



TOKMANNI Corporate Responsibility Report 2016



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Tokmanni in brief

Tokmanni Group Corporation is the only discount retailer with a nationwide store network in Finland. It is also Finland's biggest discount retailer measured both in number of stores and revenue. Tokmanni offers its customers a wide assortment of Finnish and international brands and other products at affordable prices.

Revenue, MEUR

775.8

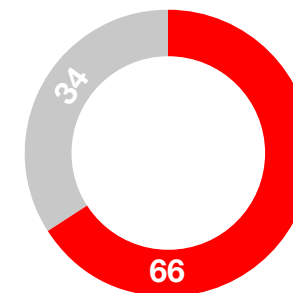
Adj. EBITDA

8.1%

Six product categories:

- Groceries
- Home cleaning and personal care
- Clothing
- Home, decoration and garden
- Tools and electrical equipment
- Leisure and home electronics

Share of branded products and PLNL* products, %



- Branded products
- PLNL products

* Private Labels, Non-branded and Licensed products

Employees

3,224

Tokmanni's assortment consists approximately

25,000

active SKUs (Shelf Keeping Unit)

162

stores across the country + online store



Updated list of the stores:
ir.tokmanni.fi/en/tokmanni-as-an-investment/new_stores



Finland's leading general discount chain

Tokmanni offers its customers a wide and attractive assortment, affordable prices and a pleasant shopping experience. Tokmanni's product assortment consists of leading international brands, the company's own private label products, licensed brands and non-branded products.

Our private labels are: Auto plus, BBQ King, Energy plus, Future Sport, Idéale, Iisi, Kotikulta, Kraft, Prima, Real, Tok Garden and Vaeltaja.

The corporate head office is in Mäntsälä. Besides its operations in Finland, Tokmanni also has a sourcing joint venture in Shanghai with the Norwegian company Europris ASA. Tokmanni owns 50 per cent of the joint venture.

Tokmanni does not have its own production facilities but acquires its products directly from Finnish and international manufacturers, importers and agents. Tokmanni buys about 70 per cent of its products from Finnish suppliers, 18 per cent from Asia and 12 per cent from Europe. Tokmanni's

sourcing organisation is responsible for product purchases. Tokmanni is committed to responsible sourcing, and it seeks to buy products only from responsible suppliers. In 2016 products were supplied to Tokmanni directly from the following risk countries defined by the Business Compliance Initiative (BCSI): Bangladesh, Bulgaria, China, India, Pakistan, Romania, Thailand, Turkey and Vietnam.

Tokmanni was listed on the main list of the Nasdaq Helsinki stock exchange in May 2016. At the end of 2016 the company had approximately 6,000 shareholders. The biggest shareholders were funds managed by Nordic Capital (30.50%), Rockers Tuku Oy (15.01%), Elo Pension Company (4.59%) and Varma Mutual Pension Insurance Company (4.54%).

Key figures	2016	2015
Revenue, MEUR	775.8	755.3
Operating profit, MEUR	49.2	39.1
% of revenue	6.3	5.2
Employment		
All employment	3,224	3,293
Permanent employees	2,440	2,424
Full time employees	1,137	1,203
Sourcing		
Purchases from constant supplier factories committed to BSCI Code of Conduct	95%	81%
Environment		
Total energy consumption, MWh*	118,411	107,039
Waste utilisation, %	99.8	94

* The figures include both measured and estimated consumption.



An interview with the CEO and the Head of Corporate Responsibility

Tokmanni's CEO Heikki Väänänen and Outi Mikkonen, Head of Corporate Responsibility, talk about the company's responsibility work, the achievements in 2016 and future challenges and opportunities.

Q What role does responsibility play at Tokmanni and in the company's strategy?

Heikki: Responsibility is a prerequisite for Tokmanni's success and a strategic focus area from the Executive Group level all the way to the stores. We act responsibly towards our customers,





employees, and other stakeholders. Responsibility is part of the daily work of every member of Tokmanni's personnel. The aim of responsibility work is to minimise the business risks, make use of opportunities, and produce added value for stakeholders.

Outi: We observe for instance relevant legislative requirements and collective agreements and the principles of good governance in everything we do. Our operations accord with the provisions of the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. Our operations are also governed by our ethical guidelines, which consist up of Tokmanni's Code of Conduct and the related principles, policies and instructions. These provide the framework for our corporate responsibility work and guide our operations. We assess responsibility risks as part of the process of managing business risks and aim to make responsibility part of our value creation in all of our operations.

Q What are Tokmanni's most important strategic achievements during the past year?

Heikki: 2016 was a good year for Tokmanni. Our sales grew 2.7% and profitability (adjusted EBITDA) improved to 8.1%. We continued our systematic development of Tokmanni: We increased the share of our private labels, developed direct imports and sourcing, and launched a new marketing concept during the second half of the year. We are really pleased that our customer volumes have grown 3.4% to 44.7 million, and that the smart shopping trend has reached Finland and is here to stay. Our vision is to be the smartest shopping choice for our customers. Tokmanni is Finland's largest general discount retailer and our target is to continue our profitable growth by offering customers a better perceived price image than our competitors, a comprehensive assortment and good in-store experience. In May we were listed on the Nasdaq Helsinki stock exchange, which increased awareness of Tokmanni and brought many new shareholders.

Outi: The most important issues in our responsibility work are respecting human rights and reducing climate change impacts. The biggest achievements in our responsibility work in 2016 were the assessment of our human rights impacts, our new climate strategy and the publication of our first corporate responsibility report. The work has also focused on the internal implementation of responsibility themes and training in these themes. The offering circular published in connection with the initial public offering provided information on the company's responsibility perspectives and risks. In the listing process, an external party carried out a responsibility evaluation of Tokmanni.

Q Which corporate responsibility themes have particular importance in Tokmanni's responsibility work?

Heikki: Responsible sourcing and products are an essential part of our strategy. We will continue to improve our sourcing operations by, for example, increasing direct imports

Responsibility is a prerequisite for Tokmanni's success and a strategic focus area from the Executive Group level all the way to the stores.

without compromising product safety, quality or responsibility.

Outi: Tokmanni is a member of the Business Social Compliance Initiative (BSCI), which is a development programme directed at companies with the aim of improving working conditions at the factories and farms in a company's supply chain. Producers' factories of Tokmanni's private label products and products in the standard selection imported by Tokmanni must be BSCI members or become so within a reasonable time frame. Tokmanni also requires its brand suppliers to give an undertaking that their production is in accordance with the BSCI



requirements. In addition to BSCI audits Tokmanni also carries out its own audits at its suppliers' factories. Product safety is also key in responsible operations. We want to be certain that all the products we sell are safe to use. **Heikki:** Fair treatment of people is another important theme in our responsibility work. We are building an operating culture that is fair and based on trust and supports the wellbeing of all employees. The aim is to have a motivated and committed personnel. On account of our growth and new stores, we have a significant role as an employer in Finland. We have announced that we intend to open at least 11 new stores across Finland in 2017. Over the long term the store network is expected to grow approximately to 200 stores. We are constantly in need of skilled and capable employees, and we are known particularly as an employer of young people. In 2016 Tokmanni employed hundreds of young people.

Outi: Our target is to have a diverse work community in which equal treatment is ensured for everyone from the recruitment

phase onwards. During 2015 we strengthened our diversity work by joining the FIBS Diversity Charter. In 2016 Tokmanni participated in FIBS's work to develop the assessment of responsibility and diversity management. Our customer base is becoming more diverse, so we need to make sure that our employees can understand their needs. It is also very important to ensure our employees' wellbeing at work and career development. **Heikki:** Efficient resource use is an important part of our responsibility work. Tokmanni's biggest environmental impacts are caused by energy use, logistics and waste. Our goal is to reduce energy consumption, to prioritise renewable energy and minimise the amount of disposed waste. The work is becoming more challenging as Tokmanni's goal is to increase its retail space by about 12,000 square metres a year, which will increase energy consumption and waste volumes. The company will have to focus on improving resource efficiency in the future as well.

Outi: In 2016 the Jämsä store was the first Tokmanni store to take a solar power plant into use and now produces part of its electricity with its own solar power. We are seeking similar opportunities at our logistics centre in Mäntsälä and at other stores. The majority of transport service providers are setting emissions reduction targets and moving over to more environmentally friendly technology. In our waste management we are working towards a reduction in food waste and in 2016 we committed to reducing the number of plastic bags.



What are the biggest challenges for Tokmanni's responsibility work?

Heikki: Taking care of human rights throughout the value chain is of utmost importance at Tokmanni and we constantly work towards the achievement of this. Supply chains until finished products are long and it takes a lot of time to make changes. Therefore responsible sourcing will continue to be one of our main challenges also in the future. Customers'

The most significant issues in our responsibility work are respecting human rights and reducing climate change impacts.

image of responsibility and its impact on our reputation are very important. We need to earn the trust of our customers every day. **Outi:** At the beginning of 2016 we tightened our responsible purchasing principles and operating guidelines and trained our buyers in these updated principles and guidelines. We also take measures to combat climate change. We primarily aim to reduce energy consumption, but we also focus on renewable energy.

Highlights 2016

FIBS

Parempaa liiketoimintaa
Better business

02/2016 Tokmanni joins FIBS's project for developing the assessment of responsibility and diversity management.



04/2016 Tokmanni organises a responsibility day for its personnel at Mäntsälä. [Read more on p. 16.](#)



05/2016 Tokmanni is introduced on the Nasdaq Helsinki stock exchange.



05/2016 Tokmanni publishes its first [Corporate Responsibility Report](#).



10/2016 Tokmanni joins the Green Deal agreement to restrict the use of plastic bags. [Read more on p. 66.](#)



10/2016 Tokmanni's store in Jämsä installs solar panels on its roof and produces part of its electricity with solar power. [Read more on p. 62.](#)

11/2016 Tokmanni completes its first assessment of its human rights impacts. [Read more on p. 14.](#)

12/2016 At the end of the year 95% of Tokmanni's purchases from risk countries come from its suppliers' factories that are BSCI members. [Read more on p. 49.](#)



Megatrends, risks and opportunities for Tokmanni

Tokmanni has identified several megatrends that affect the company's business and its responsibility perspectives. Megatrends and the opportunities and challenges presented by them are assessed every year as part of the company's strategic planning. Tokmanni assesses the responsibility risks as part of the general risk management process.

Financial challenges continue	OPPORTUNITY FOR TOKMANNI	CHALLENGE FOR TOKMANNI	TOKMANNI'S RESPONSE
<p>Challenging financial conditions and Finland's prolonged economic downturn have led to a change in Finnish consumer habits.</p>	<ul style="list-style-type: none"> Conservative spending attitudes and the aim of getting the best value for money have for some time created opportunities for discount retailers, who have now established a firm foothold in the market. Structural changes in the discount retailers' customer base have taken place as "smart shopping" has expanded. The smart shopping trend has made Finnish consumers more price aware, and active comparison of prices has become more common. 	<ul style="list-style-type: none"> Consumers have become less loyal to stores and brands, which has created pressure on operators in the retail sector, and price competition in the market has tightened. 	<ul style="list-style-type: none"> Maintaining a good price image Extensive and appealing product selection Offering a pleasant shopping experience Responsible products Efficient and ethical marketing



Demographic changes

Urbanisation, an ageing population, elderly people becoming a significant consumer group and decline in family size affect consumer habits and shopping experience requirements.

Digitalisation

Technology becoming more mobile, digitalisation and growth of online retailing. Purchasing behaviour that is independent of time and place.

OPPORTUNITY FOR TOKMANNI

- Urbanisation and busy consumers who want to minimise the time spent in shops, and at the same time want to purchase things from the minimum number of stores, has led to “one-stop shopping” and the increase in the importance of easily achievable and compact store formats.
- One-stop shopping reduces car use as unnecessary driving is avoided, and thus environmental impacts are also reduced.
- The emergence of a price aware elderly population as a substantial consumer company.

CHALLENGE FOR TOKMANNI

- Urbanisation continues and the number of inhabitants in small locations decrease.
- The decline in family size and the ageing of the population affect product selections and product package sizes.

TOKMANNI'S RESPONSE

- Tokmanni's store concept, ease of moving in stores and accessibility
- Continuous development of the selection taking customers' needs into account
- The right products at the right price
- Optimisation of store locations
- Multi-channeling

OPPORTUNITY FOR TOKMANNI

- Digital channels enable companies to distribute product and price information efficiently, regardless of time and place, supporting sales in both the online store and physical stores.
- Digital services enable people with reduced mobility to be reached.

CHALLENGE FOR TOKMANNI

- The online store and digital channels have become more popular in consumers' purchasing behaviour, and at the same time they have broadened the competitive field of the retail sector.
- Digital services and the online store lead to broader and easier price comparison, which leads to tighter price competition and creates pressure on profitability.
- The growth of the online store has a limited impact on Tokmanni's competitiveness, as customers' average purchase is usually relatively small. Moreover, the product segments that are increasingly moving over to online sales are a relatively small part of the product selection offered by Tokmanni.
- Digital services increase data protection risks and the risk of breaches of privacy protection.

TOKMANNI'S RESPONSE

- Multi-channel strategy
- Development and optimisation of online store
- Continuous development of data protection and IT systems

**Limitation of
resources and
global warming**

Focus on environ-
mental impacts of
whole production
chain and product life
cycle is increasing.

**Increase in
importance of
responsibility and
customers' prod-
uct awareness**

The origin of prod-
ucts and responsibil-
ity in the whole com-
pany's value chain
are increasingly
important selection
criteria for consum-
ers. The transpar-
ency requirements
of selections, prices
and product origins
are growing along-
side product safety.

OPPORTUNITY FOR TOKMANNI

- Developing an environmentally friendly product selection
- Decreasing environmental impact in the supply chain
- Opportunities provided by the circular economy

CHALLENGE FOR TOKMANNI

- Increased energy consumption caused by increased number of stores, also in logistics, growing waste volumes and related costs.
- Limited availability of raw materials for products affects the availability and price of Tokmanni's products in the long run.
- The operations of factories especially in coastal regions and on the emerging markets may be interrupted due to floods, storms or other natural phenomena.

TOKMANNI'S RESPONSE

- Reduction of energy consumption in all operations
- More efficient use of resources, reduction of waste, reuse and recycling
- Selection of suppliers and supplier requirements

OPPORTUNITY FOR TOKMANNI

- Tokmanni's responsible and environmentally friendly operations strengthen the company's competitiveness.
- Careful management of product safety, quality control and a strong price-quality image enhance the company's competitive advantage.
- Responsibility communications support openness and transparency throughout the value chain.

CHALLENGE FOR TOKMANNI

- Shortcomings in the responsibility of the supply chain and partners.
- Deterioration of employer image and difficulty of obtaining a competent workforce due to loss of reputation.
- Shortcomings in product safety and quality control.

TOKMANNI'S RESPONSE

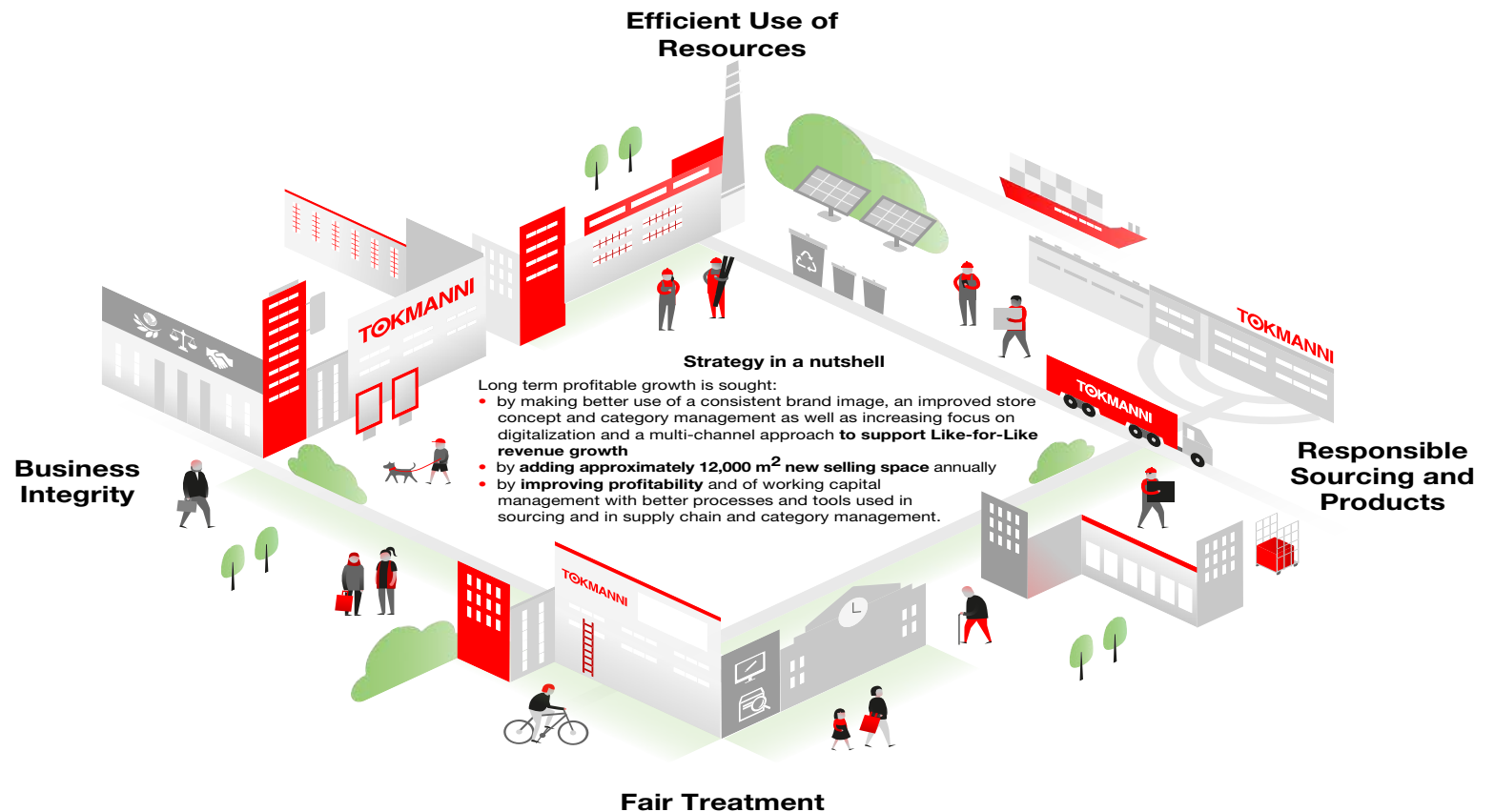
- Further development of responsible sourcing
- Developing the responsibility of own operations and training the personnel in responsibility matters
- Continuous development of product safety and self-supervision
- Continuous development of responsi-
bility communications



Tokmanni's vision and strategy

Our vision is to be the smartest shopping choice for its customers. The target is to be a profitably growing nationwide discount retailer that offers a wide assortment high-quality products. We want that our customers can trust safety and responsibility of our products.

We target stable and profitable long-term growth





Profitable growth as a strategic objective

Tokmanni's strategic objective is to be a profitably growing, modern retailer providing a strong price image, an attractive assortment, and a good customer experience.

Corporate responsibility is one of the company's strategic focus areas. Its aim is to minimise business risks, make use of opportunities related to this and produce added value for stakeholders.

Tokmanni seeks low single digit growth in like-for-like sales by further leveraging its unified brand image and the company's enhanced store concept. Tokmanni markets its products, truthfully, in an easily understandable manner and in compliance with its ethical guidelines. In accordance with the company's data protection principles, personal data is used only as provided by data protection legislation.

Tokmanni's renewed, efficient category management combined with its attractive assortment supports the company's growth. More effective sourcing will continue, for example by increasing direct importing.

Product safety is vital for the company's success, and Tokmanni wants to ensure that the products it sells are safe to use, responsibly sourced and the production conditions are good.

The company takes product safety into account in its operations and ensures that by, for example, conducting self-supervision and carrying out product testing itself and commissioning this from third parties.

Tokmanni is seeking growth also through the expansion of its store network, and increases its store area by about 12,000 square metres per year. This will lead to increases in the company's energy consumption and waste generation, and means that work to improve energy efficiency and material efficiency will continue in the future.

Tokmanni is a significant employer in Finland, and the expansion of the store network will also clearly have a positive impact on employment. Tokmanni's target is to have a motivated and committed personnel who contribute responsibly to the company's performance.

Tokmanni's aim is to improve its profitability and working capital efficiency by increasing the efficiency of the processes and tools used in sourcing, the supply chain and category management. At the same time, the company aims to ensure that responsibility perspectives and ethical guidelines are taken into account in all stages of the processes.

CASE



Corporate responsibility is important for shareholders

Emma Englén, Sustainability Manager, Nordic Capital
(Nordic Capital was Tokmanni's largest shareholder 31.12.2016)

Q What does corporate responsibility mean for Nordic Capital?

Nordic Capital is committed to responsibility and is clear about what it expects from its portfolio companies. The companies are expected to provide a report each year on their sustainable development activities. Nordic Capital supports responsibility work by providing training and expertise in responsibility. We understand that focusing on sustainable development will offer a positive differentiating factor in the future for us as an investor, for our portfolio companies and for our partners.

Q How do you rate Tokmanni's responsibility work?

Tokmanni takes sustainability issues seriously. The keys to this have been expertise and the commitment of the management. The future challenges for retail and the consumer business will be to introduce sustainable development into business models and the growing requirement for transparency. Sourcing from developing markets requires constant work in the areas of social and environmental matters.



Responsibility at Tokmanni

Corporate responsibility is an integral part of Tokmanni's day-to-day business. The company aims to minimise business risks, make use of the opportunities associated with this, and produce added value for stakeholders. The materiality analysis has allowed Tokmanni to identify the responsibility themes most relevant to its stakeholders and business.





Human rights as a starting point for responsibility

The company's operations accord with the provisions of the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.

The basis of corporate responsibility work at Tokmanni is composed of the company's values and its Code of Conduct, including the complementary principles, policies and instructions. Tokmanni's Code of Conduct and related principles are approved by the Board of Directors. The policies and instructions are approved by the Executive Group and the heads of department, respectively.

We aim to respect human rights

Also the UN Guiding Principles on Business and Human Rights guides Tokmanni in respecting human rights. In line with the due diligence principle, Tokmanni has evaluated the effects of its operations on human rights, monitors these effects, takes any necessary

corrective measures and communicates them as far as possible within its degree of participation, possibility and power of influence. Tokmanni has published its [Human rights principles](#) and [a summary of its Human rights report 2016](#) on its website.

Based on the evaluation, the salient potential human rights impacts in Tokmanni's operations relates to health and safety, safety of buildings, excessive overtime, lack of living wage, child labour and forced labour. The negative impacts identified can impact upon a range of human rights, including the right to work, the right to health, the right to life and the right to a family life.

We act for human rights

The most important measures for eliminating or mitigating human rights impact in Tokmanni's own operations are:

- Improving occupational health and safety
- Improving the safety of business travel
- Increasing flexibility of work

In purchasing, we work towards:

- further developing a strategy and action plan for responsible purchasing
- further developing a supplier management system
- developing a complaint and remedy process to meet the effectiveness principles for grievance mechanisms that are contained in the UN Guiding Principles
- digging deeper in the supply chain

A higher degree of freedom of association and collective bargaining would assist in preventing or minimizing a number of significant human rights impacts in risk countries. They are ways to ensure adequate wages and appropriate working hours, for example. Existence of trade unions at suppliers' factories is currently monitored through audits.

In 2017, Tokmanni will be seeking to test the results of the evaluation with potentially impacted stakeholders. We are planning to set up a process to liaise with workers or worker groups in our higher-risk countries as well as

neighbouring communities and organizations that have good insight from the ground.

Tokmanni will update its human rights assessment annually based on the results of BSCI audits and its own audits, as well as complaints filed via various channels. The goal is to continuously reduce potential human rights impacts.

Tokmanni expects its business partners to respect human rights as well in line with supplier requirements.



Values as the basis for responsibility work

Tokmanni's core values define the value framework within which the company operates and on which it bases its decision-making.

Tokmanni's values



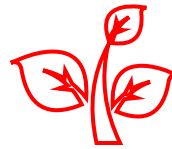
Customer focus

Customer focus is ensured by having a professional staff and by emphasising reliability, safety, taking responsibility and mutual respect.



Respect

Respect is evident in the openness of the operating culture, in a willingness to help, support and encourage, in good team spirit and in long-term cooperation with various stakeholders.



Renewal

Renewal means boldness, encouraging creativity processes, reciprocity of feedback and fast reaction to needs for change.



Profitability

Profitability is sought through clear objectives, efficient and economical operating models and processes, and open and correctly timed communications.



Corporate social responsibility

Corporate social responsibility at Tokmanni is based on fairness, respect for equality and concern for environmental values.



Stakeholder engagement

Tokmanni wants to promote responsibility work together with its stakeholders. The company's most important stakeholders are customers, personnel, owners, investors and suppliers.

The company keeps in touch with the most important stakeholders daily through various channels, and with others when necessary. After the stock exchange listing in May 2016, Tokmanni has communicated with investors for instance through the websites, reports and one-on-one meetings. The engagement channels with other stakeholders have been listed in [Tokmanni's Corporate responsibility report 2015 p. 24](#).

Active involvement in associations and initiatives

Tokmanni participates actively in the operations of various national organisations including the Federation of Finnish Commerce, the Finnish Grocery Trade Association (PTY), the Finnish Cosmetic, Toiletry and Detergent Association and the Finnish Council of Shopping Centers. In the Federation of Finnish Commerce, Tokmanni is represented on the Board of Directors and the training committee. At PTY, Tokmanni's representa-

tives participate in the Board of Directors, retail trade group, product safety group and self-supervision group.

The company is also closely involved in many local communities at its store locations and in Mäntsälä where its head office is located. In Mäntsälä, Tokmanni has a representative at Mäntsälän Yrityskehitys Oy, where local business operations are promoted. Tokmanni cooperates with local and national authorities from an early stage, during the development and planning stages of various projects.

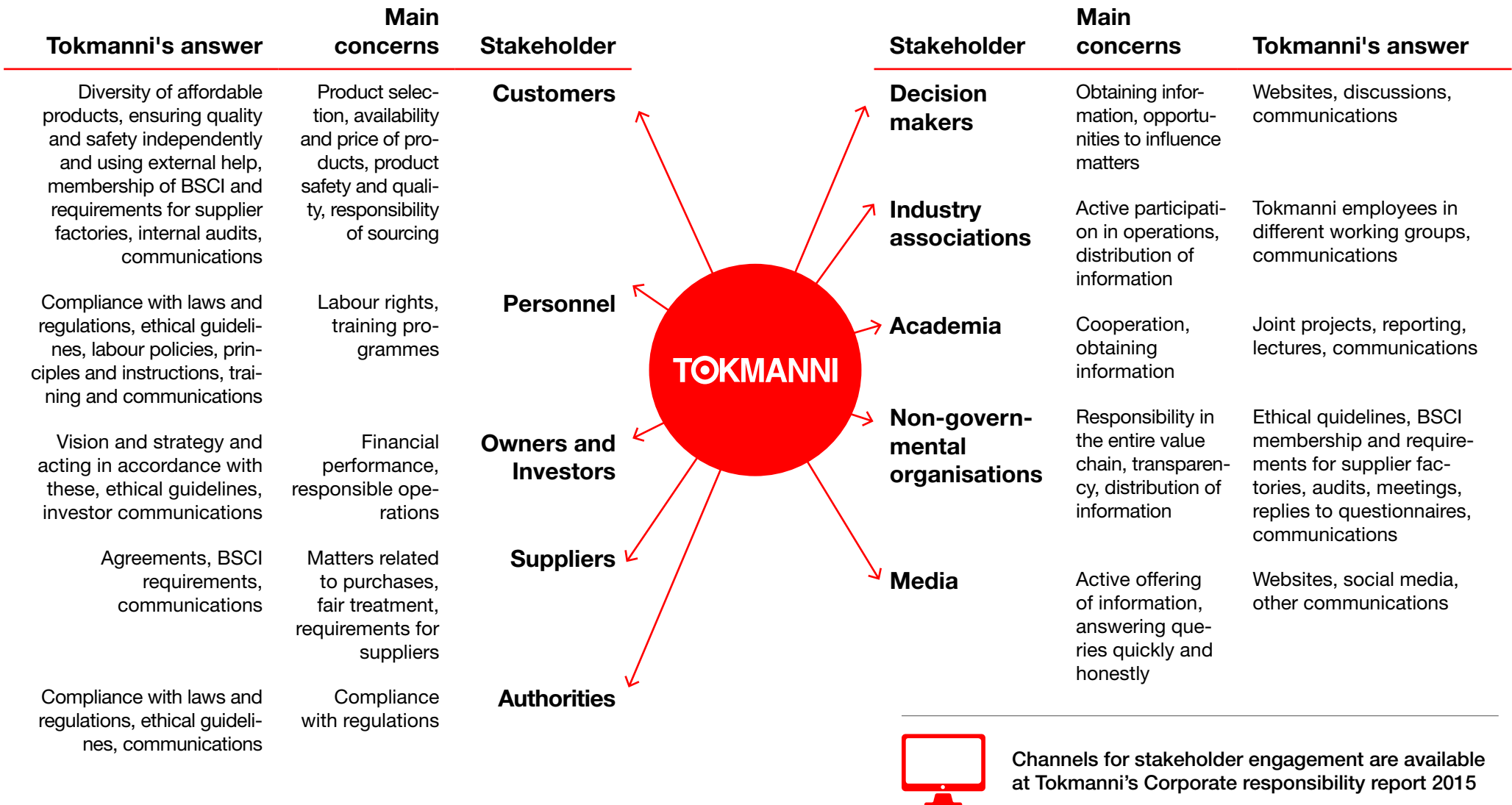
In October 2016, Tokmanni joined the [Ministry of Environment's and Federation of Finnish Commerce's Society's Commitment](#) to Sustainable Development's Green deal initiative in order to reduce the use of plastic bags in the stores. Tokmanni aims to halve the use of plastic self-service bags per customer by the year 2026 and reduce the use of plastic bags by offering bags made of alternative materials.

Tokmanni is also a member of corporate responsibility network FIBS and

its Diversity Network, and Tokmanni participated FIBS' evaluation of diversity management project in 2016. Tokmanni also participates the UN Global Compact.

Tokmanni organised its first Corporate responsibility day for its employees in Mäntsälä in March 2016. The program included presentations on Tokmanni's corporate responsibility activities, children's rights, environmental issues and responsible marketing. The feedback was positive, and the day will be organised again in 2017.

Tokmanni's approach to implementing corporate social responsibility also includes supporting various charitable organisations. In 2016, Veikko and Lahja Hursti's Laupeudentyö ry and Finnish Red Cross (Hunger day fundraising) were among the parties supported by Tokmanni. Support was given also via Brother Christmas for those who needed help.





Materiality analysis

Tokmanni's material corporate responsibility themes are business integrity, fair treatment, responsible sourcing and products and efficient use of resources.

The themes have arisen from Tokmanni's materiality analysis and their selection is based on the instructions in the GRI G4 guidelines on defining material aspects.

The materiality analysis was carried out in spring 2015 using telephone interviews and an online survey, to which there were 565 responses. The respondents to the questionnaire represented suppliers, personnel, consumers, authorities and decision makers, industry organisations, investors and non-governmental organisations. The majority of respondents belonged to the personnel, consumers or suppliers groups. Tokmanni's top management answered the questionnaire from the point of view of effects on business.

The results were discussed and confirmed in the company's Executive Group. The criteria used were financial impacts including risks and opportunities, environmental impacts and effects on people. The material issues are presented on the following page.

CASE



Nordea's ESG analyst's comment

We see a positive trend in Tokmanni's sustainability work as Tokmanni has since the IPO introduced several initiatives to improve management of key risks and opportunities including a sustainability report. However, there are also development areas to consider: more transparency in supplier audits both regarding process, amount and location of suppliers as well as number of supplier exclusions due to lack of compliance with Code of Conduct. More transparency with regards to monitoring environmental impact, in particular when it comes to chemicals would also be recommended.



Material responsibility themes



Business Integrity

Economic performance
Employment
Anti-corruption
Privacy protection
Ethical marketing



Fair Treatment

Occupational health
and safety
Employee training and
development
Equality in work and
remuneration
Non-discrimination



Responsible Sourcing and Products

Responsible sourcing
Responsible products and
packaging
Product safety
Appropriate markings on
products





Efficient Use of Resources

Efficient use of materials
Energy efficiency
Efficient logistics
Efficient waste recycling




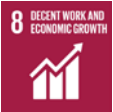


UN's Sustainable Development Goals and Tokmanni




In September 2015 the UN published new Sustainable Development Goals (SDG), which will guide its member states' operations until 2030. The aim is to achieve global sustainability, and the task of companies is to support states in reaching the goals. Companies can have an impact on all the goals at least indirectly. Tokmanni takes into consideration the following goals, which are the most relevant for the company:

Sustainable development goal	Explanation	Tokmanni's measures	Further information in the report
	End poverty in all its forms everywhere	<ul style="list-style-type: none"> • Employment • Endeavouring to pay a living wage throughout the supply chain • Reliable and predictable purchasing agreements • Offering affordable products to customers 	Strategy Responsible sourcing and products
	Ensure healthy lives and promote well-being for all at all ages	<ul style="list-style-type: none"> • Occupational health and safety requirements and monitoring their implementation throughout the value chain, with special attention to women • Environmental requirements and monitoring of these in the supply chain • Offering employees exercise vouchers and discounts for fitness services • Offering customers healthy and safe foods • Offering customers safe products 	Values and Code of Conduct Fair treatment Efficient use of resources Responsible sourcing and products Ethical marketing







Sustainable development goal	Explanation	Tokmanni's measures	Further information in the report
	Ensure inclusive and quality education opportunities for all and promote lifelong learning	<ul style="list-style-type: none"> • No child labour • Training and development of suppliers • Continuous training and development of employees 	<u>Fair treatment</u> <u>Responsible sourcing and products</u>
	Achieve gender equality and empower all women and girls	<ul style="list-style-type: none"> • No discrimination • Ban on modern slavery • Increasing the number of women in management positions • Enabling the promotion of women in the company 	<u>Values and Code of Conduct</u> <u>Fair treatment</u> <u>Responsible sourcing and products</u>
	Ensure access to affordable, reliable, sustainable and modern energy for all	<ul style="list-style-type: none"> • Using renewable energy in own operations • Recommending the use of renewable energy to logistics service providers • Offering customers energy efficient products • Using final food waste in energy production 	<u>Efficient use of resources</u>
	Promote inclusive and sustainable economic growth, employment and decent work for all	<ul style="list-style-type: none"> • No forced labour or child labour • Ensuring trade union activities in the private label supply chains • Protecting risk groups in the private label supply chains • Development of business • Employment • Employment of young people and people with partial work capacity • Decoupling business growth from material and energy consumption, and contamination of the environment 	<u>Strategy</u> <u>Efficient use of resources</u> <u>Responsible sourcing and products</u>



Sustainable development goal	Explanation	Tokmanni's measures	Further information in the report
	Reduce inequality within and among countries	<ul style="list-style-type: none"> • Endeavouring to pay a living wage throughout the supply chain • Preventing discrimination throughout the value chain • Allowing trade unions in private label supply chains • Training of own employees • Offering affordable products 	Strategy Fair treatment Responsible sourcing and products
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> • Responsible sourcing (incl. eg. traceability) • Special requirements of risk products • Use of standards and certifications • Energy and material efficiency of products • Reduction of packaging materials • Ending the use of HFCs • Reduction, reuse and recycling of waste • Increasing consumers' knowledge of responsibility 	Efficient use of resources Responsible sourcing and products Ethical marketing
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> • Reducing climate change risks in the supply chain • Reducing energy consumption • Improving energy efficiency • Using renewable energy • Obtaining renewable energy certificates • Offering customers energy efficient products 	Efficient use of resources



Sustainable development goal	Explanation	Tokmanni's measures	Further information in the report
	Conserve and sustainably use the oceans, seas and marine resources	<ul style="list-style-type: none"> Responsible sourcing Sourcing responsible sea transport services Offering fewer plastic bags to customers 	Efficient use of resources Responsible sourcing and products
	Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss	<ul style="list-style-type: none"> Sourcing of certified products Improving packaging efficiency 	Responsible sourcing and products Ethical marketing
	Promote just, peaceful and inclusive societies	<ul style="list-style-type: none"> Improving the traceability of products and ensuring the responsibility of the supply chain Publicising human rights principles No discrimination Preventing crime (eg. shoplifting) Preventing corruption throughout the value chain 	Values and Code of Conduct Fair treatment Responsible sourcing and products
	Revitalise the global partnership for sustainable development	<ul style="list-style-type: none"> Foreign trade Integration of responsibility into business Cooperation with various parties to improve responsibility Development of indicators 	Strategy Cooperation with stakeholders



Management approach

Corporate responsibility is an integral part of Tokmanni's day-to-day business. The company's aim is to minimise business risks, make use of the opportunities associated with these, and produce added value for stakeholders.

Compliance with legislative requirements and the principles of good governance are minimum requirements for all of Tokmanni's responsibility work. The operations accord with the provisions of the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the UN Global Compact.

The basis of corporate responsibility work at Tokmanni are the company's values and Code of Conduct, including the complementary principles, policies and instructions. Tokmanni's Code of Conduct and related principles have been approved by the Board of Directors. The policies and instructions have been approved by the Executive Group and the heads of department, respectively.

The CEO is ultimately responsible for Tokmanni's corporate responsibility matters. He reports these to the Board of Directors regularly. The Board of Directors deals with corporate responsibility matters if necessary, and the presentations and information produced by Tokmanni's responsibility experts

serve as support for the decision making. Responsibility for the operational management of the work lies with the company's CFO and Deputy CEO, who is a member of the Executive Group. The Head of Corporate Responsibility reports to the CFO and Deputy CEO. The Head of Corporate Responsibility leads the working group that consists of representatives of departments and the personnel, whose duty is to be responsible for reaching the company's corporate responsibility targets in the departments. It is the responsibility of everyone at Tokmanni to comply with the company's ethical guidelines and to minimise negative impacts on the environment and society in their own work.

In Tokmanni's responsibility work, material matters are themes that are important for stakeholders' decision making and business performance. These themes are business integrity, fair treatment, responsible sourcing and products, and efficient use of resources. Operational work is carried out in the company's various departments, for which goals have been set

The responsibility goals and actions are defined and achievements reported.

in the material aspects for responsibility and measures to reach these goals have been defined. The results concerning these goals will then be reported once a year and the operational indicators are monitored quarterly in the meetings of the steering groups. Targets are reported separately for each material area in this report.

Tokmanni's management systems are further described in Tokmanni's [Corporate Governance Statement](#). Corporate responsibility risk management is part of the company's risk management process. Tokmanni aims to follow precautionary principle in its operations. Management is constantly assessed at Tokmanni, and targets, resourcing and business practices are modified if necessary.



Managing material aspects

Material aspect	Main steering principles and policies	Targets 2017
Economic performance G4-EC1	Accounting principles International Financial Reporting Standards (IFRS), <u>Governance</u>	<u>Financial targets</u>
Employment G4-LA1, G4-LA2	Personnel policy	<u>Targets of Fair treatment</u>
Anti-corruption G4-SO4, G4-SO5	<u>Code of Conduct</u> , Anti-bribery principles, <u>Governance</u>	<u>Targets of Business integrity</u>
Privacy protection G4-PR8	<u>Code of Conduct</u> , Data protection principles, <u>Human rights principles</u>	<u>Targets of Business integrity</u>
Occupational health and safety G4-LA5, G4-LA6	<u>Code of Conduct</u> , Personnel policy, Operating plan for occupational health care cooperation, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Employee training and development G4-LA11	Training plan	<u>Targets of Fair treatment</u>
Equality in work and remuneration G4-LA4, G4-LA13	<u>Code of Conduct</u> , Personnel plan, Personnel policy, Equality plan, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Non-discrimination G4-LA12, G4-HR3	<u>Code of Conduct</u> , Equality plan, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Efficient use of materials G4-EN1	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>
Energy efficiency and emissions G4-EN3, G4-EN5, G4-EN15–G4-EN18	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>



Material aspect	Main steering principles and policies	Targets 2017
Efficient waste recycling G4-EN23	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>
Efficient logistics G4-EN30	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>
Responsible sourcing G4-LA14–G4-LA15, G4-HR11, G4-SO9	<u>Code of Conduct</u> , <u>BSCI's Code of Conduct</u> , <u>Principles of responsible sourcing</u> , <u>Guidelines for responsible sourcing</u> , <u>Human rights principles</u>	<u>Targets of Responsible sourcing</u>
Product safety G4-PR1–G4-PR2	Instructions of quality and packaging, <u>Human rights principles</u>	<u>Targets of Responsible products</u>
Appropriate labeling on products G4-PR3, G4-PR9	Instructions of quality and packaging	<u>Targets of Responsible products</u>
Responsible marketing G4-PR7	<u>Code of Conduct</u>	<u>Targets of Responsible products</u>



Business integrity

Responsibility towards customers, employees, investors and other stakeholders is a core principle in our business operations. We observe the relevant legislative requirements and the principles of good governance in everything we do. The company's operations are also governed by its ethical guidelines incorporating Tokmanni's Code of Conduct and the related principles, policies and instructions.





Key achievements 2016 and targets 2017

Key achievements 2016

The company's Code of Conduct is trained to Tokmanni employees.	●
Tokmanni has no cases of corruption.	●
Tokmanni has no privacy violations.	●
Tokmanni enhances consumers' ability to make educated buying decisions.	●



Key issues:

- Business integrity
- Anti-corruption
- Value adding
- Tax footprint
- Privacy
- Ethical marketing

Targets 2017

The company's Code of Conduct is trained to Tokmanni employees.
All messages sent to Tokmanni's grievance channel are managed properly.
Tokmanni will not have any cases of corruption.
Tokmanni will be not have privacy violations.
There will be no remarks from authorities related to marketing in Tokmanni.



Ethical guidelines

Tokmanni's ethical guidelines are built on three levels. The Code of Conduct guides everyone at Tokmanni in their daily work and decision-making. Under the key elements of the Code of Conduct are more detailed principles, which deal with topics such as prevention of corruption and human rights. In addition, Tokmanni has instructions for conducting everyday matters. These guidelines must be complied with in all operations. The guidelines are available in Finnish and English in Tokmanni's intranet. The Code of Conduct is also available on the external website, and as a printed version in Finnish for Tokmanni's employees.

Tokmanni employees and the members of the Board of Directors have received training on Tokmanni's Code of Conduct and have committed to comply with it. New employees and those returning from longer periods of leave participate in the training as part of their own orientation

programme. Everyone at Tokmanni is obliged to observe the guidelines, ask questions and report violations of the guidelines.

Everyone is also obliged to inform their supervisors or the Compliance unit of good practices. The Compliance unit can be informed via the 'whistleblowing channel', which is presented as part of the training on the Code of Conduct. The channel is continuously open for Tokmanni's stakeholders, too, and notifications can also be made anonymously. Notifications received in the channel are processed confidentially as required in data protection legislation.

Compliance unit

The Compliance unit is responsible for Tokmanni's compliance function. The Compliance unit is headed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer and also regularly informs the Board of Directors. In addition to the Chief

Code of Conduct tells the rules of the game, e.g.

- We treat everyone equally and without discrimination
- We minimise accidents at work
- We obey laws and regulations
- We do not bribe
- We protect sensitive business information and company assets
- We respect privacy
- We support fair competition
- We minimise environmental impact
- We require responsible production of our products
- We communicate transparently and reliably



Compliance Officer, the Compliance unit includes three Compliance Officers, each of whom has a specific area of responsibility. The Compliance Officers answer queries concerning their area of responsibility and update the principles and instructions that are their responsibility.

The Compliance unit handles notifications concerning financial wrongdoings received via the whistleblowing channel or otherwise, and actions that violate Tokmanni's Code of Conduct, and imposes potential

sanctions. The Compliance unit convenes monthly but handles pressing matters immediately.

The whistleblowing channel was opened in September 2015. In 2016, there have been 12 notifications received of which one is still in process. Half of the notifications are related to ill-treatment. Users' satisfaction with the channel has not been studied yet.



Read more:

www.tokmanni.fi/business-integrity



Anti-corruption campaign intensifying in China

Leo Ding, Purchasing Manager, Tokmanni's office in Shanghai



How is corruption regarded in China?

There has been a considerable increase in anti-corruption legislation and activities during Zhu Rongji's time as Prime Minister. Civil servants have been dismissed and severely punished for corruption, misconduct and for providing relatives and friends with privileges. Several multinational businesses have been taken to court for corruption, especially pharmaceutical companies.



How does Tokmanni combat corruption?







Tokmanni has a zero tolerance policy regarding corruption and strict anti-corruption principles which its employees are trained in. Tokmanni's sourcing tool prevents bribery, and checks are made on suppliers' backgrounds with risk assessments and due diligence. Lack of transparency makes it harder to prevent corruption. It is often difficult to extract information from the supply chain, and challenges are posed by cultural differences in the giving of gifts. Clear tools and processes help to solve challenges.



Generating and distributing direct added financial value

Tokmanni is committed to profitable growth and developing competitiveness. The company develops its business in a responsible manner, which supports its ability to care for its employees, assets and customers' needs responsibly. Tokmanni reports transparently on its business operations, financial development, and direct and indirect economic influencers.

Generating and distributing direct added financial value

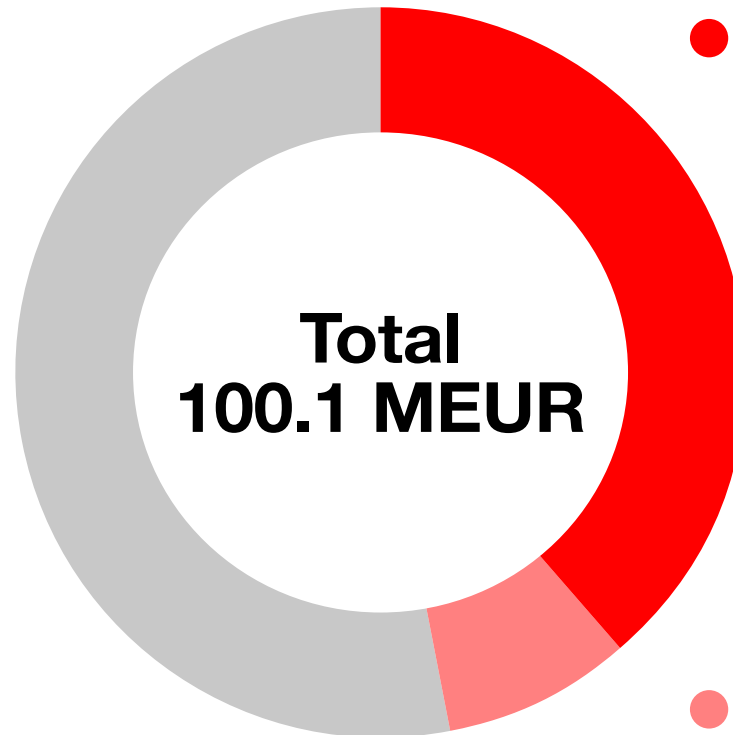
Stakeholder group	Added financial value	2016	2015
 Customers	Sales	779 MEUR	759 MEUR
 Suppliers and service providers	Purchasing	507 MEUR	-498 MEUR
	Added value produced	272 MEUR	261 MEUR
 Personnel	Wages and benefits	-96 MEUR	-92 MEUR
 Public sector	Taxes	-7 MEUR	-3 MEUR
 Creditors	Financial items	-15 MEUR	-21 MEUR
 Business development	Expenses related to the development of operations	127 MEUR	-132 MEUR
	Earnings retained	27 MEUR	15 MEUR



Tax footprint

Indirect taxes 52.9 MEUR

- Value added tax	45.5
- Excise duty	2.0
- Import customs duties	3.3
- Electricity tax	2.0
- Insurance premium tax	0.1



Withholdings and employer contributions 38.7 MEUR

- Remitted withholdings from salaries	14.0
- Employer pension insurance payments	23.1
- Employer social security payments	1.6

Income and capital taxes 8.5 MEUR

- Corporate income tax	7.3
- Property tax	1.2



Privacy protection

The company's aim is that its systems and registers have no actual or suspected cases of infringement of privacy protection.

Tokmanni complies with all laws and regulations related to privacy protection. In order to ensure its systems and registers have no actual or suspected cases of infringement of privacy protection, compliance with data protection principles is monitored at Tokmanni, and technical systems are kept up to date. The personnel are also informed about and trained in information security matters.

Tokmanni is a PCI DSS audited company and meets the requirements of the International Payment Card Industry Data Security Standard. PCI DSS applies to all people who process payment card data. As a result of the audit, Tokmanni has received a Report on Compliance and an Attestation of Compliance.

Tokmanni did not receive any complaints about breaches of privacy protection or of lost customer data in 2016.

0 complaints about breaches of privacy or of lost customer data in 2016.



Ethical marketing

Tokmanni wants its marketing to be ethical, clear and easy-to-understand.

Tokmanni complies with the relevant legislation and regulations in its marketing. The goal is also to present product prices clearly, unambiguously and in a way that is easy for consumers to understand.

No submissions were made to the Council of Ethics in Advertising in 2016 concerning Tokmanni's advertising. Tokmanni received seven complaints from Regional State Administrative Agencies in its stores. Three of these concerned price labelling, two discounts and two visibility of permits. The complaints concerned inadequate or incorrect price labelling in stores and this has now been corrected.

In September 2016 Tokmanni opened a new store in Ruoholahti in Helsinki. At the store's opening event, special offers were advertised by stating the product's normal price together with the offer price. This caught the attention of the Consumer Ombudsman and Tokmanni was asked to provide an explanation. Tokmanni provided an explanation

and informed the Consumer Ombudsman that it would change the methods that it uses in the marketing of store openings to conform with Chapter 2 Section 11 of the Consumer Protection Act, and that it would no longer use the discount percentage in adverts publicising the opening of a new store.

In March 2016 Tokmanni organised a responsibility day for its personnel. Ethical marketing was part of the programme and a representative of the Consumers' Union of Finland gave a talk on the subject. The sourcing, marketing and sales organisations participated in the responsibility day.

Tokmanni aims to cooperate only with responsible partners. During the second half of 2016, all marketing partners committed to observing Tokmanni's Code of Conduct. From now on these guidelines will be attached to all cooperation agreements.

**Goal for 2017:
zero complaints for
unethical marketing.**



Fair treatment

Tokmanni generates enterprise value by engaging in responsible operations, utilising the diversity of its personnel and enhancing their expertise. An open and fair corporate culture that respects all personnel is essential for conducting successful and sustainable business activities. With fair and effective personnel management Tokmanni is able to reduce its business risks, exploit business opportunities, increase its enterprise value and generate added value for its stakeholders. The company continuously monitors the standard of supervision, the implementation of good management practices and the quality of working atmosphere and equal treatment.



Key achievements 2016 and targets 2017

Key achievements 2016

Tokmanni builds an operating culture that is fair, based on trust and supports the wellbeing of all employees. ●

Tokmanni has motivated and committed personnel that value the customer, and also value their own work, their employer and are responsible performers. ●

Tokmanni is a diverse company in which equal treatment is ensured for everyone. ●

Tokmanni's supervisors are trained in a long-term coaching programme that incorporates tools and practices for fair management and leadership. ●



Key issues:

- Committed personnel
- Equal treatment and diversity
- Employee training and development
- Occupational health and safety

Targets 2017

Tokmanni has an equality and diversity programme to monitor the development of a diverse work community. The programme ensures that personnel are treated equally and respectfully throughout their employment.

All employees receive the appropriate induction to their work and they are all ensured the coaching or training required for their duties.

Tokmanni looks after the occupational wellbeing of its employees with coaching-based supervisory work and working capacity management based on common procedures. The aim is for work to be carried out safely at the workplace and to ensure that personnel are healthy when they reach retirement age.

Committed personnel

Tokmanni employs more than 3,200 people across Finland. The personnel is motivated and committed and forms the basis of Tokmanni's business.

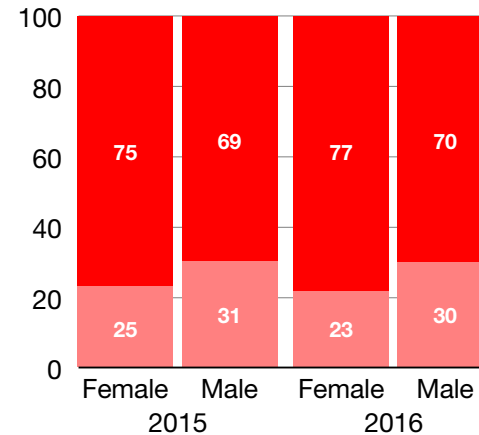
At the end of 2016 Tokmanni had a total of 3,224 employees. The average number of Tokmanni personnel in 2016 was 3,209. The figure reported includes those who were on periods of absence from the workplace (e.g. on maternity, paternity, parental, child-care, study and job alternation leave). On average, the number of people on periods of absence at any one time was 180.

Permanent and long-lasting employments

At the end of 2016, 76 per cent of Tokmanni's total workforce were in permanent employment and 24 per cent in fixed-term employment. Full-time employees accounted for 35 per cent, and part-time employees for 65 per cent, of all personnel. Due to the requirements of the busiest periods in the retail sector, the majority of the part-time employees are cashiers.

The number of permanent employees starting at Tokmanni was 235, and

Permanent and fixed-term employments, %

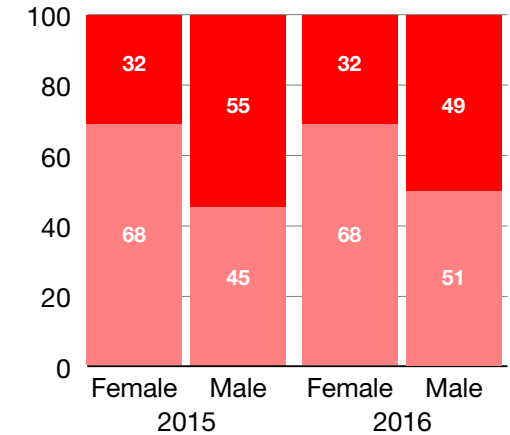


- Permanent employments
- Fixed-term employments

Total permanent 2,440 (2,424)
Total fixed-term 784 (869)

All employments at the end of year included.

Full-time and part-time employees, %



- Full-time employments
- Part-time employments

Total full-time 1,137 (1,203)
Total part-time 2,087 (2,090)

All employments at the end of year included.



the number of permanent employees departing the company during the year was 199. The turnover of permanent employee arrivals during the reporting period was ten per cent, and the corresponding departure turnover was eight per cent. The turnover figures do not include employees leaving because of retirement. 132 employees were rewarded for 10, 20 and 30 years of service in Tokmanni in 2016. In the end of the year the average service years of the permanent employees was 9.2 years and the share of employees with more than 10 service years 36 per cent.

Minor use of agency workers

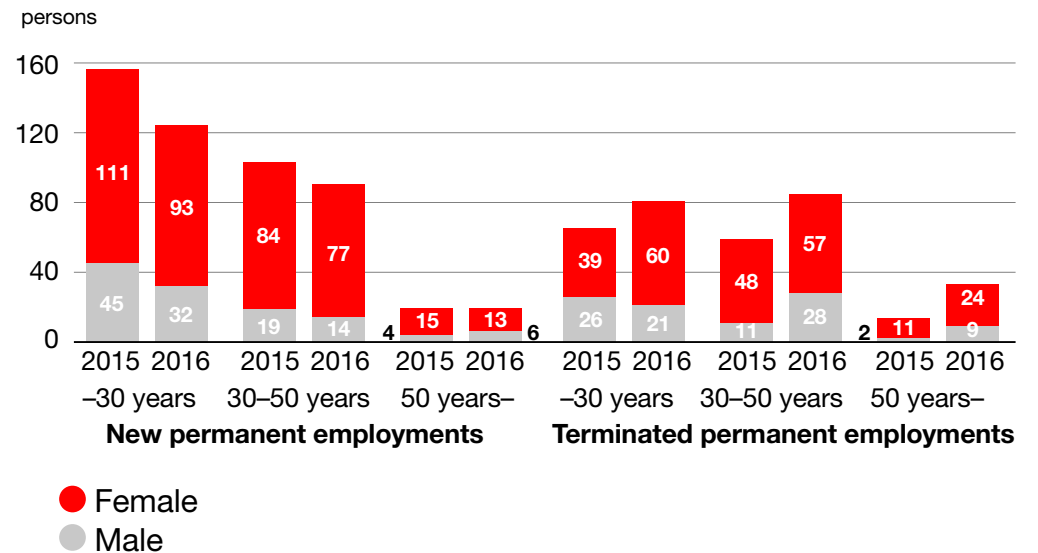
Tokmanni's use of agency workers is minor. In 2016 Tokmanni started closer cooperation with Barona Logistics, and in order to optimise the use of resources, 35 dispatch function employees were outsourced to Barona logistics. Almost all of this employees continued to work in Tokmanni Mäntsälä logistics center. The costs of using agency workers accounted for 3.4 per cent of all wages and

salaries paid in 2016. The numbers of agency workers used are not reported. Extra work is always offered first to the company's own part-time employees. Each year, Tokmanni also employs about 1,000 fixed-term seasonal helpers for the needs of the store network during the summer and Christmas periods.

Collective agreements

Tokmanni observes all the provisions of the code termination legislation (the Act on Co-operation within Undertakings) and those set out in collective agreements (the Finnish retail sector collective agreement), including the legal provisions and notification times concerning reorganisations. All personnel groups except for the management and senior salaried employees are covered by the Finnish retail sector collective agreement. Tokmanni's management and senior salaried employees accounted for 1.6 per cent of the company's personnel at the end of 2016. These two personnel groups normally also follow the terms of the retail sector collective agreement.

New permanent employments and terminated permanent employments by gender and age, persons



Total new permanent employments 235 and total terminated permanent employments 199.

The figures do not include retired people.



Equal treatment and diversity

Tokmanni aims to ensure diversity and equal treatment in all tasks and remuneration, and to guarantee non-discrimination in all of the company's workplaces.

Equitable benefits

Tokmanni's personnel enjoy extensive personnel benefits, and the same benefits apply to both permanent and fixed-term employees, regardless of the nature of the employment relationship and the hours contracted. The Executive Group determines the personnel benefits each year.

In addition to the statutory benefits, other benefits include a diversity of purchasing benefits, funding for Christmas parties and recreational activities, and fitness and culture vouchers partially paid by the employer. Tokmanni also gives its staff gifts at Christmas and on significant birthdays (50th and 60th), rewards for long service (10, 20 and 30 years of service) and a thank-you for those retiring. The occupational health service provided to staff is also more extensive than the statutory minimum, as it includes a general practitioner service.

Incentives for work

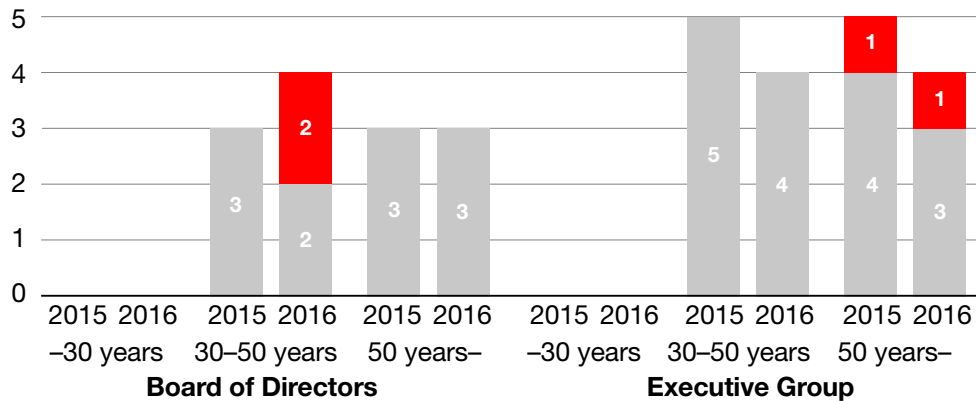
Tokmanni operates an incentive pay scheme for all personnel, with the exception of the warehouse, where a productivity bonus system is applied. The incentive bonus is given if there is an improvement in Tokmanni's EBITDA. The bonus is determined on the basis of the net result and the organisational or personal indicators that have been established. The review and payment are made every six months. The amount of the productivity bonus paid is determined by the productivity of the warehouse and by personal performance. The productivity bonus is paid monthly.

Tokmanni's aim is a diverse work community in which equal treatment is ensured for everyone from the recruitment phase onwards.



Age and gender distribution, Board of Directors and Executive Group

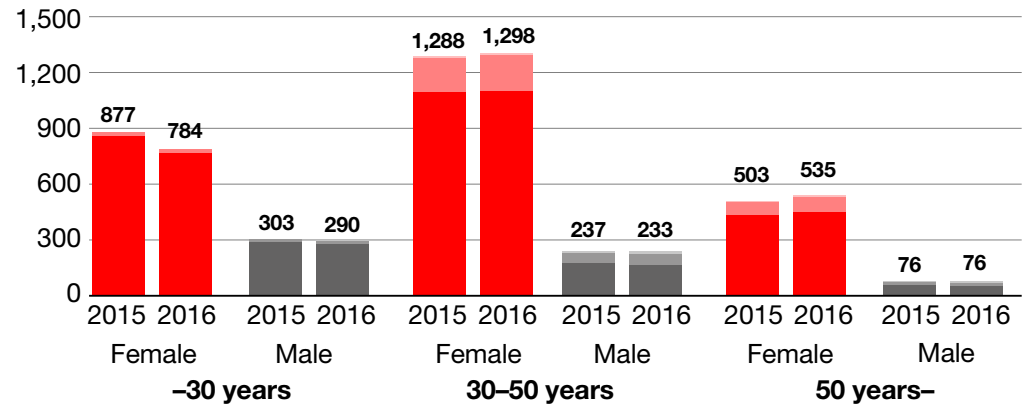
persons



● Female
● Male

Age and gender distribution, employees

persons



● Female
● Male

● Senior salaried personnel
● Office personnel
● Employees

Total 3 224 (3,293) persons. The calculations include all employments at the end of year.



The amount paid in incentive cash rewards and productivity bonus for 2016 was approximately EUR 960,000.

A few members of Tokmanni management and senior salaried personnel also have employer-paid voluntary insurance arrangements, most of which have been transferred to Tokmanni in association with the corporate acquisitions made.

Diversity and equal opportunity

Tokmanni aims to establish operating practices and conditions in which all employees see that they are in an equal and comparable position in relation to colleagues.

Tokmanni's personnel groups are as follows:

- Management: members of the Executive Group
- Senior salaried personnel: separately designated experts
- Office personnel: head office staff and store managers
- Employees: store and warehouse employees

The average age of the company's personnel at the end of 2016 was 38 years. The Board of Directors had seven members in 2016, out of whom two were females. In 2016, two members left the Executive Group and one member was replaced due to retirement. The number of members of the Executive Group in the end of 2016 was eight, one of whom was female.

Tokmanni is not reporting minority groups or other diversity factors (e.g. origin, ethnic background, religion).

The majority, about 85 per cent, of Tokmanni's personnel are directly covered by the pay schedule of the Finnish retail sector collective agreement, which has equality-based pay schedules. The basic pay and other remuneration of the management and senior salaried personnel are determined by the post and the nature of the work, and also on the basis of experience, skills and performance. So far, differences in the pay and other remuneration received by females and by males cannot be compared because of the extent of the tasks, the different demands and the diversity of

tasks. A competence classification for duties was launched in 2016. The aim of this is to determine whether there is equality in remuneration and to ensure equality in remuneration.

Improving job satisfaction

Job satisfaction among Tokmanni's personnel is surveyed annually. The survey focuses on factors such as equality, working atmosphere, supervision and development of fair management. Areas for improvement are selected each year in the different parts of the company, and these are monitored on a regular basis. The next survey will be carried out at the beginning of 2017.

Discrimination prohibited

Tokmanni's aim is a diverse work community in which equal treatment is ensured for everyone from the recruitment phase onwards. The company has established procedures for handling cases of inappropriate treatment and for preventing such occurrences. The guidelines state that intervention must be made immediately in cases of inappropriate treatment.

When employees are unsure of how to interpret Tokmanni's Code of Conduct or about personnel matters, they can contact the Compliance unit.

There were no discrimination cases at Tokmanni in 2016.



CASE



Diverse personnel is a strength

Sirpa Huuskonen, HR Director, Tokmanni



What is diversity?

The diversity of personnel means individual differences that result from sex, age, ethnic background, skills, training, social status, disability, sexual orientation and life situation, for example.



How is diversity developed at Tokmanni?

Tokmanni aims to ensure that personnel processes and management practices support the diversity of personnel, equal opportunities and equality. Tokmanni is a signatory of the FIBS Diversity Charter, and in 2016 it participated in FIBS's work to develop responsibility and diversity management evaluation practices. We aim to actively encourage different types of people to work for the company. We believe that a diverse personnel produces business benefits, such as increased innovativeness and the ability to serve an increasingly diverse customer base. We improve our management of occupational wellbeing in close cooperation with the employee pension company and occupational health service. The strengths of personnel change during the employment relationship, so job descriptions must be adapted, if necessary, as employees grow older.



How diverse is Tokmanni's personnel?

According to an assessment carried out in a FIBS project, expertise forms the basis of recruitment and career development at Tokmanni. Other factors do not have a conscious impact. Women currently make up the majority of Tokmanni's employees. The average age of an employee is about 38 years and employees are of different ages. Tokmanni employs a large number of young people, particularly for summer jobs and internships. Tokmanni aims to make it possible for employees to work until they reach retirement age. Tokmanni has a multicultural customer base so it pays increasing attention to employing a multicultural customer service staff.



How do you lead diverse teams?

At Tokmanni, Insight analyses are used to support leadership of diverse teams. These analyses show supervisors what kind of leadership each team member values, how team members' ways of working differ and whether the team is balanced in terms of its strengths or whether certain characteristics are overemphasised. When leading diverse teams, it is important to remember that irrespective of differences, all members have a need to be heard and feel like a valuable member of the working community. The team leader needs to focus also on the team's similar needs, not just their differences.



Employee training and development

Tokmanni's operations are based on a motivated and committed personnel who value the customer, their colleagues, their own work, their employer and contribute responsibly to the company's performance.

Constant development of expertise

Tokmanni focuses on the systematic development of the expertise of its personnel. The objective is to ensure the personnel's skills and the company's competitiveness.

Development opportunities and training are offered to the entire personnel. Tokmanni's in-house experts participate in the training development and improving personnel skills in collaboration with external training partners. Customer feedback and the needs discussed during personal appraisals have an impact on the emphasis of the training options.

The professional expertise of Tokmanni's personnel are developed through conventional and online training and in-service training, in all tasks. The personnel's online training opportunities are extended all the time.

Safety training and Tokmanni's online ethical guidelines training are compulsory for all of the company's personnel. Safety training is organised

regularly throughout the year as conventional training, and the online ethical guidelines training is taken at the start of employment.

Tokmanni offers its personnel regular training in employment legislation and collective agreement matters. Office personnel have the opportunity to improve their language skills during their working hours in conversation groups for people with different levels of language skills.

Sales skills were improved in 2016 by developing customer service skills and sales skills in particular.

All supervisors receive training

All supervisors are provided with training and coaching to enhance supervisory skills, focusing on coaching-based management, principles of supervision, employment contract matters and managing working capacity. New supervisors are also given training in small groups. The company's Executive Group has been

Tokmanni employees were the first in Finland to complete the further qualification in immediate supervision.



also given training in the principles of coaching-based management.

In recent years, all supervisors have been trained in a long-term coaching programme that incorporates tools and practices for the fair management of employees. The management model emphasises the supervisor's role in producing results, building cooperation and managing change. In 2016 the coaching series was extended with a section on providing feedback, managing the customer experience and the atmosphere in the work community. About one third of supervisors have completed this training.

Vocational qualifications

At Tokmanni, training leading to a vocational qualification is a popular way to develop expertise in the retail and logistics fields. Development of vocational skills is constantly supported at Tokmanni with the aid of various apprenticeship training programmes. Every year around 100 Tokmanni employees study for a vocational qualification in business and administration and vocational or specialist qualifications in sales, logistics, immediate supervision, store management or management.

The Specialist Qualification in Management, a management development programme lasting 1.5 years, was completed in spring 2016. In the autumn, those employees studying for their vocational qualification in sales and immediate supervision completed their studies. Tokmanni employees were the first in Finland to complete the Further Qualification in immediate supervision.

Personal appraisals and performance assessments

Personal appraisals are held once a year at Tokmanni and all employees receive a personal appraisal. In fixed term contracts of less than 12 months, there is not always time to perform a personal appraisal, so a feedback discussion at the job orientation phase can be useful in these cases.

The personal appraisal focuses on the employee's work performance over the preceding period and sets goals for the coming period. It also includes a personal skills development plan and an assessment of supervision and team working.

CASE



Working in a shop and a great work atmosphere

Tina Stenman, Store Manager, Tokmanni



How has your career developed at Tokmanni?

I have worked in a shop for almost 40 years, and 20 of these have been at Tokmanni. During my career I have had several opportunities to develop. My most recent opportunity was being able to transfer to a store where I could select the employees. We have an amazing team spirit here. Tokmanni focuses on training its personnel. The regional managers' coaching-based management style helps us in our daily work.



What type of coaching have you been given most recently?

I participated in Vema 2, Tokmanni's own development programme for supervisors, which was fantastic. The Insights tool has stuck in my mind, among other things. The tool helps when giving feedback to various people. Vema has given us a great atmosphere at work again. You learn new things all the time in this job, even after 40 years. I get a great feeling of achievement when we succeed together as a team. I am a Tokmanni employee through and through, and I wouldn't change this job for anything.



Occupational health and safety

Tokmanni will be successful when its healthy and satisfied personnel conduct their work tasks safely.

Towards better health and job satisfaction

The purpose of working capacity management is to ensure the health, working capacity and safety of personnel. The goal of Tokmanni's working capacity management is to anticipate the occupational health risks of personnel, improve job satisfaction and lengthen careers. The average age of retirement at Tokmanni is 63.24 years. The average age of retirement in Finland was 61.1 years in 2015.

Industrial safety at Tokmanni is organised in compliance with the legislation. All of Tokmanni's personnel groups are represented on its industrial safety committee.

In 2016 new operating models for managing working capacity at

Tokmanni were created based on an internal assessment of risks and needs, and the development of standardised working capacity management practices was launched together with personnel and Tokmanni's occupational health care and insurance partners.

Flexible work for personnel with partial work capacity

Clear procedures were specified with occupational health care and insurance companies, targets were set and more accurate indicators were created for controlling expenditure on sickness absences and pensions. The aim of the cooperation is to refer Tokmanni employees with partial work capacity to rehabilitation at an even earlier stage than currently and then back to work. This will prevent premature applications for employment disability pensions.

The return to work of personnel with partial work capacity was also developed within the Group. From autumn 2016, a new Flexible Work

model was developed with various organisational levels. The aim of the model is to make it easier for personnel with partial work capacity to keep working. The model specifies the tasks in various organisations that are suitable for personnel with partial work capacity. In cooperation with the occupational health service, these can be used to create temporary job descriptions for personnel with partial work capacity.

Improving supervisors' working capacity management skills

Supervisors' working capacity management skills were improved during 2016. Tokmanni holds regional small group meetings attended by occupational health service representatives and store managers. The aim of these meetings is to improve store managers' working capacity management skills, increase cooperation between the occupational health service and supervisors, and use peer support to enhance supervisors' ability to cope. In

In 2017 Tokmanni intends to test out the online doctor services.

2017 these activities will be introduced throughout Finland and the meeting agendas will be standardised to include Tokmanni's working capacity management goals and themes for the coming year: supporting the work of personnel with partial work capacity, ergonomics at work and occupational safety.

During the autumn a separate supervisor training was started for the logistics centre warehouse's immediate supervisors in cooperation with the occupational health service. The warehouse's immediate supervisors, Tokmanni's working capacity manager and a team from the occupational health service meet once a month to discuss the challenges of working capacity management at the warehouse.



Working towards better occupational safety and ergonomics

At Tokmanni, most of the long-term sickness absences and applications for premature employment disability pensions are due to musculoskeletal disorders. Therefore, in 2017 Tokmanni's aim is to improve occupational ergonomics and safety practices. The goal is to work together with the occupational health service to train at the most of the store a member of staff who will be responsible for ergonomics and will include ergonomics in the orientation of new employees and the everyday work of the entire personnel. Tools that improve ergonomics will also be assessed and developed.

In 2016 the internal working capacity management risk assessment showed that Tokmanni still has room for improvement in its control of occupational accidents and near accidents. Occupational safety is an important focus area.

In 2017 Tokmanni will increase its cooperation between HR and

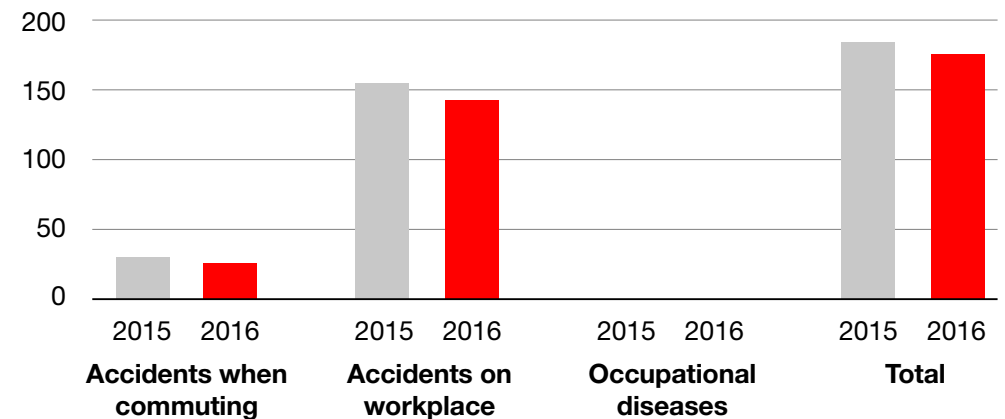
the occupational safety organisation. The aim is to raise the entire personnel's awareness of near accidents and learn about dangerous situations together.

Testing the online doctor in 2017

In 2017 Tokmanni intends to modernise sickness absence practices by testing out the online doctor services provided by the occupational health services. The new forms of service aim to provide health care that is more user friendly and to cut costs.

In 2017 the aim is to acquire an online working capacity management system for the Group. The system will provide a better overall picture of sickness absences and working capacity risks. This will improve the identification of individual working capacity risks, the planning of well-timed treatment and rehabilitation measures and the monitoring of the return to work.

Accident types



Accidents when commuting includes only accidents recorded in workplace safety insurance, meaning most commonly commuting between home and the workplace.

	2015	2016
Injury rate (IR)	42	38
Occupational diseases rate (ODR)	0	0
Absentee rate (AR)	5.6%	6%
Work related fatalities	0	0



Responsible sourcing and products

Responsible sourcing ensures that employees' basic rights are respected. These rights are based on, for example, the UN's International Bill of Human Rights and Convention on the Rights of the Child, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact.





Key achievements 2016 and targets 2017

Key achievements 2016

Tokmanni purchases products only from responsible suppliers, and in its sourcing agreements it requires the supply chain to be committed to responsible operations.



All products sold by Tokmanni are safe to use.



All products in Tokmanni's selection, and the labelling of these products, meet the legal requirements.



Key issues:

- Responsible sourcing
- Product responsibility

Targets 2017

Over 95% of purchases come from factories that have joined the BSCI initiative.

No serious human rights violations have been found in Tokmanni's supply chains.

No serious faults/accidents related to products sold by Tokmanni have been found.



Responsible sourcing

Member of the BSCI initiative

Responsibility is a key element of Tokmanni's sourcing process. Responsibility work is supported by Tokmanni's principles and guidelines for responsible sourcing that were completed in 2015. The implementation of these principles and guidelines was confirmed during 2016.

As a member of the Business Social Compliance Initiative (BSCI), Tokmanni is committed to complying with the BSCI Code of Conduct. The company also requires that its supplier factories are committed to operating in accordance with the BSCI Code of Conduct, and these suppliers must also demand the same from their own suppliers and producers.

Responsibility work focuses on risk countries

The supervision of responsibility focuses in particular on so-called risk countries, which according to the World Bank's classification have the greatest risk of labor and human rights violations. The primary focus is

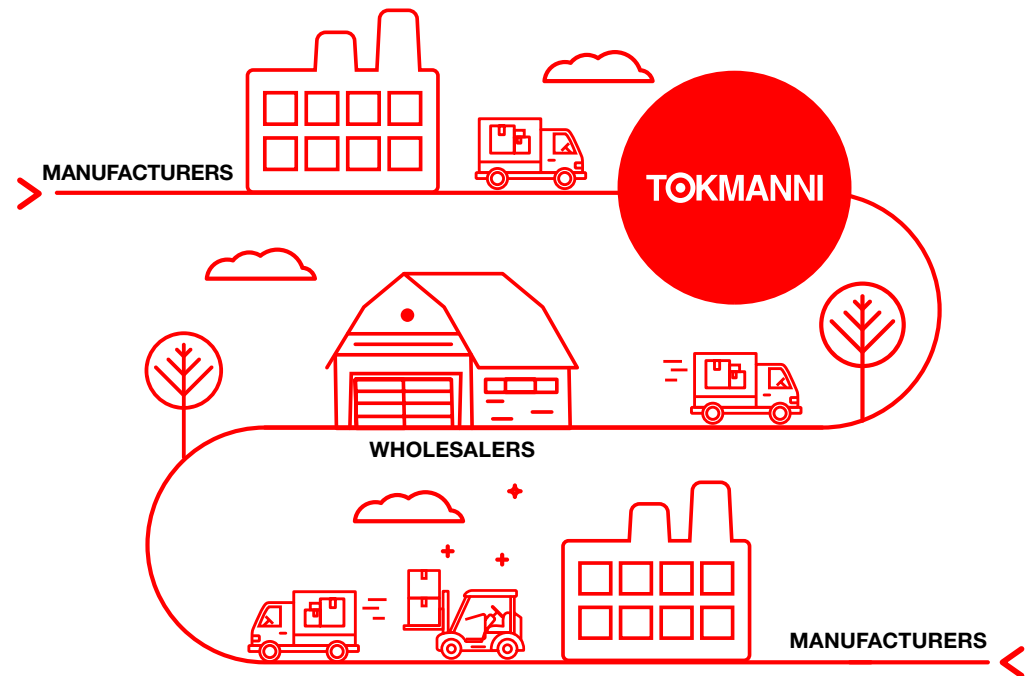
on suppliers within Tokmanni's more immediate sphere of influence, i.e. private label and exclusive distribution product suppliers. Tokmanni requires factories manufacturing these products in risk countries to be BSCI or SA8000 audited. Brand supplier factories are also required to give a commitment in their sourcing agreements that their production accords with the BSCI requirements. The assessment of responsibility begins at the supplier tendering stage, as responsibility issues are taken into account in the competitive bidding.

95% of risk country purchases from audited factories

Tokmanni's target during 2016 was to direct all direct sourcing from risk countries to suppliers using factories audited by BSCI or SA8000. Tokmanni succeeded well in this target: 95% of risk country purchases were made from audited factories. The challenge was that at some of

Tokmanni's sourcing

Direct sourcing



Third party sourcing



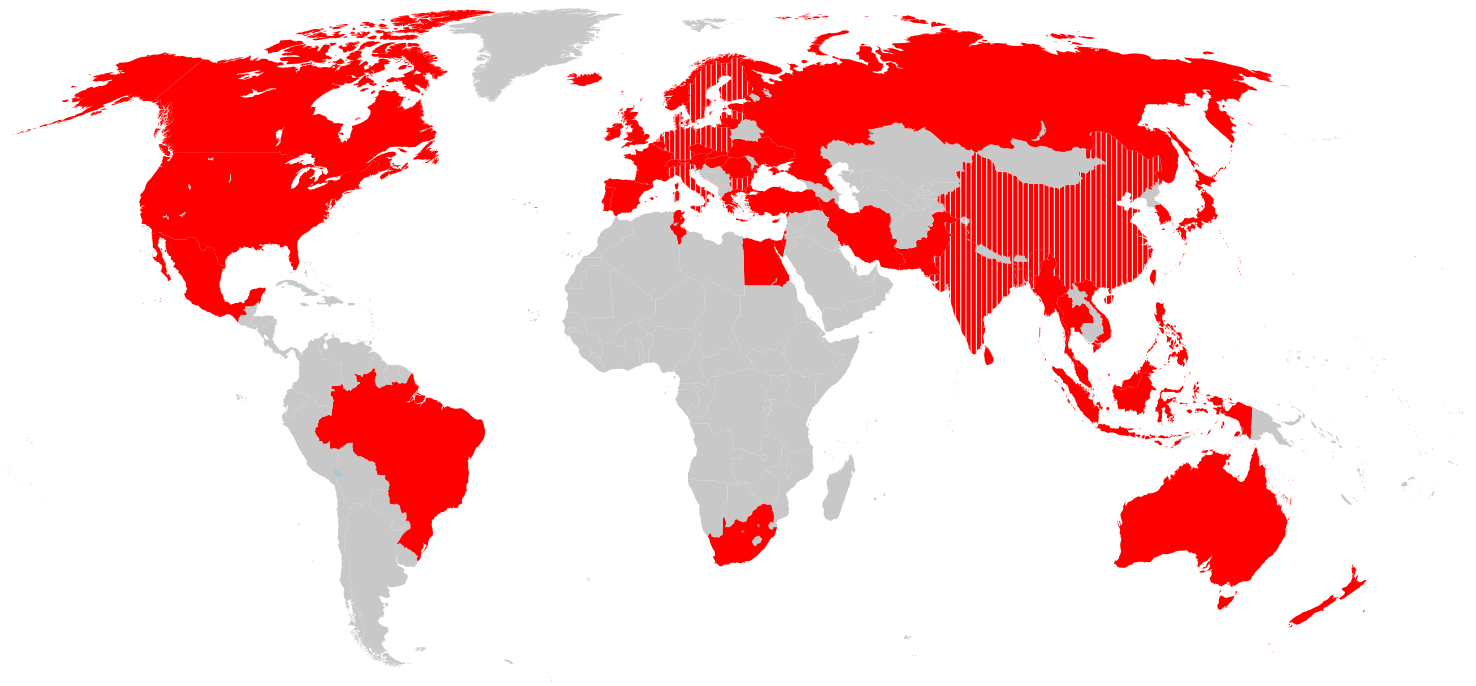
the suppliers' factories auditing is not renewed in time or at all if the cooperation is not continued for other commercial reasons. For this reason, the share of purchases from BSCI or SA8000 audited factories in risk countries is not likely to reach 100% in the reporting. Tokmanni constantly distributes information to its supplier factories on the BSCI initiative's principles, training and auditing, to encourage factories to renew their audits and to understand the benefits of responsibility from the perspective of the company and its employees.

Tokmanni continues to learn which countries its products come from

Another of Tokmanni's targets is to increase transparency in the supply chain by finding out which countries factories are located in also for suppliers outside risk countries and how the suppliers in these countries take responsibility issues into consideration in their production. 136 suppliers have responded to Tokmanni's enquiries and the investigation work will continue in 2017.

Country of origin of the products* sold by Tokmanni in 2016:

- 17% of the purchases from risk countries
- 95% of purchases from BSCI member factories



 Own audits in 2016

* Includes also other than private label products.



As part of the development of responsible sourcing, Tokmanni's procedures have been changed so that information regarding a products' country of origin is mandatory at the product establishment stage. This means that supervision of responsible sourcing can be better targeted on those products and suppliers with a greater risk of human rights violations in their manufacturing. Development of systems and processes will continue during 2017.

Monitoring responsibility with audits

The responsibility of Tokmanni's sourcing is monitored and developed with BSCI audits and Tokmanni's own audits. Tokmanni also approves SA8000 auditing.

Tokmanni receives a report of factories located in risk countries compiled by an auditing company approved by the BSCI, and a person in charge of responsible sourcing at Tokmanni discusses this report with a buyer and purchasing manager. The results of the BSCI audits are eval-

uated on a five-step scale from A to E. If the score is C, D or E, Tokmanni sends the supplier comments on the observed problems and asks the supplier to ensure that the problems are resolved. Some of the supplier factories in the BSCI database are Tokmanni's responsibility (Tokmanni is a RSP, i.e. a responsible company for suppliers). Tokmanni also requests concrete action plans including schedules for the resolving of observed problems from suppliers that are its responsibility.

In 2016, 452 BSCI audits were carried out at factories manufacturing Tokmanni's products. The majority of factories received the score "C acceptable". The validity period of the audit and the timetable for renewing the audit depend on the factory's score, so the figures only include the factories where audits were renewed during 2016. SA8000 auditing was also carried out at seven factories, and in these cases the score in BSCI systems is "Good".

In the BSCI audits most of the problems were found in the areas of

management systems, working hours, employee participation and awareness building.

Tokmanni also carries out its own audits at factories in risk countries and other countries of manufacture. The company's own audits are carried out particularly at the factories of potential new suppliers, and at any factories where BSCI audits have discovered significant problems. The audits focus on the problem areas described in the BSCI reports and investigate whether corrective measures have been taken. The audits also focus in particular on occupational safety and quality assurance. In 2016 Tokmanni carried out 113 own audits in Bangladesh, Bulgaria, China, Denmark, Finland, Germany, India, Italy, Latvia, Netherland, Poland and Sweden.

Suppliers must require any of their own subcontractors to comply with Tokmanni's ethical principles. In its sourcing agreements Tokmanni retains the right to examine a supplier's entire subcontracting chain if necessary.

Principles of responsible sourcing:

- NO child labour
- NO forced labour
- NO discrimination
- NO bribery
- Fair remuneration
- Decent working hours
- Occupational health and safety
- Special protection for young workers
- Compliance with laws and collective agreement
- The rights of freedom of association and collective bargaining
- Ethical business behaviour
- Protection of the environment



Developing responsible sourcing

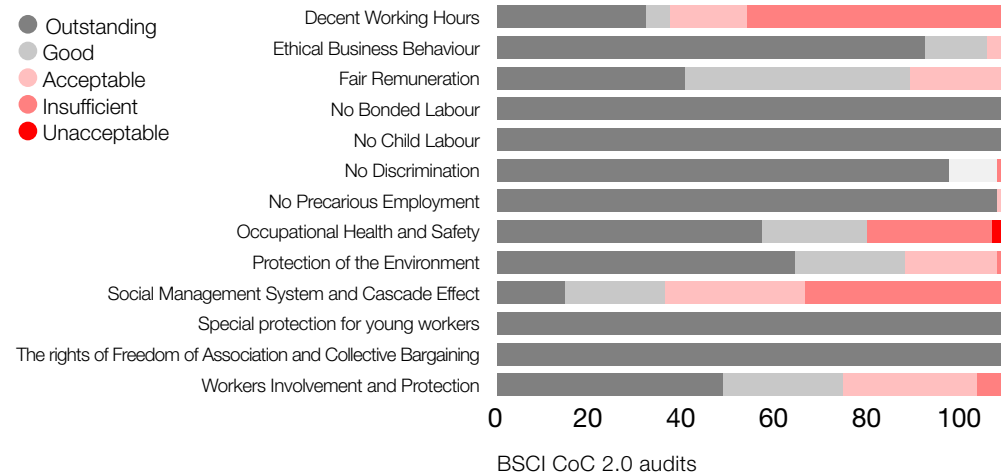
Tokmanni's employees that are in charge of responsible sourcing constantly participate in training and events arranged by the BSCI and other partners, such as the FIBS and TMA's responsibility working group, to further develop Tokmanni's responsible sourcing.

In 2016 Tokmanni increased its resources for monitoring the production chain in Bangladesh in particular. Tokmanni has drawn up a plan to reinforce monitoring of product quality, logistics and the supply chain, responsibility, and has also drawn up a third-party auditing company an agreement where these factors will be taken into account fully. Tokmanni will also continue to carry out its own audits.

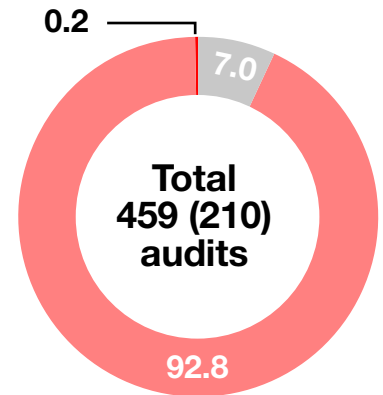
BSCI full audits 15.5.2015–5.1.2017



BSCI follow-up audits 15.5.2015–5.1.2017



BSCI and SA8000 audits 2016, %



- Good/A-B
- Improvements needed/C-D
- Non-Compliant/E



CASE

Cheap is not the opposite of responsible

Karri Pulli, Sourcing Director, Tokmanni

Q Can cheap also be responsible?

Low prices are often associated with lack of responsibility in sourcing chains. However, cheap is not synonymous with irresponsibility. Low prices can be achieved with many factors. For example, it can be achieved by reasonable prices with direct sourcing without intermediaries and large sourcing volumes. We have increased volumes, for example, with combined sourcing with the Norwegian company Europris. We can also keep prices low by selecting the best deal from those offered by similar suppliers, by creating long-term relationships with suppliers, with efficient category management, and, of course, with the negotiating skills of our buyers. Efficient category management also reduces waste.

Q How is responsibility ensured in sourcing?

Tokmanni ensures responsibility with a six-step sourcing model. Once we

have the product specification we look for potential suppliers. When the interested suppliers are registered in Tokmanni's system, we launch various background checks which naturally also cover responsibility. Tokmanni requires all of its private label supplier factories to be members of the BSCI and brand suppliers must display its required level in responsibility matters.

Q What is the purpose of responsible sourcing?

Responsibility is part of a careful buyer's procedures and Tokmanni's smart purchasing. In addition to price and responsibility, the sourcing criteria are quality and delivery reliability and also that a product meets Tokmanni's requirements. In long supply chains, the price paid for a product must be shared between many participants, e.g. in the form of taxes. Tokmanni's aim is to ensure that the employees at the beginning of supply chains also have a good life and employment.



Product responsibility

Product safety is one of Tokmanni's main responsibility themes. Tokmanni aims to ensure that the products it sells are safe to use. The company ensures product safety, responsibility and duty of care by conducting self-supervision, visiting suppliers and by carrying out product testing itself or commissioning this from third parties.

Tokmanni is responsible for the safety and quality of the products it sells

From a product safety view point, Tokmanni not only sells products but is also a product distributor, importer and manufacturer. Tokmanni acts in the capacity of manufacturer for products placed on the market under its private labels, even though the products may be manufactured by other parties. The company is responsible for the product safety including regulatory compliance, documentation and labelling of its private label products. Product safety is ensured by checking documentation, manufacturing quality controls, by inspecting consignments prior to delivery, and through third-party testing and self-supervision inspections in Finland.

Responsibility of the importer

Besides its private label products, Tokmanni imports various goods and branded products from manufacturers

outside the EU. For these products Tokmanni bears the importer's responsibilities, which include various requirements that are comparable to the manufacturer's obligations. Tokmanni demands a high standard of product safety, security documents in accordance with the type of product and the product label in accordance with Finnish laws from all the products it imports. Tokmanni ensures the fulfilment of its obligations by for example contractual means and product and documentation inspections.

Responsibility of the distributor

Tokmanni also acts as distributor for a large number of products. These products include all consumer goods imported from the EU, except Tokmanni's private label products. Tokmanni must comply with the relevant due diligence principle and be able to identify the different product group requirements in regard to product labelling and compliance

All the non-conformities in product safety and quality of experience are sought to be prevented.



requirements, for example. Correspondingly, Tokmanni imposes requirements on its suppliers concerning the need for a high standard of product safety, and through contractual means and random self-supervision inspections the company ensures that it fulfils its obligations.

Product safety as a goal

The aim in 2016 has been to improve the product safety and product and quality of experience of private label products, licensed products and products imported by the company. The indicator used in this assessment is the number of instances of non-compliance for these product types.

The number of non-compliances in 2016 was 27. The most significant cases were due to the quality of the product in use deviating from the product specification. The number of cases has increased compared to the previous year primarily because of the changed method of calculation.

Now group packaging is calculated by single products.

Inspected, controlled and safe products

Tokmanni does risk-based self-supervision for its private labels and imported products. The risk classification of self-supervision is done by product type taking into account each product group's requirements.

For products subject to special legislation risk assessment has been done product by product by extension. The supervision is done in the country of origin, logistics centre and in stores. Products are put through technical product inspections, consignment inspections and risk based self-supervision inspections. These tests and measures are aimed at ensuring consumer safety and identifying non-conformities at the earliest possible stage.

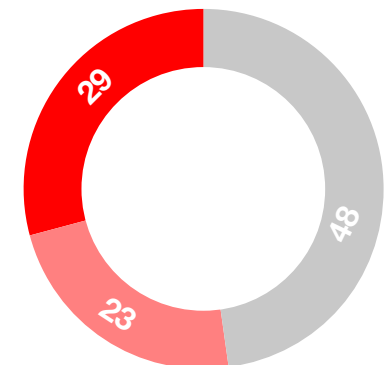
All the non-conformities in product safety and quality of experience are sought to be prevented before

Tokmanni imported or private label products are introduced. Non-conformities are prevented with product quality and documentation inspections, where compliance and appropriateness for the Finnish market are ensured.

Prohibition on the sale of products, self-supervision and product testing

In 2016 Tokmanni imposed a prohibition on the sale of two of its private label products. Deficiencies were detected in the splash guarding of one product, and in another product the frost resistance was not at the statutory level. The products were not recalled from consumers because no direct danger was posed to their life, health or property. In addition, in 2016, as a Finnish retailer, Tokmanni also imposed a national prohibition on the sale of two products. A sales prohibition was issued for one of these products as its transformer did not fulfil the set requirements, and for another as

Purchases by risk level (received purchases in 2016), %



- High risk
- Medium risk
- Low risk

The risk rating of Tokmanni's self control is done by risk evaluation of every product or product type. Risk evaluation of a certain product or a product type is based on the amount of special demands, special legal requirements, safety standards, packaging label requirements and product safety exceptions found to this product from registers of domestic or international market surveillance.



the strength of its seams was insufficient for an inflatable product.

During 2016 Tokmanni reviewed or renewed the labelling of 1,394 private label products. 922 products were inspected in Tokmanni's self-supervision, and third-party product testing was carried out on 95 products in 2016. A total of 135 titles were subject to a recall or prohibition on sale at Tokmanni in 2016. In 29 of these cases, the sales prohibition or recall was due to defective package labelling. Two of the above mentioned were Tokmanni's private label products. No financial penalties were imposed on Tokmanni in 2016 for violations of legislation and regulations concerning products and services.

Legislative amendments improve product safety

Tokmanni is constantly monitoring the changing legislation to ensure product safety. Its quality assurance routines also include keeping up-to-date with information in the

national Market Surveillance Register (Marek) and the EU's RAPEX rapid alert system for product defect notifications. Any non-conformities that are revealed in national or EU monitoring are taken into account in Tokmanni's self-supervision.

Application of the new Low Voltage, EMC, and Radio and Tele Terminal Equipment Directives was started in 2016. Tokmanni has ensured that the required documents are updated in accordance with the new directives.

The changes to food packaging labelling required by the EU regulation on the provision of food information to consumers were continued. A new national regulation regarding new levels of salt content for certain foods entered into force. These foods must now be labelled as having a high salt content. The package labelling of some of Tokmanni's private label products was updated on account of these changes in regulations.

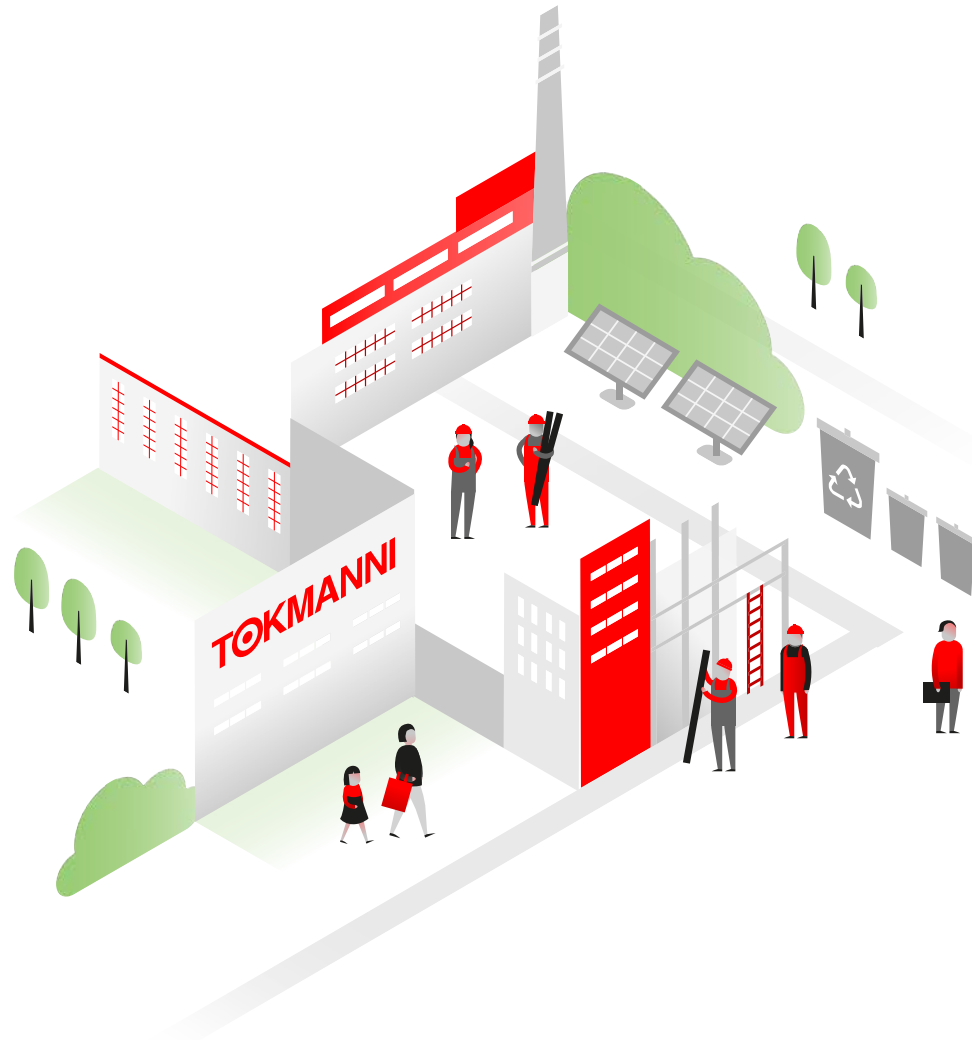
After 13 December 2016, a nutrition declaration will be required for almost all packaged foods. The only foods that are not required to have a declaration are, for example, unprocessed products made from one ingredient, and flavourings and drinking water.

The changes in legislation in 2016 also included a new regulation on personal protective equipment that replaces the old personal protective equipment directive. The application of the regulation will begin in 2018.



Efficient use of resources

Tokmanni implements a range of measures that aim to achieve more resource-efficient business. The company is constantly examining new opportunities to make use of alternative energy forms and energy-saving equipment, and it is working towards a more environmentally sound logistics system. The company also continuously monitors the amount of waste generated at its warehouse and in its stores, and is actively improving its waste recycling.





Key achievements 2016 and targets 2017

Key achievements 2016

Tokmanni will strive for optimum energy and materials efficiency.



Tokmanni will increase its use of renewable energy.



Tokmanni will reduce its landfill waste (waste for incineration).



Key issues:

- Energy efficient business
- Environmentally sound logistics
- Resource efficiency

Targets 2017

Reduction of properties' location based carbon dioxide emissions (Scope 1 and 2) by eight per cent.

Greenhouse gas emissions from transport at 2015 level in relation to net sales.

Increasing the waste recovery rate to 100 per cent.



Energy efficient business

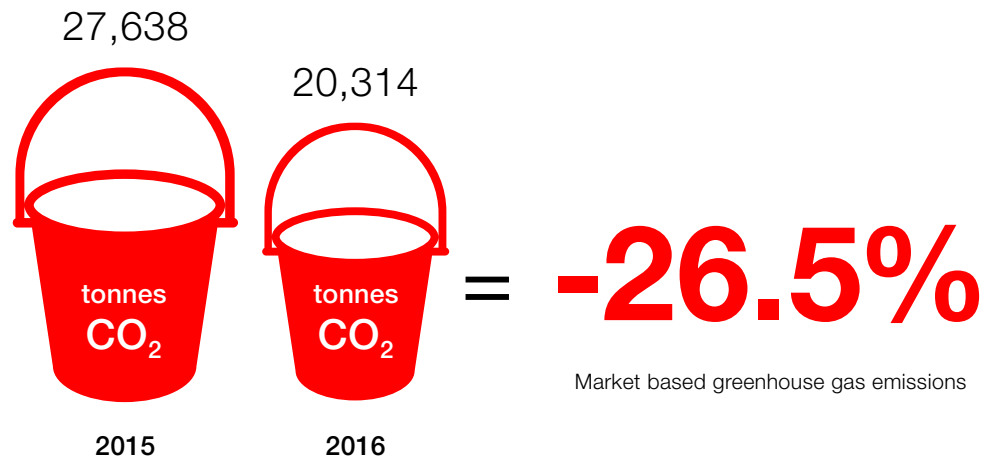
The main focus of Tokmanni's climate strategy is to reduce the energy consumption and carbon dioxide emissions of its properties. The target is to achieve carbon neutrality regarding its properties, air travel and leasing cars by 2030.

Aiming for reduction in carbon dioxide emissions

Mitigation of climate change and reduction of climate impacts are among the most important areas of corporate responsibility at Tokmanni. Reduction of energy consumption and carbon dioxide emissions support Tokmanni's business strategy objectives and improves profitability, as reducing energy consumption lowers costs. The use of renewable energy can have a positive impact on Tokmanni's reputation and improve energy self-sufficiency. Climate matters are also associated with business risks, such as interruption of operations caused by weather conditions and risk to reputation, which Tokmanni seeks to minimise.

The majority of the climate impacts during the lifecycle of Tokmanni's products arise during the manufacturing and use of the products. The company has limited opportunities to affect these impacts and their measurement is challenging. This is also partly the case for transport.

Carbon footprint



The main focus of Tokmanni's climate strategy in the coming year is to reduce the energy consumption and carbon dioxide emissions of its properties. Tokmanni's goal is to achieve carbon neutrality regarding the emissions of its properties, air travel and leasing cars by 2030.

The goal will be achieved by

- reducing energy consumption and improving energy efficiency
- using renewable energy
- acquiring renewable energy certificates
- offsetting the emissions caused by air travel

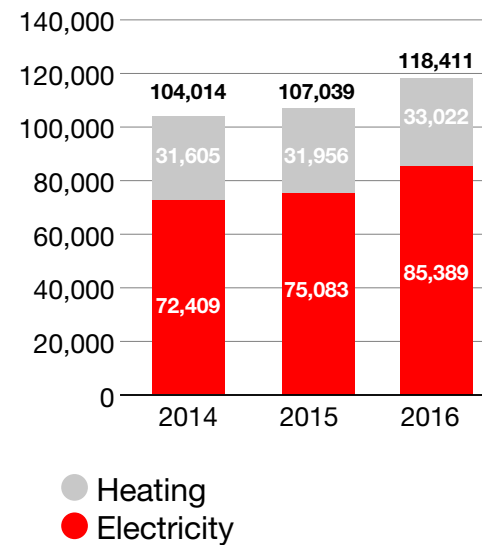


Monitoring and remote management reduce electricity consumption

Electricity consumption and heating are Tokmanni's main climate impact factors. Thus, Tokmanni's measures taken to curb energy consumption focus particularly on its real estates of which energy solutions it has control over. The energy solutions at the logistics centre are under Tokmanni's control. In addition to Mäntsälä, about 43 per cent of the number of store properties and about 69 per cent of the Group's total energy consumption are under Tokmanni's control. The other stores are located in commercial or shopping centres, and Tokmanni has no direct influence over the energy solutions at these stores.

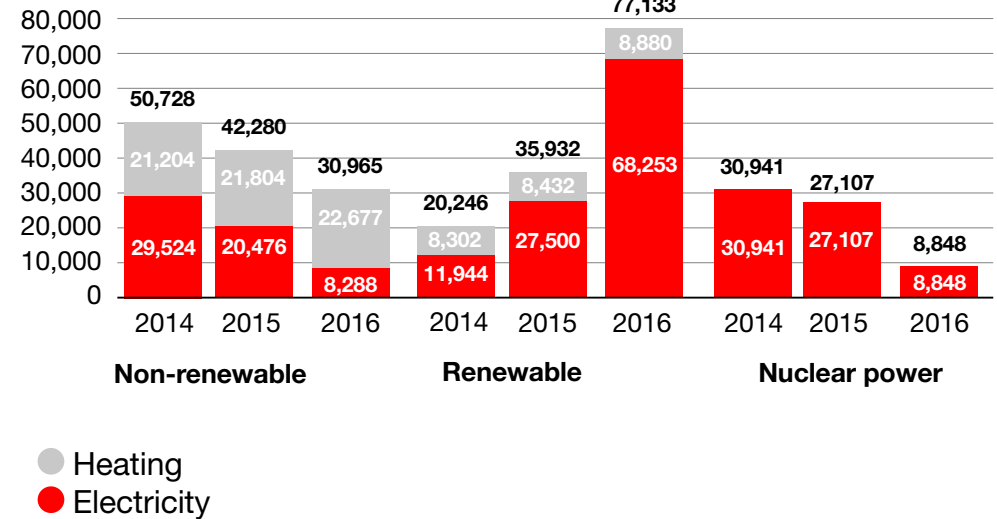
The biggest consumers of electricity in the properties are lighting, ventilation and cooling. Measures taken to reduce energy consumption and the associated emissions focus particularly on remote management of automation systems in properties,

Total energy consumption, MWh



The figures include both measured and estimated consumption.

Consumption of purchased energy, MWh



The figures include both measured and estimated consumption.



control of optimum use and monitoring arrangements. The company has an action plan to extend the use of LED lighting in its store network and it also constantly monitors developments in cost and energy efficiency of other new technologies. LED lighting and new technologies considerably reduce electricity consumption in the long term. Remote management updates, control of optimum use and training will also reduce energy consumption, though the largest savings have already been achieved with these measures.

In 2016, Tokmanni launched the Deep Green project with the aim of reducing the environmental impacts, including energy consumption of Tokmanni's office in Mäntsälä. The measures include for instance instructing personnel how to save energy at the office and encouraging the use of carpooling when commuting to work. The aim is to extend the project to stores.

Renewable energy solutions

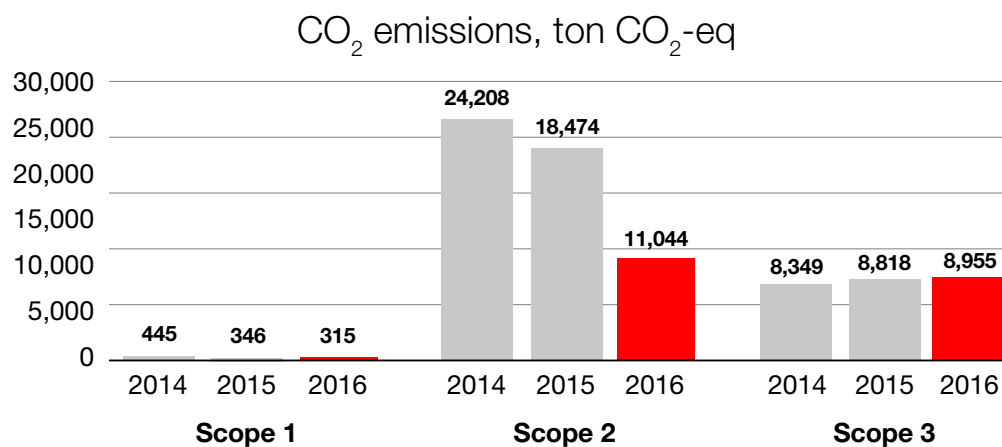
Besides reducing energy consumption, CO₂ emissions are reduced through the use of renewable energy. In October 2016, solar panels were installed at Tokmanni's store in Jämsä. The solar power plant is expected to produce about 75–80 MWh of energy per year, which corresponds to about 10–15 per cent of the store's total annual electricity consumption. Tokmanni has an action plan to extend the use of solar energy to stores around Finland and its logistics centre in Mäntsälä.

Carbon dioxide emissions were also covered by renewable energy certificates. In 2016, renewable energy certificates equalling 66,065 MWh were used at Tokmanni, which was 77.4 per cent of Tokmanni's total electricity consumption. Power consumption at the Mäntsälä logistics centre, and at the stores that were using electricity purchased by Tokmanni, was covered in full by the certificates.

Air travel emissions in 2016 will be offset by investing in renewable energy projects through a selected partner.

New alternatives for reducing emissions

Regarding greenhouse gas emissions, several large development projects are being carried out internationally, such as increasing the use of the circular economy, new technologies in logistics, administration, marketing and stores, and the development of environmentally friendly products. These will have an impact on Tokmanni's actions in the coming years and will provide the opportunity to extend the reduction of emissions into new areas.



Scope 1: Direct greenhouse gas (GHG) emissions

Scope 2: Indirect greenhouse gas (GHG) emissions

Scope 3: Other indirect greenhouse gas (GHG) emissions

Scope 2 includes market based greenhouse gas emissions that take into account renewable energy certificates.

Scope 3 includes domestic and international transportation of goods and air travel.



Clean energy from the sun

Seppo Tokola, Manager, Security and Real Estates, Tokmanni

Q How much renewable energy does Tokmanni use?

Tokmanni's goal is to be using 100% renewable energy by 2030. In 2016, all the CO₂ emissions of Tokmanni's own stores and the logistics centre were covered with renewable energy certificates, and the first solar panels were installed.

Q How does Tokmanni invest in solar power?

Tokmanni installed its first solar power plant on the roof of its store in Jämsä. The power plant has 367 solar panels and their total output

is 95.4 kW. The solar power plant is estimated to produce about 75–80 MWh of energy per year, in other words 10–15% of the store's annual electricity consumption. The panels produce energy throughout the day, even on cloudy days. The energy produced is used by Tokmanni's store in Jämsä, for example for lighting and for the electricity of cold-storage rooms and equipment. In exceptional situations, the electricity can be fed into the utility grid and sold. We are evaluating the construction of new solar power plants in several locations next year.



Environmentally sound logistics

Though Tokmanni is growing and expanding its store network, it aims to keep the greenhouse gas emissions from transport at the 2015 level by seeking environmentally friendly solutions.

In spite of its growth and the expansion of its store network, Tokmanni is aiming to keep the greenhouse gas emissions from transport at the 2015 level in relation to net sales.

Tokmanni strives to concentrate its transport needs with long-term contractors and, with these partners, looks for ways to reduce carbon dioxide emissions and other environmental impacts from transport. Tokmanni's contractors have modern fleets which are constantly updated to increase environmental efficiency. Over half of Tokmanni's partners also have a certified environmental management system. Drivers are trained to drive in a way that is environmentally aware and economically efficient.

Concentration provides a better opportunity to combine consignments, improve the load capacity utilisation rate of transport units and optimise transport routes to reduce the environment impact of transport. Tokmanni has improved the load capacity utilisation rate for its containers

from 2015 to 2016. However, the JOT (just-on-time) approach sets challenges for achieving the maximum load capacity utilisation rate for transport units. Tokmanni works together with its partners to avoid empty kilometres in round-trip transportation.

Target is to increase rail and container transport

Import consignments from Europe are now collected by lorry or by containers that can travel by rail for some of the journey. Tokmanni's target is to transfer even more of its European consignments to the railways or containers, which produce lower emissions than trailer transport. On a large container ship, the emissions per container are considerably lower than the emissions per trailer on a so-called ro-ro vessel, where trailers are loaded and unloaded at the sides, stern or bow of the vessel by being rolled on or off without a crane. Products from outside of Europe are shipped to Europe. Shipping companies renew their

vessels all the time, and the latest ships are larger and more efficient, helping to reduce the emissions per transport unit.

Concentration of delivery cycle lowers carbon dioxide emissions

In 2016, Tokmanni created an annual plan based on delivery peaks which regulates the amount of delivery days at different times on a store-specific basis. The annual plan increased the load size of deliveries on average by 6% on the previous year, which reduced the number of kilometres driven each week by about 10,000.

By 2020 Tokmanni's target is to further concentrate the delivery cycle, which will also include deliveries outside of quieter periods. By doing this Tokmanni is aiming to compensate for the rise in carbon dioxide emissions resulting from the increase in the number of stores.



CASE



Cleaner transport with liquefied natural gas

Antti Laukkanen, Group Land Operations Director, Containerships

Q What benefits are offered by transport using liquefied natural gas?

From the environmental perspective, liquefied natural gas (LNG) is cleaner than the diesel fuel usually used in transport, and its energy content is clearly higher than that of diesel fuel, which makes it an important fuel in the logistics sector. LNG has higher energy efficiency than diesel, though the low price of diesel is currently reducing the competitiveness of LNG.

Q What are the challenges of transport using LNG?

It is not an entirely straightforward matter to start using LNG. The technology is already in existence, but it is not yet used extensively in lorries and ships, so acquiring an LNG fleet requires considerable investments. An LNG lorry currently costs about EUR 25–30,000 more than the same lorry running on traditional fuel. However, in return for this investment you get lower

emissions and a reduction in fuel costs in the future.

Q How does Containerships use its LNG transportation?

Containerships, which is one of Tokmanni's partners, has committed to lowering its environmental impact in its entire transport chain. The use of LNG is a significant part of the selected strategy. During 2018, Containerships will acquire four new container ships running on LNG, and these will be the first container ships in the world to run on LNG. We already have lorries with LNG as their fuel: around 40 in England, three in the Netherlands and one in Finland. This enables us to offer our customers a cleaner transport chain from door to door.



Resource efficiency

Tokmanni seeks to minimise the amount of waste transferred to landfills by reducing waste, reusing and recycling.

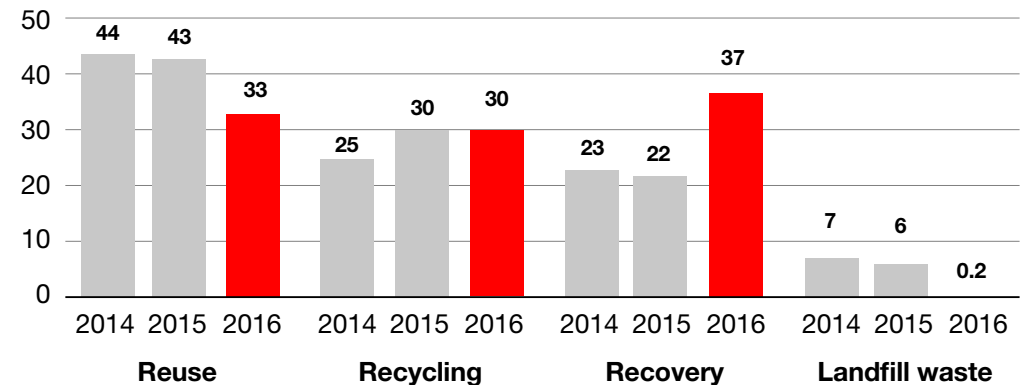
Excellent results in waste recovery

Tokmanni recycles waste very efficiently. In 2016, the waste recovery rate was 99.8 per cent for the company as a whole, and at the Mäntsälä logistics centre it reached 100 per cent. The aim is that after 2020 there will be no more waste to be transported to the incinerators.

Waste recovery can still be improved somewhat by more careful sorting in the stores, at the logistics centre and in the offices, and by monitoring the use of waste components and providing guidance for employees. The amount of food waste in the stores can be reduced especially by issuing instructions and monitoring results, and through retail sector campaigns and by donating unsold food to charity.

In 2016, Tokmanni joined the Ministry of Environment's and the Federation of Finnish Commerce's Society's Commitment to Sustainable Development's Green deal and aims to halve the use of plastic self-service bags (fruit bags)

Waste by disposal method, %



Total 2014: 13,708 tn
Total 2015: 13,572 tn
Total 2016: 12,924 tn

Recovery consists of the energy from incineration and reuse consists of reused pallets at the logistic centre. The data has been obtained from the service providers.



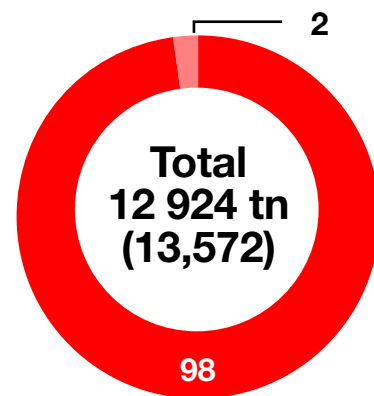
per customer by the year 2026. At the same time, Tokmanni will reduce the use of plastic bags by offering bags made of alternative materials.

Recycling packaging materials

As Tokmanni does not itself manufacture any of its products, it is not possible to report on the materials used in products. Most of Tokmanni's waste consists of packaging materials. The company endeavors to reduce the amount of packaging materials, actively monitors the volume of waste generated in its warehouse and stores and is continuously improving its waste recycling. Tokmanni is responsible for the recycling and other waste management of its imported products and packaging. Tokmanni fulfils its producer responsibility through various producer communities and by actively developing with them ways to ensure sustainable development.

In the recycling of packaging, Tokmanni notifies Finnish Packaging

Waste by type, %



- Other waste 98% (98)
- Hazardous waste 2% (2)

The data has been obtained from the service providers, and it covers stores and logistics centre.



Reducing the amount of plastic rubbish

Sami Purhonen, Sales Process Manager, Sales Support, Tokmanni

Q Why do we need to get rid of plastic bags?

Plastic waste is a huge environmental problem. According to the World Economic Forum, there will be more plastic than fish in the oceans by 2050, unless something is done about it.

Q What is Tokmanni doing about the plastic bag problem?

Tokmanni has committed to the Ministry of the Environment and the Finnish Commerce Federation's Green Deal that aims to reduce the use of plastic bags from 55 to 40 per person by 2026 in Finland. Tokmanni

aims to halve the number of plastic bags for fruits and vegetables used by each customer by 2026. The sale of lightweight plastic carrier bags will be reduced and customers will be offered bags made from alternative materials. The work will start at the beginning of 2017, when the small bags that are available on a self-service basis will be removed from checkouts. The availability of these self-service bags will also be reduced elsewhere in the stores during the Spring 2017. Paper bags and plastic reusable bags will be offered as an alternative at checkouts.



Recycling Rinki Ltd of the overall quantities of packaging materials imported. The materials are paper fibre, plastic, glass, metal and wood. The non-renewables among these are plastic, glass and metal, but these can be recycled efficiently. All the materials mentioned are included in the revised Waste Act and became in the national recycling scheme in 2016. The plan is to begin reporting packaging materials in the 2017 corporate responsibility report.

Tokmanni collaborates for instance with Rinki Ltd and others in striving to increase the recovery rate for packaging. Tokmanni engages in electrical and electronic equipment recycling via SELT Association and Stena Oy. For portable and storage batteries Tokmanni has an agreement with Recser Ltd and Akkukierrätys Pb Oy. Recser has a nationwide collection network for portable and storage batteries, and Akkukierrätys Pb is a producer organisation that specialises in recycling lead-based batteries.

Tokmanni has also signed a cooperation agreement with Finnish Tyre Recycling Ltd for collecting and recovering tyres.

Digital advertising channels reduce paper waste

One of Tokmanni's goals is to decrease paper based direct marketing by increasing digital advertising.

In summer 2016, Tokmanni published two Tarjoussanomat, a direct marketing leaflet, only in digital format on its website. Earlier all leaflets have been published on paper and delivered to consumers. Tokmanni aims to increase the amount of digital versions in the future.

Tokmanni seeks to optimize the distribution areas of Tarjoussanomat and in 2016, the distribution in the Pohjanmaa area was decreased by 25 000 pieces/week. Summer and Christmas catalogs were not distributed directly in 2016, but they were published in digital format and only a small edition was printed to be delivered in stores.

Also the amount of price posters in the stores have been optimized and hence significantly decreased (30 posters/store/week). This translates to saving 8 tns of poster paper annually.

In the autumn 2016, Tokmanni organized competitive bidding for printing houses. One of the criteria was environmental responsibility.

In 2017, Tokmanni aims to decrease the amount of printed material per revenue by optimizing the delivery of Tarjoussanomat further, and by increasing communication in digital channels.

Effective prevention of food waste

The amount of food waste in the food products chain as a whole, including households, is approximately 400 million kilos annually, which equates to 10–15 per cent of all the food fit for consumption.

For the retail sector, expired food is always a loss. As a responsible operator, Tokmanni aims to achieve a

In 2016, the waste recovery rate was 99.8 per cent for the company as a whole.



15 per cent reduction in expired food waste by 2020. Food waste has been one of the key indicators in the sales organisation since the start of 2015, and the company has actively sought to reduce it. The tools for achieving this are the new management system and more diligent food waste monitoring in every store. The most important way of reducing the loss from expired food waste is to ensure the basic operation of the stores is as it should be.

The right selection of food products, appropriate order and delivery quantities and dates, store-specific monitoring of demand, and reduced prices for products near their expiry date, are all effective ways of preventing food waste at the stores. Measures have been taken at all stores to prevent and reduce food waste. In addition, 30 stores with the greatest challenges in terms of expired food waste have been included in a special monitoring process as part of a waste prevention project. A store-specific action plan has been drawn up

for these stores in conjunction with process advisers and others, and their food waste is monitored weekly by the regional organisation.

With the measures taken in 2016, Tokmanni has already succeeded in reducing expired food waste in the stores by 3.9 per cent from the 2014 level, and active monitoring and prevention of food waste are included in the sales organisation's action plan for 2017.

Although expired food waste has been reduced, stores will inevitably always have a certain amount of unsold food that is still fit for use. In October 2015, Tokmanni began giving away food products whose 'best before' date had expired, for charitable purposes. This is always done locally through agreement between the store and a local charity organisation. The agreement states the purpose for which the food will be used and the handling arrangements, so as to make sure the products are for charitable purposes and safe for the eventual consumers of the food.

This work has begun in several stores already. The idea is that in the future, Tokmanni will be able to give away all unsold food products from stores to local operators for their use.



Responsibility in figures

Description of the Report

Tokmanni's Corporate Responsibility Report concentrates on matters that are completely within the control of Tokmanni apart from logistics and sourcing. In the area of sourcing and product responsibility, the Shanghai office is included in the reporting, while from transport, the emissions figures are from transport services suppliers and air travel emission data from the travel agency.

The Shanghai sourcing office is a joint venture in which Tokmanni and the Norwegian company Europris ASA each have a fifty per cent holding. With the exception of responsible sourcing and product safety, the joint venture's impact on corporate responsibility matters is marginal, because its personnel amount to less than one per cent of Tokmanni's total workforce, and its environmental impact is generated only by the office and staff travel.

The information in the report is for 2016, although some indicators also present historical data where this is available. Tokmanni plans to publish

corporate responsibility information annually, either in a separate Corporate Responsibility Report or as part of the annual report. The previous Corporate Responsibility Report was published in May 2015. The information in this report has not been assured externally.

The reporting complies with the core option of the GRI G4 guidelines, which means that at least one indicator is reported for every material aspect. The indicators have been selected so as to form as comprehensive a picture of Tokmanni's corporate responsibility matters as possible. At the same time it was necessary to assess the readiness to report each indicator.

Further information from
corporateresponsibility@tokmanni.fi



More information:
ir.tokmanni.fi/en



Information used in calculations

The company's calculation of the environmental profile of the electricity it consumes is based on the following:

- The electricity is purchased from the power market. The electricity purchased for the stores controlled by Tokmanni and for the logistics centre in Mäntsälä is covered by renewable energy certificates. For these sites, the market-based specific emissions coefficient is 0 g CO₂/kWh.
- The environmental profile of the residual mix calculation published by the Energy Authority for 2015¹ has been applied to of the consumption of electricity not controlled by Tokmanni.

- In the 2015 residual mix, non-renewable energy sources account for 42.89 per cent, renewable energy sources account for 11.32 per cent and nuclear power accounts for 45.79 per cent. The average specific emissions of carbon dioxide from power production are 277.78 g/kWh, and the amount of nuclear fuel used is 1.26 mg/kWh.
- The primary energy coefficients used in the calculations are: renewable fuels 1, non-renewable fuels 1.75 and nuclear power 3.03².
- The location-based emissions coefficient used for electricity is the average CO₂ emissions coefficient

published by Motiva for Finland, calculated as a five-year rolling average, which is 209 g CO₂/kWh³.

The calculation of the environmental profile for heating is based on the following:

- The market-based CO₂ emissions coefficient for district heating calculated for the Tokmanni sites is 180 g/kWh.
- The location-based emissions coefficient used is the average CO₂ coefficient of 183 g CO₂/kWh⁴ calculated using the benefit sharing method for Finnish district heating CHP areas.

- The information concerning the division of district heating into renewable and non-renewable fuels is from Finnish Energy's district heating statistics⁵.
- The primary energy coefficient used in the calculation is 0.9⁶.
- The fuel emissions coefficients published by Statistics Finland have been used as the emissions coefficients for gas and oil.⁷

1) Energiavirasto. 2016. Jäännösjakauma vuodelta 2015 https://www.energiavirasto.fi/documents/10179/0/J%C3%A4%C3%A4nn%C3%B6sjakauma_2015_julkaisu_23_6_2016_Allekirjoitettu+versio.pdf/ed235900-af00-47c6-8e4a-af943ca5b5a1

2) ja 6) Matias Keto. Energiamuotojen kerroin. Yleiset perusteet ja toteutuneen sähkön- ja lämmöntuotannon kertoimet, Raportti Ympäristöministeriölle <http://www.ym.fi/download/noname/%7BA6ABCFF7-55FA-412C-A0C7-FEE5CC0A2F24%7D/30744>

3) ja 4) Motiva. 2016. CO₂-päästökertoimet http://www.motiva.fi/taustatietoa/energian kaytto_suomessa/co2-laskentaohje_energian kulutuksen_hiilidioksidipaastojen_laskentaan/co2-paastokertoimet

5) Energiatallisuus. Kaukolämpötilasto 2015. http://energia.fi/ajankohtaista_ja_materiaalipankki/materiaalipankki/kaukolampotilasto.html#material-view

7) Tilastokeskus, Polttoaineluokitus 2016. http://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html



Emissions data for transport in Finland has been obtained from the service provider. The emissions calculations have used averages for actual transport movements and emissions values. The calculations use an average consignment size (based on the number and weight of consignments), distance travelled by consignments (invoiced kilometres, as opposed to actual kilometres that the cargo has been in load space), and average consumption and average emissions values per vehicle type as compiled by the transport operators. The year used for comparison is 2015.

Tokmanni has collected information about the emissions of transport outside Finland from various operators. The basis for emissions calculations and the energy consumption of the transport operation are not known. The year used for comparison is 2015. Through its own agreements, Tokmanni manages

34 per cent (35) of the transport consignments of purchases. Its reporting covers 99.99 per cent (99) of the import consignments transported under its own agreements and 100 per cent of the transport consignments from the warehouse to the stores.

An emissions report for air transport has been obtained from the service provider. Energy consumption is not known. The year used for comparison is 2014.

Calculation basis and accuracy of data

The recorded consumption data obtained in consumption monitoring is the primary information used for ascertaining the consumption of power and heating by Tokmanni's logistics centre and its stores. However, such data is not available for all stores, and so the consumption by active stores outside the monitoring system is estimated on the basis of the consump-

tion by stores that are covered by the consumption monitoring. In other words, specific consumption (kWh/m² gross floor area) has been calculated for the stores covered by consumption monitoring. The specific consumption figure obtained is assumed to equate to the average consumption level of the stores, and has been used to calculate the total consumption for those stores not covered by the monitoring.

If the property's heating method is not known, it is assumed to be district heating. This is because most sites whose heating consumption is not measured are located in shopping centres, the majority of which are included in local district heating networks.

The 2015 update of the GHG Protocol advises that emissions from purchased electricity and heating should be reported in accordance with both market-based and location-based coefficients. With regard to the market-based coefficients, they are ener-

gy company-specific and take renewable energy certificates into account. The location-based coefficients are national averages and do not take renewable energy certificates into account.

Calculation of the market-based environmental effects of district heating takes the following factors into account: For sites where district heating consumption is recorded, the heating production emissions coefficient (combined or separate production) used is that reported by Motiva for the locality concerned. Using this information, the weighted average has been calculated for the emissions coefficients, which indicates the average CO₂ coefficient for the Tokmanni sites.

For sites where the consumption and supplier of district heating are not known, the market-based emissions coefficient is 183 g CO₂/kWh. This describes the average CO₂ coefficient calculated for Finnish district



heating CHP areas using the benefit sharing method.

The calculations are based on the latest information available. The information from the Energy Authority, Motiva and Energy Finland is updated annually, and the information for 2016 was not yet available when the calculations were being made. The environmental figures for previous years have not been recalculated.

The total greenhouse gas emissions for the company's own heating production are estimated on the basis of the fuel emissions coefficients published by Statistics Finland. The emissions coefficient for gas is 199.08 g CO₂/kWh, and for oil 264.6 g CO₂/kWh⁷.

The waste data is mainly from the statistics compiled by Paperinkeräys Oy, but the data on electrical and electronic waste was obtained from figures gathered by Stena Oy.

Examining energy consumption information

At the end of 2016, Tokmanni had 162 active stores (156) and one logistics centre. Active stores are those which are in normal use. Active stores do not include new stores that are not yet in operation, or stores that have been discontinued by the month in question. Tokmanni opened seven new and relocated stores in total in 2016 increasing its and one store's store space was reduced by 2,500 square meters with the target to optimize sales per square meter.

At the end of 2016, in terms of the total surface area, 76 per cent of the active stores (67) were covered by electricity consumption monitoring, and 41 per cent (29) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring,

79 per cent (81) of the total surface area is covered by electricity consumption monitoring and 49 per cent (43) by heating consumption monitoring. Consumption by the properties not included in the monitoring has been estimated on the basis of the specific consumption of the monitored properties.

7) Tilastokeskus, Polttoaineluokitus 2016. http://www.stat.fi/tup/khkinv/khkaasut_polttoaineluokitus.html

Data

G4-EN3 Energy consumption within the organization

A. Total energy consumption, MWh

	2016	2015	2014	Change, %, 2015–2016
Electricity, total	85,389	75,083	72,409	13.7
District heat, total	31,557	30,236	29,506	4.4
Gas	1,104	1,623	1,637	-32.0
Oil	360	96	461	275.0
Heating, total	33,022	31,956	31,605	3.3

At the end of 2016, in terms of the total surface area, 76 per cent of the active stores (67) were covered by electricity consumption monitoring, and 41 per cent (29) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring, 79 per cent (81) of the total surface area is covered by electricity consumption monitoring and 49 per cent (43) by heating consumption monitoring. Consumption by the properties not included in the monitoring has been estimated on the basis of the specific consumption of the monitored properties.

B. Consumption of purchased energy, MWh

	Unit	2016			2015			2014			Change, %, 2015–2016		
		Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Total	Electricity	Heat
Purchased energy	MWh	85,389	31,557	116,946	75,083	30,236	105,319	72,409	29,506	101,915	13.7	4.4	11.0
Non-renewable	MWh	8,288	22,677	30,965	20,476	21,804	42,280	29,524	21,204	50,728	-59.5	4.0	-26.8
Renewable	MWh	68,253	8,880	77,133	27,500	8,432	35,932	11,944	8,302	20,246	148.2	5.3	114.7
Nuclear power	MWh	8,848	0	8,848	27,107	0	27,107	30,941	0	30,941	-67.4	0	-67.4

C. Consumption of own energy production, MWh

	2016	2015	2014	Change, %, 2015–2016
Non-renewable (oil)	360	96	461	275.0
Non-renewable (gas)	1,104	1,623	1,637	-32.0

The increase in oil consumption is due to the change in the number of measuring points.



B. Consumption of purchased energy, primary energy, GJ

	Unit	2016			2015			2014			Change, %, 2015–2016		
		Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total
Purchased energy	MWh	85,389	31,557	116,946	75,083	30,236	105,319	72,409	29,506	101,915	13.7	4.4	11.0
Primary energy	GJ	394,439	102,245	496,684	523,682	97,964	621,646	566,504	95,599	662,103	-24.7	4.4	-20.1
Non-renewable	GJ	52,214	73,473	125,688	128,999	70,644	199,643	186,001	68,701	254,702	-59.5	4.0	-37.0
Renewable	GJ	245,711	28,771	274,482	99,000	27,320	126,320	42,998	26,898	69,897	148.2	5.3	117.3
Nuclear power	GJ	96,514	0	96,514	295,683	0	295,683	337,504	0	337,504	-67.4	0	-67.4

C. Consumption of own energy production, primary energy, GJ

	Unit	2016	2015	2014	Change, %, 2015–2016
Primary energy	GJ	4,743	5,570	6,798	-14.9
Non-renewable (oil)	GJ	1,166	311	1,494	274.9
Non-renewable (gas)	GJ	3,577	5,259	5,304	-32.0

In Tokmanni's GRI report, energy consumption is given/measured in terms of usable secondary and primary energy. Primary energy refers to energy contained within energy sources in their unprocessed form, prior to the transformation process into usable secondary energy. Primary energy is used to describe the energy available from various sources, as well as the amount of natural resources used as such sources and the effect this has on the natural resource. Transforming energy from one form to another inevitably results in waste, and thus the amount of primary energy is always higher than the secondary. The use of renewable energy has resulted in Tokmanni's primary energy consumption decreasing, since its Primary Energy Ratio (PER) is lower compared to non-renewable energy and nuclear power.

G4-EN5 Energy intensity

Energy intensity by energy type

Stores	2016			2015			2014			Intensity change, %, 2015–2016	Consumption change, %, 2015–2016
	Consumption MWh	Total area m²	KWh/m²	Consumption MWh	Total area m²	KWh/m²	Consumption MWh	Total area m²	KWh/m²		
Electricity	66,065	457,928	144	59,525	444,287	134	58,538	432,967	135	7.7	11.0
District heating	13,502	256,375	53	10,613	214,283	50	11,191	214,354	52	6.3	27.2
Gas	1,104	17,880	62	1,623	18,927	86	1,637	18,927	87	-28.0	-32.0
Oil	360	4,034	89	96	1,551	62	461	5,807	79	44.1	274.8

Includes only measured consumption and own energy consumption. Increased property area, longer opening hours, unloading during night and brand changes have increased energy consumption.

G4-EN15 Direct greenhouse gas (GHG) emissions (Scope 1)

Consumption of own energy production and CO₂-emissions

	Unit	2016	2015	2014	Change, %, 2015–2016
Non-renewable (oil)	MWh	359.8	96	461	275.0
Non-renewable (gas)	MWh	1,104.4	1,623	1,637	-32.0
Greenhouse gas emissions	ton CO ₂ -eq	315.1	346	445	-8.9

Direct greenhouse gas emissions include own heat production's emissions (in Tokmanni heat is produced by gas and oil).

G4-EN16 Indirect greenhouse gas (GHG) emissions (Scope 2)

Consumption of purchased energy and CO₂-emissions

	Unit	2016			2015			2014			Change, %, 2015–2016		
		Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total
Purchased energy (G4-EN3: Purchase)	MWh	85,389	31,557	116,946	75,083	30,236	105,319	72,409	29,506	101,915	13.7	4.4	11.0
Non-renewable	MWh	8,288	22,677	30,965	20,476	21,804	42,280	29,524	21,204	50,728	-59.5	4.0	-26.8
Renewable	MWh	68,253	8,880	77,133	27,500	8,432	35,932	11,944	8,302	20,246	148.2	5.3	114.7
Nuclear power	MWh	8,848	0	8,848	27,107	0	27,107	30,941	0	30,941	-67.4	0	-67.4
Environmental impacts													
Greenhouse gas emissions (market based)	ton CO ₂ -eq	5,368	5,676	11,044	13,309	5,165	18,474	19,101	5,107	24,209	-59.7	9.9	-40.2
Greenhouse gas emissions (location based)	ton CO ₂ -eq	17,846	5,775	23,621	17,553	5,553	23,105	20,719	5,488	26,207	1.7	4.0	2.2
Radioactive waste	tonnes	0.1	0	0.1	0.1	0	0.1	0.1	0	0.1	-51.4	0	-51.4

Indirect greenhouse gas emissions include purchased electricity and heating. Increased property area, longer opening hours, unloading during night and brand changes have increased energy consumption.



G4-EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

CO₂-emissions of transportation and air travel, ton CO₂-eq

	2016	2015	2014	Change, %, 2015–2016
Transportation	8,760	8,702	8,177	0.7
Air travel	195	116	172	68.1
Greenhouse gas emissions	8,955	8,818	8,349	1.6

G4-EN17 includes inbound and outbound logistics (to and from the logistic center) and air travel. The data is from service providers. In inbound logistics, 2015 data covers 99.99% (99% in 2015 and 93% in 2014) of service providers proportioned to freight value. The greenhouse gas emissions of the logistics have been stable although the volumes have increased slightly.

G4-EN18 Greenhouse gas (GHG) emissions intensity

Greenhouse gas emission intensity in proportion to net sales and number on employees

	Unit	2016	2015	2014	Change, %, 2015–2016
Greenhouse gas emissions (Scope 1 and 2)	ton CO ₂ -eq	11,359	18,820	24,654	-39.6
Net sales	MEUR	776	755	734	2.8
Greenhouse gas emissions intensity	ton CO ₂ -eq/MEUR	14.6	25	34	-41.3
Employees	empl	3,224	3,293	3,119	-2.1
Greenhouse gas emissions intensity	ton CO ₂ -eq/empl	3.5	6	8	-38.5

Greenhouse gas intensity has been calculated by proportioning Scope 1 and 2 emissions (market based) to Tokmanni's netsales and number of employees.



G4-EN23 Total weight of waste by type

A. Waste by waste type, t

Waste type	2016	(%)	2015	(%)	2014	(%)	Change, %, 2015–2016
Hazardous waste	295	2.3	318	2.3	84	0.6	-7.3
Other waste	12,629	97.7	13,254	97.7	13,624	99.4	-4.7
Total	12,924	100	13,572	100	13,708	100	-4.8

The data has been obtained from the service providers, and it covers stores and logistics centre.

B. Waste by disposal method, t

Method	2016	%	2015	(%)	2014	(%)	Change, %, 2015–2016
Reuse	4,236	32.8	5,766	43.0	6,072	44.0	-26.5
Recycling	3,850	29.8	4,015	30.0	3,467	25.0	-4.1
Recovery	4,818	37.3	2,958	22.0	3,146	23.0	62.9
Landfill waste	21	0.2	833	6.0	1,023	7.0	-97.5
Total	12,924	100	13,572	100	13,708	100	-4.8

Recovery consists of the energy from incineration, recycling includes recycable waste and reuse consists of reused pallets at the logistic centre. The data has been obtained from the service providers.



G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

A. New permanent employments in 2016

	Under 30 years		30–50 years		Over 50 years		Total	
	employees	%	employees	%	employees	%	employees	%
Women	93	74.4	77	84.6	13	68.4	183	77.9
Men	32	25.6	14	15.4	6	31.6	52	22.1
Total	125	53.2	91	38.7	19	8.1	235	100

Percentage has been calculated from new permanent employments.

B. Terminated permanent employments in 2016

	Under 30 years		30–50 years		Over 50 years		Total	
	employees	%	employees	%	employees	%	employees	%
Women	60	74.1	57	67.1	24	72.7	141	70.9
Men	21	25.9	28	32.9	9	27.3	58	29.1
Total	81	40.7	85	42.7	33	16.6	199	100

Turnover rate has been calculated at the end of year from permanent employments. The figures do not include retired employees.



G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Age and gender distribution by employee category at the end of year

	Under 30 years		30–50 years		Over 50 years		Total	
	employees	%	employees	%	employees	%	employees	%
Management, female	0	0	0	0	1	0.2	1	0
Management, male	0	0	4	0.3	3	0.5	7	0.2
Senior salaried personnel, female	0	0	10	0.7	9	1.5	19	0.6
Senior salaried personnel, male	1	0.1	12	0.8	10	1.6	23	0.7
Office personnel, female	15	1.4	189	12.3	78	12.7	282	8.7
Office personnel, male	15	1.4	56	3.6	13	2.1	84	2.6
Employees, female	769	71.6	1,099	71.6	448	72.8	2,316	71.8
Employees, male	274	25.5	165	10.7	53	8.6	492	15.3
Total	1,074		1,535		615		3,224	100

The calculations include all employments at the end of year.



GRI Index

General standard disclosures

Indicator		Location, comments and omissions	UN Global Compact	SDG
STRATEGY AND ANALYSIS				
G4-1	CEO statement	<u>4</u>	Commitment to GC	
ORGANIZATIONAL PROFILE				
G4-3	Name of the reporting organization	<u>2</u>		
G4-4	Primary brands, products and/or services	<u>3</u>		
G4-5	Location of the organization's headquarters	<u>3</u>		
G4-6	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	<u>2</u>		
G4-7	Nature of ownership and legal form	<u>3</u>		
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	<u>2</u>		
G4-9	Scale of the reporting organization	<u>3</u>		
G4-10	Total number of employees by employment contract and gender, permanent employees by employment type and gender, total workforce by employees, supervised workers and by gender, total workforce by region and gender, portion of work by self-employees or contractors, significant variations in employment numbers (seasonal variations)	<u>37</u>	Principle 6	8
G4-11	Percentage of total employees covered by collective bargaining agreements	<u>38</u>	Principle 3	8
G4-12	Organization's supply chain	<u>3, 49</u>		
G4-13	Significant changes during the reporting period regarding size, structure, ownership or supply chain	<u>3</u>		
G4-14	Addressing of precautionary approach or principle by the organization	<u>24</u>		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses	<u>14, 16</u>		
G4-16	Memberships of associations and national or international advocacy organizations	<u>16</u>		



Indicator		Location, comments and omissions	UN Global Compact	SDG
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES				
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents and if any of these are not covered in the report	<u>69</u>		
G4-18	Process for defining the report content and Aspect boundaries	<u>18</u>		
G4-19	Material aspects identified in the process for defining report content	<u>19</u>		
G4-20	Aspect Boundary within the organization for each material aspect	<u>69</u>		
G4-21	Aspect Boundary outside the organization for each material aspect	<u>69</u>		
G4-22	Restatements of information provided in previous reports and the reasons for such restatements	<u>69</u> , no changes		
G4-23	Significant changes from the previous reporting period in the scope and Aspect Boundaries	<u>69</u> , no changes		
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization	<u>17</u>		
G4-25	The basis for identification and selection of stakeholders with whom to engage	<u>16</u>		
G4-26	The organization's approach to stakeholder engagement	<u>16</u>		
G4-27	Key topics and concerns raised through stakeholder engagement and organization's response to them	<u>17</u>		
REPORT PROFILE				
G4-28	Reporting period	<u>69</u>		
G4-29	Date of the most recent previous report	<u>69</u>		
G4-30	Reporting cycle	<u>69</u>		
G4-31	Contact point	<u>69</u>		
G4-32	GRI Content Index	<u>81</u>		
G4-33	Assurance	<u>69</u> , The report has not been assured externally		



Indicator	Location, comments and omissions	UN Global Compact	SDG
GOVERNANCE			
G4-34 Governance structure	24, Corporate Governance		
ETHICS AND INTEGRITY			
G4-56 Organization's values, principles, standards and norms	15	Principle 1, 4, 5, 10	16
G4-57 Internal and external mechanism for seeking advice	29, Ethical guidelines	Principle 1, 4, 5, 10	16
G4-58 Internal and external mechanism for reporting concerns	29, Ethical guidelines	Principle 1, 4, 5, 10	16
CATEGORY: ECONOMIC			
MATERIAL ASPECT: ECONOMIC PERFORMANCE			
G4-DMA Generic Disclosure of Management Approach (DMA)	24		
G4-EC1 Direct economic value generated and distributed	31		2, 5, 7, 8, 9
CATEGORY: ENVIRONMENTAL			
MATERIAL ASPECT: MATERIALS			
G4-DMA DMA	24		
G4-EN1 Materials used by weight or volume	66, there are no exact figures from 2016	Principle 7, 8	8, 12
MATERIAL ASPECT: ENERGY			
G4-DMA DMA	24		
G4-EN3 Energy consumption within the organization	60, 73	Principle 7, 8, 9	7, 8, 12, 13
G4-EN5 Energy intensity	75	Principle 8	7, 8, 12, 13
MATERIAL ASPECT: EMISSIONS			
G4-DMA DMA	24		
G4-EN15 Direct greenhouse gas (GHG) emissions (scope 1)	62, 75	Principle 7, 8, 9	3, 12, 13, 14, 15



Indicator	Location, comments and omissions	UN Global Compact	SDG
G4-EN16 Indirect greenhouse gas (GHG) emissions (scope 2)	<u>62, 76</u>	Principle 7, 8, 9	3, 12, 13, 14, 15
G4-EN17 Other indirect greenhouse gas (GHG) emissions (scope 3)	<u>62, 77</u>	Principle 7, 8, 9	3, 12, 13, 14, 15
G4-EN18 Greenhouse gas (GHG) emissions intensity	<u>77</u>	Principle 8	13, 14, 15
MATERIAL ASPECT: EFFLUENTS AND WASTE			
G4-DMA DMA	<u>24</u>		
G4-EN23 Total weight of waste by type and disposal method	<u>65, 78</u>	Principle 8	3, 6, 12
MATERIAL ASPECT: TRANSPORT			
G4-DMA DMA	<u>24</u>		
G4-EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	<u>63, 77</u>	Principles 8	11, 12, 13
CATEGORY: SOCIAL			
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK			
MATERIAL ASPECT: EMPLOYMENT			
G4-DMA DMA	<u>24</u>		
G4-LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region	<u>38, 80</u>	Principle 6	5, 8
G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operations	<u>39</u>		8
MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS			
G4-DMA DMA	<u>24</u>		
G4-LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	<u>38</u>	Principle 3	8



Indicator	Location, comments and omissions	UN Global Compact	SDG
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY			
G4-DMA DMA	<u>24</u>		
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	<u>45</u>		8
G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	<u>46</u>		3, 8
MATERIAL ASPECT: TRAINING AND EDUCATION			
G4-DMA DMA	<u>24</u>		
G4-LA11 Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<u>44</u>	Principle 6	5, 8
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY			
G4-DMA DMA	<u>24</u>		
G4-LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	<u>40, 80</u>	Principle 6	5, 8
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN			
G4-DMA DMA	<u>24</u>		
G4-LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	<u>41</u>	Principle 6	5, 8, 10
MATERIAL ASPECT: SUPPLIER ASSESMENT FOR LABOR PRACTICES			
G4-DMA DMA	<u>24</u>		
G4-LA14 Percentage of new suppliers that were screened using labor practice criteria	<u>49</u> , BSCI, SA8000 and Tokmanni's audits		5, 8, 16



Indicator	Location, comments and omissions	UN Global Compact	SDG
G4-LA15 Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	<u>51</u>		5, 8, 16
SUB-CATEGORY: HUMAN RIGHTS			
MATERIAL ASPECT: NON-DISCRIMINATION			
G4-DMA DMA	<u>24</u>		
G4-HR3 Total number of incidents of discrimination and corrective actions taken	<u>30, 41</u>	Principle 6	5, 8, 16
MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT			
G4-HR11 Significant actual and potential negative human rights impacts in the supply chain and actions taken	<u>49</u> , BSCI, SA8000 and Tokmanni's audits	Principle 2	
SUB-CATEGORY: SOCIETY			
MATERIAL ASPECT: ANTI-CORRUPTION			
G4-DMA DMA	<u>24</u>		
G4-SO4 Communications and training on anti-corruption policies and procedures	<u>29</u>	Principle 10	16
G4-SO5 Confirmend incidents of corruption and actions taken	<u>28</u>	Principle 10	16
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY			
G4-SO9 Percentage of new suppliers that were screened using criteria for impacts on society	<u>49</u> , BSCI, SA8000 and Tokmanni's audits		
SUB-CATEGORY: PRODUCT RESPONSIBILITY			
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY			
G4-DMA DMA	<u>24</u>		
G4-PR1 Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<u>55</u>		
G4-PR2 Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	<u>55</u>		16



Indicator		Location, comments and omissions	UN Global Compact	SDG
MATERIAL ASPECT: PRODUCT AND SERVICE LABELING				
G4-DMA	DMA	<u>24</u>		
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	<u>56</u>		12
MATERIAL ASPECT: MARKETING COMMUNICATIONS				
G4-DMA	DMA	<u>24</u>		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	<u>34</u>		16
MATERIAL ASPECT: CUSTOMER PRIVACY				
G4-DMA	DMA	<u>24</u>		
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	<u>33</u>		16
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	DMA	<u>24</u>		
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	<u>56</u>		16