



**STOCKMANN**

CORPORATE SOCIAL  
RESPONSIBILITY 2017

## TO THE READER

In 2017, we focused especially on responsible materials, both in our own brand garments as well as our shopping bags. Already 55% of Lindex garments are made of sustainable materials and Stockmann's own brands reached 10%, after piloting with the first sustainable garments only a year earlier. A significant increase can already be foreseen for the year 2018. We set the course for reducing plastic bags, and since then, our efforts have helped to reduce the use of hundreds of thousands of bags every month.

In this review, we share our targets and progress towards more responsible business and inspiring our customers with sustainable choices. Have a good read, and please direct any questions and comments to [csr@stockmann.com](mailto:csr@stockmann.com).

**Johanna Stenbäck**

CSR Manager



Our Year 2017



Financial Review 2017



Corporate Governance 2017

## ABOUT THE REPORT

The Stockmann Group's reporting consists of four reviews: 'Our year 2017' Business Review, Financial Review, Corporate Governance, and this Corporate Social Responsibility review, which presents our CSR themes, targets and progress in accordance with the Global Reporting Initiative (GRI) Standards: Core option. All the annual reviews are available in English, Finnish and Swedish at [year2017.stockmanngroup.com](http://year2017.stockmanngroup.com).



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

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## READ MORE

All reviews are available in Finnish, Swedish and English at [year2017.stockmanngroup.com](http://year2017.stockmanngroup.com)



# STOCKMANN IN BRIEF

Stockmann, founded in 1862, is a Finnish listed company engaged in the retail trade. The Group has three business divisions: Lindex, Stockmann Retail and Real Estate, about 47 000 shareholders and about 7 000 employees.

The company has 8 department stores, 490 fashion stores and 5 properties in a total of 18 countries. The head office is located in Helsinki, Finland. In addition, the company has purchasing offices in the most important production countries for its own brand garments: Bangladesh, India, China, Pakistan and Turkey.

Stockmann offers the best selection of international brands, excellent customer service and experiences in modern and inspirational multichannel shopping environments. Our vision is to be the first source of inspiration for our customers for modern urban life.

## FROM THE CEO

“Stockmann supports the UN’s Global Compact initiative. Accordingly, Stockmann promotes human rights, labour rights, environmental work and anti-corruption measures. This report is also the Stockmann Group’s Communication on Progress (COP) for Global Compact.”

Lauri Veijalainen  
CEO



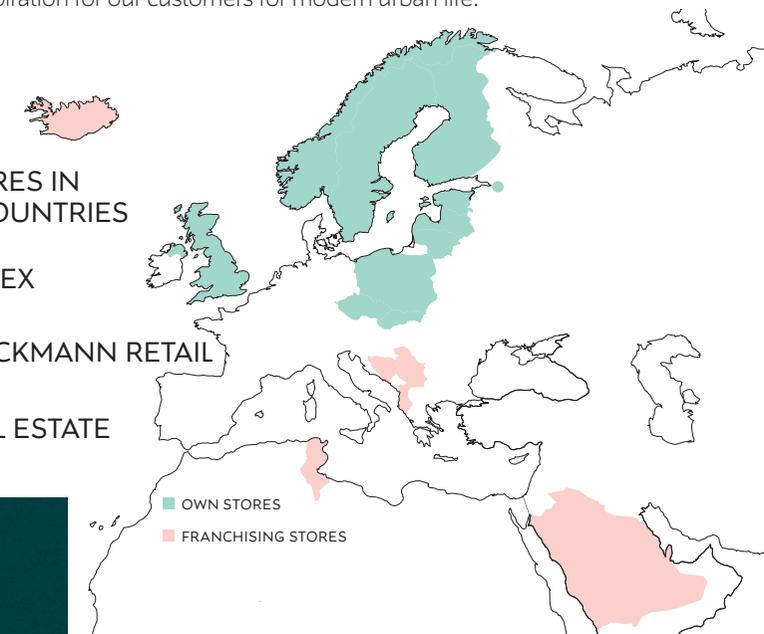
The CEO’s review is available in the ‘Our Year 2017’ Business review.

## STORES IN 18 COUNTRIES

### LINDEX

### STOCKMANN RETAIL

### REAL ESTATE



# CSR PRINCIPLES

Commitment to responsible operations is at the core of Stockmann's values and daily ways of working. Our value proposition is to provide a premium shopping experience at department, fashion and online stores. In our Corporate Social Responsibility (CSR) work this means commitment to sustainable development and offering our customers responsible shopping experiences.





Our CSR work covers the entire value chain in Stockmann's operations. Responsibility starts in the supply chain, from ensuring safe working conditions to minimizing environmental impacts. We want to offer our customers the choice of responsibly produced products in our selections. We place the customer at the core and pay close attention to employee wellbeing as well as environmental aspects. We guarantee the safety of our products and inspire our customers to make responsible choices.

Our responsibility work is guided by Stockmann's strategy and values, the CSR strategy, Stockmann's Code of Conduct, national laws and regulations, and international treaties, declarations and recommendations. Our everyday work is also guided by numerous voluntary commitments and initiatives, as well as other principles, policies and practices, such as human rights principles, anti-corruption policy, human resources policy, environmental policy, and product guidelines.

Stockmann operates in an ethical manner, complying with the international and national laws and regulations valid at any given time in the countries in which it operates. In its business operations, Stockmann aims to exceed the minimum requirements stipulated by laws, regulations or conventions.

## Key commitments

- UN's Universal Declaration of Human Rights and Convention on the Rights of the Child
- ILO's Declaration on Fundamental Principles and Rights at Work
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights since 2018
- United Nations Sustainable Development Goals since 2016
- UN's Global Compact initiative since 2011
- amfori BSCI Code of Conduct (before Business Social Compliance Initiative, BSCI) on group level since 2005
- Accord on Fire and Building Safety in Bangladesh since 2013

## Code of Conduct

Stockmann's Code of Conduct defines the ways of working for all employees and management staff without exception. The principles of the Code of Conduct also apply to its suppliers and partners and covers the following main themes:

- Compliance with legislation and ethical operations
- Free competition and consumer rights
- Employees and working conditions
- Environment
- Corruption and conflicts of interest.



THE GLOBAL GOALS  
For Sustainable Development

We are committed to contributing to the United Nations Sustainable Development Goals (SDGs). We have identified four goals that are most material to our core business and that we can have the most effect on.



RESPONSIBLE CONSUMPTION AND PRODUCTION



DECENT WORK AND ECONOMIC GROWTH



CLIMATE ACTION



PARTNERSHIPS FOR THE GOALS



# CSR STRATEGY

The CSR strategy for 2016-2018 defines Stockmann's priorities and goals of its responsibility work. We set tangible targets with concrete actions to further improve our status as a responsible corporate citizen.

## CSR themes and priorities



CSR STRATEGY // 2016-2018

CUSTOMER Inspiration for responsible choices

PERSONNEL Motivated and engaged retail experts

PRODUCTS High-quality selection with sustainable choices and transparent supply chain

ENVIRONMENT Reduced impact on the environment

FINANCE AND GOVERNANC Profitability with a sustainable business approach



The CSR goals have been set to support the Group strategy and the aims of our business operations by enhancing customer focus and improving efficiency. The goals are grouped under five CSR themes material to Stockmann, and they cover the whole value chain. We work determinedly to meet these goals. Open dialogue and co-operation with our stakeholders, and communication and reporting about advancements in our responsibility work are an essential part of our work.

The targets, action points, KPIs and progress in 2017 are presented in a table in connection with each relevant theme.

Lindex's ambition is to become one of the most sustainable, open and trusted companies in the fashion industry. Lindex seeks to drive change. Sustainability is considered from a lifecycle perspective, from initial design sales and use, continuing to reuse and finally recycling when the clothing is no longer wearable.

Ambitious goals involve fibres, processes and manufacturing. By 2020, 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and at more sustainable production facilities. 100% of cotton will be either organic cotton, BCI cotton (Better Cotton Initiative) or recycled cotton.



**OUR CSR VISION //**  
We offer our customers responsible shopping experiences. We are committed to working for a more sustainable future.





# REPORTING PRINCIPLES AND MATERIALITY

*This CSR review presents the focus areas and results of the Stockmann Group's responsibility work according to Global Reporting Initiative (GRI) guidelines. This report has been prepared in accordance with the GRI Standards: Core option.*

The reporting period for this review is the financial year (from 1 January to 31 December 2017). The previous report, CSR review 2016, was published on 3rd March 2017.

The review covers all of the Stockmann Group's continuing operations. The Stockmann Delicatessen business, sold on 31 December 2017, is classified as discontinued operations. The environmental figures cover the operations of our tenants in department store properties. The supply chain is covered to the extent defined in the materiality analysis.

The GRI indicators have been selected according to materiality. Our goal is to report the relevant indicators from our main operating countries, which are Finland and Sweden, based on the revenue and employee count. Due to reporting differences within the Group's divisions, some of the indicators

describing personnel and the environment are reported only for Finland. These exceptions and the measurement and accounting policies are described in connection with the relevant indicator. The goal is to gradually expand and unify our reporting to make it more comprehensive.

The report has not been reviewed in full by a third party. Financial indicators, which are presented in the financial statements, are audited by authorized public accountants.

Stockmann's subsidiary Lindex publishes a CSR report of its own, with more detailed information about its CSR work, at [lindex.com](http://lindex.com).

## MATERIALITY ASSESSMENT

Our work focuses on those CSR topics and activities that are most important, or material, to our business. Looking at materiality is an

STOCKMANN'S CSR THEME	STOCKMANN'S MATERIAL TOPICS	TOPIC BOUNDARY
<b>CUSTOMER</b>	Customer Satisfaction	Own operations
	Marketing and Labelling	
	Customer Privacy	
<b>PERSONNEL</b>	Employment	Own operations
	Labour and Management Relations	
	Occupational Health and Safety	
	Training and Education	
	Diversity and Equal Opportunity	
	Freedom of Association and Collective Bargaining	
<b>PRODUCTS</b>	Customer Health and Safety	Own brands' supply chain and own imports, safety and procurement practices in own operations
	Materials	
	Procurement Practices	
	Supplier Environmental and Social Assessment	
<b>ENVIRONMENT</b>	Energy	Own operations
	Effluents and Waste	
	Anti-corruption	
<b>FINANCE &amp; GOVERNANCE</b>	Anti-competitive Behaviour	Own operations and own brands' supply chain
	Human Rights Assessment	
	Korruptionvastaisuus	
	Kilpailun rajoittaminen	
	Kilpailun rajoittaminen	



ongoing process at Stockmann. Our materiality assessment is based on a broad stakeholder survey that was conducted over the years 2012–2013, on the basis of which we have defined the Group's key CSR themes and the topics and indicators to report. During the preparation of the Stockmann CSR strategy 2016–2018, the materiality analysis and CSR themes were revisited, re-evaluated and updated where needed. In 2017, the materiality assessment was updated in accordance with the requirements of the GRI standards, identifying 22 topics relevant to reporting.

## LINDEX

To address the aspects specific to its business, Lindex engages in a continuous materiality assessment of its own, to gain insight from its stakeholders and to complement the Group materiality assessment. In 2017, a new assessment was carried out at Lindex, based on continuous stakeholder engagement and a large stakeholder survey involving employees, company management, the Board, selected NGOs and other organisations, media, students and suppliers. Along with the brand tracking results, materiality analysis guides Lindex's CSR reporting and communication. Focus areas include, in particular, responsible production and materials, circular economy, working conditions, transparency and purchasing practices.

# STAKEHOLDER ENGAGEMENT

*Stockmann engages in active and ongoing dialogue with its stakeholders to strengthen relations and better respond to the expectations and wishes placed on it. In our CSR strategy work, we have identified five key stakeholder groups that most affect and are affected by our business.*

## CUSTOMERS

Customers are an especially important stakeholder group, and one of our values is to inspire our customers. We are in direct dialogue with customers in various ways, including in stores, through customer service and social media, and use a variety of tools to allow stores to better understand customer needs and expectations.

## PERSONNEL

We value our personnel and their commitment to the company. Our goal is to be a sought-after employer on the labour market. We work continuously to improve the working atmosphere and dialogue with employees. We carry out dialogue in many ways and measure organisational health and performance.

## SHAREHOLDERS AND INVESTORS

Stockmann aims to be an attractive and sought-after investment target on the capital market. We provide shareholder and investor information, as is the requirement for listed companies, through stock exchange announcements, financial reports and the annual reporting, the Group's website, audio webcasts, regular investor relations meetings and the Annual General Meeting of shareholders.

## GOODS SUPPLIERS AND SERVICE PROVIDERS

Long relationships with goods suppliers and service providers are key to our sustainability work and continuous improvement in production. All suppliers are expected to follow the Stockmann Code of Conduct. We engage in active direct dialogue, especially with the suppliers and producers of our own brands, through our buyers and local purchasing offices, e.g. through regular meetings and audits.

## AUTHORITIES AND ORGANISATIONS

We engage in dialogue with authorities and organisations by utilizing networks, memberships in several organisations and in connection with development projects. We are in dialogue and cooperate with NGOs and participate in different types of charity projects. We provide information on our website, respond to specific information requests and take part in seminars and meetings.



# CUSTOMERS

Customers are an especially important stakeholder group and one of the company's values. Stockmann's value 'We inspire our customers' strongly guides the company's operations. We respect and listen to our customers and make every customer encounter special. We work actively on improving our dialogue with customers to better understand their needs and expectations regarding Stockmann. Stockmann complies with valid competition and privacy legislation in its operations and promotes free competition in its sector.



The Stockmann department stores are known for their customer-oriented service. Excellent, professional customer service is achieved through regular personnel training, starting from the comprehensive induction of new employees. We focus on providing a best-in-class service that exceeds customer's expectations. Customer satisfaction surveys and customer and employee feedback provide valuable information that guides the Group's divisions in developing their operations. Information concerning customer relationships is utilized in improving customer service and sales, in daily management of personnel, in developing the skills, remuneration and commitment and in the design of training programmes.

## CUSTOMER SATISFACTION

Stockmann and Lindex each use separate customer feedback channels. The quality of customer service and average response times for customer queries are followed closely with quick and easy thumbs up or down questions. Both business units monitor the development of customer satisfaction and brand image in numerous ways.



CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2017	STATUS
<b>CUSTOMER INSPIRATION FOR RESPONSIBLE CHOICES</b>	We build ongoing dialogue to raise customer satisfaction	We continued active dialogue with all stakeholders. Our Net Promoter Score (NPS) at department stores in Finland was 41, which is not yet on the long-term target level of 60 (scale -100- +100). 85% of Lindex's customers in Sweden, Finland and Norway said that they would be likely or very likely to recommend Lindex's store to friends or acquaintances.	● In process
	We share information about CSR work and sustainable choices	We shared information in department stores, stores, through our personnel, in social media, through (press) releases and in our responses to customers, media, and NGOs. Our target is to inspire our customers even more with sustainable choices.	● On target
	We engage in CSR and charity projects on a regular basis	We donated sample products, materials and food through our charity partners and engaged in charity projects, such as Lindex's pink ribbon and round-up campaigns.	● On target
	We ensure Customer Privacy	There were zero incidents of breaches of customer privacy, as targeted.	● On target

### STOCKMANN

- All feedback gathered through encounters at the department stores, over the phone, via email and social media are gathered for analysis. Everyone who has asked for a response will be contacted. Customer feedback is also made visible to people working in support functions.
- The quality of the customer service and the average response time are measured with "thumbs up or down" questions. Peak times for customer feedback occur before Christ-

- mas and during the Crazy Days campaigns, during and after which the response times are longer than usual.
- Customer experience is measured by regular email inquiries sent to loyal customers. One of the survey metrics is the Net Promoter Score (NPS), which measures the likelihood that a customer will recommend a service, and which is also one of our strategic Key Performance Indicators.
- Social media is an increasingly important channel for our customers to express their



opinions. We serve different target groups on Facebook, Twitter, Instagram and LinkedIn

- Topics that collected the most customer feedback were the Crazy Days campaign, the online store and its logistics, customer service in general, the selection, shopping bags and the new shopping bag charge.

### LINDEX

- Customer feedback is collected through regular customer inquiries both in stores and online in nine operating countries.
- Feedback is also collected through social media, e-mails and phone calls to customer service, through brand tracking, and through in-depth interviews with selected customer groups.
- Most feedback concerned selection and campaigns, the One Bag Habit campaign related to charging for shopping bags, sustainability topics, especially chemicals, and the More at Lindex customer loyalty programme.

## SERVICES TO SUPPORT A RESPONSIBLE LIFESTYLE

We provide our customers with responsible shopping experiences, and information on sustainable choices and our CSR work. Our goal is to inspire our customers to make responsible choices and to provide services that support this goal.

### Tips for choosing and taking care of clothing

#### STOCKMANN

- As part of our excellent customer service, customers are offered information on how to use and wash products, and on recycling alternatives, so that the lifecycle of the product can be extended, and environmental impacts can be minimized.
- We also offer fashion consultant and sewing services to support the choice of products that are tailored to the customer

#### LINDEX

- Lindex's website and store materials provide tips and product care instructions for washing, drying and repairing clothes aimed at reducing environmental impact. Sales personnel are trained to advise customers on this subject.

### Opportunities to recycle

#### STOCKMANN

- Stockmann department stores started co-operation with the Emmy online shop that sells second-hand brand clothing. An Emmy collection box can be found at each department store in Finland. Using the boxes, our customers can recycle their clothes using Emmy's full service and even collect their sales profit in the form of a Stockmann gift card.
- In Finland customers can return used electrical appliances and electronic

Stockmann department stores started co-operation with the Emmy online shop that sells second-hand brand clothing. Lindex collected a total of 150 tonnes of textiles from its customers.



#### READ MORE

[www.stockmanngroup.com/en/csr](http://www.stockmanngroup.com/en/csr)

equipment, batteries, fluorescent lamps and energy saving bulbs and nail polish to Stockmann department stores.

- Electronic devices and batteries can also be returned to the department stores in the Baltics.
- Various recycling campaigns are organized in co-operation with Stockmann's suppliers. For example, a campaign to recycle frying pans, cutlery and cookware was organized with Hackman, and the Knowledge Cotton Apparel brand collects second-hand clothes continuously.

#### LINDEX

- Lindex piloted textile collection in Sweden back in 2014. Today, Lindex's customers can hand in used textiles and clothes for recycling and reuse at all stores in Sweden, Norway and Finland, and the number of clothes collected multiplied from the

previous year. In 2017, Lindex collected a total of 150 (27) tonnes of textiles, which are reused and recycled through partners. The 'Reuse and recycle' programme is a part of Lindex's long term ambition to close the material loop.





## MARKETING AND LABELLING

Stockmann respects the rights of the consumer and engages in responsible marketing. This policy is included in the group-wide Code of Conduct. Our marketing communications are performed according to the Consolidated ICC Code on Advertising and Marketing Communication Practice, the Consumer Protection Act and our marketing strategy.

### Marketing communications

Our marketing communications avoid all misleading practices, such as false or deceptive messages and omission of important information. Our marketing should never be inappropriate or offensive. These practices are known and followed by all of the company's marketing planners and are overseen by the Marketing Director of each business.

Lindex has its own brand strategy and marketing guidelines regarding images, tonality, choice of models, retouch management etc. as well as social media guidelines. Lindex is a member of the self-regulatory Swedish Advertising Ombudsman (RO) organisation, founded by the industry to review and maintain standards. RO receives complaints about advertising and assesses whether the advertising follows the Consolidated ICC Code. RO also provides information, guidance and training in the field of ethical marketing.

In December 2017, the children's wear on the cover page of the Stockmann's loyal

customer magazine prompted lively debate in social media about the gender roles of children. However, no formal complaint was filed. During the reporting period, Stockmann received an exemption from the Finnish Advisory Council for Ethics concerning a complaint made in 2016 about mannequin dolls in a Stockmann department store.

In December, a complaint was made to the RO about a Lindex outdoor marketing campaign presenting women's underwear. The ads were perceived as discriminating against female sex. Lindex received an exemption on the matter in February 2018. e.

### Product information

We comply with statutory labelling, in addition to which voluntary labels that reflect product sustainability may be attached to products. If fashion products are made from materials with reduced environmental impact, such as organic cotton or recycled fibres, this is clearly marked using a hangtag, a print or on the product packaging, as well as in the product information in the online store.

We tell our customers about the origin of the products. The country of origin is marked on all of Stockmann's own brand garments and home textiles as well as on all Lindex's garments.

### STOCKMANN

- Products with a *Sustainable DESIGN* label are made with organic cotton, lyocell or recy-



clad polyester. On the other side of the hangtag, there's more detailed information about the material.

- The *Design From Finland* label indicates that the product has been designed in Finland, at Stockmann's own fashion studio.



### LINDEX

- The *Sustainable Choice* label indicates that the product is made with materials with a reduced environmental impact and/or with more sustainable processes. In Lindex's collections these are for example Better Cotton, organic cotton, recycled cotton, lyocell, recycled polyamide, recycled polyester and recycled wool.
- The *Premium Quality* label stands for premium fibres, such as wool or silk, being used in the product.
- Most of the products' neck labels are made of recycled polyester.



on customer privacy is included in the new employee induction programme.

In 2017 the Stockmann loyal customer programme had approximately 1.1 million loyal customers and More at Lindex 4.6 million members. The companies keep in touch with their loyal customers on a regular basis and offer them exclusive deals and benefits with a monetary value. The loyal customer systems' data file descriptions can be found on the units' respective websites. Each of the loyal customer programmes has its own customer registers, compiled in order to manage customer relationships and for customer service and marketing purposes. The personal data of Stockmann's customers and of shareholders attending its General Meetings is handled confidentially in accordance with the applicable legislation.

During the year, Stockmann received several queries from customers regarding the use of personal data. These queries were dealt with on a case-by-case basis, and appropriate measures were taken depending on the nature of the inquiry. In 2017 none of them led to follow-up measures. There were no complaints or statements from the authorities on the loyal customer systems or the handling of the personal data.

Stockmann is preparing for the entry into effect of the EU General Data Protection Regulation, which is (designed to harmonize data privacy laws across Europe.

## CUSTOMER PRIVACY

Stockmann and its employees respect the privacy and inviolability of the rights of its customers. We do not reveal or use customer information other than in strict accordance with Stockmann's customer privacy policy. Training

# PERSONNEL

Motivated and engaged retail experts are the backbone of our business. We treat our employees fairly and equally according to the principle of equal opportunities. Employees are paid a fair level of remuneration for their work, and their personal and professional growth and development is encouraged. We encourage our employees to look after their wellbeing and we provide them with healthy and safe working conditions. Our aim is to be an attractive and well-liked employer in the labour market.





The Stockmann Group's Human Resources (HR) policies are based on the company's values, HR strategy and Code of Conduct, on top of which the divisions have their own more detailed HR policies that support the success of individuals and the wellbeing of the personnel. The implementation of good HR policies is monitored through personnel surveys, performance appraisal discussions and other feedback channels. Co-operation also takes place in local personnel committees and the Group Employee Council. The Human Resources Director, who reports to the CEO of Stockmann Group, is responsible for the HR of the company.

## EMPLOYMENT

The Stockmann Group is a significant employer in Finland and Sweden. In the case of Finland, the development in the recent years has not promoted employment, but has rather sought to safeguard the existing staff, while the company has focused on its core activities and has let go of non-core activities and streamlined its operations.

In June, Stockmann and the S Group agreed on a transaction where the Stockmann Delicatessen business in Finland was sold to the S Group's cooperatives. The Finnish Competition and Consumer Authority issued their approval for the sale in December, and the transaction was completed on 31 December 2017. Stockmann will continue its own Delicatessen business in its Baltic department

CSR THEMES	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2017	STATUS
PERSONNEL MOTIVATED AND ENGAGED RETAIL EXPERTS	We increase wellbeing at work	Stockmann's Organisational Health Index (OHI) score was improved to 54 (2016: 38) and reached our target of 50 (scale 0-100). Our ambitious further target is to reach 65 in the 2018 OHI survey, that measures employee wellbeing and the ability of our organisation to reach its full potential.	● On target
	We promote clear work roles and targets	Approximately 95% of Stockmann's personnel in Finland had performance and development discussions with their superiors, nearly our target, 100%. In addition, group development discussions were introduced in store operations to increase inclusion. At Lindex, all permanent employees have annual employee appraisal meetings with their manager.	● In progress
	We ensure safe working environment	In Finland, 85 accidents were reported at workplace and 52 on the journey to and from work (2016: 148+86). In Sweden, there was a total of 142 (132) reported workplace accidents. The Group's accident rate was 25 (32) accidents per million working hours, as targeted. For 2018, the target is not more than 20.	● On target

stores. With the deal, almost 700 employees moved to the new employer as existing employees. The staff of the Finnish Delicatessen and Central Kitchen are not included in the staff figures reported for 2017. For the reference figures, the limitation is given on a per-indicator basis.

In the autumn of 2017, Riga's warehouse operations were moved to the distribution centre in Tuusula, southern Finland. As a result, the work of 41 employees came to an end. All the employees that were laid off were offered alternative work in other positions in the company.

Lindex launched an extensive profitability and efficiency programme in October 2017.

As part of this, it will streamline operations especially at the Gothenburg Headquarters and support functions in Sweden, Norway and Finland. The changes are planned to lead to the reduction of approximately 100 positions, mainly during the first part of 2018. The number of sales personnel will not be reduced.

As part of the streamlining efforts, Stockmann initiated co-operation negotiations in January 2018 which concerned about 350 people in supply chain, finance and HR positions in Finland and may lead to the reduction of some 95 positions.

Group development discussions were introduced in store operations to increase inclusion.

### EMPLOYMENT CONTRACTS

In retail the need for fixed-term employees is high, as the summer and Christmas seasons increase the need for seasonal employees. Use of supervised workers or self-employed workers is minimal at the Stockmann Group, the former being limited to some cases in marketing.

#### STOCKMANN

- The number of fixed-term employees at Stockmann has decreased, while seasonal workers at the department stores for Crazy Days and Christmas are now recruited through a recruitment agency.
- The Stockmann department stores and Lindex offer many young people an opportunity to become familiar with the retail sector, e.g. in the form of the practical training periods of various educational institutions. Stockmann employed 300 (220) summer employees and 330 (360) interns during the reporting year. In 2017, we invested in our outreach efforts directed at young people by cooperating with Laurea University of Applied Sciences, participating in the Chamber of Commerce's 1000 Young Leaders project and offering trainee positions under the 100 Years of Work Available (Annetaan 100 vuotta töitä) programme.
- A number of people working in sales positions at Stockmann department stores are employees of Stockmann's tenants in, for example, restaurants and departments of Stockmann's partners.

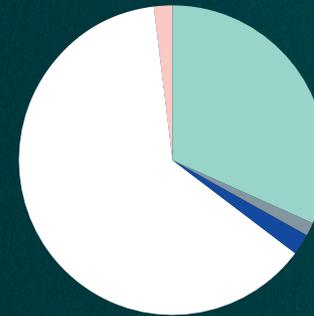
### LINDEX

- Lindex offers internships both at the Head Office and in stores and it cooperates with different universities regarding internship positions.
- At the Head Office there are about 20 interns per year and most of them are placed in the Design and Purchasing Department.
- At Lindex stores, extra workforce is needed around the summer and Christmas holidays. This need is solved mainly by offering more hours to part-time employees and extra employees connected to the store. Each year, Lindex employs about 20 seasonal employees to work at the Head Office during the summer and Christmas holidays.

### EMPLOYEE BENEFITS

The Stockmann Group offers its personnel the benefits required by local legislation in each of the countries in which it operates. These benefits may include occupational health services, insurance against occupational injuries and diseases, parental leave and retirement benefits. Personnel benefits do not vary between part-time and full-time employees.

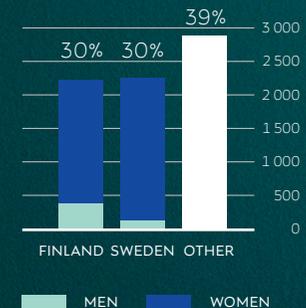
In most countries, the employees are offered benefits that clearly go beyond the requirements set by legislation, such as health insurance and meal benefits. All employees can purchase products using an employee discount in stores belonging to the Group. In addition, employees can purchase e.g. sample



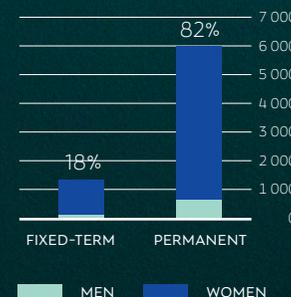
### EMPLOYEES BY DIVISION

STOCKMANN RETAIL	32%
REAL ESTATE	2%
GROUP'S SHARED FUNCTIONS	2%
LINDEX	63%
PURCHASING OFFICES	2%

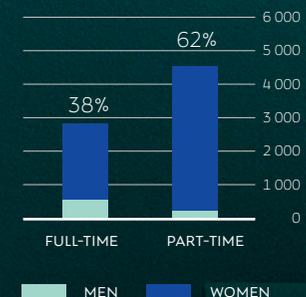
### EMPLOYEES BY COUNTRY



### FIXED-TERM / PERMANENT



### FULL-TIME / PART-TIME





clothing at a budget price in personnel sales. Long-serving employees are awarded with a medal. In all units, employees are rewarded on their 50th birthday. Stockmann supports recreational and leisure activities for permanent employees, for instance by supporting sports possibilities and through various staff clubs. Stockmann employees are rewarded for 30 years of service with additional holiday and employees are also remembered on their 60th birthday. Lindex employees in Sweden are rewarded for 25 years of service.

## LABOUR AND MANAGEMENT RELATIONS

The Stockmann Group monitors the implementation of good HR practices through personnel surveys, performance appraisal discussions and other feedback channels. We promote a culture of openness and strive to communicate about issues concerning our personnel as quickly as possible by going through Stockmann's financial performance as well as by setting goals for our performance in these areas. There is a need to continue improving communication about structural changes so that it reaches all personnel categories, including those who are absent.



Fashion show for personnel

Stockmann's own employees and their children posed as models in a fashion show put together by a group of volunteers, to present the fall 2017 collection of Stockmann's own brands to the personnel.

Two employee representatives participate in meetings of Stockmann's Board of Directors and they have the right to attend and speak at Board meetings. One of these representatives is elected by the employee representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

### STOCKMANN

- It is our target that a performance and development discussion is conducted at least once a year with each Stockmann employee. In executive and expert positions, a development discussion is held twice a year. Implementation is monitored: in 2017 about 95% of Stockmann's personnel in Finland had performance and development discussions with their supervisors. Furthermore, in 2017 additional group development discussions were introduced in sales to increase inclusion.
- In Finland, the Stockmann Group's divisions have their own Employees' Councils that convene four times a year. A similar model is followed in the Baltic countries. Human resources matters concerning Finland are handled at the Group Council, whose meetings are held twice annually.
- In the spring of 2017, the Finnish Commerce Federation and the organisation representing senior salaried employees, YTN, agreed to promote co-operation between the trade unions and company-specific dialogue. YTN became a partner in a future project by the Finnish Commerce

Federation. Stockmann will continue to have a good dialogue with the shop steward of the senior salaried employees and with the association representing Stockmann's Senior salaried employees, SYT.

- Co-operation was developed on the initiative of elected representatives, by agreeing on co-operation and reforms in the field of local co-operation meetings. The amendments will be confirmed during spring 2018 at Stockmann's Group Council.
- Stockmann was the top riser of the year in the employer image survey conducted by Universum, a market research company. Stockmann ranked 32nd in a survey that targeted professionals with a higher education degree, up 15 places on the previous year's rank of 47.
- The incentive programme now covers every Stockmann employee, as the incentive schemes were renewed in 2017. Sales, warehouse and support personnel and the management have their own designated incentive schemes, which aim to encourage and motivate our employees to aim for top results and to inspire customers.

### LINDEX

- All Lindex employees have an annual development discussion with their supervisor. The target discussions under the performance programme were held at the Lindex headquarters and the distribution centre in Sweden, every two months, as in the previous year. As part of the open communication, quarterly results and



strategy meetings are held for all employees by the Lindex CEO. Along with the Group and Lindex strategy, future development areas are presented in these meetings and questions are answered. Each year after the summer holidays, an inspirational event with varied topics from the management, related to the Lindex vision and strategies, is held for all Lindex employees.

- Lindex conducts regular dialogue with trade unions, to discuss for example wages, organisational changes, and other issues raised by trade unions.

### FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Stockmann Group respects the basic rights of its employees, such as freedom of association and collective bargaining. In Finland, approximately 80 (76) % of the Stockmann Group's personnel are covered by collective agreements. All Lindex employees in Sweden, Norway and Finland, excluding senior salaried employees, are covered by a collective bargaining agreement. The company does not monitor the extent of union membership, but it does compile statistics on those employees in Finland whose trade union membership fee is deducted from their salary. In 2017, these employees accounted for 30 (30)% of the Group's personnel working in Finland. In other countries of operation, statistics on union membership have not been collected.

## OCCUPATIONAL HEALTH, SAFETY AND WELLBEING

Occupational health care is arranged in accordance with local laws and regulations in all countries of operation. Employee wellbeing and occupational safety are discussed regularly in the Employees' Councils, which operate in accordance with the requirements of local legislation and represent all personnel groups. Employee wellbeing is measured through employee surveys both at Stockmann and Lindex units.

### STOCKMANN

- An Organisational Health Index (OHI) survey was carried out among Stockmann's employees for the fourth consecutive year to measure employee wellbeing and the ability of our organisation to reach its full potential. The score had improved significantly from one year ago to 54 (2016: 38) and reached our target of 50 (scale 0-100). However, the score still represents the lowest quartile in international comparison. Our ambitious further target is to reach 65 in the 2018 OHI survey.
- The issues and concerns expressed by Stockmann's personnel were employee wellbeing and workload, shift planning in department stores, which was developed in general and to take individual situations better into account, and the development of know-how.
- Efforts to support work and family life balance as well as equal opportunity

included the renewal of guidance for remote work, allowing more personnel to take advantage of remote work. In November, we took part in the national 'bring your child to work' day, a day dedicated to introducing children to the everyday work life of their closest adults, as well as making use of children's fresh ideas at the workplace.

- Small events to boost wellbeing at work included a 'take the stairs' theme week, the 'sports day of your dreams' event at the Takomotie office, wellbeing days at Itis, voluntary eyesight inspections and a sports weekend lottery by Otium, a foundation that supports employee wellbeing at Stockmann.
- Stockmann announced to become a smoke-free workplace in 2017. The decision was based on the desire to increase equal treatment and to promote health and wellbeing at work. Occupational health provides support for reducing or quitting smoking if needed.
- Stockmann uses an early intervention model to follow up and support employees at an early stage in order to promote their working ability and health. A working ability discussion is a tool for managers, for confidential discussion, and is recommended for use when something has changed in an employee's ability to work. Follow-up for sickness absences requires co-operation between the manager and the occupational health services, and sometimes involves a personnel repre-

sentative and the HR department. Different modes of support for the return to work, such as work in trial periods or part-time sick leave, are actively used at Stockmann. The company also has a drug abuse programme to intervene in cases involving substance abuse. The principles of this programme are updated regularly.

- As part of its normal operations, Stockmann's occupational health services take the working ability perspective into consideration with every appointment and advise employees on severe work-related diseases and any other risks associated with work, and give recommendations where necessary, for example for a more suitable work station. Supportive management practices, a safe working environment and the possibility of varied nutrition during the work day are also considered part of the support for employees' ability to work. Information on preventative action is also given out during the Group's occupational safety day event.

# 81 %

of Lindex employee survey respondents felt that they are committed to Lindex and their work.



## LINDEX

- A staff survey is conducted regularly, on alternating groups of respondents, so that Lindex can become an even better workplace. In March 2017, the questionnaire was sent to 2 600 employees in all operating countries, except for Finland and the Head Office in Sweden, which were included in the survey in 2016, and Norway, which will be included in 2018. Commitment, perceived availability of information and identification with Lindex as a workplace were at a high level compared with other companies of the same size. 81% of respondents felt that they are committed to Lindex and their work.
- Identified development areas included teamwork, competence development for teams and individuals alike, goal setting, optimizing organisation of work, implementation of the anti-harassment policy.
- To support employee wellbeing, mindfulness classes were offered to personnel working at the Head Office and Distribution centre in Sweden.
- Performance management is used at Lindex to follow-up and support employees at an early stage in order to promote their working ability and health. Different modes of support for the return to work after a sickness absence, such as work in trial periods or part-time sick leave, are actively used at Lindex. The company also has a drug abuse programme to intervene in cases involving substance abuse. The principles of this programme are available

on the company intranet. Lindex conducts close cooperation with the occupational health services, Previa, in work-related diseases and any other risks associated with work, and for giving recommendations where necessary, for example for a more suitable work station.

## SICKNESS ABSENCES AND WORKPLACE ACCIDENTS

Sickness absences are reported in the 'Staff figures 2017' table. In Sweden, most accidents were due to slipping and falling over things as well as dropping and lifting things. None of the accidents led to severe injury.

In 2016, medical occupational health care covered all employees in Finland whose employment had continued for more than 4 months, i.e. 1 989 (2 358) persons at year-end. The occupational health care services of the Group's units in Finland are arranged via the company's own occupational health clinics and outsourced services. The personnel at the Group's own clinics mainly serve employees in the Helsinki region. In other locations and at the Finnish Lindex stores, occupational health services are provided through outsourcing. In Finland, the costs of occupational health services totalled EUR 1.4 (1.7) million. The net cost of occupational health services was approximately EUR 330 (230) per employee in Finland. Information on the distribution by gender is currently not available.

## TRAINING AND EDUCATION

Systematic, continuous training is a core part of our HR practices and is carried out mostly through various internal training events and sessions involving representatives of different business and personnel groups.

### STOCKMANN

- The average number of training hours in the Stockmann Retail and Real Estate Businesses in Finland was 8.4 hours per employee. There were a total of 20 000 (35 000) hours of training. This includes training for sales supervisors, sales and product training, training towards a professional qualification and other training to increase professional competence.
- Stockmann organizes a wide range of coaching sessions in Finland, regarding product competence, sales and service, induction for new employees, and coaching activities related to raising staff and customer experience among other things. At the beginning of 2017, all sales staff received training in a new sales concept in the form of a game. In addition, the development of sales management work was launched in the autumn of 2017.
- Stockmann supports the combining of work and studies, for example by providing opportunities for apprenticeship training. The roll-out of the Stockmann Group's Code of Conduct e-learning continued in support functions and sales management.

The roll-out will continue in 2018, e.g. among sales and logistics personnel.

## LINDEX

- The average amount of training per person at Lindex in all operating countries was 10.1 hours (2016: 8.8 hours in Sweden, excluding the Head Office, 72% of which was training and 28% of induction).
- Continuous professional development is promoted through various in-house training courses and events. In addition, external management training is offered. Employees at the head office were offered, among other things, training for goal orientation and mindfulness classes. The design and purchasing organisation offered a one-year Talent programme. Other training topics targeted at certain categories of staff were stress-free productivity and team leadership without manager position. For the management, the training included, among others, coaching, leadership and training related to interview techniques.

## SKILLS MANAGEMENT AND JOB ROTATION

Continuous development at work and an active internal labour market are Stockmann's strengths. Providing employees with the opportunity to switch duties between divisions, functions and countries promotes learning and the retention of competent personnel in the company's service. Many members of the Group's management have



experience gained from various parts of the company, including customer service duties.

At Lindex, employees are encouraged to try new roles within Lindex, at stores and offices as well as at country organisations and the Head Office to gain new experiences and perspective. This is considered a success factor in developing Lindex further, and a way to retain competent personnel. Opportunities for a transfer within the company are provided through Lindex's internal labour market, including internship opportunities in another role for shorter periods. In 2017, a new talent programme was successfully piloted at the Head Office, upgrading purchase assistants to new roles.

## DIVERSITY AND EQUAL OPPORTUNITY & NON-DISCRIMINATION

Stockmann treats all of its employees fairly and equally, and it values the diversity of its employees. Discrimination is strictly forbidden.

### STOCKMANN

Stockmann has an equality plan, which is regularly updated and approved in the company's Employees' Council. With the aid of statistics, the purpose of the plan is to point out structural issues in work duties and to set improvement targets for achieving a more equal working environment.

The realization of equality is promoted in all employment categories. Mutual respect and abiding by mutually set rules are part of this. In recruitment, we are open-minded towards the various backgrounds of the candidates. Job descriptions are designed to suit both women and men. We ensure that the tasks, qualifications and titles are gender neutral. Age, sex or beliefs are only considered if there is a justified reason based on the position. Different age groups are well represented in the company. To balance the age breakdown among sales persons, we place emphasis on recruiting competent middle-aged female and male personnel as sales persons for Stockmann department stores. Personnel planning has been developed to ensure equal treatment, for example regarding the offering of additional working hours, and the division of days off and Sunday work, and by renewing the guidance for remote work, allowing more personnel to take advantage of remote work. HR Business Partners work actively in co-operation with supervisors to deal with and anticipate potential cases of harassment, discrimination, equal opportunity, atmosphere and workload.

### LINDEX

Lindex has its own equality and diversity plan. The policy on harassment and discrimination was renewed and enforced during the year, to clarify how to act in such situations and how to prevent violations. Diversity is seen as a competitive advantage for an international fashion company, where all employees are

## EMPLOYEES BY GENDER

MEN/WOMEN	2017	2016	2015
Entire staff*, %	9/91	10/90	13/87
With Director title, %	50/50	44/56	41/59
Group Management Team, persons (%)	6/6 (50/50)	6/5 (55/45)	9/2 (82/18)
Board of Directors, persons (%)	6/2 (75/25)	5/3 (63/37)	5/3 (63/37)

\* 2016-2017 Does not include personnel in the Delicatessen business in Finland, which is reported as discontinued operation. 2015-2017 Does not include the Department store business in Russia, which is reported as discontinued operation.

## EMPLOYEES BY AGE GROUP 2017

MEN/WOMEN	under 25 years old	25-34 years old	35-44 years old	45-54 years old	55 years old and older
Entire staff, %	20 (6/94)	27 (9/91)	21 (13/87)	17 (11/89)	13 (18/82)
Group Management Team, persons (%)	-	-	0/3	6/2	-

Does not include personnel in the Delicatessen business in Finland, which is reported as discontinued operation.

## THE RATIO OF BASIC REMUNERATION OF WOMEN TO MEN BY EMPLOYEE CATEGORY, STOCKMANN FINLAND

INDEX	2017	2016	2015
Sales persons (hourly salary)	99	98	100
Warehouse personnel (hourly salary)	95	94	98
Office personnel (monthly salary)	96	97	97
Senior salaried employees and management (monthly salary)	80	83	87

2017 Does not include personnel in Delicatessen business in Finland, which is reported as discontinued operation. The index is only indicative, as it does not take into account the diversity of job roles and descriptions in each category.

united in their passion for fashion, customers and trade. Lindex values and develops employees' job performance and skills regardless of age or ethnicity, and it wants to be perceived as an attractive company for both women and men. Active equality and diversity work within Lindex contributes to increased motivation and satisfaction among employ-

ees, which in turn increases the company's competitiveness and profitability. The great majority of Lindex personnel are women and it is considered a challenge to get men to seek employment in Lindex stores and to some extent in office positions too. The gender balance is better in the support functions, for example IT and similar.



## DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

When choosing the members of the Board of Directors, diversity is taken into account, so that the persons represent different fields and professions, international backgrounds, and varying age and gender. Information on the average age of the employees is presented in the 'Staff Figures' table.

## STAFF FIGURES

	2017	2016	2015
Number of personnel 31 December	<b>7325</b>	7572	9734
in Finland (men/women)	<b>362/1850</b>	430/2133	974/3481
in Sweden (men/women)	<b>116/2118</b>	128/2254	128/2422
Personnel on average	<b>7360</b>	8164	10762
Personnel as full time equivalents, on average	<b>5486</b>	5960	7643
Personnel by employment contract			
fixed-term (men/women) / permanent (men/women)	<b>18 (6/94) / 82 (10/90)</b>	17 (7/93) / 83 (11/89)	20 (8/92) / 80 (15/85)
fixed-term (men/women) / permanent (men/women) in Finland	<b>10 (14/86) / 90 (17/83)</b>	8 (10/90) / 92 (17/83)	17 (16/84) / 83 (23/77)
fixed-term (men/women) / permanent (men/women) in Sweden	<b>16 (4/96) / 84 (5/95)</b>	22 (5/95) / 78 (6/94)	23 (3/97) / 77 (6/94)
Share of full-time/part-time employees of personnel, %	<b>38/62</b>	40/60	39/61
in Finland (men/women)	<b>46 (24/76) / 54 (10/90)</b>	52 (24/76) / 48 (10/90)	47/53
abroad (men/women)	<b>35 (15/85) / 65 (2/98)</b>	34 (17/83) / 66 (2/98)	32/68
Turnover of permanent employees, on average, %	<b>19</b>	21	17
in Finland	<b>17</b>	22	11
in Sweden	<b>6</b>	6	5
New permanent employee hires, %	<b>18</b>	14	11
in Finland	<b>10</b>	5	3
in Sweden	<b>5</b>	4	4
Staff costs, EUR million	<b>236.2</b>	270.4	321.5
Staff costs, share of revenue %	<b>22.4</b>	23.0	22.4

2016–2017 Does not include personnel in Delicatessen business in Finland, which is reported as discontinued operation.

2015–2017 Does not include Department store business in Russia, which is reported as discontinued operation.

## EQUAL REMUNERATION OF WOMEN AND MEN

Equal remuneration is one of the areas in the equality plan.

### STOCKMANN

Remuneration of women and men working at Stockmann in Finland is monitored with the aid of an index of monthly or hourly salaries

that compares women's salaries to men's salaries (index 100) per employee category. The latest update of the index was on 31.12.2017. The causes of pay differentials include, for example, the difference between job roles, level of requirements and individual competences within the same level of difficulty, which the index does not take into account. Men work relatively more in supervisor and IT positions, which explains some differences.

### LINDEX

In 2016, Lindex started a salary review to monitor any differences in salaries between women and men in the same job roles. The foundation of Lindex personnel policy is that salaries are market related and competitive as well as connected to the responsibility of the role and achieved results. Differences in salary because of sex, functional limitation, ethnicity, sex-transcendent identity, sexual orientation,

religion and other beliefs, age or parental leave are not acceptable. The collective agreement sets the guidelines for the salary audit.

## INCIDENTS OF DISCRIMINATION

During the reporting year, no cases of sexual harassment or religious or political discrimination were raised at Stockmann. The HR department dealt with one complaint regarding discriminating behaviour by a supervisor. During the reporting year, one case of harassment was reported at AB Lindex, which was solved in co-operation between the Lindex HR department and the trade union. In addition, one of the complaints filed in 2016 was completed: the complaint concerned discrimination against an applicant at Lindex Norway, and the Equality Ombudsman decided that the complaint was unfounded. In other countries of operation, no cases of discrimination or harassment were made or addressed.

	2017	2016	2015
Average age of personnel	<b>37</b>	37	36
in Finland	<b>39</b>	40	38
abroad	<b>38</b>	37	37
Sickness absences, %	<b>4.1</b>	4.7	4.5
in Finland	<b>3.8</b>	4.3	4.4
in Sweden	<b>4.6</b>	5.1	4.9
Reported workplace accidents at workplace + on the way to work in Finland, number	<b>85+52</b>	148+86	127+71
Reported workplace accidents at workplace in Sweden, number	<b>142</b>	132	113
Staff training expenses in Finland (excluding direct wage costs), EUR million	<b>0.2</b>	0.3	0.4

Includes personnel in Delicatessen business in Finland for all years.

2015–2017 Does not include Department store business in Russia, which is reported as discontinued operation.

Restatements of information: Reported workplace accidents in Sweden in 2016.

## PRODUCTS & SUPPLY CHAIN

We offer our customers a wide selection of safe, durable, quality products with sustainable choices. We promote sustainable brands and environmentally friendly products. We focus on the responsibility, transparency and traceability of our supply chains. We increase the use of sustainable materials in our own brand garments.



**DESIGN<sup>®</sup>  
FROM  
FINLAND**

*cut & pret*



Stockmann's department stores and Lindex's fashion stores offer an extensive range of products, consisting of hundreds of thousands of product titles. These products sold in our stores must fulfil the quality, environmental and product safety requirements set for them at any given time.

### Sustainable products as part of department store selection

Our broad product selection offers consumers opportunities to make responsible purchase choices. In the areas of fashion, cosmetics and home products, the choice includes products made from organic and recycled materials and products with an eco-label, such as the Swan Label, energy label or the Ökotex 100 label. Stockmann encourages its sales personnel to find out about the choice of eco-labelled products in their areas of responsibility and to offer them to the customers interested in such products. Information for personnel concerning the various labelling schemes regarding environmental

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2017	STATUS
<b>PRODUCTS</b>  <b>HIGH-QUALITY SELECTION WITH SUSTAINABLE CHOICES AND A TRANSPARENT SUPPLY CHAIN</b>	We offer a wide selection of safe and durable quality products	There was one public recall made of an own brand product, one pair of Lindex's socks, which did not comply with the company's own chemical requirements. Our target is to have zero product recalls in own brand products and own import products.	● In process
	We promote sustainable brands and environmentally friendly products	We made the sustainable choices in our selection known to customers by promoting them on the sales floor and in our communications channels. Our target is to make the sustainable brands and environmentally friendly products in our selection more well-known among our customers. The Sustainable DESIGN label was added to Stockmann's own brand clothing to provide information about the sustainable materials used in the product. At Lindex such products are labelled with the Sustainable Choice label.	● On target
	We increase the use of sustainable materials in our own brand garments	10% of Stockmann's own brand clothes were made of organic cotton or lyocell, after piloting with the first garments made with sustainable materials only a year before. A significant increase can already be foreseen for the year 2018. Already 55% (51) of Lindex's garments are made of sustainable materials and 95% (91 of cotton is sustainable).	● On target
	We add transparency in our own brands' value chain	We published a comprehensive supplier and factory list for fashion own brands, as targeted. The home area is to be included for 2018.	● On target
	We co-operate to improve working conditions in our own brands' supplier network	100% of fashion own brand suppliers have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or similar. In addition, our target is to have all the own brand producers in risk countries to undergo an amfori BSCI audit by the end of 2018. We continued our efforts towards our goals.	● In process

Our target is to make sustainable choices more well-known among our customers



aspects, sustainability and origin is available on the Stockmann intranet. The knowledge of sales personnel on eco-labels is surveyed annually in connection with ISO 14001 audits. Our target is to make the sustainable brands and environmentally friendly products in our selection more well-known among our customers.

## CUSTOMER HEALTH AND SAFETY & PRODUCT COMPLIANCE

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property. The company's buying organisation makes sure that products comply with the valid requirements set in legislation, such as chemical and product safety legislation. Products are tested by their manufacturers and importers, and Stockmann tests its own brand products and own imports, on the basis of regular sampling and risk analysis. Testing ensures that the products fulfil all quality and safety requirements set by legislation or the stricter requirements set by Stockmann.

In addition, Stockmann follows product notifications issued by the European Union in order to inform customers as quickly as possible about products that pose a risk. RAPEX, the EU rapid alert system, facilitates the exchange of information between Member States and the Commission on measures taken to prevent or restrict the marketing or

use of products posing a serious risk to the health and safety of consumers. In Finland, Finnish Customs and the Finnish Safety and Chemicals Agency (Tukes) also promote and supervise product safety.

Possible product recalls are handled in accordance with Stockmann's internal product recall instructions, which specify responsibilities and the action required. One public recall was made of an own brand product, one pair of Lindex's 3-pair pack of socks, which did not comply with the company's own chemical requirements. Our target is to have zero product recalls in own brand products and own import products.

## MATERIALS

Responsibility is integral to the processes involved in clothing design and procurement of materials and products, and these processes are part of the operations of the Stockmann Group. We are set to systematically increase the amount of environmentally less harmful, or sustainable, raw materials in the Group's own brand fashion products, such as organic cotton, lyocell and recycled fibres. We define sustainable cotton as the use of organic cotton, Better cotton (BCI-cotton) or recycled cotton.

### STOCKMANN

- After piloting with the first garments made with sustainable materials in 2016, 10% of Stockmann's own brands clothes were made of organic cotton or lyocell in 2017. A



Stockmann fulfils the requirements of REACH and actively works to limit the use of harmful chemicals in all of its products.

# 55 %

of Lindex garments and 10% of Stockmann's own brand garments were made with sustainable materials.

significant increase can already be foreseen for the year 2018. These garments were for women, children and men.

### LINDEX

- Sustainability is part of Lindex's long-term strategy, with ambitious sustainability goals set for 2020 for fibres, processes and production. By 2020, 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and more sustainable production facilities.
- Already 55% (51) of Lindex garments were made of sustainable materials and 95% (91) of cotton is sustainably produced. In total, 33 million garments from sustainable materials were produced. 100% of Lindex's assortment for newborn babies was made of sustainable materials.
- In March 2017, Lindex launched an upcycled Re:Design collection that was redesigned from Better Denim garments from previous seasons and made locally in Borås, Sweden.
- 100% of Lindex's denim products are 'Better Denim', made from sustainable materials and with processes that use less water, energy and chemicals. In autumn 2017, Lindex once again launched new 'Even Better Denim' styles that use a new, more sustainable washing process. This means that the washing process of a pair of jeans only uses 2 litres of water, while the conventional process requires 50-70 litres. The styles are dyed in the cleanest indigo dye on the market and more sustainable trims and



details, such as buttons, zips and pocket linings, are used. The styles are made from materials such as post-consumer recycled cotton and recycled polyester.

## USE OF CHEMICALS

When producing garments, chemicals are used in processes such as colouring, printing and washing. The Stockmann Group fulfils the requirements of REACH and actively works to limit the use of harmful chemicals in all of its products. As part of the Group's efforts to reduce the use of hazardous chemicals, the use of perfluorinated compounds (PFCs) has been banned since 2014. The ban affects all outerwear at Lindex and children's outerwear in Stockmann's own brand products, and these items are now treated with Bionic-finish@ECO instead. Lindex participates in a cosmetic network, Dialogue Group, together with the Swedish Chemical Agency and several cosmetic brands. Lindex has adopted a voluntary ban on insoluble microbeads in rinse-off products. A voluntary ban on certain fragrances and preservatives in cosmetic products intended for children has also been adopted.

## PACKAGING MATERIALS AND CARRIER BAGS

Stockmann aims to bring to the market high-quality packaging, and to minimize the environmental burden of packaging materials and offer customers material-efficient solutions. We actively monitor developments in the packaging industry and legislative developments, and



We renewed our shopping bag selection to be more sustainable and campaigned together with WWF to reduce the consumption of plastic bags



we monitor customer experience closely and aim to offer new solutions proactively. We make good use of the Finnish 'Optikassi 2009' research on environmental impacts throughout the life cycle of packaging materials. The Stockmann Group reports on packaging materials used, in accordance with the EU Packaging Directive.

### STOCKMANN

- Stockmann has made a commitment to reduce the consumption of plastic bags in the Society's Commitment to Sustainable Development. Accordingly, thin plastic bags are no longer available for our customers on a self-service basis and we have increased our in-store communications about sustainable choices in shopping bags.
- In Septembers 2017, we started charging customers for carrier bags and campaigned together with the WWF to lower their consumption. On monthly level, the use of plastic bags decreased by hundreds of thousands of pieces, and during the Crazy Days campaign, it was halved.
- Stockmann's plastic carrier bags are 80% recycled plastic. The paper bags are made of FSC-certified paper, which is made with trees from sustainably managed forests.
- We recommend a re-usable bag as the best option. Our selection of re-usable bags has been expanded, in connection with the renewal of our shopping bag selection, to be more sustainable, including

by changing the smallest bag size from a plastic to a paper bag.

- The cardboard boxes used for packaging the items purchased in the stockmann.com online store are partially made of recycled fibres.

### LINDEX

- Lindex carrier bags are made with 60% post-consumer recycled plastic, 20% post-industry recycled plastic and 20% renewable oyster shell chalk.
- Lindex started charging for carrier bags starting in Sweden in June 2017, which decreased the use of bags considerably, and only around 30% of customers choose to buy a bag.
- The One Bag Habit initiative, a joint campaign launched by Lindex and two other Swedish fashion brands, to reduce the number of carrier bags consumed, expanded to Finland, the Baltics and the UK in the beginning of 2018. The surplus from the bags are donated to causes that drive sustainable development.

## PROCUREMENT PRACTICES

Responsible, transparent and traceable supply chains form one of Stockmann's CSR focus areas and are important for our stakeholders. Our reporting on the supply chain is based on risk assessment, and the ability to exert an influence. As around 80% of the Group's



## The cornerstones of our responsible purchasing practices

- We have a common Code of Conduct in place in all our production countries to ensure the fulfilment of human and labour rights
- We aim for long-term relationships with suppliers and consolidate production whenever possible
- We are in close contact with the most important suppliers through our local purchase offices
- Compliance with our Code of Conduct is monitored through own audits and those made by a third party
- We aim for transparency: we share information about our buying practices and countries of manufacture and we publish our suppliers and factories

revenue comes from fashion, we focus especially on responsibility in the fashion supply chain and the development of Stockmann Group's own brands' supply chain, which we have the best possibility to exert an influence on.

Our stakeholders, including customers and governmental and non-governmental organisations, are showing increasing interest in our work in the supply chain. The questions raised include our buying practices, the countries of manufacture, our Supplier Code of Conduct, human rights, including living wages, freedom of association and traceability.

All suppliers are expected to follow the Stockmann Code of Conduct or demonstrate a similar commitment. The responsibility issues are discussed during the purchasing negotiations and supplier agreements.

In the Stockmann department stores, the major part of merchandise is made up of international brand products, but we also carry a wide selection of own brand products in women's, men's and children's wear designed by our own designers, and which cannot be purchased anywhere else. In Lindex this applies to the majority of the products.

### BUYING PRACTICES FOR OWN BRAND PRODUCTS

Stockmann does not own any factories or production facilities. Instead, our own brand products are made by contractors. When choosing a supplier, we pay attention to a number of factors. The most important criteria are: the fit with the Stockmann Group's needs,

supplier know-how and ability to deliver, quality and price, CSR with the focus on working conditions and environmental issues, and the potential for long-term relationships. All factories need to fulfil the Stockmann Group's starting requirements and commit to the common Code of Conduct and continuous improvement. We aim for long relationships with suppliers.

### Close co-operation with suppliers

The Stockmann Group has six local purchasing offices in China (Shanghai and Hong Kong), Bangladesh, India, Turkey and Pakistan. The offices play a key role in developing working conditions and identifying risks. In total 135 persons are employed by the offices and they are tasked with supervising purchasing and production. They review the procedures of each factory that they use before any orders are placed, and after which systematic responsibility work continues. Around 90% of Lindex products and half of Stockmann's own brand products are bought via the Stockmann Group's purchasing offices.

Our local CSR specialists provide training and support to suppliers and factory owners, to help them make improvements in line with our Code of Conduct and environmental requirements, and they also perform announced and unannounced audits. Our local production and quality controllers also visit the production units on regular basis to ensure that conditions meet our requirements, and they report on any suspected violations of the Code of Conduct.

In addition to audits and training, every aspect of suppliers' operations is rated according to a 'supplier scorecard', which forms the basis for development. Suppliers are evaluated with the score card twice a year, with the sustainability criteria and business performance being included as parameters. Based on the evaluation, we grade our suppliers, and the score plays a significant role in our supplier management.

### Instructions for suppliers

The Stockmann Group has been a member of amfori BSCI (formerly known as Business Social Compliance Initiative, BSCI) since 2005. amfori BSCI is a business-driven initiative for companies committed to improving working conditions in factories worldwide. The amfori BSCI Code of Conduct sets out 11 core labour rights which the participating companies and their business partners undertake to incorporate in their supply chain in a step-by-step development approach.

The requirements set out in the Code are freedom of association and collective bargaining, fair remuneration, decent working hours, occupational health and safety, special protection for young workers, protection of the environment and ethical business behaviour. It also prohibits discrimination, child labour, bonded labour and precarious employment. At Stockmann Group we actively communicate about the amfori BSCI Code of Conduct to our suppliers and producers, and we co-operate with them to ensure a better

chance of improving working conditions in our supply chains.

Factories where Stockmann and Lindex own brand products are produced that are in countries classified as high-risk by the amfori BSCI, are regularly audited by our own audits, conducted by our own local personnel, and by amfori BSCI audits conducted by a third party. The SA8000 (Social Accountability 8000) certificate is considered a best practice by the amfori BSCI initiative and as an alternative to the amfori BSCI audit.

To improve audit quality, starting from the beginning of 2017, amfori BSCI audits have been semi-announced by default, providing producers a four-week time frame during which the audit will take place, instead of the exact date of the audit.

### Amfori BSCI co-operation

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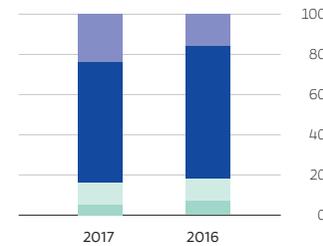
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### Audits and findings

After each audit, be it an amfori BSCI audit, own audit or Accord inspection, an audit report with a corrective action plan is put together. Each task on the corrective action plan is given a deadline and progress is monitored.

The amfori BSCI audits are conducted by internationally accredited independent auditors. None of the factories producing for the Stockmann Group received the audit

### AMFORI-BSCI AUDITS 2016-2017



A: OUTSTANDING	7% / 5%
B: GOOD	11% / 11%
C: ACCEPTABLE	67% / 60%
D: INSUFFICIENT	16% / 24%
E: UNACCEPTABLE	0% / 0%

2017 / 2016

result 'unacceptable' or were caught with zero-tolerance issues. The main findings in the

#### Number of Audits (Full audit / Re-audit)

	2017	2016	2015
amfori BSCI	88	123 (80/28)	142 (114/28)
internal	119	92 (84/8)	116 (90/26)
SA 8000 certificate	13	4	11

audits were non-compliance with the requirements on working hours or allowing one day off every seven days, and issues with health and safety, the management system and fair remuneration.

On 3 July 2017, a serious accident occurred at the Multifabs Ltd factory, one of Stockmann's Bangladeshi suppliers, when a

boiler in the factory exploded during maintenance work. There was no production going on at the time of the accident, due to the holiday season. 13 people were killed in the accident and many people were injured. The factory had been audited with an amfori BSCI audit made in May 2016 with the rating 'good' (B), and no significant deviations were found in the audit. The plant had also been inspected with Accord inspections, but boilers were not included within the scope of the audit. Due to the accident, additional boiler inspections and associated safety training in the supply chain began in December 2017. After the accident, we worked together with the factory and sought to support the factory and its employees. We are still in communication with the factory and will provide support where it is needed. Multifabs has compensated the families of the deceased workers in accordance with Bangladesh law together with their own additional compensation.

### Improving fire and building safety in Bangladesh

Stockmann is committed to improving factory safety in Bangladesh, which is one of our most important production countries. In 2013, we joined the Accord on Fire and Building Safety in Bangladesh, due to the risk posed by substandard factory buildings in the country. According to the agreement Stockmann is committed to having all of the factories producing garments for the Group audited on the basis of three different inspections, concerning fire safety, electricity and structural issues.



The first contract period comes to an end in the spring of 2018, and Stockmann has committed to the transition Accord, with the aim of finishing the detected improvements needed in the factories within the original Accord and to transfer the responsibility to the local government as soon as possible. The situation will be monitored every 6 months until the local government is ready to take charge or until 2021.

By the end of 2017, 82% of all the issues in all the factories within the Accord had been remediated, and 89% of those found in factories producing for the Stockmann Group.

	2017	2016
Accord inspections (fire & electricity/ structural)	221 (185/36)	144 (109/35)
Stockmann Group's remediation progress rate	89	71
Accord remediation progress rate	82	

### Production countries and factory lists

Our goal is to provide transparent communications on issues that interest our stakeholders, and therefore we disclose our fashion suppliers and the factories producing own brands fashion products on the division's websites.

#### STOCKMANN

- In 2017 Stockmann's own brand garments were bought from around 86 (150) suppliers and made in around 120 (215) factories. Around half of the garments were purchased directly and half through purchas-

ing offices. The suppliers and producers are in part the same as Lindex's.

#### LINDEX

- In 2017, Lindex had around 142 (153) suppliers using 242 (258) factories.
- Lindex has 40 suppliers that stand for 80% of the production, considered Lindex's key suppliers. Lindex has systematically consolidated its supply chain to be able to focus on fewer suppliers and improving co-operation, working conditions and environmental work in the most important factories.
- In addition to disclosing the suppliers and factories where the Lindex garments are being sewed, Lindex has also published it processing units making prints, embroidery and washes in Turkey and Bangladesh. The aim is to expand to other production countries as well.

#### STOCKMANN'S OWN BRAND GARMENT PRODUCTION COUNTRIES 2017

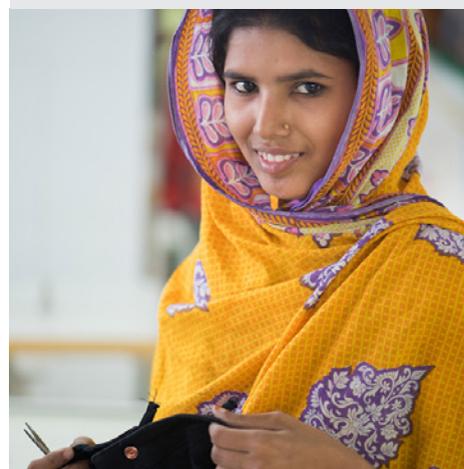
China	58%
India	10%
Bangladesh	10%
EU countries	9%
Other risk countries	8%
Turkey	3%

#### LINDEX PRODUCTION COUNTRIES 2017

Bangladesh	44%
China	25%
Turkey	7%
Italy	6%
Myanmar	5%
Vietnam	3%
Other countries	6%

## WE WOMEN BY LINDEX PROJECT SUPPORTS GENDER EQUALITY

The project aims to strengthen gender equality, create more equal and participatory workplaces, and improve women's position in Lindex's global goods supply chains. Suppliers are trained and supported in integrating gender equality to the management systems of the factories. The three-year project will be implemented jointly with GIZ, BSR and the local NGOs. WE Women by Lindex was started in Bangladesh with 33 Lindex suppliers and 10 others. The aim is to scale up the project in the future.



### Syrian refugees in the supply chains in Turkey

In Turkey, refugees from Syria have been identified to be at risk of being abused due to their vulnerable status. A standard operating procedure is in place for Stockmann Group's suppliers to follow if they identify Syrian refugees working in the supply chain. The suppliers have been trained on the procedure, for example regarding applying for work permits and for paying the gross minimum wage, until a work permit is obtained, in order to compensate for the lack of social security payments. The work has been done in co-operation with ASAM, the Association for Solidarity with Asylum Seekers and Migrants.

### Community projects in the supply chain

Our clothing orders create employment opportunities, particularly for women, in developing countries. Local wellbeing and environmental protection is also promoted by various projects to support the status and wellbeing of women, the education of children, and environmental protection in the manufacturing countries. We are involved in the School of Hope, the HERproject (Health Enables Return) and most recently the WE Women by Lindex project. We are also involved in several projects to reduce water consumption and other environmental impacts. Read more about Supplier assessment for environmental practices.

**READ MORE**  
www.lindex.com



## SUPPLIER ASSESSMENT FOR LABOUR PRACTICES AND HUMAN RIGHTS

A significant percentage of the own brand fashion products, 93%, are manufactured in areas classified as risk countries by the amfori BSCI. We are aware that there is a risk of violation of the Code of Conduct and we are actively working to ensure compliance. We are looking into the possibility of better incorporating human rights and children's rights into our assessments. In February 2018, the Stockmann Board of Directors approved the Group's Human rights policy.

In the case of a human rights violation, we work together with the supplier to remediate the victim. No new orders are placed until the violation has been corrected and the victim has been compensated.

### TEXTILE INDUSTRY CHALLENGES AND RISKS

Challenges that concern the whole textile industry include, for example, the traceability and transparency of the supply chain, the realization of human and labour rights throughout the chain, and the environmental impacts of production and raw materials. Our risk analysis shows five particular areas of risk for our Code of Conduct.

### Management systems

Problems with the management system may lead to poor control over procedures at the factory or with subcontractors. There may be a lack of people responsible for the management system or a lack of internal policies in the factory. We put emphasis on giving advice and assisting factories to improve their management systems and on training factory managers to establish internal controls over their supplier chain.

### Documentation

Shortcomings concerning copies of employees' ID cards, or wage lists, or other documentation are a common problem. Lack of proper documentation hampers the verification of compliance with the code, such as paying the correct wages, checking worker age and respecting overtime limits. If the documentation is insufficient, the supplier is deemed as not having complied with the requirements. We work to alert suppliers to the importance of good documentation through seminars and workshops, and by providing training for responsible persons at the factories.

### Trade union affiliation

The right to join a trade union and to engage in collective bargaining is a basic right that we uphold. Unfortunately, in many of our production countries the trade unions are weak and the underlying causes are complex and often multifaceted. In many of the factories that we use, there are functioning workers' committees that give the employees the opportunity

to engage in dialogue with the factory management. These committees are in no way equivalent to a functioning trade union, and are not seen as a replacement. Having the opportunity to join a trade union and engage in collective bargaining is the primary goal, but establishing trade unions remains the workers' own responsibility. Stockmann is responsible for putting pressure on the supplier to ensure that this right is not violated. Factory employees are informed of their rights through the amfori BSCI policies. We encourage factory managers to take part in amfori BSCI training related to the freedom of association and collective bargaining.

### Wages and compensation

In compliance with the Code of Conduct and local law, suppliers must pay the country's statutory minimum wage to their employees as a minimum requirement. Paying incorrect wages is a common problem, however, and the minimum wage is seldom at a sufficient level to cover basic needs and also provide some discretionary income. We believe that raising the national minimum wage is the key to raising wage levels, as it also raises wages on higher pay grades. In Bangladesh, we have co-operated with other companies in appeals to the Bangladeshi government to raise the minimum wage. Stockmann does not own any factories or production facilities of its own, and is typically a minor buyer in the eyes of its suppliers and their factories. As a consequence, we cannot, only by our own efforts, raise the salaries of

factory workers. For example, an increase in the buying price is not directly linked to the wages paid to the workers, and cannot be expected to benefit the workers without separate proof of this. We urge the supplier to provide fair compensation and improve welfare through benefits such as child care, free lunches, transport, and the opportunity for education on health and finances – which we implement through the HERproject (Health Enables Return).

We work with the issue through amfori BSCI but also by benchmarking other initiatives. To improve wage practices and pay systems to work towards fair wages, Lindex piloted the Fair Wage Methodology together with Solidaridad and Fair Wage Network. The one-year pilot project in China was completed during 2017 and resulted in improved working conditions and wage practices. The project also focused on our own purchasing practices and on the impact they have on the working conditions of factory workers, such as overtime and pay. Areas of development were identified, such as connecting wages to performance and skills in a clearer way. In the pilot, it was also identified that Lindex can have a positive impact, by improving its production planning and sample handling and increasing transparency during selection planning. As a next step, we will explore collaboration with other organisations in order to find a collective scalable approach to the wage issue.



## Working hours

Overtime work that exceeds the limits in the Code of Conduct is a widespread problem in most of our production countries. Overtime work is difficult to remedy as there are several reasons for it. Firstly, the employees in the factories may say that they want to work overtime in order to earn more money. In cases where the employees work far away from home, they want to be able to work a lot over an intensive period and then return home. Secondly, it may be lucrative for the supplier to organise overtime in order to increase production. Stockmann's, like other fashion companies', lead times represent a risk of overtime. In order to minimize the risk, a production capacity assessment is conducted prior to placing orders.

## Supplier assessment for environmental practices

Textile production is water-intensive. Water impacts our supply chain mostly through the irrigation of cotton fields and through the wet processes of textile production, such as dyeing and washing. Water consumption and water treatment should therefore be as efficient as possible.

Our suppliers are expected to follow the applicable environmental legislation. In addition, an environmental code, in use in our purchasing offices, sets requirements for water treatment, chemicals handling, waste treatment, emissions and continuous improvement.

Lindex co-operates with its denim suppliers to develop the production processes so that they have less impact on the environment. Lindex's Better Denim journey started in 2014, and today, 100% of Lindex's denim products are 'Better Denim' products. In total, the process uses up to 85% less water, 70% less energy and 45% less chemicals, with the chemicals used being better than those in conventional methods. The styles are dyed in the cleanest indigo dye on the market and more sustainable trims and details, such as buttons, zips and pocket linings, are used.

All of the cotton in our denim comes from more sustainable sources; Better Cotton, organic or recycled cotton. In addition, recycled polyester is used.

In the autumn of 2017, Lindex once again launched a new Even Better Denim collection that uses a new, more sustainable washing process. This means that the washing process of a pair of jeans only uses 2 litres of water, while the conventional process requires 50-70 litres. The jersey production process is also being developed to make it more environmentally friendly. Avitera dye, which reduces water consumption by 30%, is used for dyeing jersey fabrics for children's basic collections.

Through Lindex, we have been involved for years in sustainability projects in the Group's important production countries, such as Bangladesh and India, where there are challenges with water scarcity and clean water. During the last years, these projects have been



proven to be an effective way to increase environmental awareness and improve processes. We aim for as many suppliers as possible to participate in these projects and to transition to more resource-efficient and cleaner production.

The water-related cooperation projects include the Partnership for Cleaner Textiles in Bangladesh (PaCT), and the Sweden Textile Water Initiative (STWI). Lindex is also a longterm partner to WaterAid and supports their work in improving access to safe water, improved hygiene and sanitation in the world's poorest communities. More information can be found on Lindex website.

Better Denim by Lindex:  
85% less water  
70% less energy  
45% less chemicals



**READ MORE**  
[www.lindex.com](http://www.lindex.com)

# ENVIRONMENT

Our objective is to reduce the environmental impact of our business operations and to act in accordance with sustainable development. We acknowledge the environmental impacts of our operations and strive to reduce adverse effects by cutting emissions, increasing the efficiency of energy and water consumption, and carrying out waste sorting and recycling. To ensure continuous improvement, we monitor our compliance with Stockmann's environmental system and the fulfilment of the environmental goals and objectives set.





Stockmann complies with valid environmental legislation and requires the same from its partners. Environmental work at Stockmann is based on the CSR strategy and on the environmental policy. The management of environmental responsibility is part of the divisions' day-to-day operations and it is coordinated by the Communications and CSR function. The divisions independently set specific environmental targets, define indicators for monitoring the achievement of these targets and establish appropriate management practices.

## ENVIRONMENTAL MANAGEMENT

An ISO 14001 certified environmental management system is in use for operations in Finland. The operating methods and guidelines of Stockmann's environmental management system have been adopted in the distribution centre and the department stores in the Baltic countries with the goal of seeking certification in the coming years.

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Lindex does not have a certified environmental management system in use. Lindex

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2017	STATUS
ENVIRONMENT REDUCED IMPACT ON THE ENVIRONMENT	We continue to improve our energy efficiency	We complemented the energy monitoring of our properties by initiating cooperation with ISS Energy Management solutions. We increased the use of LED-lighting in our department stores and we updated some of the escalators and lifts in the Helsinki department store to make them more energy efficient. Our target is to improve the energy efficiency of our properties by 4% by 2020.	● In process
	We reduce the environmental impact of our logistics	We continued to improve the efficiency of our domestic transportation of goods through regular follow-ups and by route optimisation. The distribution centre has reduced the amount of domestic transportation and the distances, especially in the Helsinki region. We continue our systematic work to achieve the target of reducing domestic transport emissions by 10% by 2018.	● In process
	We minimize waste and find possibilities for re-use and recycling	70.4% of the waste generated in Stockmann department stores in Finland was directed to recycling, just exceeding the target level of 70%. We strengthened our charity collaboration by regularly donating products, material samples and food from all department stores and service functions.	● On target

stores mainly operate in leased premises in shopping centres, which mean that in addition to the stores' energy-efficient concept, environmental issues are taken into account to the extent possible within the property in question.

Stockmann's purchasing offices operate near production sites and the offices have made efforts to assess and minimise the harmful environmental impacts of their suppliers' factories.

Stockmann considers environmental aspects when planning and managing operations and when procuring products and services for the Group's own use. Stockmann requires its service providers to commit to Stockmann's operating principles during the cooperation. As the service providers have an important role in achieving Stockmann's

environmental targets, environmental issues and targets are regularly discussed during the cooperation. For example, the cleaning services have a significant role in achieving Stockmann's ambitious recycling targets.

### RAISING INTERNAL AWARENESS ON ENVIRONMENTAL ISSUES

Every employee's input is required for the achievement of our environmental goals and objectives. The personnel's environmental awareness is maintained and enhanced through training and regular internal communication, e.g. through the intranet and through information screens and bulletin boards placed in the personnel facilities.

Stockmann's environmental specialist regularly visits the department stores and

Over  
**70%**  
of the waste generated in the department stores in Finland was directed to recycling.



service functions, and provides guidance to the personnel and service providers with regard to environmental targets, and trains new tenants in recycling practices and guidelines.

During the reporting year several environmental training sessions were organised, in cooperation with Stockmann's waste management service provider, in the department stores in Helsinki, Turku and Tampere, and in the distribution centre. During the sessions, the focus was on waste management and sorting. The training sessions received good feedback and the subject prompted positive discussion among the personnel. As part of the opening of Tapiola's new department store, several environmental training sessions were organised for the department store's personnel. In addition, topical environmental matters were also discussed in morning briefings for department store personnel.

## ENERGY

The Group's energy consumption mainly consists of electricity, heating and district heating. Energy is consumed by the lighting,

We put effort  
on energy  
efficiency

ventilation, heating and cooling systems in the stores, warehouses and offices, as well as by other equipment and machinery in these facilities, including lifts, escalators, refrigeration and IT equipment.

Stockmann has focused on energy efficiency for almost fifteen years. In 2013, Stockmann's department store operations in Finland committed to the Finnish retail sector's energy efficiency agreement, with the aim of achieving a 9% reduction in energy consumption during 2006–2016. This target was achieved during the given time period. Stockmann's Real Estate division and the real estate coordinators monitor the energy consumption of the department stores and service functions as part of their day-to-day operations. In 2017, Stockmann continued implementing the energy efficiency programme, by optimising the running hours of building systems and by optimising ventilation and lighting control in all premises in order to reduce electricity consumption.

During the reporting year, Stockmann further complemented the energy monitoring of its properties by initiating cooperation with ISS Energy Management solutions. The cooperation enables more efficient monitoring of energy consumption and it makes it possible to quickly address any divergences in consumption. As part of the energy efficiency work, Stockmann has conducted energy reviews, which are also required in the energy legislation that came into force in 2015.

Regarding logistics, Stockmann opened a distribution centre in Tuusula in 2016 and

centralised the previous four warehouses in Finland to a single distribution centre. During the reporting year, Stockmann continued to centralise warehouse operations and closed the central warehouse in Latvia, which had served the Baltic department stores. The closure was carried out step by step during the reporting and by the end of 2017 Stockmann's long-term goal of centralising all warehouse operations to the Tuusula distribution centre had been realised. From the beginning of 2018 the distribution centre in Tuusula has served the online store in Finland and the Stockmann department stores in all operation countries. The distribution centre will reduce internal transportation of goods and the maintenance of one distribution centre will also increase the energy efficiency of warehouse operations.

The Stockmann distribution centre has been awarded the LEED Gold environmental certificate. LEED (Leadership in Energy and Environmental Design) is an internationally recognised rating system to promote sustainable construction and design standards. The LEED certificate has four levels: Certified, Silver, Gold and Platinum. During the planning and construction of the building, sustainable development and other environmental perspectives, such as energy efficiency and geothermal energy, were taken into account. LED lighting is in use and the geothermal system produces almost all the heating and cooling energy needed in the building. District heating generates the warm water needed in the building, and in 2017 district heating was also partly used during one month to heat the building. The possibility for the use of solar

## ENERGY AND WATER CONSUMPTION 2015–2017

	2017	2016	2015
<b>DIRECT CONSUMPTION</b>			
Heating fuel (MWh)	432	430	434
Natural gas (MWh)	17 764	19 443	16 677
<b>INDIRECT CONSUMPTION</b>			
Electricity (MWh)	110 651	124 460	124 870
District heating and cooling (MWh)	73 321	80 550	80 218
Water (m <sup>3</sup> )	210 607	218 110	234 807

*The figures for heating and cooling for 2016 and 2015 have been restated due to calculation errors. The heating fuel and natural gas consumption is based on metered data for Stockmann and estimations for Lindex. The purchased electricity consumption covers all the Group's functions. The purchased heating and cooling energy consumption covers all the Group's functions, excluding the Group's purchasing offices in Asia. The heating and cooling data for Stockmann is based on invoicing and data from service providers. Due to significant amount of estimations and extrapolation in heat consumption for Lindex, the data quality is considered fair. The reporting on water covers all the Stockmann's functions and Lindex's distribution centre in Sweden. The reporting on energy and water excludes discontinued operations (central kitchen in Finland) and franchising operations.*



energy as an energy source for the distribution centre has also been investigated.

During the reporting year, as part of the department renovations on the 3rd and 4th floor in the Helsinki department store, the lighting was changed to LED-based lighting. According to Stockmann's lighting concept the use of LED technology will be incorporated more widely in conjunction with renovation and enlargement projects. The new Stockmann department store in Tapiola was opened in March 2017. Adjustable LED lighting is utilised in the lighting of the department store, and the cooling of the department store is accomplished with energy efficient district cooling. During the reporting year, the energy consumption of the department store was closely monitored, for example by going through and optimising the department store lighting control. In addition, during the reporting year, some of the escalators and lifts in the Helsinki department store were updated to more energy efficient ones.

Lindex's stores have also focused on minimising energy consumption, and all stores follow an efficient energy consumption checklist as a routine practice. An in-depth study about electricity consumption was made in a representative sample of stores. According to this, the areas of lighting, cooling and ventilation and escalators account for approximately 90% of the energy consumption, and hence energy reduction measures will focus on these, and especially regarding the lighting result, the use of LED lights will be increased. To reduce carbon dioxide emissions, Lindex

prioritises energy from renewable sources and Lindex's long-term goal is to become energy neutral.

## EMISSIONS

Reporting on greenhouse gas emissions serves as a management tool in the Stockmann Group, providing a basis for defining the areas where emissions should be reduced and for setting reduction targets. We are constantly developing the way we calculate our carbon footprint.

The calculation of Stockmann's carbon footprint in 2017 covers the functions of the Stockmann Retail, Real Estate, Lindex and Group shared functions in all the countries of operation, excluding the Central kitchen and franchise operations. At Stockmann, the figures also cover the emissions of our tenants in the department stores, who operate 49% of the gross leasable area of the properties managed by Stockmann Real Estate.

The Stockmann Group's emissions are presented in the table 'Greenhouse gas emissions 2015-2017'. This is the eighth time that Stockmann is reporting its greenhouse gas emissions, covering the whole Group. The comparison figures are presented for 2015 and 2016, and the changes in the scope of the calculation are explained in the comments column.

Stockmann has updated its greenhouse gas emissions calculation aligned to the GHG Protocol. According to the GHG Protocol, companies are required to report the emis-

## GREENHOUSE GAS EMISSIONS 2015-2017

	tCO2e 2017	tCO2e 2016	tCO2e 2015	Change 2016-2017, %	Comments
<b>DIRECT EMISSIONS (SCOPE 1)</b>	<b>170</b>	170	170	0%	
Stationary combustion	170	170	170	0%	
<b>INDIRECT EMISSIONS FROM PURCHASED ENERGY (SCOPE 2)</b>	<b>47 900</b>	49 900	50 600	-4%	Decrease in total scope 2 emissions was mainly caused by changes in Stockmann's reporting scope.
Purchased electricity (market-based)	33 900	35 600	36 200	-5%	Emissions of the renewable electricity purchased by Lindex from LOS Energy are zero. The reporting scope of Stockmann's emissions decreased.
Heating and cooling	14 000	14 300	14 400	-2%	Significant amount of estimation for Lindex, the quality of data is fair. Stockmann's heating consumption decreased during 2017, while heating consumption at Lindex increased.
<b>OTHER INDIRECT EMISSIONS (SCOPE 3)</b>	<b>13 800</b>	12 600	14 200	10%	Increase in total scope 2 emissions is caused by increased logistic emissions.
Internal logistics	2 800	2 800	3 400	0%	
External logistics	7 900	6 600	7 600	20%	Increase in Lindex's logistics emissions, while Stockmann's emissions in logistics decreased.
Business travel	1 100	1 200	1 200	-8%	Decrease in air travel miles
Waste	2 000	2 000	2 000	0%	
<b>TOTAL</b>	<b>61 870</b>	62 670	64 970	-1.30%	
AVOIDED EMISSIONS	270	1 100	1 700		Carbon emissions neutralized by certified climate projects by logistics operator.
(NET EMISSIONS)	61 600	61 570	63 280		

*The reporting excludes discontinued operations (Central kitchen in Finland) and franchising operations. Scope 2 purchased electricity emissions are market-based reported. Emissions from purchased electricity in 2016 are restated due to calculation errors. The emissions from external logistics 2015 and 2016 are restated regarding one partner. The figures presented in the table are rounded to the nearest hundred.*



sions arising from indirect electricity consumption as market-based figures as well as location-based figures. The figures reported in the table are reported according to the market-based calculation method, and the Stockmann Group's total emissions were 61 870 tCO<sub>2</sub>e, while location-based emissions were 53 170 tCO<sub>2</sub>e (54 770). In the table, figures for previous years have been adjusted to market-based figures, which allows comparability. In 2017 the highest emissions, around 75%, came from the generation of purchased energy (Scope 2), especially electricity, which slightly decreased from the previous year.

A little over half of the electricity used by Lindex is renewable energy purchased from LOS Energy, for which the emissions are zero. Scope 3 indirect emissions are presented where relevant; the biggest such emissions can be attributed to logistics.

The Group's adjusted market-based total reported emissions declined by 1.3%. This was mainly due to the differences in the reporting scope of Stockmann's operations, and in relation to this the emissions in scope 2 decreased. However, the reduction of emissions is not clearly visible when comparing it with previous years, due to several factors. During 2017, Lindex's purchased energy (scope 2) emissions increased mainly due to annual changes in emission factors and due to changes in the scope of store networks. The emissions from business travel (scope 3) declined by 8%. Emissions for waste (scope 3) and real estate fuel consumption (scope 1) remained on the same level as in previous

years. Due to changes in the scope of operations, Stockmann's emissions for refrigerants (scope 1) have been excluded from the reporting, and their share of the total emissions in previous years has been around 3-4%.

### REDUCING TRANSPORT EMISSIONS

The Group serves customers in a number of different countries and continents, and the distribution of goods to these various stores involves transport emissions. Considerable attention is paid to the efficient and less environmentally harmful movement of goods and we collaborate closely with our transport partners. During the reporting year we have reduced the number of partners and deepened the cooperation with the current ones. Internal transport is continuously optimised through route planning, choosing optimally sized transport equipment, taking advantage of return transport, new equipment with low emissions, and systematic follow-up and active engagement with transport suppliers. Flows of goods from the Asian purchasing offices to the distribution centres are usually by sea. Lindex is an active member of the Clean Shipping Network, which requires that shipping companies promote cleaner shipping and register their vessels in the Clean Shipping Index registry.

### REDUCING BUSINESS TRAVEL EMISSIONS

To minimise travel, videoconferencing and teleconferencing equipment is increasingly

Over  
**50%**  
of Lindex  
electricity is  
produced  
from renewal  
energysources.

Our CDP result  
was on the  
good level  
**B.**

utilised in meetings. Attention is paid to emissions from business travel, and low emission options are preferred for such trips. The company travel guideline recommends travel via train or bus over the use of a private car, and leasing cars have maximum emissions. During the reporting year, Stockmann renewed its remote work practices, enabling remote work to be done more widely within the organisation. The remote work practice creates the opportunity for the personnel to reduce commuting emissions.

### CDP SCORE

In addition to publishing its annual report, the Stockmann Group also reports on its greenhouse gas emissions in the international Carbon Disclosure Project (CDP) survey. In 2017, Stockmann's score was good, with the score B. The score presents a company's progress using a four-step approach: the completeness of the company's response (disclosure); the extent to which the company has assessed environmental issues, risks and impacts in relation to its business (awareness); the extent to which the company has implemented actions, policies and strategies to address environmental issues (management); and particular steps the company has taken which represent the best practices in the field of environmental management (leadership). Score B means that the company has taken actions to address environmental issues beyond initial screenings or assessments.



## EFFLUENTS AND WASTE

The waste generated by the divisions' operations is mainly packaging waste, such as cardboard and plastic. Biodegradable waste is also generated in the Real Estate division, due to the tenants' operations that include grocery stores, restaurants and cafés. We pay close attention to waste sorting and recycling by providing training for personnel and tenants, developing the guidance and making sorting practices more convenient.

The waste sorting is managed in accordance with the ISO 14001 environmental management system, and the results for the various business locations are monitored on a monthly basis. Our goal in Stockmann's operations in Finland is to reduce the amount of waste and to recycle as much as possible of the remaining waste as material.

The total amount of waste decreased in 2017 in Finland by approximately 20% (11%). The target for the recycling rate was 70%. The recycling rate in department stores in Finland was 70.4%.

Waste management systems differ between Finland and the Baltic countries. The differences concern, for example, waste legislation, the number of different waste fractions and final disposal of waste.

Decreasing food wastage has been a focus area in our environmental work in recent years and the progress has been good. The sale of Stockmann Delicatessen's business operations in Finland was completed on 31 December 2017, and as a result of this, the responsibility for preventing food wastage is now with the tenant.

During the reporting year, we were contacted regarding our approach to unsold clothing. At Stockmann, all products are sold, using discount prices or by selling them to the personnel in the personnel shops, so that no products are left. Mildew or other spoilage of the products during transportation is rare. However, in such cases the products end up as waste and the process is monitored by Customs.

Water consumption in Stockmann's own operations is minimal, and the operations take place in areas where there is currently no scarcity of water. Measuring and minimising water consumption is nevertheless an important part of Stockmann's environmental responsibility. Stockmann's water consumption is presented in the table 'Energy and water consumption 2015-2017'.

Most of the Group's water consumption takes place in the department stores' restaurant, kitchen and sanitary facilities. Water consumption is minimised by instructing personnel and tenants, preventing and repairing even the smallest leaks and procuring more efficient water fittings to replace older ones.

## REUSE THROUGH DONATIONS STOCKMANN

Stockmann department stores and the support functions work together to promote recycling by donating unsold products, product samples, and leftover materials and products from the design studio to agreed local partners and charitable organisations and various recycling workshops. In Helsinki, we have for several years cooperated on a continuous basis with the Reuse Centre and its Näprä unit, by donating Stockmann's own design studio material samples to them. In addition, we regularly donate garment and product samples to Hope ry, a non-profit organisation that distributes the donations to Finnish families with limited means.

## LINDEX

Lindex regularly donates unsold products to different charity organisations in accordance with its clothes recycling and donation policy. At the Head Office, product samples are sold at a garment sale every month, and leftover garments are donated to different charities. The purchase offices also donate garments to different charities.

## WASTE 2015-2017

Tons	Stockmann, Finland			Stockmann, Baltics			Lindex			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015	2017	2016	2015
<b>RECYCLABLE WASTE</b>												
Cardboard and paper	1 211	1 604	1 772	245	236	206	1 179	1 205	1 211	2 635	3 045	3 189
Combustible waste	798	996	1 075	52	0	0	35	25	94	886	1 021	1 169
Bio waste	964	1 356	1 601	131	172	174	1	1		1 096	1 529	1 775
Other waste (plastic, metal, glass)	94	129	132	18	20	23	0	78	0	112	227	155
Mixed waste	157	224	238	459	470	444	2	5	5	619	699	687
Landfill waste	0	0	41	0			0			0	0	41
Combustible waste	157	224	197	459			2			618	224	197
<b>HAZARDOUS WASTE</b>	8	13	11	14	16	13	1	1	0	23	30	24
<b>TOTAL</b>	<b>3 388</b>	4 322	4 829	<b>919</b>	915	860	<b>1 219</b>	1 314	1 310	<b>5 526</b>	6 551	6 999
WASTE UTILIZATION, %	100	100	99	100	48	48	100	100	100	100	93	93
RECYCLING, %	70	72	73	43	48	48	97	98	92	73	74	73

Figures for Stockmann cover all the functions in Finland and Baltics, excluding discontinued operations (central kitchen in Finland). The Lindex figures covers the distribution centre in Sweden. The figures are not entirely comparable between the countries.

# FINANCE AND GOVERNANCE

Commitment to responsible operations forms a core part of our daily ways of working. In our decision-making, we follow principles of good corporate governance. We aim for long-term profitable operations and are taking several structural measures in order to turn our business back to profit.



## ECONOMIC PERFORMANCE

The Stockmann Group's adjusted operating result in 2017 was positive but decreased to EUR 12.3 million (EUR 30.9 million). The operating results of Stockmann Retail and Real Estate improved but Lindex's profitability declined considerably. During the year, an impairment charge of EUR 150 million was made for Lindex's goodwill, and as a result, the Group's net profit for the year remained negative. The objective of 2018 is to improve the Group's operating result and make Stockmann Retail's operating profit positive again.

 **READ MORE**  
in the Financial Review at  
[year2017.stockmanngroup.com](http://year2017.stockmanngroup.com)

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

The Stockmann Group's operations bring economic added value to the company's stakeholders, operating areas and market areas. The majority of the economic added value goes into personnel salaries and other remuneration, as well as to goods and materials suppliers and service providers.

Stockmann plc shares are listed on Nasdaq Helsinki. The company had 46 672 (49 813) registered shareholders at the year-end. The dividend policy set by Stockmann's Board of Directors is to distribute more than

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2017	STATUS
<b>FINANCE &amp; GOVERNANCE</b>  <b>PROFITABILITY WITH A SUSTAINABLE BUSINESS APPROACH</b>	We strive for ethical and transparent operations through commitment to the Stockmann Code of Conduct (CoC), the UN Global Compact and the amfori BSCI Code of Conduct	We continued the roll-out of our CoC e-learning programme. By the end of 2017, 30% of Stockmann's personnel in Finland and 94% of Stockmann support functions and department store supervisors had completed the training. The target is for 100% of the Group's personnel to have completed the training by the end of 2018.  Our target is to get 100% of Stockmann's suppliers to sign the Stockmann CoC. We continued our work to reach the target.	● In process
	We provide economic added value to all our stakeholders	The Group's adjusted operating result in continuing operations was positive in 2017, EUR 12.3 million (EUR 30.9 million). The net profit for the year remained negative, and the Board of Directors proposes that no dividend be paid to the shareholders. Suppliers and personnel continue to be the stakeholders receiving the most economical added value: purchases from suppliers were EUR 790.5 million and salaries and other employee benefit expenses totalled EUR 201.6 million in 2017.	● Target not met
	We provide transparent and reliable CSR communications with an integrated view	We published integrated reviews of the business operations, financials, governance and CSR. We published new CSR information in the Report by the Board of Directors, according to the EU directive 2014/95/EU for non-financial information. We published detailed information about our CSR strategy targets and their progress.	● On target
	We carry out a human rights assessment with key stakeholders	In 2017 we started a due diligence project to study the fulfilment of human rights in Lindex's sales countries. The work continues in 2018. Our goal is to continue a human rights assessment with our key stakeholders.	● In process

half of the earnings from ordinary operations. No dividend was paid on the 2016 result due to the loss. The Board of Directors proposes to the Annual General Meeting that no dividend be paid on the 2017 result.

Inquiries regarding CSR topics by investors and similar stakeholders have somewhat increased over the years. The biggest concerns are the ability to pay dividends and debt.



## VALUE TO STAKEHOLDERS

### Resources

PROFESSIONAL STAFF  
& ORGANISATION

BRAND

PRODUCTS

OMNICHANNEL  
SERVICES

FINANCIAL RESOURCES  
& PROPERTIES

NATURAL RESOURCES



### Impacts

#### CUSTOMERS

Sales excluding VAT, other operating income, financial income

#### EMPLOYEES

Salaries, wages, pension contributions and other benefits

#### SOCIETY

Social security payments & taxes

#### SUPPLIERS & OTHER PARTNERS

Cost of goods, materials & services

#### INVESTORS & SHAREHOLDERS

Financial expenses

### CHARITY CO-OPERATION

As part of its corporate social responsibility, Stockmann may make donations to non-profit public benefit organisations that fund education, culture, research and other social projects in the countries where Stockmann operates.

Charity work is guided by the donation policy that is available on the company's website. In addition, Stockmann's business units may also support the non-profit projects of public benefit organisations as part of their commercial campaigns and activities.

#### STOCKMANN

- We campaigned to reduce the use of shopping bags together with WWF Finland, donating EUR 21 254 towards Baltic Sea protection work. Also, department stores in the Baltics started charity co-operation with their local WWF.
- In our Christmas season campaign, together with our customers, we fulfilled the Christmas wishes of youngsters in families with limited means, with EUR 35 000, delivered by Hope ry, a non-profit organisation that supports Finnish families with limited means. In addition, we once again took part in a campaign organized by Home Instead senior care, encouraging customers to buy Christmas flowers for lonely elderly people with limited means.
- We donated our website to the Red Cross Hunger Day collection.
- We donated a shop window to children's rights organisation Plan to showcase "Maternity Clothing for 12-year-olds".

### DISTRIBUTION OF ECONOMIC ADDED VALUE TO DIFFERENT STAKEHOLDERS

EUR million		2017*	2016*	2015*	2014*	2013
<b>Producing added value</b>						
Customers	Sales excluding VAT, other operating income, financial income	<b>1 060,3</b>	1 177,5	1 435,8	1 606,0	2 041,6
Goods suppliers and service providers	Costs of goods, materials and services purchased, includes capital goods and paid rents	<b>-790,5</b>	-864,9	-1 147,6	-1 320,4	-1 567,3
<b>ADDED VALUE PRODUCED BY STOCKMANN</b>		<b>269,8</b>	312,6	288,3	285,6	474,3
<b>Distribution of added value</b>						
Personnel	Salaries, wages and pension contributions	<b>201,6</b>	233,0	281,9	315,5	353,5
Shareholders	Dividends	<b>0,0</b>	0,0	0,0	0,0	28,8
Investors	Financial expenses	<b>31,8</b>	23,9	22,1	23,8	32,1
Public sector	Other social security payments, taxes	<b>53,2</b>	50,1	54,7	37,0	22,7
<b>DISTRIBUTED TO STAKEHOLDERS IN TOTAL</b>		<b>286,7</b>	307,0	358,7	376,3	437,0
<b>Retained in the company to develop operations</b>		<b>-16,9</b>	5,6	-70,4	-90,7	37,2

\* Continuing operations

Stockmann Delicatessen operations in Finland has been reported as discontinued operations in 2017, the comparison year 2016 has been restated.

The department store business in Russia has been reported as discontinued operations in 2016 and 2015, the comparison year 2014 has been restated.



## LINDEX

- Lindex is one of the main partners of the Pink Ribbon project. In the 2017 campaign, Lindex, together with its clients, donated EUR 900 000 to support cancer research. Since 2003, Lindex's campaigns have collected a total of EUR 13 million for the campaign.
- In Lindex's round-up campaigns, customers were invited to round-up their purchases with an amount of their choice. With the 2017 campaigns, a total of EUR 500 000 was donated for various causes, for example WaterAid.
- On the International Women's Day, Lindex campaigned to raise awareness of women workers in the textile industry and donated 10% of the day's earnings, EUR 114,000, to the HERHealth projects.
- Together with other Swedish fashion retailers, Lindex campaigned to reduce the use of plastic bags with the 'One Bag Habit' campaign. During 2017, Lindex's shops in Sweden generated EUR 280 000 in surplus for the bags, which was donated to causes that drive sustainable developmentthe Swedish STEPS research project and WaterAid. The One Bag Habit campaign will expand into new operating countries during 2018.



We campaigned to reduce the use of shopping bags together with WWF Finland.

 **READ MORE**  
[www.stockmanngroup.com/en/csr](http://www.stockmanngroup.com/en/csr)

## CORPORATE GOVERNANCE

The principles guiding Stockmann's operations are described at the beginning of this review, in the section 'CSR principles'.

### GRIEVANCE MECHANISMS

The company uses a group-wide whistleblowing reporting channel, which is provided by an external partner. The channel is a tool for Stockmann's own employees, as well as for business partners and other stakeholders, to anonymously report any suspected or detected violations of the Code of Conduct or other

corporate policies using the channel. Stockmann's employees also have the possibility to report any suspicions to their supervisor, their unit's security manager, the company management, the legal department, or the Group's Internal Audit. All whistleblowing reports and discussions are treated seriously and handled confidentially. All incidents are reported to the Director of Internal Audit and to the Director of Legal Affairs. In 2017, no incidents were reported through the channel.

### CSR ORGANISATION

Stockmann's CSR Steering Group, whose Chairwoman is Nora Malin, Director, Development, is responsible for steering, developing and monitoring CSR within the Stockmann Group. The CSR Steering Group approves Group-level guidelines, sets goals for responsibility and defines procedures which are implemented with the help of normal management systems. The Stockmann's CSR strategy is agreed on and followed up in the CSR Steering Group and approved by the Stockmann Management Team.

Separate working groups related to CSR targets and topical issues are set up as necessary to prepare or implement the issues or decisions that have been dealt with by the CSR Steering Group.

In addition, Stockmann's environmental management group convenes regularly, to follow-up on environmental management issues as required for the ISO 14001 certificate.

The Lindex Management Group is responsible for the overall sustainability

directions and strategies at Lindex, working in line with the Stockmann Group level strategy. The global sustainability team supports the Management Group in setting targets, strategies and overall directions. Each department and sales country organisation then aligns their sustainability work accordingly. Sustainability topics are discussed regularly at Lindex Management Group meetings and are implemented and followed up through the regular management systems.

Stockmann's Communications and CSR function is responsible for development, coordination and reporting of the Group's corporate social responsibility activities.

## HUMAN RIGHTS ASSESSMENT

The Stockmann Group respects and promotes all human rights, as defined in the Code of Conduct and the supplementary Human Rights principles, which were approved by the Board of Directors in February 2018. Most of the Stockmann Group's own employees work in countries classified by the amfori BSCI as low-risk countries for human rights violations. In 2017 we started a due diligence project to study the fulfilment of human rights in Lindex sales countries. The work continues in 2018. Our goal is to continue a human rights assessment with our key stakeholders. Human rights assessment in the supply chain are discussed in chapter 'Supplier Assessment for Labour Practices and Human Rights'



## ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

Stockmann strives to carry out transparent and responsible operations. Stockmann's policies relating to anti-corruption and anti-competitive behaviour are included in the Stockmann Code of Conduct and further specified in the Stockmann anti-corruption policy, approved in 2014. Both are available on the Group website.

Stockmann's employees and management must act in the best interests of the company and in a manner that avoids conflicts of interest. For years already, Stockmann personnel has been instructed on Stockmann policies regarding the acceptance of samples, gifts, travel expenses or other monetary benefits, especially from suppliers, through the Employee Discount Rules.

Likewise, the Lindex Ethical Policy has provided a foundation for counteracting all forms of corruption at Lindex. It has been applied in all countries of operation and all suppliers are informed of this before entering into cooperation. For example, our suppliers are not permitted to give any gifts, other than ordinary courtesy corporate gifts, or any other benefits to individual employees.

Stockmann is a founding member of Transparency Suomi ry, the Finnish chapter of Transparency International, an organisation

operating in 90 countries that works to combat international bribery and corruption.

### CORRUPTION RISK ASSESSMENT

The Group's international operations pose challenges for resolute anti-corruption action. Anti-corruption policies are included in the amfori BSCI Code of Conduct and the Stockmann Supplier Code of Conduct, which are implemented in our own brands' supply chain.

The Board of Directors has approved the company's risk management policies, which concern all of the Stockmann Group's divisions and areas of business. An essential part of internal control is the Internal Audit, which operates as an independent unit under the CEO and reports its observations to the Board of Directors.

Stockmann's Board of Directors and the Group Management Team regularly evaluate the risk factors to which business operations are exposed and the sufficiency of risk management actions, as a part of the strategy process. Risk management is supported by internal control systems and guidelines. Risk management guidelines have been drawn up separately for the following areas, among others: IT and information security, finance operations, environmental issues, misconduct, security and insurance.

The divisions' respective management are responsible for making financial and strategic plans in their own units and for

analysing business risks and evaluating actions, as a part of strategy planning. Business risks are also analysed outside the strategic process, especially in connection with significant projects and investments, and are reported to the Board of Directors as needed.

Unethical business practices among Stockmann's employees or various stakeholders could cause reputational damage for Stockmann as well as a possible financial impact. In 2017, there were no confirmed cases of corruption and Stockmann was not informed of any corruption-related lawsuits against the Group.



### READ MORE

The company's risk management, risk factors and internal control systems are explained in more detail in the Corporate Governance 2017, which is a part of the Group's yearly reporting at [year2017.stockmanngroup.com](http://year2017.stockmanngroup.com)

## COMMUNICATION AND TRAINING ON CODE OF CONDUCT

Employees are trained in matters related to the Code of Conduct and encouraged to contact their supervisor if the best course of action is unclear. The Group-wide Code of Conduct is published on the Group website and communicated internally via the intranet.

Roll-out of the Stockmann Group's Code of Conduct e-learning programme continued during 2017. By the end of 2017, 30% of Stockmann's personnel in Finland and 94% of Stockmann support functions and department store supervisors had completed the training. The target is for 100% of the Group's personnel to have completed the training by the end of 2018.

During 2017, a revision was made to the Lindex Ethical policy and it was approved in the Lindex Management Group. The Stockmann Code of Conduct, the Lindex Ethical Policy, the Anti-corruption policy and the incorporated whistleblowing system will be developed into an e-learning programme for all Lindex employees to complete.



# GRI CONTENT INDEX

Disclosure number	GRI content	Location	Additional information or omissions
<b>GENERAL STANDARD DISCLOSURES</b>			
102-1	Name of the organisation	42-45, GRI index	Stockmann Oyj Abp
102-2	Activities, brands, products, and services	3, Stockmann in brief, 22-30, Products and Supply Chain	The origin, production conditions and health impact of products are a topic of public discussion. Topics raised by our stakeholders are presented in the relevant section of this review. For example materials of animal origin are dealt with in the Group's product guidelines <a href="http://www.stockmanngroup.com/en/product-guidelines">http://www.stockmanngroup.com/en/product-guidelines</a>
102-3	Location of headquarters	3, Stockmann in brief	
102-4	Location of operations	3, Stockmann in brief, 22-30, Product and Supply chain, GRI index: disclosure number 102-6	
102-5	Ownership and legal form	"Our year 2017" Business Review, Financial Review	
102-6	Markets served	3, Stockmann in brief	<b>Stockmann Retail:</b> in total 8 department stores in Finland, Estonia and Latvia. Stockmann has made a licensing agreement concerning the use of the Stockmann brand in Russia until 2023. Reviva Holding Limited's subsidiary AO Stockmann Reviva has been responsible for the Stockmann department stores' operations in Russia since 1 February 2016. <b>Stockmann Real Estate:</b> in total 5 properties in Finland, Estonia, Latvia and Russia. <b>Lindex:</b> In 2017, Lindex had 490 stores. Own stores were located in 10 countries in Europe: Sweden, Norway, Finland, Estonia, Latvia, Lithuania, Czech, Slovakia, Poland, UK. 46 franchise stores were located in 8 countries: Saudi Arabia, Bosnia Herzegovina, Serbia, Iceland, Kosovo, Albania, Qatar, Tunisia.
102-7	Scale of the organisation	"Our year 2017" Business Review	
102-8	Information on employees and other workers	14-21, Personnel	
102-9	Supply chain	22-30, Products and Supply Chain	Supplier and factory list for own fashion brands: <a href="http://www.stockmanngroup.com/en/supplier-and-factory-list">http://www.stockmanngroup.com/en/supplier-and-factory-list</a>
102-10	Significant changes to the organisation and its supply chain	Financial Review / Report by the Board of Directors, 22-3+, Products and Supply Chain	Stockmann and S Group signed an agreement in June on the sale of the Stockmann Delicatessen business operations in Finland to S Group's regional cooperatives. The transaction was concluded on 31 December 2017.
102-11	Precautionary Principle or approach	Report by the Board of Directors, Corporate Governance Review	
102-12	External initiatives	4-9, CSR principles	
102-13	Membership of associations	stockmanngroup.com	<a href="http://www.stockmanngroup.com/en/activities-in-organisations">http://www.stockmanngroup.com/en/activities-in-organisations</a>
102-14	Statement from senior decision-maker	"Our year 2017" Business Review	
102-16	Values, principles, standards, and norms of behaviour	4-9, CSR principles, 37,41, Finance and Governance	The Stockmann Group's values: <a href="http://www.stockmanngroup.com/en/core-values">http://www.stockmanngroup.com/en/core-values</a>
102-18	Governance structure	Corporate Governance review, 37-41, Finance and Governance	
102-40	List of stakeholder groups	9, Stakeholder engagement	
102-41	Collective bargaining agreements	14-21, Personnel	
102-42	Identifying and selecting stakeholders	9, Stakeholder engagement	
102-43	Approach to stakeholder engagement	9, Stakeholder engagement	
102-44	Key topics and concerns raised	Entire review	Key topics raised in stakeholder engagement and Stockmann's response to them are presented in the relevant section of the review.



Disclosure number	GRI content	Location	Additional information or omissions
102-45	Entities included in the consolidated financial statements	Financial review, Notes to the Consolidated Financial Statements	All the annual reviews are available at year2017.stockmanngroup.com.
102-46	Defining report content and topic Boundaries	8, Reporting principles and materiality	
102-47	List of material topics	8, Reporting principles and materiality	
102-48	Restatements of information	42-43, GRI index	Changes reported in connection with relevant performance indicators.
102-49	Changes in reporting	8, Reporting principles and materiality	No significant changes in the list of material topics or topic boundaries.
102-50	Reporting period	8, Reporting principles and materiality	
102-51	Date of most recent report	8, Reporting principles and materiality	
102-52	Reporting cycle	8, Reporting principles and materiality	
102-53	Contact point for questions regarding the report	42-43, GRI index	csr@stockmann.com
102-54	Claims of reporting in accordance with the GRI Standards	8, Reporting principles and materiality, 42-43, GRI index	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	42-43, GRI index	
102-56	External assurance	8, Reporting principles and materiality	
<b>Management approach</b>			
103-1	Explanation of the material topic and its Boundary	8, Reporting principles and materiality	
103-2	The management approach and its components	Entire review	A more specific location is provided in the GRI index under the relevant topic.
103-3	Evaluation of the management approach	42-43, GRI index	Evaluation of the management approach is a continuous activity. Based on the evaluation, changes are made to practices in day-to-day management as well as part of annual and strategic planning. Changes have also been made to management methods, for example, in connection with organizational changes.
<b>TOPIC SPECIFIC CONTENT</b>			
Topic specific content is reported regarding aspects identified as material			
<b>Economic impacts</b>			
201	<b>Economic performance</b>	<b>37-41, Finance and Governance</b>	The management approach is described in the section 'Finance and Governance'.
201-1	Direct economic value generated and distributed	F37-41, Finance and Governance	
204	Procurement practices	22-30, Products and Supply Chain	The management approach is described in the section 'Products and Supply Chain'.
204-1	<b>Proportion of spending on local suppliers</b>		The aspect is defined material but the suggested indicator is not suitable. Information on Procurement practices is provided in section 'Products and Supply Chain'. A list of the fashion own brands suppliers and producers is available at <a href="http://www.stockmanngroup.com/en/supplier-and-factory-list">http://www.stockmanngroup.com/en/supplier-and-factory-list</a>
205	Anti-corruption	37-41, Finance and Governance	The management approach is described in the section 'Finance and Governance'.
205-2	<b>Communication and training about anti-corruption policies and procedures</b>	<b>37-41, Finance and Governance</b>	
205-3	Confirmed incidents of corruption and actions taken	37-41, Finance and Governance	
206	Anti-competitive behaviour	37-41, Finance and Governance	The management approach is described in the section 'Finance and Governance'.
206-1	<b>Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices</b>	<b>42,43, GRI index</b>	There were no legal actions or fines for anti-competitive behaviour, anti-trust, or monopoly practices or their outcomes in 2017.
<b>Environmental impacts</b>			
301	<b>Materials</b>	<b>22-30, Products and Supply Chain</b>	The management approach is described in the section 'Products and Supply Chain'.
301-3	Reclaimed products and their packaging materials	42-43, GRI index	The aspect is defined material but the suggested indicator is not suitable. Information on the fulfillment of producer responsibility and regarding opportunities to recycle offered to customers is provided in section 'Customers', in the chapter 'Services to support sustainable lifestyles'.



Disclosure number	GRI content	Location	Additional information or omissions
302	Energy	31-36, Environment	The management approach is described in the section 'Environment'.
302-1	Energy consumption within the organisation	31-36, Environment	
302-2	Energy consumption outside the organisation	31-36, Environment	A limited amount of data is collected on energy consumption outside the organisation for disclosure 305-3.
303	Water	42-43, GRI index, 31-36, Environment, 22-30, Products and Supply Chain, 10-13, Customers	"The aspect is not defined material. Water Consumption in Own Activity Waste water is covered in the section 'Environment' in the chapter 'Waste water and waste'. The wastewater from operations goes into the municipal sewer systems. The company has no emissions into the water system. Indirect Water Consumption Use of water in our supply chain is explained in the section 'Products and Supply Chain' in the chapter 'Suppliers Environmental Assessment'. Our indirect impacts also include water use in the usage phase, such as washing clothes at home. This topic is discussed in the section 'Customer' in the chapter 'Tips for choosing and taking care of clothing'."
303-1	Water withdrawal by source	31-36, Environment	Water is not recycled or reused in the operations.
304	Biodiversity	Not reported	The aspect is not defined material. The company's department stores and stores are located in areas zoned as commercial properties. As commercial functions are not located in conservation areas or other areas rich in terms of biodiversity, the Group's impacts on biodiversity are low.
305	Emissions	31-36, Environment	The management approach is described in the section 'Environment'.
305-1	Direct (Scope 1) GHG emissions	31-36, Environment	
305-2	Energy indirect (Scope 2) GHG emissions	31-36, Environment	
305-3	Other indirect (Scope 3) GHG emissions	31-36, Environment	Indirect scope 3 emissions are presented where relevant: the biggest such emissions can be attributed to logistics and waste.
306	Effluents and waste	31-36, Environment	The management approach is described in the section 'Environment'.
306-2	Waste by type and disposal method	31-36, Environment	
<b>Social impacts</b>			
401	Employment	14-21, Personnel	The management approach is described in the section 'Personnel'.
401-1	New employee hires and employee turnover	14-21, Personnel	Not reported by gender or age group, information not available.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	14-21, Personnel	"Benefits exceeding the statutory level have not been reported in detail. Practices vary in different operating countries."
402	Labour/Management relations	14-21, Personnel	The management approach is described in the section 'Personnel'.
402-1	Minimum notice periods regarding operational changes	42-43, GRI index	Stockmann operates according to the notice periods specified in local labour legislation in all its operating countries. In Finland, the notice period is between two weeks and six months, depending on the duration of the employment relationship. In Sweden, the minimum is between one week to several months, depending on the duration of the employment relationship and nature of changes. Minimum notice periods regarding operational changes have not been defined in retail sector collective bargaining agreements.
403	Occupational health and safety	14-21, Personnel	The management approach is described in the section 'Personnel'.
403-1	Workers' representation in formal joint management – worker health and safety committees	14-21, Personnel	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	14-21, Personnel	Information by gender is not available at the moment. Occupational diseases and lost days not reported.
404	Training and education	Personnel	
404-1	Average hours of training per year per employee	14-21, Personnel	Information on training by gender is not available. Information by employee category or other countries of operation is not collected in equal detail.
404-2	Programmes for upgrading employee skills and transition assistance programmes	14-21, Personnel	



Disclosure number	GRI content	Location	Additional information or omissions
404-3	Percentage of employees receiving regular performance and career development reviews	14-21, Personnel	Information by gender or employee category is not available at the moment.
405	<b>Diversity and equal opportunity</b>	<b>14-21, Personnel</b>	The management approach is described in the section 'Personnel'.
405-1	Diversity of governance bodies and employees	14-21, Personnel	Comparison figures are in part inadequate. Information on minority group membership is not collected, as this is not permitted under Finnish legislation. Employees according to employee category not reported. The aim is to report the information in the future.
405-2	Ratio of basic salary and remuneration of women to men	14-21, Personnel	The reporting covers Stockmann's operations in Finland.
406	<b>Non-discrimination</b>	<b>14-21, Personnel</b>	The management approach is described in the section 'Personnel'.
406-1	Incidents of discrimination and corrective actions taken	14-21, Personnel	
407	<b>Freedom of association and collective bargaining</b>	<b>14-21, Personnel, 22-30, Products and Supply Chain</b>	The management approach is described in the sections 'Personnel' and 'Products and Supply Chain'.
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	22-30, Products and Supply Chain	Most of the Stockmann Group's own employees work in countries classified by the Amfori BSCI as low-risk countries for human rights violations. The fulfillment of freedom of association in the supply chain is monitored through own audits and those made by a third party
412	<b>Human rights assessment</b>	<b>37-41, Finance and Governance, 22-30, Products and Supply Chain</b>	The management approach is described in the sections 'Finance and Governance' and 'Products and Supply Chain'.
412-1	Operations that have been subject to human rights reviews or impact assessments	37-41, Finance and Governance, 22-3+, Products and Supply Chain	
412-2	Employee training on human rights policies or procedures	F37-41, Finance and Governance	
414	<b>Supplier social assessment</b>	<b>22-30, Products and Supply Chain</b>	The management approach is described in the section 'Products and Supply Chain'.
414-1	New suppliers that were screened using social criteria	22-30, Products and Supply Chain	
414-2	Negative social impacts in the supply chain and actions taken	22-30, Products and Supply Chain	amfori BSCI audit results are reported for one comparison year, due to changes in audit protocol and audit scoring during 2015.
415	<b>Public policy</b>	-	The aspect is not defined material.
415-1	Political contributions	42-45, GRI index	Stockmann does not make political contributions or donations to any politicians, political parties or related organizations, either directly or indirectly.
416	<b>Customer health and safety</b>	<b>22-30, Products and Supply Chain</b>	The management approach is described in the section 'Products and Supply Chain'.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	22-30, Products and Supply Chain, GRI index	During the reporting year, there were no warnings, legal actions or fines associated with the health or safety risks of own brand products sold in Stockmann department stores or Lindex stores.
417	<b>Marketing and labelling</b>	<b>10-13, Customers</b>	The management approach is described in the section 'Customers'.
417-3	Incidents of non-compliance concerning marketing communications	GRI index	There were no incidents of non-compliance with legislation or voluntary principles in 2016.
418	<b>Customer privacy</b>	<b>10-13, Customers</b>	The management approach is described in the section 'Customers'.
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	10-13, Customers	
* All standards: version 2016			
-	<b>Customer satisfaction</b>	<b>10-13, Customers</b>	This topic is material to Stockmann but it is not covered by an existing GRI Standard. The management approach is described in the section 'Customers'.
-	Net promoter score (NPS), likelihood to recommend service	Customers	