step at a time Towards sustainable growth – by respecting natural resources Towards an equal world – by removing inequality	→ Job satisfaction 76.3 (TYT index), EUR 1.2 billion paid in salaries → Private label purchases 97% from audited factories → Country of origin shown transparently on all of our own-brand products → Promotion of human rights through international networks → 63 reports to anonymous reporting channel → Safe products → Millions of age limit checks, 265 product recalls	→ We are the biggest private employer in Finland, innovations, satisfied employees, non-discrimination and equality, skilled personnel → Respect for human rights, improved rights and working conditions for employees → Safe, healthy and sustainable products and services, improved national health
NATURE CAPITAL	→ 70% less emissions (2015–2020), compensation, 15% improvement in energy efficiency (2015–2020), curbing climate change → 100% renewable electricity, 70,000 solar panels, 35 wind power plants → Use of refrigerants → Water consumption → Products and services, planetary diet objective, responsible investment services → Policy decisions regarding procurement of raw materials		→ 7,949,800 tCO_2e emissions into air (Scopes 1, 2 and 3) → Waste water → 105,500 tonnes of waste, 1.4% relative food waste in supermarket trade, 75% recycling rate in Finland → 428 recycling stations, carbon footprint calculator → Extensive range of certified products and certification rate	→ Loading caused by waste water emissions → 10% less waste sent for incineration from 2019 onwards, systematic reduction of waste → Improving recycling possibilities, reduction of emissions, sustainable consumption and investing → Ensuring the diversity of nature and promoting human rights
FINANCIAL ASSETS	→ Approximately 17,000 product and service suppliers → Capital invested by co-op members, EUR 212 million. → 1,849 outlets → Almost 2.5 million co-op members		→ Purchases, procurement and degree of domestic origin → Tax footprint / taxes paid EUR 1,842.1 million, investments EUR 642 million → EUR 358 million paid to co-op members in bonuses, covering 78% of households → Responsibility cooperation totalling EUR 4.5 million	→ Supporting local purchases, indirect provision of employment → Supporting a vital Finland, prevention of inequalities, services for everyone, accessibility → Local and national cooperation projects and financial support
INTANGIBLE ASSETS	→ Stakeholder dialogue and relationships → Co-op members and customer information → Management by data, research & product development and new innovations → The respected and well-known S-brand and private-label products		→ Functionality of the product range, comprehensive products (number of items) and (digital and data) services, permanently inexpensive prices → Future-related coaching, research cooperation, new services and innovations → Approximately 400 products in the Kotimaista range	→ Broad social vision development of business operations, development of new ways and solutions by listening to all parties, increased understanding on both sides → Diverse product range

The 2020 Assurance report regarding energy efficiency, emissions, waste, recycling rate and supermarket trade relative food waste.

FOR THE GOOD OF SOCIETY

S Group and its cooperatives create well-being across Finland. We have around 37,000 employees in Finland, and we create economic well-being by making purchases locally and paying taxes, as well as through investments, which have an indirect employment impact.

37 WELL-BEING THROUGH COOPERATIVE ACTIVITIES
42 FINNISH ORIGIN

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



We are a Finnish group of companies. Most of the taxes we pay benefit our local regions, as do the benefits arising from procurement and construction. Our cooperatives, together with SOK Corporation, are the largest private employer in Finland. We also play an important role in securing the availability and distribution of food products in all situations. The significance of work on security of supply was highlighted when the coronavirus pandemic began in the spring of 2020.

WELL-BEING THROUGH COOPERATIVE ACTIVITIES

COOPERATIVE ACTIVITIES MEAN JOINT OWNERSHIP AND SHARING OF BENEFITS

Cooperative activities refer to business operations that emphasise both financial profitability and social responsibility. Our operations are guided by our values:

- WE EXIST FOR THE CUSTOMER.
- WE ASSUME RESPONSIBILITY FOR PEOPLE AND THE ENVIRONMENT.
- WE CONSTANTLY RENEW OUR OPERATIONS.
- WE OPERATE PROFITABLY.

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

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

NUMBER OF CO-OP MEMBERS

2.5

MILLION

CASH BENEFITS PAID TO CO-OP MEMBERS

415

EUR MILLION

BONUS

358

EUR MILLION





SECURITY OF SUPPLY WAS ALSO ENSURED DURING THE CORONAVIRUS PANDEMIC

The coronavirus pandemic also created havoc in the food sector, as demand shifted from restaurants and from school and workplace canteens to food stores in March 2020. As part of the Finnish security of supply system, S Group has participated in ensuring that food and other grocery products have been available in sufficient quantities despite the pandemic.

Preparing for exceptional situations and the continuity management of the food supply chain are of high standard in Finland. Ever since the 1960s, the trade sector companies have been handling the preparations on a voluntary basis and in close cooperation with the authorities and other actors. Through many of our business areas, we participate in the work of ensuring the supply of groceries and food to the population, financial transactions and fuel distribution in all circumstances.

At S Group, preparing for various disturbances and exceptional situations, as well as ensuring continuity during them, is part of all operations, from procurement to distribution and store activities. We are also working with other companies and authorities to develop the security of supply of grocery products. We are a member of the Grocery Trade Association, which is involved in Finland's security of supply activities with its member companies through a trade and distribution pool. The pool is one of the three pools in the national security of supply organisation. Among other things, the trade and distribution pool draws up plans for measures to ensure the prerequisites for the operations of the sector in various situations. The pool also regularly organises training sessions and readiness exercises.

In Finland, the grocery supply is based on a high degree of domestic origin. We are the largest seller of Finnish food, and 80 per cent of the food sold in our grocery stores is domestic. Security of supply is also ensured by our extensive network of stores, which covers the whole of Finland and is open seven days a week. Of the 293 municipalities in mainland Finland, 284 have an S Group grocery store. In addition, foodservice wholesales is also important. Its customers include the catering services of hospitals, care institutions, schools and workplaces.

Our food chain needs inputs from abroad, as it is not possible to produce all ingredients required for food products in Finland. Disturbances taking place in Finland must also be prepared for. That is why maintaining the import channels and ensuring the feasibility of imports is necessary.

In the spring, demand for certain categories of products multiplied all over Europe. The behaviour of consumers in Finland also changed, and hoarding was experienced for brief periods of time. Considerably more fresh products and food products with long shelf lives were sold than usual, and at the peak, the demand for toilet paper was 3–4 times normal.

Due to the exceptional situation, there were temporary difficulties with the availability of some products, and the recovery of shelf availability took a few weeks. However, the supply chain functioned, and food and other important groceries did not come close to running out in Finland. Problems with availability were also remedied with replacement products.

The grocery supply managed well the challenge posed by the year of coronavirus. At S Group, we were able to adjust and ensure our operations by increasing the stock volumes of products with the highest demand, by extending store opening hours and online trade services, by work shift planning and by good cooperation with operators in the food industry. We utilised our procurement competence in a diverse manner and constantly monitored developments in the rest of the world.

In addition, organising the industry's shared snapshot work in the retail and distribution pool and cooperation across the entire food sector was fluent and began rapidly on the basis of the active preparedness work undertaken in normal times.

A MAJOR FINNISH TAXPAYER

S Group companies paid a total of nearly EUR 1.8 billion in taxes and levies to the Finnish state and municipalities in 2020. In addition to direct income tax and indirect taxes on consumption, S Group's tax footprint includes tax-like payments related to employees and tax withheld from their salaries.

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

Excise duties are consumption taxes included in the price of the product, and are levied from product manufacturers, producers, importers or wholesalers. Many products sold by S Group include excise duties.

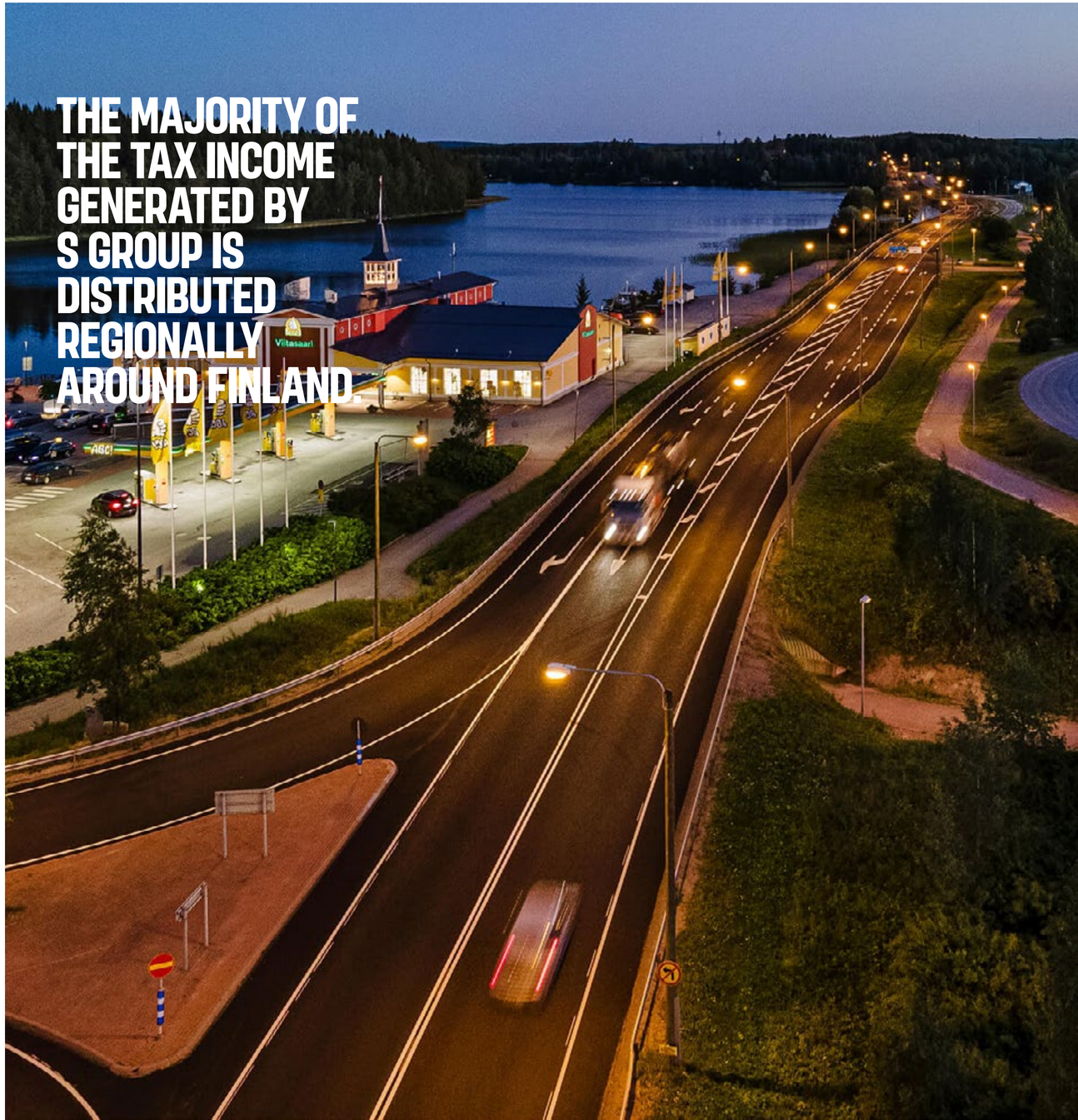
In addition to the taxes included in the tax footprint, we pay transfer tax, lottery tax, tax at source and vehicle tax, which are not included in the table here. We also pay local taxes on the operations of our companies in Estonia and Russia in accordance with the regulations of each country.

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



VALUE CREATED FOR SOCIETY IN 2020

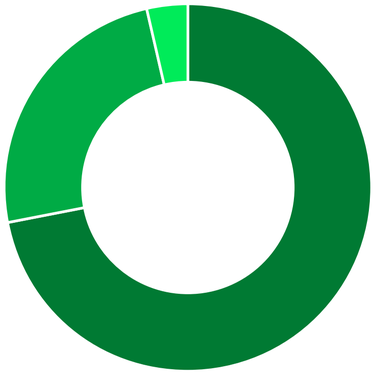
Purchases from goods and service suppliers, EUR million	7,354
Taxes, EUR million	1,842
Remuneration of employees, EUR million	1,160
Investments, EUR million	642
Rewards to co-op members, EUR million	415



INCOME AND CAPITAL TAXES	EUR MILLION
Corporate income tax	42.6
YLE tax (Finnish Broadcasting Company)	0.1
Property tax	20.7
	63.4

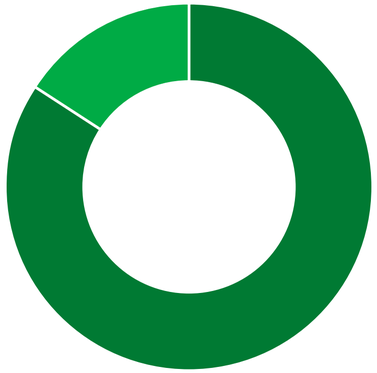
INDIRECT TAXES	EUR MILLION
Remitted value-added tax	264.0
Insurance premium tax	0.8
Electricity tax	22.7
Waste tax	0.65
Fuel excise duty	662.4
Beverage excise duty	28.5
Alcohol tax	22.9
Tobacco tax	283.0
Importation customs duties	5.74
Vehicle tax	36.0
	1,326.7

TAX WITHHELD AND EMPLOYER CONTRIBUTIONS	EUR MILLION
Tax withheld on salaries	231
Pension insurance payments	178
Sickness and unemployment insurance payments	43
	452



TAX FOOTPRINT IN 2020
EUR 1,842.1 MILLION

Indirect taxes	1,326.7 EUR million
Tax withheld and employer contributions	452.0 EUR million
Income and capital taxes	63.4 EUR million



TAX WITHHELD AND CORPORATE TAXES IN 2020
EUR 273.6 MILLION

Tax withheld	231 EUR million
Corporate taxes	42.6 EUR million
Total	**273.6** EUR million

TAX FOOTPRINT IN 2020

1,842.1

EUR MILLION

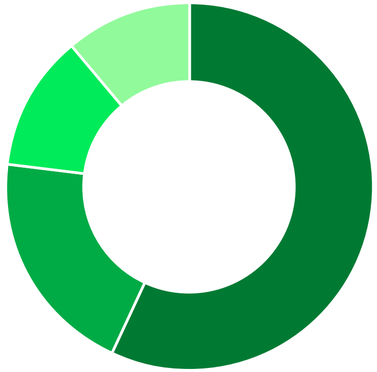
DIVERSE ACTIVITIES THROUGH COOPERATION ON RESPONSIBILITY

As a cooperative community, we seek to be a driver of regional activities with initiatives that that promote sports, culture and social well-being.

In 2020, we provide over EUR 4.5 million in support to various operators across Finland. More than half of the support amount was allocated to sports and the rest to supporting social activities and culture, as well as to various donations.

Our cooperatives extensively support local activities through the *Kannustajat* ('Supporters') concept, for example. The concept makes it possible for the cooperatives to support children's and young people's hobbies transparently. Co-op members can join as supporters and have an impact on the amount and recipients of the support paid by the cooperative.

In 2020, our nationwide partners included the Finnish Red Cross, the Mannerheim League for Child Welfare, and the Children's Day Foundation.



RESPONSBILITY COOPERATION IN 2020, %

Sport	57%
Social activities	20%
Donations	12%
Culture	11%

SPORT
57%

SOCIAL ACTIVITIES
20%

DONATIONS
12%

CULTURE
11%

EUR 10,000 FOR CHILDREN WITH ARINA'S MASK CHALLENGE

Arina Cooperative Society initiated a challenge in October 2020, aimed at conveying a positive message that would encourage co-op members to use face masks at Arina outlets. However, participation in the face mask challenge took place digitally instead of the outlets, by activating the "I wear a mask" coupon in the S-mobiili app.

For each co-op member who committed to wearing a mask, Arina paid the net amount of EUR 1 to the Northern Finland regional office of Save the Children, and the campaign raised EUR 10,000 in support money. The donation will be used by Save the Children to promote the well-being of children and young people covered by its activities, such as for peer group activities and events organised for children and young people.

HAPPY TO HELP 2020 CHARITY CAMPAIGN BY THE KESKIMAA COOPERATIVE SOCIETY

Every year, the Keskimaa Cooperative Society implements a 'Happy to Help' charity campaign to assist with and bring joy to the everyday lives of people in Central Finland. In 2020, people had to spend a lot of time segregated from each other, traditional events were cancelled and physical meetings had to be limited. The elderly, young people and adults with children experienced anxiety when facing increasing loneliness. For this reason, the 2020 Happy to Help campaign wanted to find and support different, and also innovative, ways to arrange meetings between people in a manner appropriate for the exceptional times.

In August, the campaign was launched with a search for donation recipients, open to all people living in Central Finland, looking for ideas for different cheerful and safe encounters amidst the coronavirus pandemic. More than 130 concrete proposals were received. From among them, we selected 56 different donation destinations, covering approximately half of the people living in Central Finland, i.e. more than more than 100,000 people, in 2020 and 2021. The donations will provide people of all ages around Central Finland with livestreamed concerts, song tours visiting the doors of older people and residents of sheltered housing, weekly meetings of small groups under different themes, story-telling groups, friend café activities and magicians' shows. Joy will also be spread with gifts and tools that enable safe meetings appropriate for the exceptional times, such as visit trailers for old people's homes, acquired through cooperation during the campaign.

As in previous years, the 2020 Happy to help campaign donated EUR 1 for each co-op member of the Keskimaa Cooperative Society, totalling nearly EUR 138,000.



FINNISH ORIGIN

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

We work to actively promote the success and future of Finnish food through our actions and by providing our customers with a wide range of options through our products and services.

FUTURE-RELATED COACHING FOR FOOD PRODUCERS

Offered jointly by S Group and ProAgria, the Training for the Future coaching programme provides farmers and business owners with information about consumption trends, as well as support for strategy work and climate entrepreneurship. The goal is to provide the participants with various ways to plan and develop their business operations in line with future needs. In early 2020, future-related coaching sessions were held as usual. As a result of the coronavirus pandemic, the coaching switched to webinars.

MATTI APUNEN'S PAMPHLET ON FOOD EXPORTS

In order to deepen the Finnish food discussion, S Group published a pamphlet by Matti Apunen entitled *Seisova pöytä: Miksi suomalaisen ruoan arvo ei kasva?* (Standing dinner: Why does the value of Finnish food not rise?) In the spring of 2020, Apunen interviewed dozens of Finnish food professionals and sought an answer to the multi-billion-euro question: How can we increase the value of Finnish food and make it an international success story? At the same time, the book provides a review of the future of food, its global production chains and new technologies. For Finnish food, the pamphlet shows four paths forwards.

SOIL RESEARCH AND TRAINING

SOK continued its support for the Carbon Action project, which promotes carbon farming in Finland. In the work coordinated by the Baltic Sea Action Group, researchers from the University of Helsinki are collecting new information about the deeper soil layers of fields and their ability to sequestrate carbon from the atmosphere. In 2020, we also decided to join "Uudistavan viljelyn e-opisto", an online college for regenerative cultivation, which will start in 2021 and provide a high-quality online course for all those interested in the growth condition of soil. Soil in good condition will sequestrate carbon, and is also more productive when cultivated. This creates a positive cycle for mitigating climate change.

A FINNISH RECIPE FOR SUCCESS

It usually takes a long time to get a new food product on the shelves, and many challenges need to be overcome along the way. Large companies have the resources for product development and marketing. The *Suomalainen Menestysresepti* (Finnish Recipe for Success) competition for SMEs in the food sector (those with revenues of less than EUR 30 million), was held for the second time in 2020. The competition and related television programme looked for new food innovations for the shelves of S Group's shops. More than 70 companies applied for a chance to participate, and the finalists were provided with coaching on product development, packaging design, recipes, as well as on the story of their product and its marketing.

Both winners of the previous production seasons, Boltsi from Leivon Leipomo (2019) and Rostis from Leipomo Rosten (2020), were the best-selling new products at S Group's stores during the years they were launched. Products from other finalists also found their way onto the shelves of S Group's grocery stores. The competition will be held again in 2021.

FINNISH PRODUCTS IN OUR SELECTIONS

We are Finland's largest seller of groceries and Finnish food. Of the food sold in our grocery stores, 80 per cent is produced in Finland, and the target of 80 per cent of Finnish origin is also recorded in our new **sustainability programme**.

More and more consumers are interested in the origin of products. The coronavirus particularly increased the demand for domestic food in 2020, when the uncertainty made many people understand the importance of security of supply and the maintenance of domestic food production. This was also reflected in the sales statistics of S Group's grocery stores. In 2020, sales of products of Finnish origin grew in nearly all product categories compared to the previous year.

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

We are running campaigns to promote Finnish fish at S Group's grocery stores. As a result of the seasonal fish concept and the more diverse selection of fish, sales of Finnish fish increased by 20 per cent from the previous year.

Our ABC restaurants have only served Finnish pork, beef and chicken since 2015. Our other chains of restaurants achieved the goal for the fresh chicken and pork to be 100% of Finnish origin by the end of 2020. In turn, the goal for frozen and processed products was to have 90 per cent domestic origin, which was realised in the case of frozen and processed chicken products.

S Group has around 600 restaurants serving food. Around 10 million meals are sold annually in our ABC restaurants alone, with meat being the main ingredient in most cases.

HOW FINNISH IS YOUR FOOD?

The domestic content calculator in S-mobiili allows customers to check the domestic origin of the raw materials and manufacture of the products they buy. The calculator indicates the degree of Finnish origin of groceries on two levels. The first level includes products made from Finnish raw materials and products with the Hyvää Suomesta label or the Sirkkalehti label for Finnish origin. The second level includes products made in Finland. In addition, the calculator shows foreign groceries as a separate list. In 2020, the domestic content calculator data was studied nearly half a million times. The users of the calculator were particularly interested in the domestic content of meat, dairy products and beverages. Compared to the previous year, viewing of the domestic origin increased most in the product categories of plant protein products, fish, fruit and vegetables.

100%

FINNISH MEAT AT ABC RESTAURANTS

100%

FINNISH ORIGIN IN FRESH CHICKEN AND PORK AT S GROUP'S RESTAURANTS

DEGREE OF FINNISH ORIGIN OF MEAT IN RESTAURANT CHAINS IN 2020, %

	PER CENT OF THE PROCURED VOLUME
Chicken, fresh	100%
Frozen and processed chicken products	90%
Pork, fresh	100%
Frozen and processed pork products	85%

SHELF LABELS FOR FINNISH PRODUCTS

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



FOOD EDUCATION FOR SCHOOLCHILDREN

The “Trip to the Store” study module designed by S Group and the Finnish Food Information Association teaches schoolchildren everyday food skills and smart consumption in a new way. During their trips to the store, the children investigate matters such as where do products in a grocery store come from, which bread is richest in fibre and how they can tell what foods come from Finland. The trip supports the “learning outside the classroom” idea of the curriculum, in which educational institutes are encouraged to cooperate with companies as part of schoolwork and learning. The learning material is produced by food education experts from the Finnish Food Information Association.

The food education model has been implemented in primary schools across Finland. The model has received praise from students, teachers, parents and trade staff, and the much-liked food education model expanded with *Ruokavisa* quizzes to cover upper comprehensive school as well at the end of 2020.

The subject of the *Ruokavisa* quizzes in 2021 is the Trip to the Store, created jointly by S Group and the Food Information Association.

THE “TRIP TO THE STORE” OPERATING MODEL IS ALSO ATTRACTING INTERNATIONAL INTEREST.

It helps students learn about the route food takes from the perspectives of trade and consumers. The learning material gives students the capabilities to plan a sustainable everyday food regime and to act as responsible consumers in grocery stores. Furthermore, the learning material familiarises the students with the workings of the food trade and online food stores. In 2021, the focus will be on the online trade of food products, because it also allows teaching in a remote learning situation.

The subject was chosen and planned in cooperation with S Group, but the food education experts from the Finnish Food Information Association are responsible for the content and pedagogic planning of the quiz. S Group will finance the quiz and reward the winning team. The learning material preparing participants for the quiz was published in late 2020.

The Trip to the Store operating model has also attracted international interest, and the concept is being exported to other European countries through WeValueFood, an EU-funded food education project. As part of the project, the effectiveness of the food education model was investigated in a research project led by the University of Helsinki in the autumn of 2020. The results of the survey show that teaching compliant with the Trip to the Store food education concept enhances students’ commitment to food. The concept makes it possible to strengthen the next generation’s interest in and commitment to food.



CLIMATE CHANGE AND THE CIRCULAR ECONOMY

46 CLIMATE
60 CIRCULAR ECONOMY

To mitigate climate change, we have set an ambitious target to reduce emissions from our own operations and included our partners in this work too. We also offer solutions for sustainable consumption and help our co-op members reduce emissions.

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR

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

CLIMATE

The goal of the Paris Agreement is to limit global warming to 1.5 degrees Celsius. The climate agreement was signed in December 2015. To achieve the goal, all parties to the agreement are expected to implement ambitious and stricter measures to reduce emissions, adapt to climate change and increase climate funding. The EU is committed to reducing its greenhouse gas emissions by at least 55% from the 1990 level by 2030. In addition, the EU's goal is to be the first climate-neutral continent by 2050.

Finland aims to reduce its emissions by at least 55% by 2030 compared with 1990. Finland also aims to be carbon-neutral by 2035. This is an ambitious goal, and measures are needed to reduce emissions in all sectors. Various sectors have drawn up their own low-carbon maps related to the goal. S Group has participated in the climate map work of the retail, travel and restaurant sectors and agriculture.

Mitigating climate change and adapting to the changing environment is one of the key themes in our sustainability programme. As an operator in many sectors, we have an extensive impact, both directly and indirectly, in the entire value chain. That is why our climate goals concern not only our operations, but also those of our partners, such as providers of products and services. We also help our customers towards a low-carbon life by introducing new solutions and services.





S GROUP'S CLIMATE POLICY

S Group's goal is to be carbon-negative by the end of 2025. In addition, our aim is to reduce our emissions by 90 per cent by the end of 2030. These goals apply to our own operations (Scopes 1 and 2). Regarding our value chain (Scope 3), we are working together with our partners to reduce emissions by 1 million tonnes by the end of 2030. Our goal is also for two thirds of our most significant suppliers have set their own science-based targets (SBTs) by the end of 2023. Our climate goals are in line with the 1.5-degree target of the Paris Agreement, and they have been confirmed to be science-based targets.

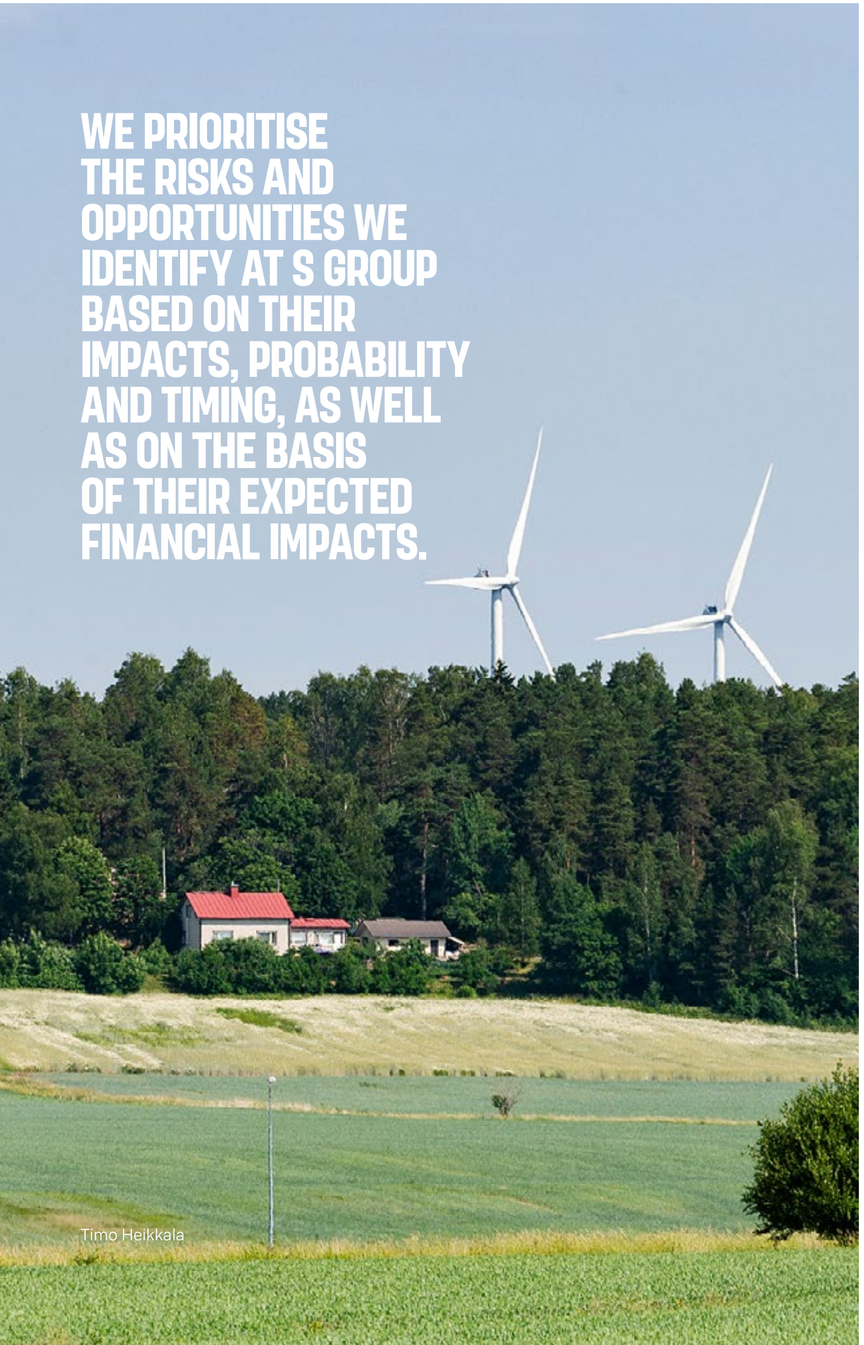
At the core of our climate work are solutions to improve energy and resource efficiency and investments in renewable energy solutions. In addition, we are developing products and services as part of our climate goals. In transport, we utilise bio-based fuels and support the electrification of traffic by developing the charging station network. We are also developing various digital services so that our customers receive better information on the climate impacts of their own consumption. For example, we are promoting climate-smart food by adding more plant proteins and Finnish fish to our product range. We are also actively communicating these matters through our own channels.

MANAGEMENT OF CLIMATE RISKS

Sustainability is integrated into S Group's strategy and is in line with the S group's mission approved in 2020, together we will make a better place to live. In line with the mission of the strategy approved in 2020, together we will make a better place to live. The will to work together and change things for the better is at the core of cooperative activities. We assume the responsibility for a sustainable future, and we want to curb climate change with ambitious measures.

SOK's climate goals, key measures and key indicators have been approved by SOK's Executive Board, which receives reports on the progress of goals at least annually. The main responsibility for climate-related issues lies with SOK's Chief Executive Officer, who also chairs the Executive Board and the Corporate Management Team. The Corporate Management Team coordinates and prepares all proposals for the Executive Board, including climate risks and opportunities, reduction targets, action plans and the most significant communication campaigns. In addition, the management team monitors strategic and partly operational matters in all S Group's business areas. In addition to the Executive Board, the progress of S Group's climate goals is reported to SOK's Corporate Management Team, field group and key business units, as well as support functions and regional cooperatives.

SOK's Executive Vice President and the SVP Sustainability share the overall responsibility for developing S Group's sustainability. This also includes S Group's climate goals. In turn, the overall responsibility for TCFD reporting lies with SOK's Sustainability unit, led by SOK's SVP Sustainability.



Timo Heikkala

The Sustainability unit is in charge of the strategic development of climate goals and the key indicators, and it guides and monitors the progress of goals. Chain units and cooperatives are responsible for the operational implementation of climate goals in cooperation with the Sustainability unit, SOK Real Estate Services, the subsidiaries and S-Voima.

CLIMATE RISKS

SOK's Executive Board has confirmed the risk management methods for SOK. The Corporate Management Team assesses the key risks of operations every year. SOK's management, subsidiaries and units review and determine the main risks of their own operations, and decide on the risk management measures. The experts of SOK's Sustainability unit also participate in the assessment of risks related to climate change.

We produce the risk management plans on the basis of individual risk assessments. We prioritise the risks and opportunities we identify at S Group based on their impacts, probability and timing, as well as on the basis of their expected financial impacts. Our primary consideration is risks that are likely to materialise in the short or medium term and will have significant financial impacts. After that, we look at measures for risks that will have impacts later or whose impacts are difficult or very difficult to assess. These risks are taken into account, but they may not lead to immediate action.

With regard to climate risks, we assess ways to mitigate and manage them, and we prepare plans for risk management measures. The significance of financial risks is linked to their probable financial impact. In addition, we have identified key processes that are subject to considerable financial impacts if the risks materialise.

We look at risks and opportunities in the short (3–5 years), medium (5–10 years) and long term (over ten years), while taking into account possible changes and financial impacts related to regulations. In addition, we take into account in our assessment any geographical differences in countries where S Group has a direct impact through its outlets. The assessment regarding our procurement is general in nature.

We updated our climate goals at the end of 2020. The update was based on our international climate models, the goals of the national climate and energy strategy, as well as sector-specific forecasts.

The emissions from our operations consist of the electricity and heating energy consumed, as well as of refrigerant leakages. Based on scenario analyses, we set the goal of only using renewable electricity by the end of 2030. During the transition period, the electricity is emission-free.

The development of emission figures in our outlets is also significantly affected by the amount of fossil energy that municipalities use for district heating, as well as by the transformation of power generation towards greener energy sources. We can partly reduce our dependence on district heating with energy efficiency solutions.

Approximately 40 per cent of our emissions are generated by refrigerant leakages from refrigeration equipment. During the next decade, we will replace the fluorinated refrigerants referred to in the F-gas Regulation with natural refrigerants. In addition to the investment plans, the speed of change will be affected by the availability of new refrigerants and refrigerant installers.

Climate change also has some identified special business unit-specific impacts through products and services, as well as general impacts concerning the entire group, some of them accumulative. We have carried out a review of the current status of products and services, where we assessed the current status through four overall impacts: the environment, society, well-being and training. We carried out a review at the group level and also by taking into account different business units.

In addition, we carried out a scenario review through the chosen megatrends and possible change factors. We evaluated the overall impacts roughly, taking into account the following change factors in group and business units: 1) strong warming of climate, 2) increasing digitalisation, 3) extensive pandemics and 4) product category-specific changes (increased use of vegetables, changes in the fuel trade). The measures in our sustainability programme support the need for changes discovered in the scenario review.

MAJOR RISKS

The major climate risks and risk management methods identified by S Group.

TRANSITION RISKS	MANAGEMENT METHODS
RISKS RELATED TO THE POLITICAL OPERATING ENVIRONMENT · The political mindset is changing nationally or globally. The emphasis on mitigating the current climate change is reduced. · Short-term approach in the regulatory environment weakens companies' faith in investments. · The economic steering measures fail to support the climate work of companies, affect the availability of raw materials or prevent the use of solutions based on market conditions. · Legislation or the sector's norms do not respond quickly enough to the challenges caused by climate change, which may undermine the operating prerequisites of companies during the transition. · The effects of climate change on trade policy, possible conflicts or global crises (coronavirus, export restrictions).	· Stakeholder engagement, such as active and open dialogue with political decision-makers, influencing the organisations looking after the interests of the sector or in international organisations. · Voluntary, national and international commitments. · Development of own operations, reducing carbon intensity also in the value chain. · Proactive operations. Monitoring, assessment and response to changing regulation. · Decentralised procurement.
MARKET RISKS · Measures with regard to national climate goals, such as heating energy, remain unimplemented. Effects on the energy market. · Biodiversity weakens. The availability and costs of raw materials increase as a result of global warming. Changes in people's purchasing power. · The risk of global pandemics increases. Changes in the consumption of products and services. · Consumption habits change more quickly than expected.	· Investments in energy and resource efficiency and renewable electrical power. · Sustainability goals as well as raw material guidelines, considering biodiversity and climate impacts. · Development of digitalisation, completely new services. · Monitoring global megatrends, climate scenarios. · Active monitoring of consumption habits and reacting to changes. Promotion of sustainable consumption. · Decentralised procurement.

TRANSITION RISKS	MANAGEMENT METHODS
TECHNOLOGICAL RISKS · Investments in new technologies are delayed by, for example, strict regulation or high prices. · Not all parts of the value chain are ready to make full use of new technologies, so their deployment is less than complete and partially inefficient. The chain does not have enough competence or operators.	· Support for research and development and various projects to utilise new technologies or models. · Value chain cooperation.
REPUTATIONAL RISKS · Stakeholders' expectations increase and may have a negative impact on S Group. · Taking climate change into account, for example, in S-Bank's and FIM's investments as well as their impact on the company's reputation.	· Open and transparent communication regarding S Group's climate goals and actions. · Active dialogue with non-governmental organisations. · Responsibility policies regarding investments. · Various responsibility funds.

PHYSICAL RISKS	MANAGEMENT METHODS
ACUTE PHYSICAL RISKS – EXTREME WEATHER PHENOMENA · Globally: drought or flooding impact the availability and price of raw materials. Extreme weather phenomena may also cause trade policy conflicts, which may have negative effects on procurement. · Nationally: impacts on harvest and energy production, for example. · Impacts of extreme weather phenomena on logistics or the operations of Gigawatti Oy. · Increasing storms may have an indirect impact on logistics and outlets, changes in security of supply and logistics costs.	· Cooperation with suppliers and management of the supply chain, decentralisation of procurement. · No properties are built in flood risk areas. · Backup systems to cover power or heating energy cuts in the logistics centre. · Energy efficiency measures and goals. · Investments in renewable energy. · Development of the utilisation of demand response in electricity supply and its deployment.
CHRONIC PHYSICAL RISKS – A FAST RISE IN AVERAGE TEMPERATURE · Possible migration and its impacts on the network, services and products. Accumulation of population in certain regions. · The weather is warming faster than expected, compromising the resilience of nature and the company. Permanent changes in the availability of raw materials. The possibility of pandemics increases. · A significant change in the demand for products and services. · The need for cooling of properties will increase – possible impacts on the costs of and investments for outlets.	· Scenario reviews and possible changes in the range of products and services. · The supply chain's ability to adapt and the decentralisation of procurement. · Improving energy efficiency, investments in renewable energy.

It is still difficult to assess the direct financial impact of climate risks on S Group's operations, because the data and its availability are incomplete.

OPPORTUNITIES

Over the past few years, we have made considerable investments in wind and solar power, which has significantly reduced the emissions we create. These investments will continue in the future, and there will be 100,000 solar panels at outlets by the end of 2021, for example. Investments in renewable electricity will also affect the electricity procured and its quality.

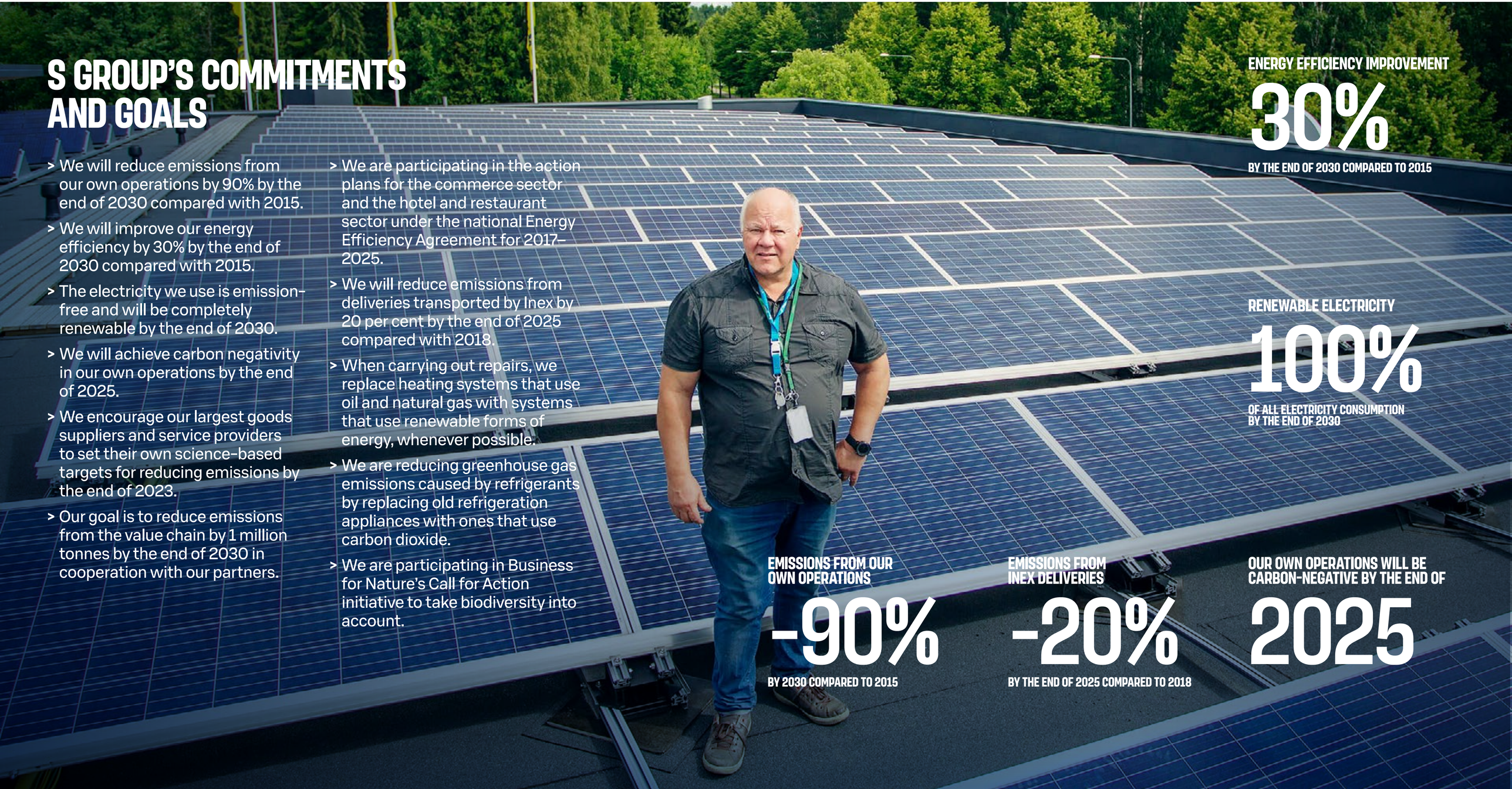
We will continue to improve the energy efficiency of our outlets. Our goal is that by 2030, all refrigerants violating the F-gas Regulation will have been replaced with natural refrigerants. As a result, the emissions created by refrigerants will considerably decrease. In addition, we will improve the utilisation of waste heat generated in refrigeration plants, reducing our dependence on district heat, for example, while the absolute total emissions from outlets will also be reduced. Together with energy companies, we will also develop a circular economy model where waste heat from outlets can be directed for use in municipal district heating networks. The cooperation model will reduce the heating emissions generated by outlets to almost zero, while reducing regional total emissions from heating.

Consumers are increasingly aware of the impacts of climate change and also want to influence the emissions from their own consumption. We will continue to provide our customers with various solutions to support climate-smart consumption patterns. Using the carbon footprint and nutrition calculators of S-mobiili, consumers can already monitor the climate and health impacts of their own food baskets. In turn, investments in the electric car charging network support the electrification of transport.

USING THE CARBON FOOTPRINT AND NUTRITION CALCULATORS OF S-MOBIILI, CONSUMERS CAN ALREADY MONITOR THE CLIMATE AND HEALTH IMPACTS OF THEIR OWN FOOD BASKETS.

S GROUP'S COMMITMENTS AND GOALS

- We will reduce emissions from our own operations by 90% by the end of 2030 compared with 2015.
- We will improve our energy efficiency by 30% by the end of 2030 compared with 2015.
- The electricity we use is emission-free and will be completely renewable by the end of 2030.
- We will achieve carbon negativity in our own operations by the end of 2025.
- We encourage our largest goods suppliers and service providers to set their own science-based targets for reducing emissions by the end of 2023.
- Our goal is to reduce emissions from the value chain by 1 million tonnes by the end of 2030 in cooperation with our partners.
- We are participating in the action plans for the commerce sector and the hotel and restaurant sector under the national Energy Efficiency Agreement for 2017–2025.
- We will reduce emissions from deliveries transported by Inex by 20 per cent by the end of 2025 compared with 2018.
- When carrying out repairs, we replace heating systems that use oil and natural gas with systems that use renewable forms of energy, whenever possible.
- We are reducing greenhouse gas emissions caused by refrigerants by replacing old refrigeration appliances with ones that use carbon dioxide.
- We are participating in Business for Nature's Call for Action initiative to take biodiversity into account.



ENERGY EFFICIENCY IMPROVEMENT

30%

BY THE END OF 2030 COMPARED TO 2015

RENEWABLE ELECTRICITY

100%

OF ALL ELECTRICITY CONSUMPTION BY THE END OF 2030

EMISSIONS FROM OUR OWN OPERATIONS

-90%

BY 2030 COMPARED TO 2015

EMISSIONS FROM INEX DELIVERIES

-20%

BY THE END OF 2025 COMPARED TO 2018

OUR OWN OPERATIONS WILL BE CARBON-NEGATIVE BY THE END OF

2025

ENERGY CONSUMPTION

We are the largest non-industrial consumer of electricity in Finland. Refrigeration equipment as well as store lighting, heating and ventilation systems have the highest energy consumption in our outlets. We can achieve considerable cost savings by improving their efficiency and by renovating them. We are continuously working to save energy and to use energy more efficiently.

We have set an energy efficiency target for S Group for 2030. We are aiming to improve the efficiency of our energy consumption by 30% in comparison to 2015. In 2020, our locations in Finland consumed 257 kWh of energy per gross m2, which represents a decrease of 4 per cent compared with 2015. Compared to 2019, the efficiency of our relative energy consumption has improved by 9 per cent. Since 2010, we have reduced our relative energy consumption by 42 per cent, among other things by renewing refrigeration plants, installing doors for refrigeration equipment, switching to LED lighting and installing heat pumps.

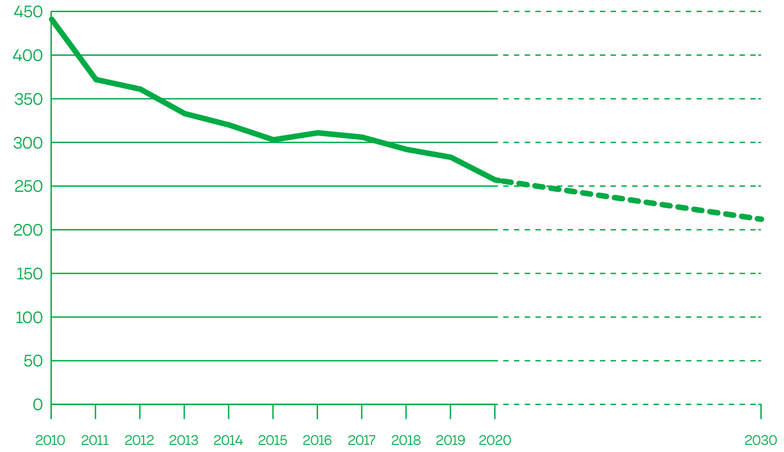
Our current aim is to improve the overall energy efficiency and cost efficiency at our facilities. For example, this will in practice involve the comprehensive utilisation of waste heat as far as possible, optimisation of large entities and needs-based use of building systems. Compared to 2019, the decrease in consumption was significant. It was partly caused by the coronavirus pandemic. The reduced operations of hotels and restaurants was a factor that particularly contributed to the decrease in energy consumption. Due to travel restrictions and the general coronavirus situation in 2020, the demand for accommodation only returned to close to normal in July after the first half of the year. Almost 75 per cent of our hotels were closed for at least one month in 2020. Due to the restrictions, we had to close restaurants and reduce the opening hours. In addition, there were also restrictions on the number of customer seats for several months in 2020, and there will also be restrictions in 2021.

RELATIVE ENERGY CONSUMPTION IN FINLAND

–15%

SINCE 2015

SPECIFIC ENERGY CONSUMPTION, FINLAND (KWH PER GROSS M²)



SPECIFIC ENERGY CONSUMPTION, FINLAND (KWH PER GROSS M²)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
441	372	361	333	320	303	311	306	292	283	**257**

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

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

The calculation principles for energy and area data are provided in an appendix to the **S Group GHG Inventory Report 2020.**

Assurance report on the energy and area data for 2020.

CONSUMPTION AND FLOOR AREAS IN 2020

	2018	2019	2020	TOTAL FOR S GROUP IN 2020
Electricity, Finland, GWh	1,120	1,070	**1,009**	**1,049**
Electricity, neighbouring countries, GWh	47	44	**40**	
Heating and cooling, Finland, GWh	422	432	**405**	**435**
Heating and cooling, neighbouring countries, GWh	28	30	**30**	
Water, Finland, million m³	2.03	2.00	**1.59**	**1.76**
Water, neighbouring countries, million m³	0.26	0.25	**0.18**	
Floor area, Finland, gross m²	5.28	5.29	**5.49**	**5.73**
Floor area, neighbouring countries, gross m²	0.24	0.24	**0.24**	

"Neighbouring countries" refers to Estonia and Russia.

The adjustment for weather is made in relation to the regional reference point.

Coverage of data for monitoring: electricity 96%, heating 97%, water 91% and gross area 96% of sites.

The calculation principles for energy and area data are provided in an appendix to the **S Group GHG Inventory Report 2020.**

Assurance report on the energy and area data for 2020.

This is now the second agreement period of the national Energy Efficiency Agreements for the commerce sector and the hotel and restaurant sector that we are signatories to. Energy efficiency agreements are a method chosen by the government and the sectors to meet Finland's international energy efficiency targets. In the agreements, we have committed to seeking a reduction of 7.5 per cent in our energy consumption from the 2015 level by 2025. By the end of 2020, energy-saving measures of 103 GWh were recorded for the commerce sector, 119 percent of the target. By the end of 2020, energy saving measures of 7.8 GWh were recorded for hotels and restaurants, 56 per cent of the target.

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

TESOMA HAS THE MOST ENERGY-EFFICIENT S-MARKET

Opened in January 2020, the S-market in Tesoma, Tampere, is the best S-market in Finland in terms of its total energy consumption. The designers of the S-market in Tesoma looked for best practices in existing facilities and included them in the overall market design. Five 300-metre-deep geothermal heat wells were built under the market, and nearly all of its heating energy comes from condensation heat and geothermal energy. Ventilation is controlled by an HVAC system that keeps indoor air conditions consistently good, both in the car park and in the store itself. In practice, the system sniffs the temperature, carbon dioxide content and air humidity at different points in the building. Based on this information, it controls and adjusts the HVAC equipment so that the indoor air conditions remain good at all times. In turn, the optimisers of building and refrigeration automation ensure that the settings of technical systems are always the best possible.

S-MARKET PRODUCES HEAT FOR THE DISTRICT HEATING NETWORK IN KAUKOVAINIO

Progressive work is taking place in Oulu to achieve the goal of low-carbon operations. In March 2020, a solution was implemented in the district of Kaukovainio where the surplus energy from the store was utilised in the district heating network. This was the first solution of its kind in Finland. The Kaukovainio S-market of Cooperative Society Arina was connected to the district heating network of Oulun Energia as a producer of heating energy. Through this connection, surplus energy produced by the retail CO_2 refrigeration equipment at the store is fed to the inlet line of the district heating network, and surplus heat from the store can be utilised in houses in the residential areas that are connected to the district heating network. The implementation is part of the MAKING-CITY project of the EU's Horizon programme. A pilot system based on innovative energy solutions is being planned, implemented, and tested with several partners in the project for the Kaukovainio S-market. The experiences gained from the pilot are promising. It can be calculated that the amount of energy originating from the store is enough to cover the annual consumption of more than 220 single-family homes.



ENERGY PURCHASES

We consume more than 1 per cent of all electricity used in Finland. In our more than 1,800 outlets, electricity is particularly required for refrigeration equipment, lighting, and HVAC systems. We have made considerable investments in our production of renewable energy, and increasing its share will continue to considerably support the achievement of our emission reduction targets. We are currently committed to ensuring that all electricity we use is emission-free and totally renewable starting from 2030. Since 2019, we have obtained guarantees of renewable origin for all electricity we use, which means that all electricity we use is already produced using exclusively renewable energy sources.

TuuliWatti Oy, an industrial wind power company owned 50-50 by S-Voima Oy and St1 Nordic Oy, was divided into two companies in November 2020. In the future, Gigawatti Oy will be responsible for S Group's wind-power production. It now controls TuuliWatti's wind farms and development projects that were transferred to S Group. When TuuliWatti was divided into two companies, three wind farms in operation, one wind farm under construction and some development projects were transferred to S Group. Therefore, S Group continues to be a significant producer of domestic wind power.

At the end of 2020, Gigawatti had 35 wind power plants in three wind farms in Simo, Raahe and Siikainen. In addition, Finland's largest wind farm is under construction in the Sarvisuo region of Simo in southwestern Lapland. In 2021, some 27 wind power plants will be completed in Sarvisuo, which will significantly increase S Group's renewable electricity production.

At the end of 2020, there were more than 70,000 solar panels on the roofs of 96 S Group locations. During 2021, solar panels will be installed in some 60 new locations, and the number of solar panels is expected to exceed 100,000 by the end of the year. The key benefit is that the electricity produced on these sites can be used in our own locations.

In 2020, we created principles for acquiring guarantees of origin for electricity. The guarantees of origin come from projects where energy is produced with wind, solar, land and geothermal energy. In addition, hydropower, ocean power, as well as electricity produced using biomass, landfill waste, wastewater treatment plants and biogas that meets the EKOenergy criteria are acceptable.



Renewable electricity is one of the most significant ways to reduce the carbon dioxide emissions generated by our properties. We are also exploring the opportunity to use renewable forms of energy in all our new construction projects. When renovating properties, heating systems can also be replaced with more efficient ones. For example, old oil and natural gas heating systems have been replaced with systems using geothermal heat and district heating or heat pump systems that utilise other sources of heat energy. Only 58 properties, less than 4 per cent of all our properties, still use oil or natural gas for heating.

Most of our properties use district heating. Regarding district heating, we engaged in a continuous discussion with district heating suppliers regarding the energy sources they use for district heating and how the emissions from district heating could be reduced. Currently, 54 per cent of the district heating energy in Finland is produced with renewable energy sources and waste heat, while 46 per cent is produced using fossil fuels.

EMISSIONS

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

Our emissions have been calculated in accordance with the GHG Protocol standard. According to the standard, emissions are divided into Scope 1 and Scope 2 emissions from the company's own operations, and Scope 3 emissions from the value chain. Scope 1 emissions are greenhouse gas emissions arising directly from our own operations. In practice, the emissions are generated by the fuel used for heating our properties and by refrigerant leakages. Refrigerants are cooling gases that circulate in the pipes of refrigeration equipment. When released into the atmosphere, refrigerants behave in the same manner as carbon dioxide and warm the climate. However, depending on the agent, their warming effect is nearly 4,000 times more intense than that of carbon dioxide. If a pipe in the refrigeration equipment is dented or has even a minor puncture, refrigerant may leak into the atmosphere. For this reason, the equipment is monitored closely for any leakages. Scope 2 emissions are greenhouse gas emissions generated by the production of purchased electricity, district heating and cooling.

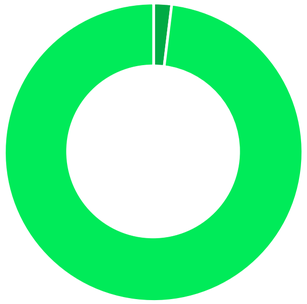
Scope 3 emissions, or other indirect emissions, include emissions from products and services purchased by S Group during their life cycle, such as the primary production of raw materials and the manufacture, packaging and transport of products, as well as customer traffic and the use of the products.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

In 2020, emissions from our own operations decreased by 20% year-on-year. The emissions have already decreased by 70 per cent since 2015, due to improved energy efficiency, refrigeration plants using renewable refrigerants, our own renewable energy investments and guarantees of origin for electricity. The emissions generated by our value chain decreased by 7 per cent from the 2019 level.

THE EMISSIONS FROM S GROUP'S OWN OPERATIONS (FINLAND AND NEIGHBOURING COUNTRIES) WERE

120,000

TCO_2E



EMISSIONS FROM S GROUP'S OWN OPERATIONS IN 2020, %

Emissions from our own operations (Scope 1 & 2)	2%
Emissions from the value chain (Scope 3)	98%

THE EMISSION INTENSITY OF OWN OPERATIONS (FINLAND AND NEIGHBOURING COUNTRIES) WAS

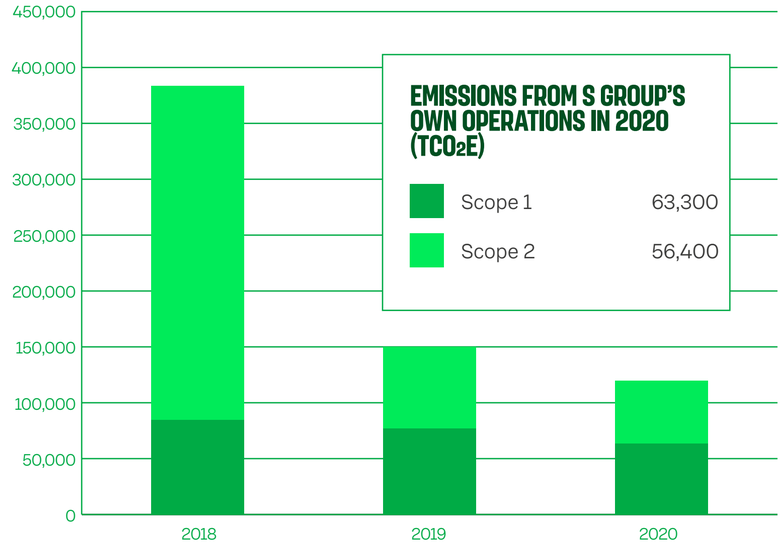
10.3

TCO_2E PER EUR 1 MILLION OF SALES

THE EMISSION INTENSITY OF OWN OPERATIONS (FINLAND AND NEIGHBOURING COUNTRIES) WAS

20.9

TCO_2E PER 1,000 GROSS M^2



The calculation principles for emissions from our own operations are provided in an appendix to the **S Group GHG Inventory Report 2020.**

Assurance report on emissions data for 2020.

EMISSIONS FROM S GROUP'S OWN OPERATIONS (TCO2E)

	2018	2019	2020
DIRECT, SCOPE 1			
Own heating energy production from fossil sources (heating oil and natural gas)	6,400	5,700	**8,700**
Refrigerant leakages	76,100	71,400	**54,600**
INDIRECT, SCOPE 2			
Purchased electricity (market-based)	134,800	0	**0**
Purchased electricity (location-based)	104,100	95,400	**71,100**
Purchased district heating and cooling (location-based)	60,300	72,900	**56,400**
TOTAL SCOPES 1 AND 2 (procurement-based)	**277,400**	**150,000**	**119,700**
TOTAL SCOPES 1 AND 2 (location-based)	**246,900**	**245,400**	**190,800**

The figures include Finland and the neighbouring countries.

The accounting of organic carbon is being developed and, in the future, the amount of live carbon will also be reported. Organic carbon refers to carbon that becomes sequestrated in organic material by photosynthesis. The term biogenic carbon is also used for organic carbon.

The calculation principles for emissions from our own operations are provided in an appendix to the **S Group GHG Inventory Report 2020**.

Assurance report on emissions data for 2020.

REDUCING EMISSIONS

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

Thanks to increased wind and solar power production, our carbon dioxide emissions decreased by 160,000 tonnes in 2020 compared with the specific emissions in accordance with the residual mix of electricity production in Finland in 2019.

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

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

We launched the Big Deal climate campaign for our partner companies in 2016. The goal of the campaign is to reduce climate emissions by 1 million tonnes by 2030 in cooperation with our goods suppliers and service providers. With the campaign, we want to encourage and inspire our partners to reduce their emissions and achieve more effective results. One million tonnes is equivalent to as many as 8 million trips by car from Rovaniemi to Helsinki, or the annual emissions generated by more than 100,000 Finns.

The 109 partner companies of S Group that are participating in the campaign have reduced their total climate emissions by 46,000 tonnes over the past four years. In addition, as part of our science-based climate targets, our goal is for two thirds of our goods suppliers (based on purchases) to set their own science-based emission reduction targets by the end of 2023. The target has already been set by 60 per cent of the suppliers within the scope of the target.

THE BIG DEAL CLIMATE CAMPAIGN: REDUCING EMISSIONS BY

–1,000,000

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

In 2020, we organised two virtual climate breakfasts with our Big Deal partners. Both events were participated by more than 50 companies.

THE BIOFUEL CONTENT OF FUELS IS INCREASING YEAR BY YEAR

The increase in remote working and decreased leisure mobility due to the coronavirus pandemic reduced the need for travelling by car in 2020. Although the restrictions and recommendations concerning remote work and mobility varied from one region to the next, the total sales of fuel decreased during the year. This also had direct effects on the total emissions generated from liquid fuels. The decrease compared to 2019 was 8 per cent.

Emissions from the fuel we sell will be reduced by gradually increasing the share of biofuels in them so that biofuels will represent 30 per cent of the total volume of fuels in 2030. The use of biofuels resulted in a reduction of 200,000 tonnes of carbon dioxide in 2020 in relation to fossil fuels. Of the raw materials of purchased biofuels, 70 per cent were based on waste or residues. Part of the biowaste used as raw material is collected from our own outlets.

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

Of our outlets, 129 have electric car recharging points, and we have a total of 764 ordinary recharging points. There are a total of 142 fast-charging points at 50 of our outlets. The increasing popularity of electric cars in Finland is reflected in the number of recharging events at the recharging points at ABC service stations.

S GROUP IS A LEADER IN CLIMATE WORK AMONG FINNISH COMPANIES

According to the international CDP (formerly Carbon Disclosure Project) assessment, S Group's climate work is still of leadership level. Our climate work was awarded the best A rating in 2020, together with seven other Finnish companies in the international CDP assessment. In 2020, we also participated in the CDP Forest reporting for the first time, receiving a rating of C.

We were the first retail operator in Finland to also join the CDP Supply Chain programme. The programme enables companies that supply products or services to report on their emission reductions in a consistent manner. During the year, an increasing number of our suppliers reported their own climate work through CDP Supply Chain reporting.

CDP is an independent global organisation established by non-governmental organisations in 2000. It assesses the environmental efforts of hundreds of companies each year, mainly based on the wishes of their financiers and investors. In 2020, more than 5,800 companies responded to surveys conducted by the CDP on water security and forest issues.

79 CARBON-FREE PROPERTIES

We are making rapid progress in achieving our ambitious climate targets. At the turn of the year, 79 of our outlets had achieved zero emissions. Properties with zero emissions, or carbon-neutral properties, are those that do not increase the amount of greenhouse gas emissions in the atmosphere. Continuous improvement of energy efficiency, renovating refrigeration facilities into carbon dioxide facilities, and the recovery of surplus heat generated in refrigeration equipment have been important in achieving this. In addition, our decision to switch exclusively to using renewable electricity has directly affected the emissions from properties.

S GROUP SUPPORTS RESEARCH INTO SOIL CARBON SEQUESTRATION

In 2020, we continued to support the Carbon Action project, which promotes carbon farming in Finland. In the work coordinated by the Baltic Sea Action Group, researchers from the University of Helsinki are collecting new information about the deeper layers of fields and their ability to sequestrate carbon from the atmosphere. The goal is to mitigate climate change.

The funding is being used to investigate the current carbon storage in the soil at 30 Carbon Action farms located around Finland. The data is used for modelling carbon storage and for developing the verification of the change in storage.

In the future, farmers may be paid for storing carbon in the soil. However, this requires high-quality basic research to investigate the storage of carbon under different conditions.

EMISSIONS FROM S GROUP'S VALUE CHAINS (TCO_2E)

	2018	2019	2020
UPSTREAM SCOPE 3			
Purchased products and services	5,739,000	5,395,000	**5,040,900**
Capital assets (buildings)	13,000	1,300	**10,400**
Indirect emissions from purchased energy	38,100	35,100	**30,700**
Product transportation and delivery	95,400	99,600	**133,400**
Waste	19,600	18,000	**17,400**
Business travel	2,300	4,000	**500**
Commuting	20,300	15,900	**16,500**
DOWNSTREAM SCOPE 3			
Customer traffic	283,000	319,000	**248,500**
Use of products sold	2,619,000	2,411,000	**2,218,000**
Investments	46,400	85,000	**113,800**
TOTAL	**8,876,100**	**8,383,900**	**7,830,100**

The figures include Finland.

For 2019, the emissions from commuting have been adjusted.

The calculation principles for Scope 3 emissions are provided in an appendix to the **S Group GHG Inventory Report 2020.**

Assurance report on emissions data for 2020.



SHOPPING CENTRE LOHI IS S GROUP'S FIRST CARBON-NEGATIVE PROPERTY

The Lohi shopping centre located in Lohja is S Group's first carbon-negative property. In the shopping centre, action to reduce climate emissions already started in the design stage of the property. Significant reductions have been achieved using renewable electricity produced with solar and wind power, by using waste heat from refrigeration equipment for heating, and by lighting the building with LED lamps. After minimising the climate emissions, the shopping centre will only produce carbon emissions due to the use of district heating. The emissions generated will be compensated for by utilising a forest conservation project in Peru, verified by a third party. Their amount has been agreed at such a high level that with them, the shopping centre will certainly sequestrate more carbon from the atmosphere than it produces. Shopping Centre Lohi is also cooperating with the organisation 4H Finland in the *Taimiteko* ("Seedling act") project. Lohi is supporting the organisation in its initiative to employ young people to plant seedlings, thus helping to sequestrate from the atmosphere the same quantity of carbon that is caused by the food waste of the S-market.

WE ARE COMPENSATING FOR THE EMISSIONS FROM OUR BUSINESS FLIGHTS

We are compensating for the climate emissions from our employees' business flights for the second year running. In 2020, the carbon compensation for flights was allocated to a forest conservation project in Peru, verified by a third party, because forests are natural carbon sinks and sequestrate carbon from the atmosphere through photosynthesis. In 2020, our employees made 2,400 business flights, flying a total distance of just under 3 million kilometres, which generated climate emissions of 280 tonnes of carbon dioxide. The total mileage and emissions decreased by almost 80 per cent year-on-year. The most important factor behind the reduction in emissions was the coronavirus pandemic and the changes caused by it in travelling and working.

CONSUMERS TO PARTICIPATE IN PRO-CLIMATE WORK

With our new sustainability programme, in our sustainability work we will be better taking into account our customers, with whom we want to move towards sustainable everyday consumption. We want to help and support them in reducing the emissions from their own consumption.

SOKOS' ONLINE STORE PILOTING TAILOR GUIDE SERVICE

In 2020, Sokos started testing the Finnish Tailor Guide service in its online store, with the aim of making it easier for customers to purchase clothes online. In practice, the remote fitting service helps you find products in your size by comparing your measurements with brand-specific size tables. The service also wants to impact product returns in online trade, which, besides costs, have an impact on the climate through unnecessary transport emissions, for example. Due to the coronavirus pandemic, purchases from the Sokos online store have grown considerably.

SOLUTIONS TO SUPPORT CLIMATE-SMART DECISIONS

Our customers can use the carbon footprint calculator of the My Purchases service in S-mobiili to monitor the climate impacts of their own food basket in a product category-specific manner. The service has been developed in cooperation with experts from Natural Resources Institute Finland and with consumers. Using the carbon footprint calculator, our customers can make comparisons between different product categories and think about ways to influence the carbon footprint of food. Correspondingly, the My Purchases service allows users to monitor their own consumption of vegetables.

Read more about seasonal vegetables and our actions for increasing the sales of fish in the section of the review entitled **'For a healthier daily life'**.

SUSTAINABLE TRAVEL FINLAND LABEL FOR SEVEN S GROUP HOTELS

Break Sokos Hotel Bomba, Radisson Blu Marina Palace, Break Sokos Hotel Koli, Solo Sokos Hotel Paviljonki, Solo Sokos Hotel Lahden Seurahuone, Original Sokos Hotel Vaakuna Joensuu and Original Sokos Hotel Kimmel have been granted the Sustainable Travel Finland label. This label is granted when a hotel meets the sustainable development criteria created by Visit Finland, which take into account the ecological, economic, social and cultural sustainability of the hotel.

The purpose of the Sustainable Travel Finland label granted by Visit Finland and the development programme supporting it is to promote sustainable travel in Finland, communicate in a more harmonised manner about Finland as a country for sustainable travel and make travellers' choices easier.

S-BANK IS AMONG THE PIONEERS IN THE RESPONSIBILITY AND IMPACT OF INVESTMENT ACTIVITIES

In 2020, S-Bank continued to implement responsible investment strategies. At the same time, it also made considerable investments and reforms regarding responsible investment.

Among other things, S-Bank released its first climate strategy for asset management. The climate strategy describes how climate change is taken into account in investment activities, and how asset management wants to influence and be part of the necessary change that will help solve climate change or adapt to it. The climate strategy also sets a schedule for



making the current criterion for excluding carbon companies even stricter.

When announcing the climate strategy, S-Bank launched the FIM Fossil-free Europe ESG Fund. The fund's investment policy is to exclude producers of fossil energy, companies that own fossil energy resources, and companies that concentrate on electricity production and use fossil fuels in their production. In its investments, the fund focuses on companies that are in a good position when societies move towards a low-carbon phase.

In 2020, S-Bank also started releasing fund-specific responsibility reports. The reports are released four times a year and cover a diverse range of ESG features, such as ESG classifications, violations of international standards and the fossil assets owned by portfolio companies. In addition, FIM Asset Management's principles of responsible property and forest investments were released. The principles describe why and how responsible investments are carried out in property and forest investment activities.

S-Bank had an impact on its investment subjects by conducting direct impact discussions with the companies and by continuing to participate in various joint initiatives. S-Bank' s Asset Management has for a long time participated in CDP's operations, and as a new form of influence, the bank joined the CDP programme to influence companies that have not responded to CDP's questions and requests to provide their environmental data. Through the programme, S-Bank's Asset Management is provided with important information to support investment decisions. At the same time, S- Bank joined the Science Based Targets initiative.

S GROUP JOINS BUSINESS FOR NATURE'S CALL FOR ACTION INITIATIVE

In autumn 2020, we joined more than 600 companies in signing Business for Nature's Call for Action initiative. The initiative concerns biodiversity and combines business and organisations, and prompts organisations to act already during this decade to stop the disappearance of animal and plant species.

Climate change is one of the greatest threats to biodiversity, and at the same time, the accelerating loss of diversity is also making climate change worse. The disappearance of species is also threatening the availability of raw materials, which is why its prevention is not only of interest to governments, but also to companies such as us.

MORE SUSTAINABLE SOY

Deforestation is threatening biodiversity in many areas. Soy is one of the significant raw materials accelerating deforestation in South America, particularly in the Amazon region. Soy is used in various products, both on its own and indirectly in animal feed.

We examined the origin of soy used in our private-label products, restaurants and cafés, as well as the origin of soy used in the production chains of animal-based raw materials (meat, fish, milk, eggs) and the related sustainability practices. With regard to soy used for feed, defects were found particularly when supply chains were long or the operation had no contact with the feed supplier. Instead, the origin of the soy used in products is fairly well known.

Based on our investigation, changes have also been made to the composition of animal feed in recent years, and the proportion of soy has been reduced by replacing it with alternative raw materials. Finnish dairy farms are soy-free, and there, feed for cows mainly consists of turnip rape, rapeseed and grass. Overall, 70 per cent of the soy we used in 2020 was certified.

Excessive use of resources and changes in the availability of raw materials, as well as the limited end uses of the raw materials used in products, are affecting and will continue to affect our operating environment. Circular economy solutions allow us to curb the climate change and impact biodiversity. By keeping raw materials in circulation longer, we can influence the sustainable use of natural resources.

CIRCULAR ECONOMY

The reference framework of legislation contributes to the transition towards the circular economy. The European Union has set stricter targets for recycling, and is aiming to increase the recycling rate of municipal waste to 55% by 2035. In the spring of 2019, the European Parliament adopted a directive concerning disposable plastic products. The directive aims to limit and reduce the use of plastic in packaging. A set of waste regulations is being prepared that also takes into account the new recycling rate targets for various packaging materials.

At the turn of the year, a proposal was published for the 2020–2021 strategic programme for promoting the circular economy, aimed at specifying the necessary measures to promote the circular economy and to create a systemic change. In turn, the national plastics roadmap proposes measures to promote the sustainable use of plastic. On the other hand, awareness of sustainability is also increasing among consumers, and they expect companies to implement measures to promote the sustainable use of natural resources.

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





S GROUP'S GOALS AND COMMITMENTS

> The New Plastics Economy Global Commitment seeks to reduce the unnecessary use of plastic, develop reusable packaging and increase the efficiency of recycling.

> The national plastic bag commitment seeks to reduce the use of plastic bags. The goal is for every Finn to use no more than 40 plastic bags per year by the end of 2025.

> The material efficiency commitment for the food industry seeks to reduce the environmental impacts of food production, distribution and consumption.

> Our plastics policy provides a framework for the use of plastic and its reduction in our own operations.

> We will recycle 80% of our waste as materials or new products by the end of 2025.

> The goal is that food waste is halved by 2030.

WASTE MANAGEMENT AND RECYCLING AT S GROUP

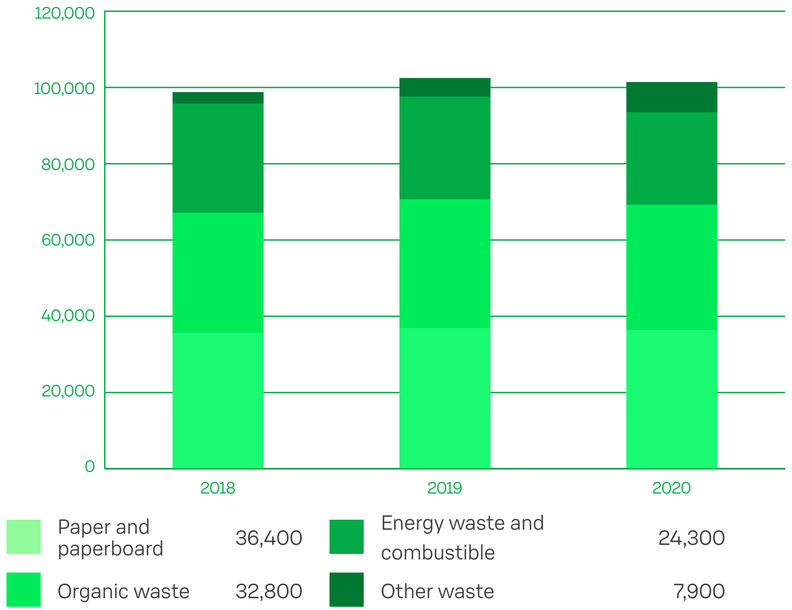
The amount of waste we generate in Finland represents around 3 per cent of all municipal waste generated in Finland. In 2020, our total amount of waste, including in the neighbouring countries, was 105,500 tonnes. The amount of hazardous waste generated was approximately 500 tonnes, while there were 3,600 tonnes of liquid waste. Most of the waste generated by our operations is paperboard, paper and organic waste, as well as energy waste and waste to be incinerated. In 2020, most (75 per cent) of the waste we generated in Finland was taken to be reused as materials. Our goal is to recycle 80 per cent of our waste as materials or new products by the end of 2025.

S GROUP'S WASTE MATERIALS (TONNES)

	2018	2019	2020
Paper and paperboard	35,500	36,900	**36,400**
Biowaste	31,600	33,700	**32,800**
Energy waste and combustible waste	28,600	27,000	**24,300**
Plastic	1,400	1,600	**1,500**
Metal	2,200	1,900	**1,600**
Glass	700	700	**700**
Other solid waste	3,100	4,900	**4,100**
TOTAL SOLID WASTE	**105,100**	**106,700**	**101,400**
Hazardous waste	800	500	**500**
Liquid waste	4,000	4,400	**3,600**
ALL WASTE IN TOTAL	**107,900**	**111,600**	**105,500**

The waste data covers 88 per cent of the locations.
The figures include Finland and the neighbouring countries.
Assurance report on the waste figures for 2020.

S GROUP'S SOLID WASTE, TONNES



PROCESSING AND REUSE OF S GROUP'S WASTE MATERIALS, %

	2018	2019	2020
Material recycling	43	42	**45**
Reuse for energy	27	27	**25**
Reuse of organic waste	30	31	**30**
Landfill processing	0.3	0.02	**0.01**

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

Reuse of organic waste refers to composting or reusing waste in the production of biogas or bioethanol.

Assurance report on the waste figures for 2020.

S GROUP PROMOTES THE CIRCULAR ECONOMY

We promote circular economy in many ways. In September 2020, we publicised our cooperation with Sinituote to utilise used buckets for cut flowers collected from stores as raw material for new cleaning accessories. In the project, the plastic was being circulated for the third time, because the raw material for the buckets was already recycled plastic. The cleaning accessories were sold at Prisma stores across Finland. The pilot was first launched at HOK-Elanto outlets, which use 100,000 buckets annually. The collection of flower buckets will be extended to cover the whole country in 2021, when more and more plastic raw material will enter circulation and the production of new products.

We continued to utilise the bread waste generated in our stores to produce Eko E85 fuel sold at ABC service stations. Last year, we delivered food waste to produce approximately 1,200 tonnes of ethanol. The Eko E85 bioethanol produced from food waste and side streams from the food industry contains 15–20 per cent petrol, and feed for agriculture and water are produced as by-products in the process. Eko E85 fuel reduces the fossil carbon dioxide emissions from motoring by up to 80 per cent. Furthermore, deep-frying oil used in our restaurants is recycled via Suomen Kasviöljykierrätys to be utilised in the production of renewable fuel.

MORE RECYCLED RAW MATERIALS IN PACKAGES

We have increased the use of recycled raw materials in recent years. In addition to conventional shopping bags, recycled raw material is utilised particularly for packaging for private-label detergent products, where a total of 36 tonnes of virgin plastic was replaced with recycled plastic in 2020. All in all, recycled raw material is already utilised for the packaging of more than 50 private-label grocery store products.

The measures to promote the recyclability of packages have been implemented, and the packaging of all S Group's private-label products can be sorted for recycling. Approximately 83 per cent of private-label product packages are completely recyclable. The most challenging materials are multi-layer packages, where it has been difficult to find substitute materials to secure the quality and durability of the product or to prevent wastage.

In 2020, we reduced the amount of plastic in the packaging of some 80 private-label grocery products. For example, in the packaging for Kotimaista minced meat alone, the reduction in plastic material has saved approximately 80 tonnes of plastic per year. In particular, the changes have been made for fruit and vegetable products, where plastic packaging has been replaced with paper and cardboard packaging. Packaging changes are made when this is possible from the perspective of product quality or shelf life.

We continued adding sorting instructions in plain language to our private-label packaging. These instructions are already available on the packaging of over 1,000 private-label grocery products. The packaging changes are also pointed out on the packaging with the "Kehitimme pakkausta" ("More developed packaging") label that was added to the packaging of more than 40 private-label products in 2020. This label is used, for example, when the amount of plastic or other packaging material used for private label products has been reduced, or when recycled plastic or bio-based plastic is used for the packaging.

KUJA STREET FOOD LAHTI UTILISES CIRCULAR ECONOMY IN ITS OPERATIONS

The Kuja Street Food Lahti restaurant, operating in the same area as Cooperative Society Hämeenmaa, is built on the basis of sustainable development. The restaurant is mainly furnished by using recycled materials and furniture. A large part of Kuja's glassware was also received from Hämeenmaa's restaurants that had discontinued their operations or changed their business idea. In addition, the work aprons of Kuja's personnel are made from old trousers.

Sustainable development is also visible in Kuja's other functions. For example, when planning the menu, special attention is paid to vegan and vegetarian options. The restaurant favours drinks produced locally or in neighbouring areas, and they are served directly from their own recyclable bottles – avoiding unnecessary dishwashing and consumption of clean water. The restaurant's wines are vegan and mainly organic, and the drinking water is tap water from Lahti, the best in the world.

Our plastics policy, with its concrete goals and actions to promote the sustainable use of plastic, was announced in spring 2018. Together with our partners and customers, we are contributing to the recycling of plastic and helping to prevent litter. More information about our plastics policy is available at S-ryhmä.fi.

INCREASING NUMBER OF PACKAGES CIRCULATING IN LOGISTICS

The importance of return logistics has increased in recent years, even in terms of material efficiency. The re-use of packaging has also significantly increased in our logistics. In addition to conventional wooden pallets and trolleys, we use more and more plastic boxes for fruit and vegetables in our logistics, which has reduced the volume of cardboard waste at our stores. The number of re-used plastic vegetable boxes increased by 13 per cent during 2020 and, at the same time, we reduced the emissions caused by the packages by 6,400 tonnes of CO_2.

Today, our return logistics cover paperboard fractions, as well as bottles and cans. In cooperation with waste management operators, we have also discovered new ways to recycle plastic and paperboard over the years. We will also test the return logistics during 2021 in the recycling of old workwear.

COMPREHENSIVE RECYCLING NETWORK HELPS CUSTOMERS RECYCLE

The comprehensive network of Rinki recycling stations for paperboard, glass, metal and plastic packaging is available at our outlets. At the end of the 2019, there were Rinki recycling stations at 428 stores. Of these recycling stations, 255 had collection points for plastic, in addition to glass, paperboard and metal. In turn, some of our Kodin Terra stores accept small pieces of impregnated wood waste from households.

Six of our outlets have Emmy collection points for used textiles. In addition, 289 Rinki recycling stations have collection points for clothing. Refundable beverage containers, as well as batteries and waste electrical and electronic equipment, can be returned to our locations. The number of bottles returned in 2020 increased by 11 per cent and the number of cans by 7 per cent from the previous year. Some of our Sokos and Emotion chain stores have a collection service for expired nail polish.

RECYCLING POINTS AND RECYCLED QUANTITIES

	2018	2019	2020
Number of recycling stations	430	427	**428**
Returned recyclable plastic bottles, million	208	221	**245**
Returned recyclable glass bottles, million	47	51	**53**
Returned aluminium cans, million	616	617	**663**
Returned portable accumulators and batteries, tonnes	576	635	**599**

“GLAD TO HELP LOCALLY” AT KESKIMAA STORES BY RETURNING BOTTLES AND CANS

At the beginning of July 2020, the option of donating the deposit money for empty bottles and cans to charity was added to the bottle return machines at 25 Keskimaa stores. In the first instance, the recipients of donations included 4H associations and the local departments of the Mannerheim League for Child Welfare. The recipients of support change every six months, so that the new operating model can be used to help as many associations as possible in Central Finland. Only genuinely local organisations in each location and city district qualify as recipients for bottle deposit money. Qualifying as a recipient also requires holding a valid money collection permit granted by the police.





LAITA HYVÄ KIERTOON (CIRCULATE THE GOOD) FLEA MARKET IN SAVO’S LARGEST LOCAL STORE

Useful goods change hands at flea markets run by PeeÄssä Cooperative Society. The idea began with the personnel a few years ago, when they thought about ways to promote the circular economy together with customers. Today, “Cleaning Day” in spring and autumn is already a small tradition in the Prisma stores of Kuopio and Iisalmi, where customers can sell their goods in the parking lots on flea market days without a separate charge. These have been very popular events, and often there were more people wanting a sales point than there were points available.



THE COVID-19 PANDEMIC HAS REDUCED FOOD WASTE IN GROCERY SALES – S GROUP AIMING TO HALVE THE AMOUNT OF FOOD WASTE

At the end of 2020, we updated our food waste goal as part of the new sustainability programme approved at that time. Now the aim is towards halving food waste by the year 2030. The new objective is in line with the UN Sustainable Development Goals.

FOOD WASTE IN STORES DECREASED BY 7 PER CENT

S Group's grocery stores managed to reduce their food waste by as much as 7 per cent in 2020. The change is due to the development of operations as well as clearly increased demand because of the COVID-19 pandemic. In 2020, relative food waste in the supermarket trade was 1.4 per cent in Finland. It has decreased by 21 per cent since 2014.

One of the visible methods of waste management is red-labelled products at stores. Last year, our grocery stores sold a total of some 80 million red-labelled products (discounted at 30% or 60%). The popularity of additional evening discounts is particularly evident in smaller stores, such as Alepa stores, where the practice began five years ago. Last autumn, the national evening discount practice had been in use for three years.

Usable food is also donated to charity, and S Group has some 400 food aid partners. In addition, food donations are also carried out at outlets in Estonia and Russia. In addition to donations, nine cooperatives already utilise Hävikki (veggie waste) boxes or the Eilisen tähteet (Yesterday's leftovers) model of operations, where fruit and vegetables that are still good to eat but do not meet the strict quality criteria are packaged and sold at low prices to customers. These products have been very popular, and there has been a significant decrease in the amount of organic waste, particularly in small stores.

During the year, waste in the food supply chain was also prevented with efficient cooperation. During the coronavirus restrictions in the spring, products usually destined for restaurants were quickly taken into the supply of S Group's grocery stores, which reduced the potential waste in the meat processing industry, among other things.

CORONAVIRUS POSED CHALLENGES TO RESTAURANTS' WASTE MANAGEMENT

In turn, the impact of COVID-19 was quite the opposite in S Group's restaurants. In 2020, the total waste was 1.87 per cent, having been 1.47 per cent in the previous year. The increase in waste was mainly due to the restrictions and lockdown measures concerning the entire sector, as well as the difficulty of anticipating the variations in volume throughout the year.

Despite the difficult economic situation, new models were also developed in the restaurants to reduce waste. In autumn 2020, the Sokos S-market and the adjacent Happy Farmer restaurant family in Helsinki started cooperation aimed at minimising food waste. It involved collecting products from the S-market that were at risk of going to waste and using them as raw materials in the Happy Farmer kitchen. These materials are used to produce parts of restaurant meals, as well as whole meals. At the same time, total waste in the value chain will decrease.

MORE THAN 80,000 MEALS SAVED THROUGH THE RESQ CLUB

Despite the difficult year, we managed to save more than 80,000 meals through the S Group's restaurants and ABC, which saved more than 200 tonnes of CO_2 emissions in 2020. The number of meals nearly doubled during the year. The food rescue service ResQ Club was utilised by a total of 117 outlets.

At the beginning of 2020, ABC announced its large-scale cooperation with ResQ, aimed at reducing food waste by one third at ABC. By the end of the year, 30 ABC restaurants (one third of all ABC restaurants) had already joined the service. After the turn of the year, one in every two ABC restaurants had already joined the service.

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

CONSUMERS INVOLVED IN WASTE MANAGEMENT WORK

The national *Rakasta joka murua* (Love Every Crumb) campaign, which encourages all of us to minimise food waste, was launched in 2020. The campaign also highlights the importance of people's choices in reducing food waste. S Group's stores and restaurants are participating in the campaign.

SALES OF PLASTIC BAGS AT SOKOS DECREASED CONSIDERABLY

In the grocery trade, the number of plastic bags remained at the same level, despite the increased sales (145 million bags). The quantity of recycled raw material used for plastic bags increased considerably in 2020 and was 88 per cent of the total quantity (63 per cent in 2019). In turn, the sales of paper bags (down 7 per cent) and biodegradable carrier bags (down 2 per cent) decreased slightly from the previous year.

The amount of plastic bags sold at Sokos decreased by 79 per cent, which is explained in part by the migration of sales to the online store. Sokos sold just over 200,000 plastic bags. On the other hand, the sales of paper bags at Sokos increased considerably, by more than 700 per cent compared to 2019. The carrier bags in use at Sokos, developed by Paptic Oy, are made from FSC-certified raw materials and can be used several times.

The utilisation of reusable bags and previously purchased shopping bags is increasing, which may have partly affected the sales of reusable bags, for example. Sales of conventional reusable bags decreased by 6 per cent in 2020 compared to the previous year. The most popular reusable bags were textile bags, such as cotton bags and reflective bags. Their sales tripled during the year. In addition to these, some stores offer bags available for a deposit.

With the S Group's My Purchases service, our customers can view the number of different shopping bags they have bought in a month and in a year.



ETHICAL OPERATING CULTURE AND HUMAN RIGHTS

67 HUMAN RIGHTS AT S GROUP
71 RESPONSIBLE PROCUREMENT
80 ENSURING SAFETY
83 DIVERSITY
87 DATA PROTECTION

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

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



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

HUMAN RIGHTS AT S GROUP

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

S GROUP'S HUMAN RIGHTS PRINCIPLES

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

ETHICS INDEX

Since 2017, we have been following the ethics index, which is part of our job satisfaction survey. The index measures employees' trust in their employer, as well as their perceptions of the ethicality of the company's operating methods and the implementation of its values and principles in day-to-day work. The index was 79.6 (2019: 77.9) on a scale of 0–100.



SOK CORPORATION'S COMMITMENTS AND PRINCIPLES

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

MANAGEMENT OF HUMAN RIGHTS RELATED MATTERS

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

According to the management model, the SOK Sustainability unit regularly reports key risks related to human rights, key figures and the most significant selected projects to SOK's Executive Board and senior management. SOK's Executive Board approves principles and commitments related to human rights. SOK's units and subsidiaries evaluate key risks related to each business area and preventive measures. The units are also responsible for preventive and corrective measures closely related to human rights. Human rights is one of the main themes of our sustainability programme. The goals, measures and projects related to human rights are determined in cooperation with the business operations. The most important goals have been integrated into our sustainability programme.

ASSESSMENT OF RISKS RELATED TO HUMAN RIGHTS

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

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

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

MOST SIGNIFICANT HUMAN RIGHTS RISKS

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

DIRECT IMPACT

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

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

INDIRECT IMPACT

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

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

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



PREVENTION OF HUMAN RIGHTS IMPACTS AND IMPLEMENTATION OF CORRECTIVE MEASURES

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

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

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

In 2020, we also participated in an appeal by NGOs, trade unions and companies addressed to the European Commissioner for Trade, aimed at influencing the European Union to require, in its free trade negotiations with Thailand, that Thailand commits to key international conventions concerning employment rights and human rights.

If any direction violations of human rights are discovered in S Group's activities, we will immediately start an investigation process together with the business or other unit concerned and stakeholders. Corrective measures are taken to prevent any broader impacts and, if possible, to repair any harm. We will also investigate our own operating methods to prevent similar violations from recurring.

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

discontinued if a partner does not consent to any audits conducted by an independent third party. The goal is to increase the capabilities of partners to improve the conditions of workers by providing training and by requesting suppliers to participate in training provided by amfori.

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

S Group joined the Accord on Fire and Building Safety in Bangladesh in 2020. Regular fire and building safety inspections are carried out at the clothing factories used by the companies that have joined the Accord, and the corrective measures and training undertaken on the basis of these inspections improve the fire and building safety of the factories. All Bangladeshi factories producing clothes for the S Group are included in the Accord process.

ANONYMOUS WHISTLEBLOWING CHANNEL

In 2019, S Group established an anonymous whistleblowing channel, open to S Group's employees and external stakeholders. Suspected misconduct and violations of ethical principles can be reported through the channel, and all reports will be processed. To ensure anonymity, the whistleblowing channel is managed by an external partner, WhistleB. The reporting process is encrypted, and all reports are processed confidentially.

In 2020, a total of 63 notifications were received via S Group's whistleblowing channel, six of them through the channel concerning S Group's operations in Russia and one through S-Bank's channel. The notifications mainly concern inappropriate behaviour or non-compliance with common rules, lack of trust concerning a manager, or matters related to the safety or cleanliness of outlets. There were no notifications during the year that would have led to official investigations.

The cases reported through the channel are processed by SOK Risk Management in cooperation with key people in various organisations of S Group in a manner that ensures impartiality. On the basis of notifications received through the whistleblowing channel, it was decided to clarify common ground rules and go through them with employees.

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

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

SUPPORT FOR DEFENDERS OF HUMAN RIGHTS

S Group has extensively and openly supported the civil society in order to support human rights in supply chains. Defenders of human rights are individuals or groups who promote the fulfilment of human rights locally, nationally or internationally. Typically, defenders of human rights are non-governmental organisations, representatives of trade unions and employees who highlight defects in working conditions.

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

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

THE TRAINING ON ETHICAL PRINCIPLES IS PART OF OUR INTRODUCTION TRAINING FOR NEW EMPLOYEES.

In 2020, we supported human rights defender Andy Hall regarding his legal expenses through the Freedom United organisation. A report published by Finnwatch in March 2013 revealed deficiencies in the production conditions for pineapple juice in Thailand. Several charges have been brought against Andy Hall, one of the main authors of the report, among other things for defamation, which is regarded as a very serious offence in Thailand. S Group's representative appeared as a witness on behalf of Hall in Bangkok at the trial in the summer of 2016. In 2020, new actions were brought against Hall.

EXTERNAL ASSESSMENT OF S GROUP'S HUMAN RIGHTS WORK

The SIHTI project, part of the research and clarification activities of the Prime Minister's Office, investigated the human rights liability of Finnish companies by applying the Corporate Human Rights Benchmark methodology. S Group received 40.8 points in the investigation, well above the average score of 24.8.

We also carried out external evaluations using the same methodology in 2019 and 2020. The purpose of the evaluation was to receive an external overall assessment of S Group's human rights work and to identify development points and strengths. The results of the evaluations are in line with the results of the SIHTI project.

Our operations have indirect impacts on the human rights of the people working in the supply chains of our products and services, particularly in countries with a high risk level in terms of social responsibility. The coronavirus pandemic also posed challenges to procurement and to ensuring sustainability in risk countries.

RESPONSIBLE PROCUREMENT

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

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

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

We are a member of the amfori BSCI (Business Social Compliance Initiative) and have actively participated in the development of the system and its tools for many years. The amfori BSCI aims to bring the working conditions of employees manufacturing products in high-risk countries to the level required by international agreements, and to streamline and harmonise the monitoring of supply chains by companies. S Group is also a member of the SEDEX (Supplier Ethical Data Exchange) initiative.



In spring 2020, the spread of the coronavirus pandemic and the resulting restrictions imposed in Finland had a major impact on the demand and availability of products in both the grocery and consumer goods trades. Due to changes in demand in consumer goods trade, orders had to be adjusted by revising order forecasts or by postponing orders. Our policy is that we do not cancel orders if they have already been placed or if the factory has already acquired materials for our own-brand products or for the products we import. The coronavirus-related restrictions in producer countries also had the effect that some of our suppliers had to cancel deliveries.

PRINCIPLES OF GOOD BUSINESS PRACTICE

We are committed to the principles of good business practice, which aim to ensure fair rules in the trade relations between the operators in the food supply chain. Their purpose is to respect freedom of contract but, at the same time, to safeguard the competitiveness of the contracting parties, mutual trust and the continuity of contractual relationships. The principles of good business practice include policies concerning written contracts, predictability of operations and responsibility for risks. The principles were agreed between the EU Commission and the EU organisations within the food supply chain in 2011.

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

PRINCIPLES OF RESPONSIBLE MEDIA PROCUREMENT

S Group's media investments follow the ethical guidelines on marketing of the Council for Mass Media (CMM). They were used as the basis for producing principles to guide the procurement of purchased media.

In accordance with the principles, media content must be in accordance with good practice and must not undermine the general public's trust in the news or journalistic content. In media content, human dignity must be respected, and it must not incite discrimination. Media must not encourage, admire or allow violence, illegal activities or other conduct against society. Media must not encourage or seek to benefit from superstition or beliefs not supported by science.

S GROUP'S PROCUREMENT

S GROUP'S TEN LARGEST PROCUREMENT COUNTRIES*

COUNTRY	% OF TOTAL PROCUREMENT
Finland	83.8%
The Netherlands	3.0%
Sweden	2.3%
Spain	1.7%
Germany	1.4%
Denmark	1.4%
China	1.3%
Italy	1.0%
Belgium	0.5%
Poland	0.5%

*includes S Group's goods and service procurement in Finland. Does not include fuel purchases.

S GROUP'S TEN LARGEST RISK COUNTRIES OF PROCUREMENT*

COUNTRY	% OF TOTAL PROCUREMENT	% OF RISK COUNTRY PURCHASES
China	1.29%	66.0%
Turkey	0.14%	7.1%
Greece	0.11%	5.5%
Bangladesh	0.11%	5.4%
South Africa	0.06%	3.2%
Pakistan	0.04%	2.0%
India	0.04%	2.0%
Vietnam	0.03%	1.6%
Indonesia	0.03%	1.6%
Thailand	0.02%	1.2%

*includes S Group's goods and service procurement in Finland. Does not include fuel purchases.

Assurance report on procurement from risk countries in 2020.

HUMAN RIGHTS ASSESSMENT IN PROCUREMENT

PURCHASES FROM RISK COUNTRIES

S Group has around 460 suppliers of private-label and import products in high-risk countries. The share of direct purchases from risk countries is 2 per cent of S Group's goods and service procurement (including operations in Finland, excluding fuel procurement), and 8 per cent of own-label purchases. Our principle is that direct purchases from risk countries are only made from suppliers audited by a third party. In 2020, BSCI audits were conducted at the factories of 538 S Group suppliers (2019: 531).

Non-risk countries may also have areas with elevated levels of human rights risks. For example, human rights risks have been generally identified in the Spanish and Italian agricultural sectors in the working conditions of immigrants. This is why we have expanded the monitoring of social responsibility of our procurement in Italy and other Mediterranean countries to the initial production of fresh fruit and vegetable products.

The raw materials of some products originate from high-risk countries, even when production of the product itself takes place in a low-risk country, such as within the EU. For our private-label food products, we establish the production location of the main raw material. If the product or its main raw material is produced in a high-risk country, we require that a third-party audit or certification be conducted to ensure sustainability. Our goal is that the places of production of main raw materials of S Group's private label food products in risk countries will be included in the scope of third-party verification by the end of 2025.

SERVICE PURCHASES

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

LOW-RISK PURCHASES

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

OUR GOAL IS THAT THE PLACES OF PRODUCTION OF MAIN RAW MATERIALS OF S GROUP'S PRIVATE LABEL FOOD PRODUCTS IN RISK COUNTRIES WILL BE INCLUDED IN THE SCOPE OF THIRD-PARTY VERIFICATION BY THE END OF 2025.

INCREASED VISIBILITY OVER PRODUCTION CHAINS FOR CLOTHES AND FOOTWEAR

At the end of 2020, we carried out a survey of some of the factories manufacturing our private-label clothes and footwear. The objective of this survey was to identify suppliers at the second level of the supply chain (i.e. suppliers of materials used for the products) and the sustainability verification requirements and practices set by our suppliers for their own partners. A total of 33 suppliers responded to the survey. Of the clothes and footwear items for private labels and own imports, 57 per cent were purchased from these factories in 2020.

The factories responding to the survey reported a total of some 400 suppliers as their direct suppliers of goods, and gave the names of 145 of them. In the first step in product manufacture, the total number of employees was approximately 16,000, and the next step had approximately 47,000 employees. Some of the factories also indicated that they had some employees working from home.

This survey illustrates how extensive the network of operators involved in the supply chain of individual products is, and how vast the number of employees is. Furthermore, not all suppliers disclosed the details of all their own goods suppliers in a transparent manner. It is obvious that no operator can monitor every step of the chain and hear its employees. In line with the UNGP, every company must bear its responsibility for due care regarding human rights and impose appropriate expectations and monitoring on their partners.

Based on the survey, 79 per cent of the respondents had imposed requirements compliant with the amfori BSCI principles on their own partners. Ninety-one per cent also monitored the fulfilment of the requirements by various means, but independent audits were only used by one third of the respondents.

Our suppliers found that their possibilities to influence working conditions and human rights further up the supply chain were challenging, but many of them nevertheless observed good practices. Dialogue and third-party verification backup systems were considered to be the most important tools.

THIS SURVEY ILLUSTRATES HOW EXTENSIVE THE NETWORK OF OPERATORS INVOLVED IN THE SUPPLY CHAIN OF INDIVIDUAL PRODUCTS IS, AND HOW VAST THE NUMBER OF EMPLOYEES IS.

HUMAN RIGHTS REQUIRE COMMON RULES

S Group is in favour of regulating by legislation the obligation of due care compliant with the UN Guiding Principles on Business and Human Rights. For the legislation to be equal for everyone and to have a genuine impact on the realisation of human rights, it should be decreed at the EU level and apply to everyone. We have promoted this in cooperation with our stakeholders in the #ykkösketjuun campaign, among other things. S Group has, for its part, advanced the initiative in the European Parliament, for example, by participating in stakeholder hearings and by means of communication.

AUDITS – FACTORY INSPECTIONS BY THIRD PARTIES

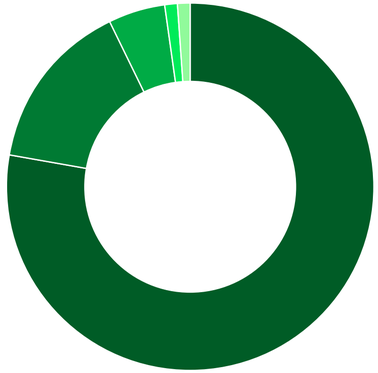
When monitoring our goods suppliers, we pay special attention to countries with the most significant risk of labour and human rights violations. According to the amfori BSCI, such high-risk countries include several countries in Africa, Asia and South and Central America, as well as certain European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

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

The audits cover, among other things, working time and occupational safety practices, as well as the payment of the statutory minimum wage. Of the direct purchases of S Group's private label and import products from high-risk countries, 97% (2019: 98 per cent) were made in 2020 from factories that had a valid audit by the end of the year. Our goal is to audit all high-risk country suppliers of private-label products through amfori BSCI audits or equivalent third-party audits.

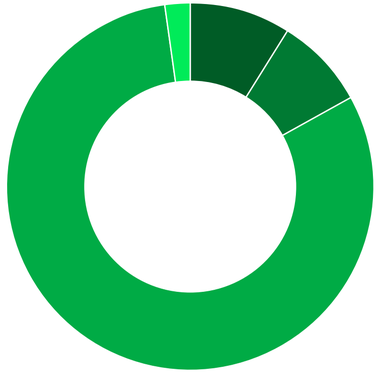
The coronavirus pandemic has caused a great deal of action in many producer countries and procurement chains to ensure the observance of national restrictions, safety of employees and continuity of operations. We seek to engage in dialogue with suppliers in order to understand the situation, but also in order to allow our partners to work in peace in the rapidly changing situation.

The restrictions also hindered the implementation of audits, particularly during the spring of 2020. Due to the restrictions, access to factories and moving around in them has been limited in many places. Due to the coronavirus restrictions, amfori granted a three-month grace period for delayed audits. In other words, the audits remained valid if they could not be renewed on time due to the restrictions. During the second half of the year, audits were carried out almost in the normal manner, but there have still been major regional differences. For example, in India, restrictions continued until the end of the year, which is why audits could not be implemented as planned.



PURCHASES FROM AUDITED SUPPLIERS 2020, %

amfori BSCI	78%
WRAP	15%
SMETA	5%
ICTI	1%
SA 8000	1%



RESULTS OF S GROUP'S BSCI AUDITS IN 2020

BSCI A (Outstanding)	9%
BSCI B (Good)	8%
BSCI C (Acceptable)	81%
BSCI D (Insufficient)	2%

AUDIT RESULTS

In 2020, the most significant development needs detected during the amfori BSCI audits were related to management and working time practices and safety at work.

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

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

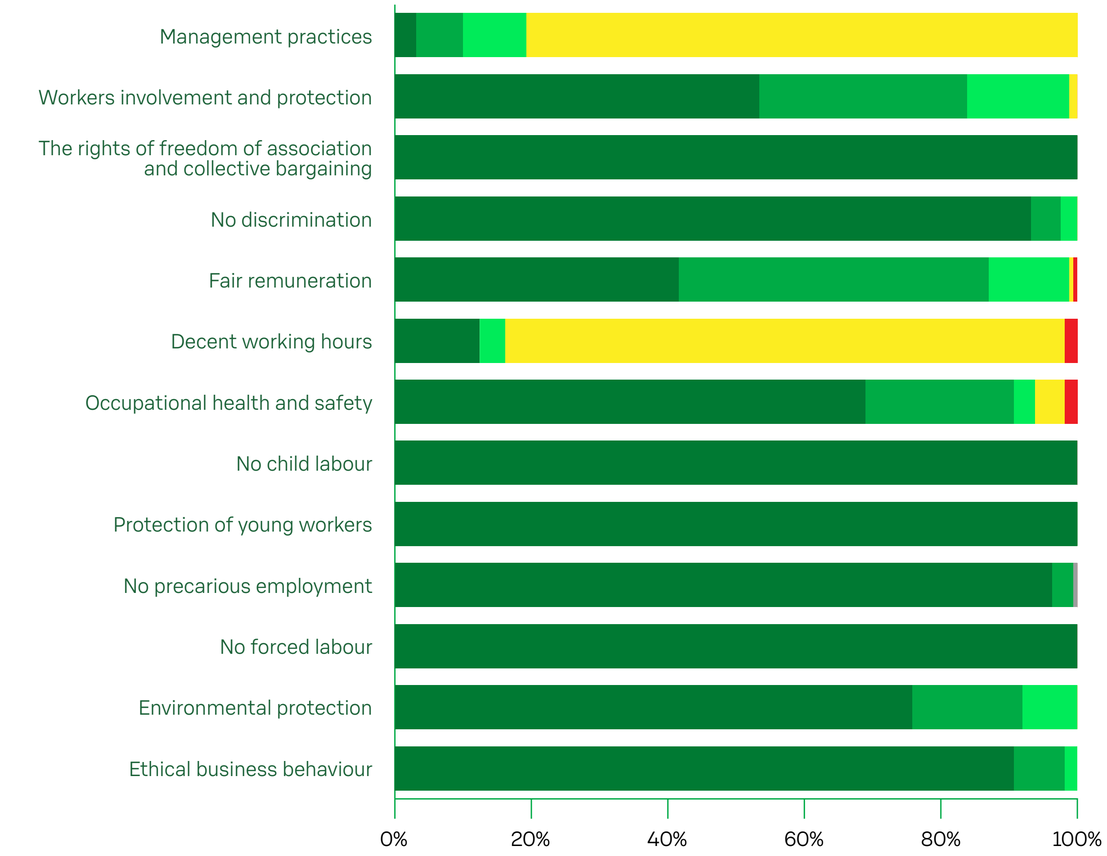
There were no Zero Tolerance observations in the 2020 audits – that is, observations of child labour, forced labour or bribery, or safety defects resulting in immediate danger.

RESULTS OF BSCI AUDITS BY AREA IN 2020

FULL AUDITS IN 2020



FOLLOW-UP AUDITS IN 2020



A (OUTSTANDING) B (GOOD) C (ACCEPTABLE) D (INSUFFICIENT) E (UNACCEPTABLE)

CERTIFIED PRODUCTS

CHOICES BASED ON VALUES

GUIDELINES AND GOAL	SITUATION IN 2020
COCOA For our private-label products, our goal was to use only cocoa that has been certified or verified for sustainability by the end of 2020. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fair Trade, UTZ and Rainforest Alliance, for example.	At the end of the year, 100 per cent of S Group's sales volume of private label cocoa and chocolate (2019: 99 per cent) and 100 per cent of product items (2019: 83 per cent) were certified.
COFFEE For our private label products and S Group's restaurants, our goal was to use only coffee that has been certified or verified for sustainability by the end of 2019. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fair Trade, UTZ and Rainforest Alliance, for example.	At the end of the year, 100 per cent of S Group's sales volume of private label coffee (2019: 99 per cent) and 100 per cent of product items (2019: 86 per cent) were certified. At the end of the year, 100 per cent of the sales volume of coffee (2019: 96 per cent) and 100 per cent of product items (2019: 84 per cent) at S Group's restaurants were certified to be sustainable.*
FISH AND SEAFOOD The sourcing of fish products complies with S Group's fish policy, which is mainly based on fish guides from WWF Finland and WWF Sweden. When required, information provided by the Natural Resources Institute Finland is applied to the species in caught in Finland, while information provided by the Marine Conservation Society is applied to species caught abroad. The basic principle of our fish policy is to exclude from our product range any fish from fish stocks that are endangered, vulnerable or subject to overfishing, and the origin of the fish must always be known. In addition, undersized or protected fish are not accepted in the product selection. Separate criteria concerning fishing areas or fishing methods have been set for many fish species, such as prohibition of bottom trawling. The fish policy is updated every two years, most recently in December 2020. The policy applies to SOK's procurement and the cooperatives own procurement in both S Group's grocery stores and restaurants.	At the end of the year, the product ranges of our grocery stores included 140 (2019: 134) MSC-certified products. There are 18 S Group grocery stores with MSC-certified fish counters.
EGGS S Group will discontinue the sale of enriched cage eggs in stages by the end of 2026. S Group's hotels and restaurants will discontinue using enriched cage eggs by the end of 2021. The change will be implemented in two stages at S Group's grocery stores: the sale of enriched cage eggs under the Kotimaista brand will be discontinued by the end of 2023, and the sale of other enriched cage eggs will be discontinued gradually by the end of 2026. This policy also concerns S Group's Prisma stores and hotels in Estonia.	At the end of the year, 59 per cent of the eggs sold at S Group's grocery stores (2019: 58 per cent) were enriched cage eggs. Of the eggs used in S Group restaurants and hotels, 50 per cent were enriched cage eggs, while of the eggs sold or used in Estonian Prisma stores and hotels, 88 per cent were.

*) S Group's restaurants do not serve private-label coffee.

AT THE END OF 2020,

100%

OF THE SALES VOLUME OF S GROUP'S PRIVATE-LABEL COCOA AND CHOCOLATE WAS CERTIFIED

GUIDELINES AND GOAL	SITUATION IN 2020
PALM OIL S Group's goal is to only use certified palm oil traceable to palm oil plantations in private-label products and in deep-frying oil in restaurants by the end of 2021. S Group has been a member of the Roundtable on Sustainable Palm Oil (RSPO) since 2011. RSPO's criteria for palm oil plantations include the conservation of biodiversity and the improvement of operations through ethical and ecological standards.	The certification rate of the palm oil used in S Group's private label food products and in deep-frying oil in restaurants was 100 per cent at the end of 2020 (2019: 100 per cent). The share of traceable RSPO Segregated palm oil was 95 per cent (2019: 86%).
COTTON For our private-label and import products, our goal is to use only sustainably produced cotton by the end of 2025. At that point, all cotton is intended to be organic or recycled, or produced in line with Fairtrade International or the Better Cotton Initiative (BCI). The use of cotton from Turkmenistan or Uzbekistan is prohibited.	At the end of 2020, 17 per cent of the cotton used in S Group's private-label and own import products was responsibly produced. Of this total, 47 per cent was GOTS-certified, 47 per cent was BCI cotton, 4 per cent was recycled cotton, and 2 per cent was Fair Trade cotton.
SOY Our goal is that soy from high-risk countries that is used as an ingredient in our private-label products, as well as soy feed from high-risk countries that is used in the production chains of animal-based ingredients (meat, fish, dairy, eggs) for our private-label products, will be certified by the end of 2021. Soy from high-risk countries that is used in meals served in our restaurants and cafés, as well as soy feed from high-risk countries that is used in the production chains of animal-based ingredients (meat, fish, dairy, eggs) for the meals, will also be certified by the end of 2021. Sustainable soy certificates include Round Table on Responsible Soy (RTRS) and ProTerra.	Of the soy used in S Group's products as raw material or as animal feed in the production chains of animal-based products, 70 per cent is certified**. Of that, 64 per cent is Pro Terra-certified, and 36 per cent RTRS Credits-certified. Of the soy used, 99.8 per cent is soy used as feed for animal-based products. Fifty per cent of all soy used is of risk origin. ***
TEA The goal was that only tea that is certified or verified for sustainability is used for our private-label products and at S Group's restaurants by the end of 2019. For a product to be verified for sustainability, its supply chain must be verified through audits all the way back to primary production. Acceptable certificates include Fair Trade, UTZ and Rainforest Alliance, for example.	At the end of the year, 100 per cent of S Group's sales volume of private label tea (2019: 100 per cent) and 100 per cent of product items (2019: 100 per cent) were certified. At the end of the year, 87 per cent of S Group's sales volume of tea (2019: 65 per cent) and 73 per cent of product items (2019: 55 per cent) were certified.

**) Includes S Group's private-label food products as well as the products used in S Group's cafés and restaurants.

***) If no reliable information on the use of soy or its origin has been obtained from the supplier, it has been assumed that it is of risk origin, and the soy factors of RTRS have been used for calculating the amount of soy.

AT THE END OF 2020,

100%

OF THE SALES VOLUME OF S GROUP'S PRIVATE-LABEL TEA WAS CERTIFIED

RADICAL TRANSPARENCY FOR SUPPLY CHAINS

At the beginning of 2019, we published the results of our first Radical Transparency study. The study concerned the production of tinned tomatoes in Italy. The survey was conducted by the non-governmental organisation Oxfam.

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

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

In the production of tinned tomatoes, key human rights issues are related to primary production – that is, tomato farms. These farms have a high number of employees with immigrant backgrounds, who are in a very vulnerable position in the labour market.

We have discussed the results with our goods suppliers and paid several visits to tomato farms in Southern Italy. Our goods suppliers have started using mechanical harvesting, which is less labour-intensive and requires skilled employees. This has been found to clearly reduce risks at the farms and improve the position of employees. Our goods suppliers have also enhanced the monitoring of tomato farms. We will continue our goal-oriented cooperation with our suppliers of tinned tomato products to ensure that the primary production of these products is fully covered by third-party verification.

Our largest goods suppliers quickly established anonymous whistleblowing channels where farm employees can report any instances of malpractice and poor working conditions. Every employee has also been personally informed of the whistleblowing channel with documents distributed among them.

We expanded our monitoring of social responsibility regarding our private-label products in Italy and other Mediterranean countries to cover the primary production of fresh fruit and vegetable products. According to a review carried out by random sampling, at the end of 2020, third-party assurance covered 86 per cent of the initial producers of these products.

Following the review, we joined the Fresh Produce working group of the Ethical Trading Initiative in Italy. The group seeks to find solutions to problems that migrant workers face in the agricultural sector in Italy. We also continued in the working group in 2020.

We have also promoted the results of the study in our international networks, as well as communicating them to political decision-makers, for example. Together with companies, organisations and trade unions, we addressed the decision-makers of the European agricultural sector, requesting that the rights of immigrant workers working in Europe and their improvement are also taken into account in the EU's Common Agricultural Policy (CAP). Cooperation is key in addressing problems and finding sustainable solutions.



Rocco Rorandelli



Paula Myöhänen/
Yhteishyvä

ANIMAL WELFARE

S Group's policy for promoting animal welfare was drawn up in 2020. The policy collates the expectations relating to the production of animal-based products in S Group's product ranges. This is not a new issue. For example, criteria concerning textile products have been included in our procurement contracts since 2013, and criteria concerning imported meat and products of private-label food have been in place since 2010.

The policy applies to products under S Group's private labels and branded products, as well as both Finnish and foreign production. The policy concerns S Group's operations in Finland, but discussions are also in progress with suppliers in Estonia and Russia on the promotion of animal welfare. For operations in Estonia and St. Petersburg, the situation regarding the policy will be reviewed next year.

With the policy, we have also initiated discussions with agricultural producers and animal rights organisations on the goals and schedule for further improving the welfare of animals.

We monitored the implementation of well-being requirements with visits to farms and with surveys.

DISCONTINUING THE SALE OF ENRICHED CAGE EGGS

In 2019, we implemented a policy to discontinue to sale of enriched cage eggs in stages by the end of 2026. S Group's hotels and restaurants will discontinue using enriched cage eggs by the end of 2021. The change will be implemented in two stages at S Group's grocery stores: the sale of enriched cage eggs under the Kotimaista brand will be discontinued by the end of 2023, and the sale of other enriched cage eggs will be discontinued gradually by the end of 2026. This policy also concerns S Group's Prisma stores and hotels in Estonia. In 2020, 59 per cent of the eggs sold in our grocery stores and 50 per cent per cent of the eggs used in our restaurants and hotels were enriched cage eggs. The share in Estonia's Prisma stores and hotels was 88 per cent.

Many producers made major investments in henhouses with enriched cages when henhouses with traditional cages were prohibited by law in 2012. For this reason, it is our view at S Group that this change aimed at improving animal welfare must be implemented in a controlled manner and in good cooperation with the producers.

WE ARE GRADUALLY CEASING THE SALE OF ENRICHED CAGE EGGS BY THE END OF

2026

S GROUP'S HOTELS AND RESTAURANTS WILL DISCONTINUE USING ENRICHED CAGE EGGS BY THE END OF

2021

The safety of our customers and personnel is of utmost importance to us. In addition to creating a safe environment for our customers and employees, we want our customers to be able to trust the safety and high quality of our products and services. We monitor products and supply chains in many different ways. The monitoring is supported by standards concerning products and manufacture, as well as by audits.

ENSURING THE SAFETY OF OUR CUSTOMERS AND EMPLOYEES

S Group ensures safety through accident prevention as well as identification and avoidance of various hazardous and near-miss situations. Continuous improvement of safety awareness among employees and regular assessment of work-related risks are important means of prevention.

The coronavirus pandemic that began in the spring of 2020 had a significant impact on every S Group employee's work. Our primary duty has been to guarantee a safe working and service environment for our staff and our customers. We quickly introduced several new practices and security measures to prevent the spread of the coronavirus and to ensure that our personnel remain healthy and that it is safe to visit our outlets. We are also following closely official guidelines and recommendations.

We have improved all our cleaning operations and introduced to our stores hand disinfectants, plexiglass screens at checkouts and floor stickers reminding customers of the safe distance, for example.



Anssi Vuohelainen

Our employees always use facial protection at work. We remind our customers of good retail practices, such as observation of safety distances and face mask recommendations on information screens, posters and audio announcements. We also extended the opening hours of stores to avoid rush times and accelerated the expansion of online trade.

In all our restaurants and hotels, we observe solutions promoting improved hygiene and safe services. For example, the customer seats at restaurants are carefully cleaned after each customer, and the setting is carried out separately each time. Customer tables and seats are placed at sufficient safety distances, or some of them are excluded from use. Hotel rooms are cleaned with particular efficiency.

Furthermore, our personnel have been provided with detailed instructions for taking care of personal hygiene, and we have extended the self-notification practice in case of absences due to illness from three days to 5–7 days. In office work, we have moved to remote working.

A SAFE WORKING AND SERVICE ENVIRONMENT IS A FUNDAMENTAL RIGHT

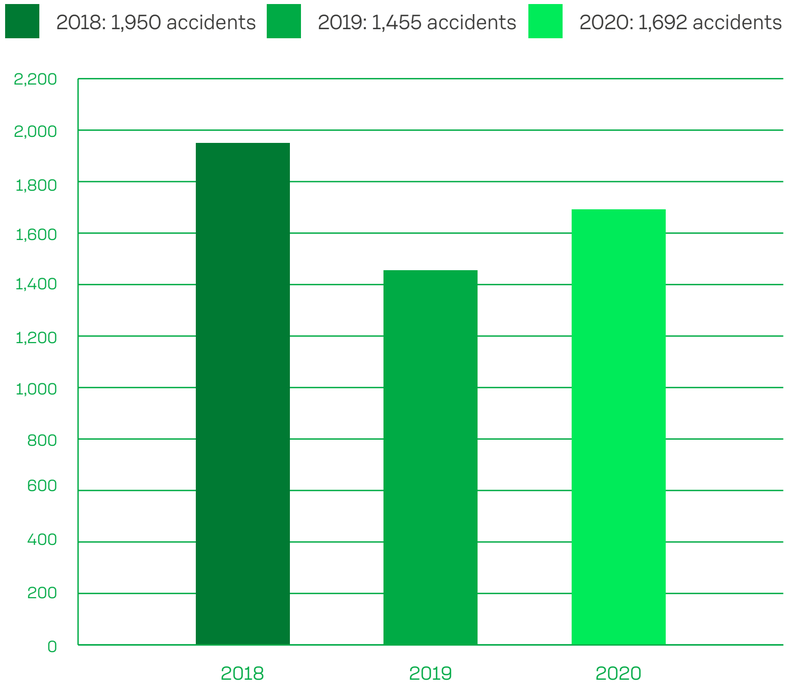
The safety of facilities is maintained and improved through regular training for employees, as well as through safety drills and thorough induction, among other means. We have a wide selection of online courses for our employees. The hazards and risks in our facilities are regularly assessed, and safety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

Each location has a rescue plan that has been communicated to the employees. Our goal is to have employees who have completed S Group's Safety Passport training or equivalent safety training in all our locations. The Safety Passport indicates that the person has the required first aid and fire extinguishing skills, and knows how to prevent safety risks. In recent years, we have regularly increased the number of number of defibrillators in our outlets. The use of defibrillators is also taken into account in Safety Passport training.

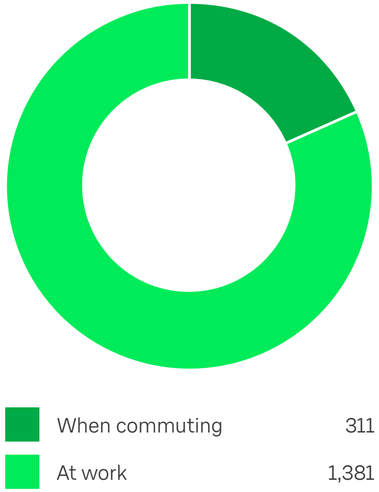
We have a centralised safety information management system, S-Turva, in place across S Group. The system offers one-stop access to safety guidelines, audits, inspections, training materials and the easy reporting of deviations and observations. The active reporting of safety deviations improves transparency and provides a good situation picture of safety development needs in our locations. Safety work at our places of business is supported with technical security solutions, such as camera surveillance and access control, and by using various security services, such as guarding, shop assistants with security training, and security monitoring.

In addition, S Group's own security and guard services company, Reila Palvelut Oy, provides services for our places of business. The operations were launched in 2019, and they are currently concentrated in the Helsinki metropolitan area. The key service provided by Reila Palvelut Oy is Seifi security salesperson. Security salespersons look after the safety of our locations as part of their regular duties. The service enables us to respond rapidly to unexpected situations and thereby improve the safety of our employees and customers.

OCCUPATIONAL ACCIDENTS



LOCATIONS OF ACCIDENTS IN 2020



OCCUPATIONAL ACCIDENTS	2018	2019	2020
Occupational accident frequency[1)]	34	35	**37**
Share of serious accidents of all accidents, %[2)]	4.9	5.6	**5.9**

1) Total number of accidents at work involving compensation per 1 million hours worked

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

In recent years, we have particularly focused on facilitating and speeding up the reporting of accidents at work, which is why the number of reported accidents at work has increased. At the same time, however, we have managed to reduce accident-related absences and costs, thanks to quicker reporting and a more effective care process.

ENSURING THE PRACTICES OF GOODS SUPPLIERS

We use a wide range of product safety certification practices in the assessment of the food production of the manufacturers of S Group's private-label products. We accept, for example, the following standards: BRC, IFS, FSSC 22000 and ISO 22000. In addition, we conduct our own audits to assess product safety processes and ensure the fulfilment S Group's quality requirements. In 2020, we audited the product safety of 29 food product suppliers (2019: 63). The coronavirus situation clearly limited possibilities to carry out product safety audits.

PRODUCT TESTING AND SELF-MONITORING

We regularly test product samples before releasing the product for sale. In 2020, we examined a total of 8,140 product samples (2019: 8,084). The samples were mainly related to the product development of our private labels.

As part of self-monitoring, we took 4,224 samples of our private-label and import products (2019: 5,560). The samples were studied to ensure the fulfilment of safety and quality requirements. Most of the studies were conducted by third-party research and testing laboratories.

Our self-monitoring covers the entire supply chain. For example, the freshness and quality of products is monitored in all S Group's grocery stores and restaurants. If product quality is compromised for any reason, the affected product is removed from the shelf. In addition, storage temperatures and the tidiness of the facilities, for example, are regularly monitored in accordance with the self-monitoring plan.

PRODUCT RECALLS

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

In 2020, we carried out 265 product recalls (2019: 259), of which 44 were related to our private-label products (2019: 66). Erroneous product labelling due to problems in packaging or other reasons not associated with product safety were the most common reasons for recall (44 per cent of product recalls).

If a product at one of our stores is deemed to be defective in a way that poses a risk to consumers' health or safety, the product recall is communicated to consumers. During the year, 50 public recalls were made (2019: 48), two of which concerned S Group's private-label products (2019: 7). The most common reason for product recalls was erroneous product labelling, such as insufficient information about allergens.

OIVA INSPECTIONS

The Finnish Food Authority coordinates inspections conducted in line with the Oiva system in facilities where foodstuffs are sold or served. The inspections cover the temperature management of food products, the cleanliness of the facilities and personnel performance, among other aspects. In 2020, a total of 576 Oiva inspections were conducted at S Group's stores, and 234 Oiva inspections were conducted in Group's restaurants and other catering facilities. In the Oiva inspections of S Group's stores, 73 per cent of the results were excellent (2019: 68 per cent), 23 per cent were good (2019: 27 per cent), and 4 per cent led to corrective measures (2019: 4 per cent). The result of one store's Oiva inspection was poor because the temperature in one refrigeration unit was too high. The error was immediately corrected.

In the Oiva inspections of catering facilities, 55 per cent of the results were excellent (2019: 47 per cent), 38 per cent were good (2019: 43 per cent), and 7 per cent led to corrective measures (2019: 10 per cent). No poor results of Oiva inspections were recorded for S Group's catering facilities. The Oiva reports are available at **www.oivahymy.fi** and are on display at every outlet inspected.

EACH OF OUR CHECKOUT COUNTER EMPLOYEES MUST COMPLETE AGE-LIMIT SUPERVISION TRAINING. THROUGH GUIDELINES AND TRAINING, WE ENSURE THAT PRODUCTS SUBJECT TO AGE-LIMIT SUPERVISION ARE NOT SOLD TO UNDERAGE PEOPLE.

OUR CHECKPOINT PERSONNEL CHECKED THE AGE OF OUR CUSTOMERS MORE THAN

25

MILLION TIMES WHEN BUYING PRODUCTS THAT HAVE A MINIMUM AGE REQUIREMENT.

MONITORING OF MINIMUM AGE REQUIREMENTS

Each of our checkout counter employees must complete age-limit supervision training. Through guidelines and training, we ensure that products subject to age-limit supervision are not sold to underage people. In line with our age control guidelines, we check the age of customers buying alcoholic beverages or tobacco products who appear to be aged under 30. Starting from October 2020, the age of users or players of Veikkaus products will also be checked if they appear to be below 30 years of age. If a customer purchases other products that have a minimum age requirement of 18, such as films or Veikkaus products, their age will be checked if they appear to be aged under 23. In 2020, our checkpoint personnel checked the age of more than 16.7 million customers buying alcoholic beverages (2019: 11,5 million) and of more than 11.3 million customers (2019: 8.2 million) buying tobacco products. Based on these checks, we refused to sell alcoholic beverages in 18,442 cases (2019: 19,662) and tobacco products in 12,439 cases (2019: 14,832).



S Group is the largest private employer in Finland. We play a significant role in society, and we are expected to contribute through our work to the future success of Finland. Actions are required, among other things, for securing the availability of labour. As a cooperative, we also recognise our responsibility as a builder of a diverse, accepting and non-discriminatory work culture.

WE PROMOTE DIVERSITY AND EQUALITY

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

The reference framework describing S Group's diversity work was completed in 2020. Even though we have only recently started to talk about the management of diversity, we have even earlier sought to take into account the role of different population groups and people groups with individual actions at S Group.

We have tried, among other things, anonymous recruitment and consequently switched to ageless recruitment. We have abandoned the two-gender perspective, for example in our co-op member surveys and in the personal data system we use. We have thought about the use of religious symbols, and we provide scarfs as part of workwear. We have been on the side of sexual and gender minorities in Helsinki Pride for the past three years. We also employ people of 74 different nationalities.

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

The purpose of the equality plan is to promote equality between women and men in working life and to prevent discrimination based on gender identity or gender expression. The equal treatment plan aims to promote the equal treatment of employees with different backgrounds, prevent discrimination and improve the legal protection of individuals who experience discrimination.

COMMITMENT TO WOMEN'S EMPOWERMENT PRINCIPLES

In autumn 2020, we signed the Women's Empowerment Principles, established by the UN Global Compact and UN Women. By signing the commitment, we are supporting the objective of the principles to promote equality in working life and extensively support the realisation of inclusion and diversity. As part of our commitment to these principles, we are participating in the WEPs Activator capacity-building programme, coordinated by UN Women and amfori, an organisation for the promotion and development of social responsibility within European enterprises. The programme and its network provide us with tools that help us address the gender perspective as an employer and in operations involving our supply chains. We also gain new perspectives on our human resources development and our work for sustainable and responsible business, as well as an opportunity to learn as an organisation. This helps us analyse our current situation, set concrete targets for ourselves and adjust our action programme to better implement equality.

THE TRADE SECTOR SERVES AS A BRIDGE TO WORKING LIFE FOR YOUNG PEOPLE

S Group is one of Finland's largest employers of young people. We provide a significant group of people with their important first experience of working life, for example in the form of summer work or traineeship. On the other hand, young students working evenings and weekends are vital to the operations of many of our locations.

Our goal is to provide young people with positive learning experiences. Studies show that a young person's first experiences of working life contribute to the formation of their professional identity and their success throughout their career. We take our role as a teacher of workplace skills seriously. We organise and participate in many recruitment events across Finland and are continuously developing our cooperation with educational institutions. We want to make working life attractive for young people, as well as inspiring them to learn on the job.

In 2020, we introduced the Duuni and Harkka passports, which allow young people working in different sectors to learn about working life skills, occupational safety and well-being at work, for example. There has been a particular order for working life skills acquired through self-learning during the exceptional year marked by COVID-19.

The Duuni Passport is an online training package created in cooperation with the Finnish Institute of Occupational Health to support induction training for seasonal employees at their places of work. It allows young people to recap the basic skills of working life, such as looking after safety and well-being. The passport exam is taken by self-learning, supported by the supervisor. The Duuni Passport programme has been designed to ensure face-to-face meetings between young people and their supervisors. According to our Young Minds at Work





studies, a feeling of belonging and encouraging feedback from the supervisor are the most important factors for young people at the beginning of their careers.

The “Welcome to S Group as a trainee” induction, or the Harkka Passport, is a lighter version of Duuni Passport. The Harkka Passport is intended for TET and Tutustu ja tienaa trainees, and it can be found at s-ryhmä.fi.

In 2020, we were again one of the main partners of the Responsible Summer Job campaign. Each company in the campaign can participate in the Kesäduuni summer job survey, the largest of its kind in Finland, where summer employees evaluate employers. In 2020, some 114 employers participated in the competition assessed by almost 6,500 summer employees.

During the challenging and exceptional summer of 2020, S Group’s cooperatives did very well in the Most Responsible Summer Job competition. The North Karelia Cooperative Society was ranked number one in its category, while Arina Cooperative Society was ranked fourth and PeeÄssä Cooperative Society was the sixth.

In early 2020, S Group planned summer jobs for 14,000 young people. However, in spring the coronavirus interfered with the plans and especially reduced job opportunities for young people under 18 years of age. In the end, more than 7,600 young people were employed by different cooperatives across Finland.

EMPLOYEE DIVERSITY

74

NATIONALITIES

37

AVERAGE AGE OF EMPLOYEES

WELL-MOTIVATED WORK AFTER RETIREMENT

We also want to develop working life in the long term from the perspective of older employees, and we are currently looking for concrete solutions for how we can encourage people to have longer careers and support their coping. Developing the role and appreciation of employees is one of the important themes of S Group’s HR work. Twelve per cent of S Group’s personnel are 55 years of age or older. As part of the survey of the current situation, we took part in the Konkari 2020 survey implemented by Nextmile. The survey examined the views and wishes of people over 55 years of age regarding work before and after retirement age. The attitudes and expectations of employees of different ages in relation to senior colleagues were also investigated .

According to the results, 40 per cent of S Group employees responding to the survey are probably or certainly prepared to continue working after the retirement age. The biggest motivating factor was the meaningfulness of the work itself and the feeling that it is important. We will utilise the results of the survey when planning development measures. The measures are related to, for example, work shift planning, job ergonomics and strengthening the significance of work.

AGE IS JUST A NUMBER

When people apply for a job with us, we do not require them to provide their age or year of birth. Age was excluded from the criteria of SOK’s recruitment

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

RECOGNITION OF THE HUMAN RIGHTS CENTRE FOR THE PRISMA STORES IN ESTONIA

At the end of 2020, the Prisma stores in Estonia were awarded the "Respecting differences" quality label issued by the Estonian Human Rights Centre and the Estonian Ministry of Social Affairs as recognition of their long-term work to increase diversity.

There are nine Prisma stores in Estonia, with approximately 800 employees from more than ten countries. The age range of employees is 15–76 years, and 78 per cent of them are female. Communication at work takes place in Estonian, Russian and English, and the employees are communicated with through several different channels. The employment satisfaction surveys of Prisma stores indicate that the equal treatment of personnel is better than in Estonian companies on average.

Employment of people with different backgrounds is promoted, for example by supporting those who are only just studying the Estonian language or have no previous experience in commerce. Prisma offers employees the possibility to study Estonian, Russian, English or Finnish at the company's expense, depending on the requirements of the position.

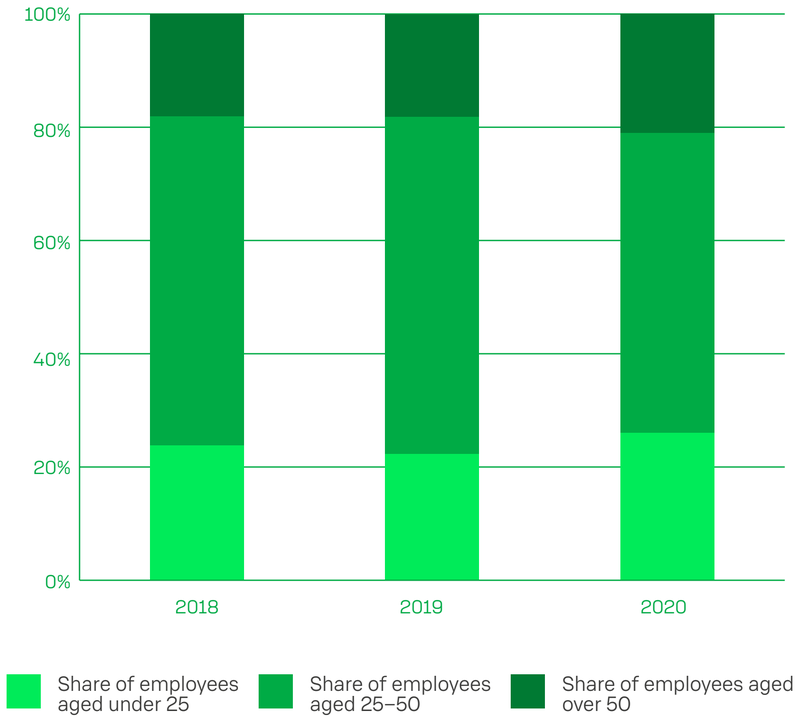
COMMUNICATION AND ADVERTISING TO PROMOTE DIVERSITY

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

In its outdoor advertising campaign, the Prisma store in the Tripla shopping centre used the eight most commonly spoken languages in Helsinki when announcing that it is now open: Finnish, Swedish, Somali, Chinese, English, Estonian, Russian and Spanish. The purpose was to welcome people to Prisma, a store for all city residents.

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

EMPLOYEES' AGE IN 2020, %

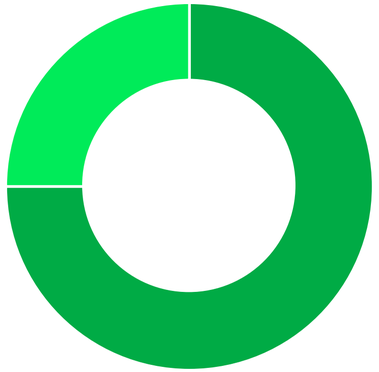


SOK CORPORATION	2018	2019	2020
Share of women among board members (%)	7.5	22.2	**22.2**
Share of women among Corporate Management Team members (%)	14.0	14.3	**14.3**
Share of women in supervisory positions (%)[1)]	57.0	51.4	**50.6**

S GROUP	2018	2019	2020
Share of women among board members (%)	21.0	35.0	**31.3**
Share of women among Corporate Management Team members (%)	12.8	10.8	**29.6[2)]**
Share of women in supervisory positions (%)[1)]	66.0	57.6	**58.2**

1) The figures reported before 2019 included the share of women in both supervisory and managerial positions. Since 2019, the reported figure only includes women's share of supervisory roles. From 2019 onwards, the reported figures do not include Inex, Meira Nova or neighbouring areas.

2) The way the figure is reported and the data is collected have changed in 2020, so the figure is not comparable with previous years.



GENDER DISTRIBUTION OF S GROUP EMPLOYEES IN 2020, %

Women 75%

Men 25%

Careful processing of personal data in compliance with law is a key prerequisite for our activities and part of responsible business operations.

DATA PROTECTION IS DATA RESPONSIBILITY

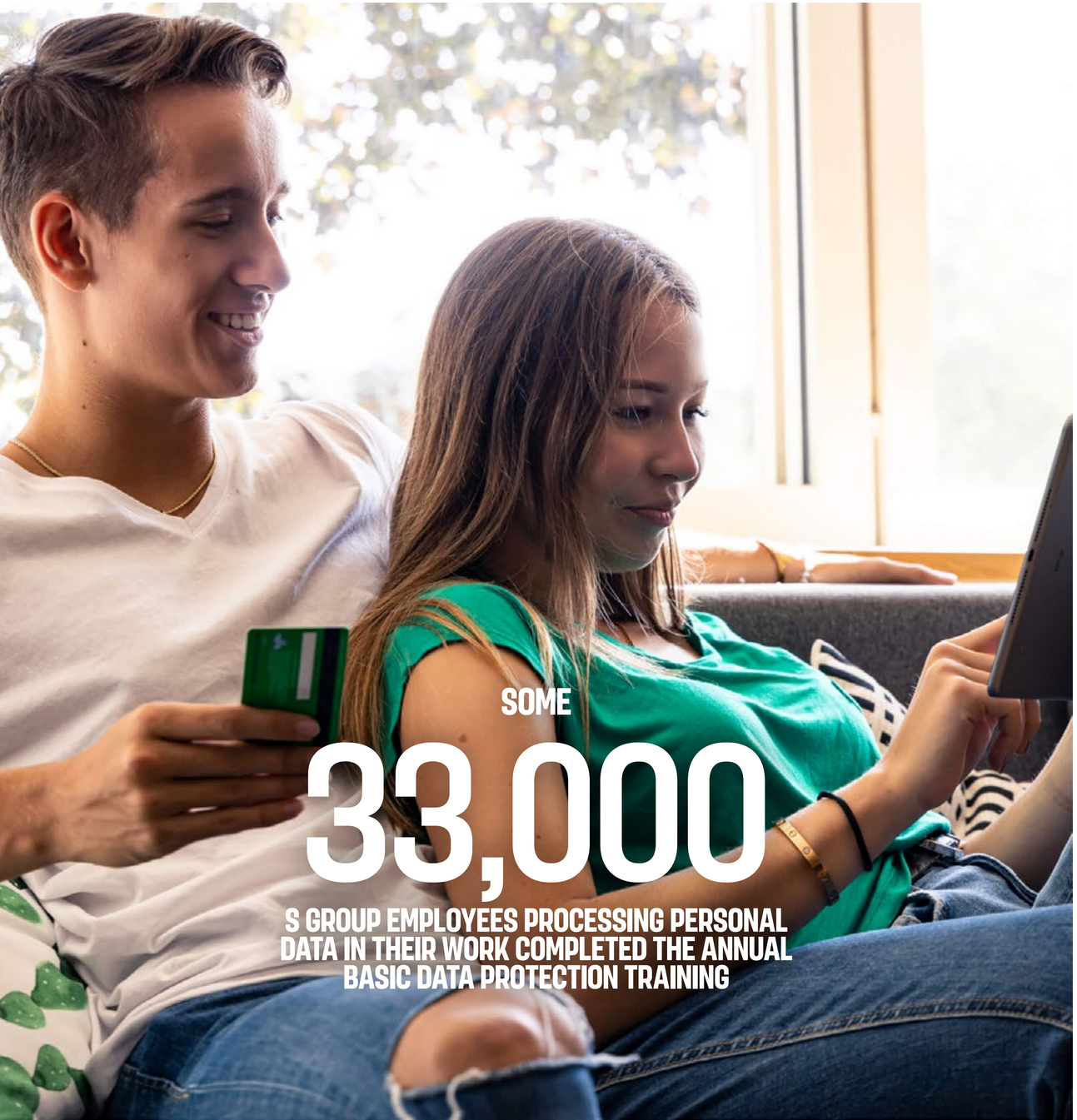
Data protection principles guide all processing of personal data at S Group. Their purpose is to ensure compliance with data protection laws in all personal data processing. The data protection principles allow us to provide the S Group's co-op members and other customers with new and better services.

The data protection principles support the needs, profitability and continuity of S Group's business operations. We use customer data to develop services that benefit the customers the most. For example, the period for retaining customers' purchase data was extended from the beginning of September 2020 from two to five years. The goal is to extend the retention period to enable the development of services that meet the changing needs of co-op members and to assist customers with the beneficial use of their own data.

Data protection is managed by means of a centralised model in S Group, where SOK controls data protection activities at the S Group level. Carefully thought-out, clear and common operating methods for personal data processing across S Group are a prerequisite for our credibility as a responsible operator.

In 2020, data responsibility was promoted in S Group's operations with the renewal of the S Group's data protection website, among other things. The aim of the new webpages was to increase the transparency of information, as well as to improve the scope and quality of data protection information provided to the data subject by various means.





DATA PROTECTION IN FIGURES AND ACTIONS

S Group is one of the largest processors of personal data in Finland. Our controllers operate in a number of sectors, and personal data is processed for several different purposes. S Group has around 2.4 million co-op members. Including members of the co-op members' households, there are approximately 4 million registered customers. We also process the personal data of approximately 40,000 employees.

We have implemented the data protection processes related to the data subjects' rights consistently across all S Group companies. We aim to serve data subjects in matters related to data protection through high-quality services without delay.

Our customers and employees have presented S Group with requests related to their personal data and have exercised their rights in 2020 as follows:

- **A total of 6,351 data requests concerning basic co-op member and customer data were submitted via Oma S-kanava or Customer Service.**
- **A total of 97 data requests were submitted to various data controllers within S Group using an online form.**
- **A total of 28 requests to erase personal data were submitted to S Group's data controllers.**
- **Personal purchase data and consumption habits can also be viewed in the My Purchases service.**

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

To ensure that the data protection and information security requirements are appropriately taken into account in our operations, we conducted around 150 privacy protection and information security assessments concerning the S Group's projects, initiatives and modifications in 2020. A more extensive data protection impact assessment has been carried out, for example, in projects related to the extension of purchasing data retention time and to extension of the scope of processing.

Some 33,000 S Group employees processing personal data in their work completed the annual basic data protection training. In addition, we provided our employees working in expert and customer service positions with advanced data protection training.

WELL-BEING AND HEALTH

90 PERSONNEL WELL-BEING
93 FOR A HEALTHIER DAILY LIFE

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

WE PROMOTE THE FOLLOWING UN SUSTAINABLE DEVELOPMENT GOALS IN PARTICULAR



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

PERSONNEL WELL-BEING

S Group has a shared set of well-being indicators, including key indicators for job satisfaction, the quality of supervisory work and perceived working capacity, as well as for disability. Group-level management promises are also in place: I dare, I appreciate and I do. Management promises are aimed at ensuring that everyone has good local leadership and at developing the retail group's leadership culture, and an indicator, the management promise index, was developed for this in 2019. Within S Group, the most significant recurring annual indicator is the workplace community survey (TYT), which all employees are invited to participate in. The survey identifies and monitors factors related to each employee's work and performance, as well as factors related to their units and the company. The survey consists of several indices, which are used to measure various aspects of job satisfaction. Our annual target is a result that exceeds the general norm in Finland by at least five units.



Timo Heikkala

Despite all the challenges in the work of S Group employees resulting from the coronavirus situation, the TYT result was a record high in the whole S Group. It reached the top level of the survey scale, standing at 76.3. Our employees are clearly more satisfied with their jobs than the average in Finland, and in 2020 we exceeded the norm by 8.4 units. In turn, the management promise index, which describes the work of people's immediate supervisor, their trust in their immediate supervisor, and good relations with their immediate supervisor, was 77.4.

The results show that the appreciation of work in the trade and service industries has increased with the crisis, and people find their work more meaningful. Crisis management and supervisory work were also successful during the challenging year. In addition, S Group companies were able to implement agile and flexible arrangements such as moving hotel and restaurant staff to trade operations, where the need for workforce increased quickly.

RESULTS OF S GROUP'S WORK COMMUNITY SURVEY (SCALE 0–100)

	2018	2019	2020	GENERAL STANDARD IN FINLAND 2020
TYT index (including all questions)*	72.9	73.4	**76.3**	67.9
Dedication index	76.3	76.9	**79.6**	74.3
Commitment index	72.8	73.7	**77.6**	70.8
Leadership index	73.2	73.5	**75.8**	66.1
Performance index	70.5	70.6	**73.2**	62.6
Ethics index	77.9	77.9	**79.6**	-
Average score for the question: "The daily operations of our unit comply with the principles and values of our company" (Scale 1–4)	3.41	3.44	**3.49**	3.2
Leadership promise index	75.6	75.8	**77.4**	70.3

*) The results have been weighted by the number of respondents.

FLEXIBLE WORK

Our intention is to enable all employees to earn their primary income by working for the Group, if they so wish. Although the majority of our employees still value full-time work, part-time work is particularly popular among people aged under 25, as well as among employees close to retirement.

TYPE OF EMPLOYMENT, %

	2018	2019	2020
Permanent	88	90	**90**
Fixed-term	12	10	**10**
Full-time	35	36	**40**
Part-time	65	64	**60**

EMPLOYEE TURNOVER, %

	2018	2019	2020
Permanent	16.3	19.9	**15.1**

MENTAL HEALTH WORK AT S GROUP

Mental health issues and the resulting increase in disability pensions are a growing challenge for working life. This phenomenon should be examined comprehensively: mental health issues are linked to many areas of life, such as lifestyle choices, life situations and life management. Work culture and supervisors have a particularly significant impact at the workplace.

The systematic promotion of mental health started at S Group with the *Nuori Mieli Työssä* (Young Minds at Work) project in 2017. The increase in mental health symptoms among young people was taken into consideration. The project produced the Support for the Mind model, which includes new kinds of electronic support services. The model and new tools have been extensively introduced at S Group, and the development work that started with young people will now benefit our employees of all ages.

Systematic management and effective support services and treatment models are at the core of mental well-being, in addition to increasing awareness of the connection between mental well-being and work and management among supervisors and managers. Our practical measures include training supervisors, providing brief psychotherapy to employees and introducing low-threshold electronic services, These include the *Mielen chat* (“Mind Chat”) service developed with Terveystalo, and sparring with a psychotherapist over a video connection. We are also increasingly advising employees to use preventive services provided by an occupational health psychologist, and are offering enhanced support for supervisors in addressing various situations. The Support for the Mind model is intended as a response to the steady increase in absences due to mental health problems. When the model was piloted in 2019, exceptional results were achieved in reducing absences due to mental health problems. Absences due to mental health problems are also increasing in S Group, but less so than on average in Finland. The measures of the Support for the Mind model are expected to keep the situation under control.

DAYS OF SICKNESS ABSENCE ARE DECREASING

We included the principles of extensively modified work as part of the early support model we updated a few years ago. Our goal is to modify employees’ job descriptions to suit their working capacity in order to prevent sickness absences and to maintain employees’ working capacity.

Overall, the number of days of sick leave decreased by 2.2 per cent in S Group from the previous year. The number of days of sick leave caused by respiratory infections decreased by nearly 15 per cent, and hygiene, which has significantly improved during the coronavirus pandemic, is considered to be the reason for this. The 8.5 per cent decrease in the number of days of sick leave due to musculoskeletal disorders is also a good achievement, given the physical nature of work at many of our locations. With the help of the S-ergo project, we try to prevent musculoskeletal disorders and the resulting disabilities at an early stage.

S-ERGO

Availability of labour is one of the major challenges for future working life. We need employees with skills and well-being, and we want them to stay in good working condition throughout their careers. One important way to increase working ability is to ensure good ergonomics and safe methods at work.

At S Group, ensuring work ergonomics is seen as a continuous operation, and attention has shifted from people’s physical work to the planning phase of work and to induction processes. At the beginning of 2020, we initiated several actions aimed at decreasing musculoskeletal disorders by developing work ergonomics. Among other things, we looked at work ergonomics by analysing how footwear and outfits at work affect ergonomics and working, how to take ergonomics into account in the planning of operations and facilities and in logistics chains, as well as how healthy work ergonomics can be implemented in work shift planning.

The results of investigations conducted in the spring have already been partly put into practice, and for example, an ergonomic section has been added to the “driving licence” issued for completed supermarket trade induction. Taking ergonomics into account in workspace design is in progress.

RECORD-HIGH JOB SATISFACTION AT S GROUP DURING A YEAR AFFECTED BY CORONAVIRUS

The results of work community surveys indicate that S Group’s regional co-operatives and SOK Corporation are among the successful organisations during a year heavily impacted by coronavirus. The level of job satisfaction reached a record level throughout the entire S Group, which is also evidenced by top results in the *Suomen innostavimmat työpaikat* (Finland’s most inspiring workplaces) contest organised by Eezy Spirit.

S Group won three of the contest’s four categories. The category for large companies (more than 1,000 employees) was won by PeeÄssä Cooperative Society, the category for medium-sized companies (150–1,000 employees) was won by Varuboden-Osla Handelslag, and number one in the category of small companies (less than 150 employees) was North European Oil Trade Oy (NEOT Oy), a company where SOK is a majority shareholder.

The top ten list of companies in the large companies category also included other cooperative societies: Suur-Savo, KPO, Eepee, Keskimaa, PKO, Hämeenmaa, Arina and Pirkanmaa. In the category of medium-sized companies, VBO was accompanied on the top ten list by the cooperative societies of Maakunta, Keula, Eekoo and Satakunta.

In the work community surveys during the coronavirus-impacted year, S Group’s personnel provided particularly good marks for the company’s development in the right direction and the outlook for the future. The personnel have very strong trust in the management’s decision-making ability. As a result of common management promises, the work of supervisors receives quite positive feedback. The personnel also feel that the meaningfulness of their work has been enhanced.

All results of the “Suomen innostavimmat työpaikat” contest: **www.innostavimmat.fi.**

Food plays an important role in promoting the health and well-being of people and the planet, and commerce can influence the way Finland eats. We want healthy eating to be possible for everyone, and we believe that when smart choices are easy, they are also made.

FOR A HEALTHIER DAILY LIFE

S Group uses the Nutrition Commitment model. It is an operating model introduced in 2017 for improving the nutritional quality of diets in Finland. This plays a major role in combatting common diseases. We were the first Finnish company to make a company-specific nutrition commitment.

In turn, the Nutrition Commitment Agreement is part of **the national social commitment to sustainable development**, a key tool for implementing the UN Sustainable Development Goals. The social commitment is based on a joint, long-term vision of the Finland of the future. Since 2014, we have made a total of 13 social commitments to sustainable development in different areas of sustainability. The commitments in nutrition and food recipes, nine of them in all, have an important role.

HALF A KILO OF VEGETABLES PER DAY

We seek to encourage Finns to eat more vegetables by lowering the prices of Finnish vegetables, for example. Sales of vegetables in our grocery stores are growing very rapidly. In 2020, the volume of vegetable sales was 5.3 per cent higher than in the previous year.

We engage in vegetable-related communication and marketing at our stores. The Yhteishyvä magazine, which reaches up to three million Finns every month, and its website at yhteishyvä.fi feature articles, recipes and videos about seasonal vegetables and healthy options.



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

We also believe that people can learn to eat more healthily by monitoring their consumption of vegetables. Our My Purchases service includes a functionality that can be used to view how many kilograms of fruit and vegetables you have bought in a year or in a month, or daily on average. By using the service, customers can monitor their total consumption of vegetables, as well as their consumption of fruit, berries, root vegetables and vegetables or specific product groups, such as bananas, grapes and kiwi fruit.

WE ENCOURAGE SMART EATING THAT IS GOOD FOR THE HEALTH AND ENVIRONMENT

The planetary diet has recently become a topic in the food debate. Its key idea is that healthy eating also allows you to act sensibly from the climate point of view. It is also important for the choice of food what is available, how easy it is to prepare and what it costs. With different actions, we encourage our customers to eat even more healthily and in a more climate-friendly fashion.

The seasonal fish concept at S grocery stores highlights the freshest and tastiest fish products of the season. Finnish fish in season are also less expensive. We promote the everyday use of fish by presenting the season's tastiest fish in a prime location, and by providing tips and recipes for preparing the fish.

As a result of the seasonal fish concept, sales of more special species of fish have also increased. Of Finnish species, the demand for burbot, arctic char, perch and pike increased significantly. In addition to fresh fish, Finns have taken on new kinds of fish products, such as lake fish patties, fingers and balls, and we are constantly looking for interesting and easy fish products for our product range.

S Group's grocery stores were also involved in the Vegan Challenge in January 2020. The challenge encourages people to experiment with vegetarian food during January. For example, as part of the cooperation, the Vegan Challenge showed on its Facebook page livestreams from our grocery stores with various themes, introduced vegan products from our selection and gave tips for their use. In addition, HOK-Elanto's S-markets introduced in autumn 2020 clear and distinctive 'Vege' labels on shelves containing vegan products.

Demand for organic products also continued to grow, as did their product range. At the end of the year, the product ranges of our grocery stores included approximately 3,500 organic products, and their sales grew by 3 per cent. In 2020, organic products represented 2.6 per cent of all sales of food products.

HEALTHIER FOOD FOR CHILDREN

Over the past few years, we have considerably expanded our selection of nutritionally better options for children at our grocery stores. By the end of 2020, we had introduced 91 new private-label products, such as meals, snacks and juices for children, when our goal was to add 20 new products by the end of 2020.

Besides developing the selection and adjusting products and recipes, healthy food choices can also be affected through education. In cooperation with Finfood, we are implementing Trip to the Store, a study module for pupils in years 1 to 6 that enables them to visit their local grocery store, under the supervision of their teacher, to learn about the food chain.

We are also organising free Ässäkokki cooking classes for school-aged children in cooperation with the Martha Organisation, a Finnish home economics organisation. During the classes, the children learn everyday food skills and how to cook in accordance with the season. The coronavirus pandemic, which began in spring 2020, also had an impact on the provision of Ässäkokki courses, which were only held in some 50 locations around Finland. To make up for the missing courses, we produced new Ässäkokki videos, which can be freely accessed at Yhteishyvä.fi.

REDUCING THE SALT, SUGAR AND FAT CONTENT OF OUR KOTIMAISTA, RAINBOW AND XTRA PRODUCTS

When developing our private label products, we always take the amount of salt, sugar and fat into consideration, aiming for an end result that is as healthy as possible. For example, we are always aiming for a salt content below the limit for labelling foods as being high in salt. By the end of 2020, we had reduced the salt content of 14 products, such as in-store bakery products and salami. Similarly, we have already reduced the sugar content of 52 products when the goal was 30 products. In addition, we have added 26 new naturel products to the product range (including various nut and seed blends, fresh meat products), with the aim of offering products without salt or products with less salt in different product categories.

HEALTHY RECIPES

The nutritional quality of food recipes plays a major role in implementing the dietary recommendations, and they also guide purchasing behaviour. Preparing food and meals compliant with nutritional recommendations should also be made easy for consumers.

Yhteishyvä's food recipes provide consumers with inspiration and ideas for cooking and baking. At the end of 2020, Yhteishyvä submitted to the Finnish Food Authority six nutritional commitments of recipes related to increasing the use of vegetables and fish, favouring good fats, reducing the use of salt and sugar, and favouring ingredients rich in fibre in the recipes. The commitments will be announced during 2021. Yhteishyvä was the first media outlet to submit nutritional recommendations regarding its own recipes.

More detailed nutritional information has been added to the recipes on the yhteishyvä.fi website in order to make it easier for Finnish people to make health-promoting choices. The recipes are produced in the S Test Kitchen, and they have been tested to suit Finnish domestic kitchens.



NUTRITION CALCULATOR

In the autumn of 2020, we introduced a nutrition calculator in the My Purchases service of the S-mobiili mobile app. The service, which is unique even on a global scale, has been developed in cooperation with leading Finnish nutritionists.

Users can use the calculator to monitor the health and nutritional values of the food they buy, and to compare it with the Finnish nutritional recommendations. The calculator will help users understand the nutritional value of the food they buy and help them make healthier choices.

Users have been mostly interested in the consumption of sugar, salt and fibre. In addition, the calculator shows the share of carbohydrates, proteins, fat and saturated fats in the diet. It is possible to drill down to the product level in the case of all the nutritional values.

When launched, the nutrition calculator immediately broke the usage records of the My Purchases service. During the week it was launched, the calculator was visited by almost 70,000 unique users, and by the end of 2020, the service had already been used by 260,000 co-op members.

FASD CAMPAIGN

As a significant national operator, we want to do our part and remind everybody of responsible consumption of alcohol, particularly during pregnancy.

In 2020, S Group's grocery stores were for the first time involved in International FASD Awareness Day. (FASD is short for Fetal Alcohol Spectrum Disorders.) The aim of the day is to remind people that there is no safe limit for consuming alcohol during pregnancy. As part of the campaign, the sale of alcohol in all our S Group grocery stores started nine minutes later than usual on International FASD Awareness Day, 9 September 2020 (at 9:09 am).

S-BANK PARTICIPATING IN INTERNATIONAL ANTI-TOBACCO INITIATIVE

S-Bank's Asset Management is involved in the international Tobacco-Free Finance Pledge initiative. The initiative seeks to increase awareness in the financial sector of its own role in promoting the implementation of anti-tobacco guidelines.

S-Bank's Asset Management had already excluded tobacco companies from its principles of responsible investment even before joining the initiative. This means that S-Bank and the FIM funds do not make direct investments in companies that manufacture tobacco products. Through the international initiative, S-Bank wants to highlight the role of the financial sector in limiting investments in the tobacco industry globally.

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

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

DESCRIPTION OF THE ANNUAL REVIEW AND SUSTAINABILITY REVIEW

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

S Group has reported its operations annually by applying the sustainable development reporting standard produced by the Global Reporting Initiative (GRI) since 2012. However, the cooperative structure of S Group is also taken into account in the reporting.

In 2020, we are reporting for the first time comprehensively on climate risks using the recommendations for TCFD reporting.

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

The greenhouse gas emissions presented in the report (Scopes 1, 2 and 3), the areas, energy consumption, details of waste and food waste, the total number of BSCI audits as well as purchases from risk countries have been verified by an external party.



GRI CONTENT INDEX

102 – GENERAL DISCLOSURES

			PAGE(S) IN THE REPORT
ORGANIZATIONAL PROFILE			
102	1-7	S Group: operations, operating countries, ownership and size	5-8
102	8	Information on employees and other workers	8; 91
102	9	Supply chain	72-73
102	10	Significant changes to the organization and its supply chain	12-13
102	11	Precautionary Principle or approach	67; 69
102	12	External initiatives	51; 59; 61; 67; 70; 84
102	13	Membership of associations	34
STRATEGY			
102	14	Statement from senior decision-maker	9
102	15	Key impacts, risks, and opportunities	10; 38; 42; 49-50; 67
ETHICS AND INTEGRITY			
102	16	Values, principles, standards, and norms of behavior	37; 67; 72; 87
102	17	Mechanisms for advice and concerns about ethics	70

			PAGE(S) IN THE REPORT
GOVERNANCE			
102	18	Governance structure	21
102	19-20	Delegating authority and executive-level responsibilities	15-18
102	22	Composition of the highest governance body and its committees	17
102	23	Chair of the highest governance body	17
102	24	Nominating and selecting the highest governance body	20; 22; 26
102	25	Conflicts of interest	20; 25; 26; 29
102	26	Role of highest governance body in setting purpose, values, and strategy	30; 47; 68
102	28	Evaluating the highest governance body's performance	25; 26
102	29-31	Identifying and managing economic, environmental, and social impacts and risks	28-29; 47; 68
102	35	Remuneration policies	S-ryhmä.fi
102	36	Process for determining remuneration	20; 23; S-ryhmä.fi
STAKEHOLDER ENGAGEMENT			
102	40	List of stakeholder groups	34
102	43	Approach to stakeholder engagement	32-34
102	44	Key topics and concerns raised	32-34; 90-91
REPORTING PRACTICE			
102	45	Entities included in the consolidated financial statements	96
102	46-47	Defining report content and the material topics	31
102	48-49	Restatements of information or changes in the reporting	Changes reported in connection with the data
102	50	Reporting period	3
102	54-55	GRI reporting	96-98
102	56	External assurance	107

103 – MANAGEMENT APPROACH

			PAGE(S) IN THE REPORT
103	2	Management approach	30–31; 46–47; 67–68; 90

200 – ECONOMIC

			PAGE(S) IN THE REPORT
ECONOMIC PERFORMANCE			
201	1	Direct economic value generated and distributed	37; 39–41
201	2	Financial implications and other risks and opportunities due to climate change	47–50
INDIRECT ECONOMIC IMPACT			
203	1	Infrastructure investments and services supported	41–42
203	2	Significant indirect economic impacts	37; 41
PROCUREMENT PRACTICES			
204	1	Proportion of spending on local suppliers	42–43; 72
ANTI-CORRUPTION			
205	2	Communication and training about anti-corruption policies and procedures	70
TAX			
207	1	Approach to tax	39
207	4	Country-by-country tax reporting	40

300 – ENVIRONMENTAL

			PAGE(S) IN THE REPORT
MATERIALS			
301	1	Materials used by weight or volume	65
301	3	Reclaimed products and their packaging materials	63; 65
ENERGY			
302	1	Energy consumption within the organization	52
302	3	Energy intensity	52
WATER			
303	5	Water consumption	52
BIODIVERSITY			
304	2	Impacts of activities, products, and services on biodiversity	59; 76–77
EMISSIONS			
305	1	Direct (Scope 1) GHG emissions	55–56
305	2	Energy indirect (Scope 2) GHG emissions	55–56
305	3	Other indirect (Scope 3) GHG emissions	57
305	5	Reduction of GHG emissions	47; 50–51; 54–57
WASTE			
306	1	Waste generation and significant waste-related impacts	61–65
306	2	Management of significant waste-related impacts	61–65
306	3	Waste generated	61–62
SUPPLIER ENVIRONMENTAL ASSESSMENT			
308	1	Suppliers that were screened using environmental criteria	75–77

400 – SOCIAL

			PAGE(S) IN THE REPORT
EMPLOYMENT			
401	1	New employee hires and employee turnover	91
OCCUPATIONAL HEALTH AND SAFETY			
403	2	Hazard identification, risk assessment, and incident investigation	80–81; 92
403	3	Occupational health services	81; 92
403	4	Worker participation, consultation, and communication on occupational health and safety	81; 92
403	5	Worker training on occupational health and safety	81
403	6	Promotion of worker health	81; 92
403	7	Prevention and mitigation of occupational health and safety impacts linked by business relationships	70
403	9	Work-related injuries	81; 92
DIVERSITY AND EQUAL OPPORTUNITY			
405	1	Diversity of governance bodies and employees	86
NON-DISCRIMINATION			
406	1	Incidents of discrimination and corrective actions taken	68; 83–84
CHILD LABOR			
408	1	Operations and suppliers at significant risk for incidents of child labor	68; 73
FORCED AND COMPULSORY LABOR			
409	1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	68; 73

			PAGE(S) IN THE REPORT
HUMAN RIGHTS ASSESSMENT			
412	1	Operations that have been subject to human rights reviews or impact assessments	68; 73; 78
LOCAL COMMUNITIES			
413	1	Operations with local impact assessments, and development programs	78
SUPPLIER SOCIAL ASSESSMENT			
414	1	New suppliers that were screened using social criteria	71; 73–74
414	2	Negative social impacts in the supply chain and actions taken	78
CUSTOMER HEALTH AND SAFETY			
416	1	Assessment of the health and safety impacts of product and service categories	82; 93–95
MARKETING AND LABELING			
417	1	Requirements for product and service information and labeling	72
CUSTOMER PRIVACY			
418	1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	87–88

S GROUP GHG INVENTORY REPORT 2020 22.3.2021

Part 1: Descriptive information

Descriptive information	Company response
Company name	SOK Corporation (reporting S Group data) S Group is a Finnish cooperative group of companies operating in the retail and service sector. S Group comprises the cooperatives and SOK Corporation along with its subsidiaries employing around 40.000 people with retail sales total of €11.6 billion. The co-op members own the cooperatives, which in turn own SOK Corporation. SOK produces procurement, expert and support services to cooperatives. SOK is also responsible for the strategic guidance of S Group and the development of the business chains. SOK Corporation comprises SOK and its subsidiaries. The purpose of S Group's business is to provide co-op members with competitive services and benefits. The group wants to offer diverse services and an extensive network of around 1800 outlets for co-op members in Finland, Estonia and Russia.
Description of the company	S Group's key business areas are • supermarket trade, • department stores and speciality stores, • hardware trade, • service station store and fuel sales, as well as • travel industry and hospitality business. In addition, S-Bank offers banking services to co-op members.
Chosen consolidation approach (equity share, operational control or financial control)	Operational control The GHG emissions reported by S Group under Scope 1 and Scope 2 include all business units in Finland, Estonia and Russia. Scope 1 and 2 emissions include the fuel consumed at properties managed by S Group companies and co-ops and the purchased energy used by properties managed by S Group companies and co-ops. Outlets in which the heat consumption is included in the rental agreement and separate consumption meters are not in place, are excluded (31 per cent of outlets). GHG emissions from refrigerant leaks in outlets are included.
Description of the businesses and operations included in the company's organizational boundary	S Group's Scope 3 emissions occur from sources owned or controlled by other entities in the value chain. Most significant indirect emissions (not included in Scopes 1 and 2) that occur along S Group's value chain, including both upstream and downstream emissions, are presented in the Scope 3 emissions inventory. The Scope 3 GHG emissions inventory of S Group includes emissions from all business units except for car and agriculture trade which represent around 4 percent of total sales. These deviations as well as other limitations in the boundary are reported in connection with the categories and indicators in question.
The reporting period covered	01/01/2020–31/12/2020
	The following categories, adapting the GHG Protocol, are included in S Group's Scope 3 GHG emissions inventory:
	Category 1: Purchased goods and services • Purchased goods for resale including daily food, non-food, consumer goods for grocery stores, restaurants and hotels, and fuel sold at petrol stations and indirect purchases (machines and equipment) • Purchased indirect services
	Category 2: Capital goods • New constructed buildings

Descriptive information	Company response
A list of scope 3 activities included in the report	Category 3: Fuel- and energy-related activities (not included in Scope 1 and 2) Upstream emissions from purchased fuels, electricity and heat. In Finland upstream emissions from renewable electricity and nuclear are excluded. Transmission and distribution losses from purchased electricity and heat
	Category 4: Upstream transportation and distribution Outsourced contract operators for retail, food service and fuel logistics
	Category 5: Waste generated in operations
	Category 6: Business travel Business flights and emissions from leased cars
	Category 7: Employee commuting
	Category 9: Downstream transportation and distribution Customer transportation to and from outlets
	Category 11: Use of sold products GHG emissions from the use/combustion of fuel sold
	Category 15: Investments GHG emissions from direct investments by S Group associated company S Bank's (S Bank ownership 100%) subsidiary FIM. Calculated based on the share of ownership: https://www.fim.com/fi/fim/vastuullinen-fim/rahastojen-hiilijalanjalki/
	The following activities were excluded from the report:
	Category 8: Upstream leased assets – Category excluded This category is relevant for S Group regarding leased IT and other equipment and cars leased for employees, however the GHG emissions from the use of the IT equipment is included in scope 2 and the GHG emissions from other stages of the lifecycle are included in category 1
A list of scope 1, scope 2, and scope 3 activities excluded from the report with justification for their exclusion	Category 10: Processing of sold products – Category excluded This category is relevant for S Group, but GHG emissions from purchased raw materials for the restaurants are included in category 1 and GHG emissions from the food preparation stage are included in scopes 1–2.
	Category 12: End-of-life treatment of sold products – Category excluded This category is relevant for S Group but is excluded to avoid double accounting as the end-of-life treatment emissions are included in the emissions from Category 1: Purchased goods and services. Also, difficult to calculate due to lack of reliable data for different product and service categories.
	Category 13: Downstream leased assets – Category excluded This category is not relevant for S Group as it does not lease assets to other companies which would not be included in Scope 1 or Scope 2 inventories.
	Category 14: Franchising – Category excluded This category is relevant for S Group regarding the 102 Hesburger fast-food restaurants in Finland. However the emissions from these franchises are included in S Group's scope 1 and 2 inventories.

Part 2: Greenhouse gas emissions data

Scopes and categories[1]	Metric tons CO_2e
Scope 1: Direct emissions from owned/controlled operations	63.300
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating, and cooling	Location based electricity: 71.100 Market based electricity: 0 Heating & cooling: 56.400
Upstream scope 3 emissions	
Category 1: Purchased goods and services	5.040.900
Category 2: Capital goods	10.400
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	30.700
Category 4: Upstream transportation and distribution	133.400
Category 5: Waste generated in operations	17.400
Category 6: Business travel	500
Category 7: Employee commuting	16.400
Category 8: Upstream leased assets	N/A
Other	N/A
Downstream scope 3 emissions	
Category 9: Downstream transportation and distribution	248.500
Category 10: Processing of sold products	N/A
Category 11: Use of sold products	N/A
Category 12: End-of-life treatment of sold products	2.218.000
Category 13: Downstream leased assets	N/A
Category 14: Franchises	N/A
Category 15: Investments[2]	113.800
Other	N/A

1
2

Part 3: Description of methodologies and data used

Scope	Methodologies used to calculate or measure emissions, providing a reference or link to any calculation tools used
Scope 1	Activity data: Oil: kWh of heat produced with oil as measured and registered in the S Group real estate system. Gas: kWh of heat produced with gas as measured and registered in the S Group real estate system. Refrigerant leaks: kg of substance as reported fill-ups of the equipment by the service provider for each co-op and company Self-produced wind power (S-Voima/GigaWatti): cancelled Certificates of Origin for S-Voima based on the share of ownership of S Group co-ops and companies. Emission factors: Oil: Statistics Finland Fuel Classification 2020: https://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html Gas: Statistics Finland Fuel Classification 2020: https://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html Refrigerant leaks: The Finnish Environment Institutes publication: https://helda.helsinki.fi/handle/10138/155617, https://www.linde-gas.fi/fi/products_ren/refrigerants/hfo_gases/r452a/index.html (R452A), https://www.agas.com/eu/products-services/products-refrigerants/hfc/r453a-rs-70/ (R453A), https://darment.fi/kylmaaine/r407a/ (R407A) and https://darment.fi/kylmaaine/r448a/ (R448A)
Scope 2	Activity data: Electricity: consumption data in kWh based on the S Group real estate system and S-Voima electricity purchases Heat: consumption data in kWh based on the S Group real estate system, electricity consumption used for geothermal heat pumps included in electricity metering Cooling: consumption data in kWh based on the S Group real estate system Emission factors: Finland Electricity (S-Voima/TuuliWatti wind power is categorized in scope 1): 0 Electricity (other, market-based): Renewable electricity guarantees of origin were used. Electricity (location-based): Finland average electricity energy mix, 3 year average: 141 kg CO2/MWh; https://www.motiva.fi/ratkaisut/energiankaytto_suomessa/co2-laskentaohje_energiankulutuksen_hiilidioksidipaastojen_laskentaan/co2-paastokertoimet District heat: same emissions factor for both market and location based: Statistic Finland district heat segregated production average emissions factor: 154 kg CO2/MWh; https://www.motiva.fi/ratkaisut/energiankaytto_suomessa/co2-laskentaohje_energiankulutuksen_hiilidioksidipaastojen_laskentaan/co2-paastokertoimet Cooling: real estates located in Helsinki region, thus emissions factor in 2019 from local service provider used, 18 kg CO2/MWh; https://www.helen.fi/helen-oy/tietoa-yrityksesta/energiantuotanto/sahkon-ja-lammon-ominaispaastot/ Cooling: real estates located in Tampere region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.sahkolaitos.fi/lampoa-ja-viileytta/jaahdytysratkaisut/alkupera/ Cooling: real estates located in Turku region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.turkuenergia.fi/kaukolampo-ja-jaahdytys/kaukojaahdytys-ekologinen-valinta/ Cooling: real estates located in Espoo region, thus emissions factor in 2019 from local service provider used, 0 kg CO2/MWh; https://www.fortum.fi/yrityksille-ja-yhteisoille/lammitys/kaukokylma Estonia: Electricity: Estonia electricity residual mix 2019; 758 g CO2/kWh, same factor used for heat; https://elering.ee/en/residual-mix Russia: Electricity and heat combined intensity emissions factor in Russia in 2016, 75,2 tn CO2/TJ; https://webstore.iea.org/co2-emissions-from-fuel-combustion-2018-highlights

Scope and category	Description of the types and sources of data used to calculate emissions	Description of the methodologies, allocation methods, and assumptions used to calculate emissions	% of emissions calculated using data obtained from suppliers or value chain partners
Upstream scope 3 emissions			
Category 1: Purchased goods and services	Activity data (primary data): Calculations based on volumes (kg/l) sold by category (majority of daily food and non-food items) and spend (euros) by category (consumer goods and services). Emission factors (secondary data): Lifecycle emissions factors were taken from different sources including: https://helda.helsinki.fi/bitstream/handle/10138/300737/SYKEra_15_2019_korjattu_26_02_2020.pdf?sequence=4&isAllowed=y LUKE 2016: Summary of the chosen methodologies and practices to produce GHGE-estimates for an average European diet Luke 2019: Product group specific carbon foot print calculations based on SOK's data and the scientific articles. For fuel: well-to-tank emissions factor was calculated based on the lifecycle emissions factors provided by S Group fuel trade partner NEOT and by deducting the combustion emissions factors based on LIPASTO fuel mix emissions factors 2017: http://lipasto.vtt.fi/yksikkopaastot/tunnusluvut/tunnusluvuttie.htm	Coverage: All divisions in Finland. Method: Average lifetime GHG emissions factors were acquired for product categories from different sources. Activity data used in the calculation was 1) the physical mass (kg) or volume (liters) of the products sold during the fiscal year, or where physical volume was not available, the emission factors were used for each 2) euro of the "basic price"/ purchase price of the product as indicated in an input-output model including the environmental impacts. The lifetime emissions of products were not split between cradle to gate and gate-to-end-of-life due to limited split LCA data availability for the sources used. Scope 1–2 emissions were not deducted from the category due to limited data availability on the retail/storage share of the category specific LCA factors so the category contains approx. 5 % double counting risk for this reason. Exception was made for the most significant individual product - fuel, for which the use-phase/tank-to-wheel emissions we're excluded from category 1 and are presented in category 11. Thus category 1 only includes the estimated well-to-tank share of the fuel life-cycle CO_2 emissions. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of products and services purchased by S Group in 2020.	13% (well-to-tank emissions factor for fuel)
Category 2: Capital goods	Activity data: constructed square meters of new buildings. Emissions factors: Kurnitski 2012: emission factor for construction and materials (excluding energy use during life-cycle) https://www.puuinfo.fi/sites/default/files/content/info/puurakentamisen-roadshow-2012-luentoaineistot/4_2012-03-21_Kurnitski-Hiilijalanj%C3%A4lki_0.pdf	Coverage: Finland Method: Calculations are based on area of constructed buildings in Finland in 2019 and emission factors for construction per square meter regarding building emissions from materials and construction with the assumption that all new buildings are made with concrete.	0%
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	Activity data: energy and fuel consumption in kWh as collected from the group and co-op energy meters. Emissions factors: Defra 2016-2019 WTT and T&D emissions factors for fuels, electricity and heat: https://www.greenelement.co.uk/conversion-factors-2019-full-set-for-advanced-users-4/	Coverage: all countries. Method: country and energy specific consumption figures were multiplied by the relevant Defra emissions factor. For electricity in Finland, the share of renewable energy (own and market-based) and nuclear (in residual market mix) were excluded from the calculation and thus only the upstream emissions for the residual fossil fuel based energy were included. Residual mix was based on 2019 as 2020 mix was not yet available at the time of reporting	0%

Scope and category	Description of the types and sources of data used to calculate emissions	Description of the methodologies, allocation methods, and assumptions used to calculate emissions	% of emissions calculated using data obtained from suppliers or value chain partners
Category 4: Upstream transportation and distribution	Activity data: logistics partner's reported mileage Emissions factors: LIPASTO fossil fuel emissions factors 2016: http://lipasto.vtt.fi/yksikkopaastot/tunnusluvut/tunnusluvuttie.htm	Coverage: Finland, business units: grocery, consumer goods, restaurants and hospitality and fuel trade Calculations are based on contracted logistics partners' reported mileage and related GHG emissions. Includes domestic and inbound transportation for Inex Partners, Meira Nova and North European Oil Trade by the contracted partners. The share of transportation emissions from transportations is allocated to SOK according to the share of products that have been supplied to SOK during the reporting year. Excludes transportation directly from food suppliers to outlets.	100%
Category 5: Waste generated in operations	Activity data: waste amounts in tonnes by type of waste. Emissions factors: HSY / Natural Interest 2014: WWF Finland's Climate Calculator. http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746	Coverage: all countries Method: waste per type (tonnes) multiplied with the respective emissions factor.	100%
Category 6: Business travel	Activity data: mileage and fuel used Emissions factors: Provided by service providers (AMEX and LeasePlan)	Coverage: Flights: S Group in Finland, leased vehicles: SOK Corporation (regional co-ops excluded) Calculation made for SOK Corporation's leased cars and employees business travel by plane. Data and emission calculations provided by service partners	100%
Category 7: Employee commuting	Activity data: S Group employees in Finland estimated average distance to their workplace (km) multiplied by annual average estimated working days. Emissions factors: Emissions factors: for cars and local transportation buses: WWF Climate Calculator (based on LIPASTO database): http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746 Transportation methods: KSV, Helsinkiläisten liikkumistottumukset 2019: https://www.hel.fi/static/liitteet/kaupunkiymparisto/julkaisut/julkaisut/julkaisu-05-20.pdf HSL Liikkumistapatutkimus 2018: https://www.hsl.fi/sites/default/files/hsl_julkaisu_9_2019_netti.pdf https://www.liikennevirasto.fi/documents/20473/434710/Esite_HLT2016_ENGLANTI.pdf/3d811186-db02-4680-bba4-63732c6d9f33	Coverage: Finland Method: Calculation made based on 2016 data for S Group employees in Finland, who have the "employee" information linked to their S Group loyalty card. Average work commute distance estimated based on the average distance between the employee's postal code and their respective workplace. The mode of transport was estimated based on a national Transportation study stating the share of different modes of transport in different size towns/communities. Average mileage and modes of transport was then multiplied with the average annual working days. Part-time employees annual working days were estimated based on their average weekly working hours. It is acknowledged, that there is a possible overlap with scope 3 category 11 emissions where employees purchase fuel for their commute from S Group service stations however, the share of such overlap is difficult to estimate accurately. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of S Group employees work commute.	0%
Downstream scope 3 emissions			
Category 8: Upstream leased assets	Not relevant		

Scope and category	Description of the types and sources of data used to calculate emissions	Description of the methodologies, allocation methods, and assumptions used to calculate emissions	% of emissions calculated using data obtained from suppliers or value chain partners
Category 9: Downstream transportation and distribution	Emissions factors: Emissions factors: for cars and local transportation buses: WWF Climate Calculator (based on LIPASTO database): http://www.ilmastolaskuri.fi/fi/calculation-basis?country=2&year=10746 Transportation methods: KSV, Helsinkiläisten liikkumistottumukset 2019: https://www.hel.fi/static/liitteet/kaupunkiymparisto/julkaisut/julkaisut/julkaisu-05-20.pdf HSL Liikkumistapatutkimus 2018: https://www.hsl.fi/sites/default/files/hsl_julkaisu_9_2019_netti.pdf https://www.liikennevirasto.fi/documents/20473/434710/Esite_HLT2016_ENGLANTI.pdf/3d811186-db02-4680-bba4-63732c6d9f33	Coverage: loyal customer transportation to and from outlets in Finland, approx. 80 % of customer visits by loyal customers. Method: Calculation made based on the S Group customer loyalty card holders annual visits to S Group outlets multiplied by the average distance between the card holders hometown/commune (based on postal codes) and the closest S Group outlet weighted by the nr of visits and taking into account the town/area specific transportation methods. Employee visits deducted based on the assumption that they visit the outlets on their way from work. Ways of transportation obtained from national and regional transportation surveys. It is acknowledged, that there is a possible overlap with scope 3 category 11 emissions if customers purchase fuel for their vehicles from S Group service stations however, the share of such overlap is difficult to estimate accurately. The calculation methodology and sources used contain significant amount of uncertainties and can thus only be used as a very high level estimate of the climate impact of S Group customers visits to S Group outlets.	0%
Category 11: Use of sold products	Activity data: volume of fuel (liters) sold to end customers in 2020. Emission factors: TTW emissions factors provided by S Group fuel sourcing company NEOT based on actual fossil to bio mixes in 2020. Fossil fuel combustion factors from VTT LIPASTO database 2016.	Coverage: Finland. Method: volume of fuel sold to end customers multiplied with the relevant combustion emissions factor by fuel type.	100%
Category 13: Downstream leased assets	Not relevant		
Category 15: Investments[3]	Data used: MSCI data from those direct shares and bonds for which either publicly available or otherwise estimated CO_2 emissions data is available for more than 50% of the fund's investments	Emissions allocation per investment/fund to S Group/FIM based on the share of ownership	100%

3

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Independent Assurance Report to the Management of The Central Finnish Cooperative Society

This document is an English translation of the Finnish report

We have been engaged by the Management of The Central Finnish Cooperative Society (hereafter "SOK") to provide limited assurance on greenhouse gas data and other environmental indicators presented in S Group's Annual and Responsibility Report 2020 (hereafter "Selected Environmental Information") for the year ended 31 Dec 2020.

The Selected Environmental Information consists of the following indicators:

- Energy consumption from direct and indirect (Scope 1 and 2 equivalent) sources
- Specific energy consumption
- Direct CO_2 emissions (Scope 1): fuel consumption, refrigerant leakages
- Indirect CO_2 emissions (Scope 2): electricity, district heating, district cooling
- Most significant other indirect CO_2 emissions (Scope 3): purchased goods and services, capital assets (buildings), indirect emissions from purchased energy, product transportation and delivery, waste, business travel, commuting, customer traffic, use of sold products and investments
- Emission intensities
- Property area and properties' energy and emissions efficiency per square meters
- Amount of waste, breakdown of waste fractions and reuse percentages
- Relative food waste
- Direct purchases from high-risk countries (%)
- BSCI audits (pcs)

Management's responsibilities

The Management of SOK is responsible for the preparation and presentation of the Selected Environmental Information in line with the reporting criteria, i.e. *GRI Sustainability Reporting Standards*, and the information and assertions contained within it. The Management is also responsible for determining SOK's objectives with regard to sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our assurance engagement on the Selected Environmental Information in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and on greenhouse gas data within the Selected Environmental Information in accordance with ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*, issued by the International Auditing and Assurance Standards Board IAASB. These Standards require that we plan and perform the engagement to obtain limited assurance about whether the Selected Environmental Information is free from material misstatement.

KPMG Oy Ab applies International Standard on Quality Control ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants IESBA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Procedures performed

A limited assurance engagement on Selected Environmental Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Selected Environmental Information, and applying analytical and other evidence gathering procedures, as appropriate. In the engagement, we have performed the following procedures, among others:

- Interviewed the members of SOK's senior management and relevant staff responsible for providing the Selected Environmental Information;
- Assessed the application of the *GRI Sustainability Reporting Standards* reporting principles in the presentation of the Selected Environmental Information;
- Assessed data management processes, information systems and working methods used to gather and consolidate the Selected Environmental Information;
- Reviewed the presented Selected Environmental Information and assessed its quality and reporting boundary definitions;
- Assessed the Selected Environmental Information's data accuracy and completeness through a review of the original documents and systems on a sample basis.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and estimating such data.

Conclusion

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the information subject to the assurance engagement is not prepared, in all material respects, in line with the *GRI Sustainability Reporting Standards*.

Helsinki, 24.3.2021

KPMG Oy Ab

Jukka Rajala
Authorized Public Accountant

Tomas Otterström
Partner, Advisory

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