

S T O

C K M

A V N



CSR 2016

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Our Year
2016



Financial
Review 2016



Corporate
Governance 2016

ABOUT THE REPORT

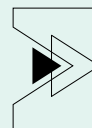
The Stockmann Group's reporting consists of four reviews: 'Our year 2016' Business Review, Financial Review, Corporate Governance, and this Corporate Social Responsibility review, which presents our CSR themes, targets and progress according to Global Reporting Initiative (GRI) G4 Guidelines.

FROM THE CEO

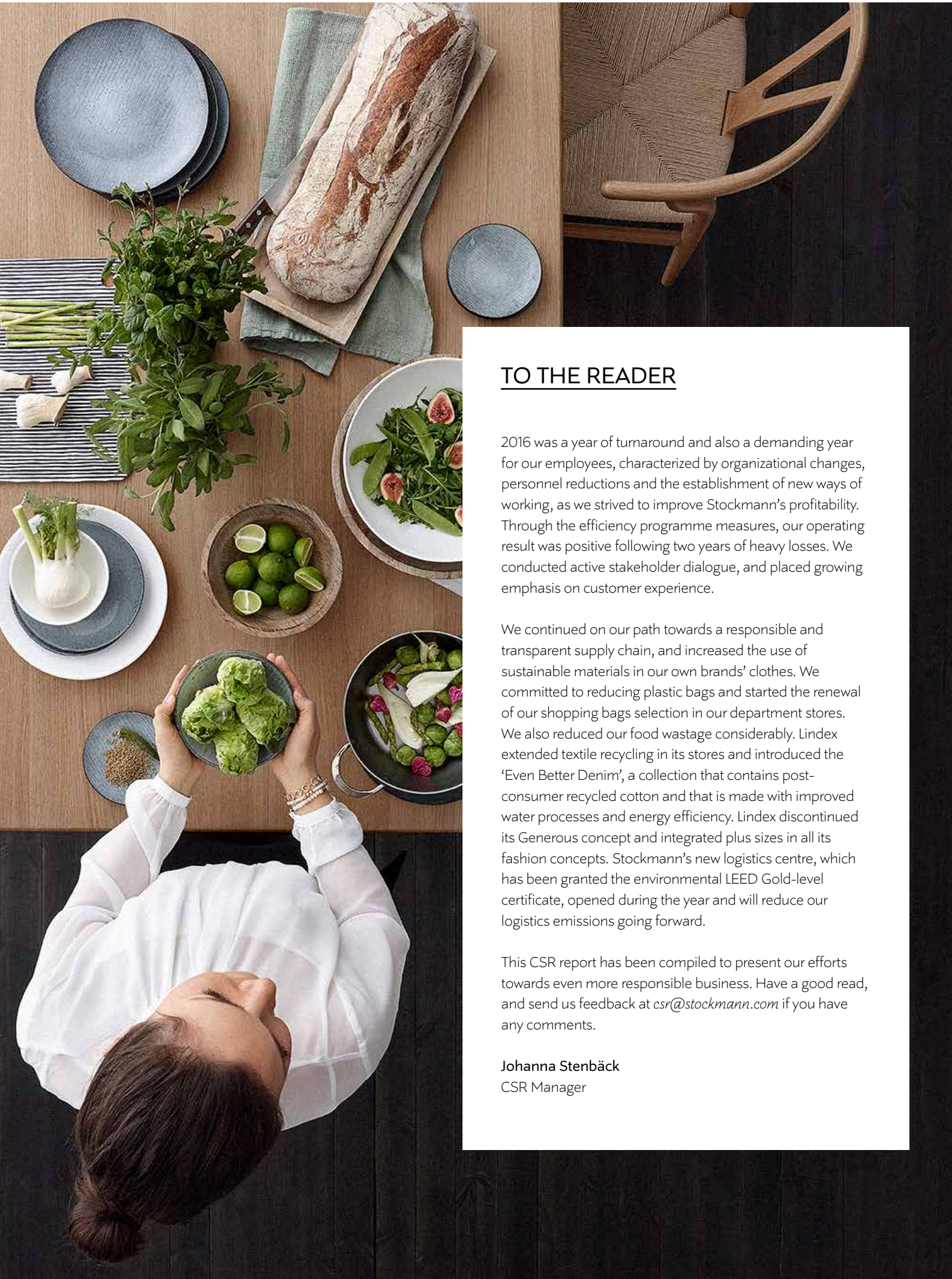
"Stockmann supports the UN's Global Compact initiative. Accordingly, Stockmann promotes human rights, labour rights, environmental work and anti-corruption measures. This report is also the Stockmann Group's Communication on Progress (COP) for Global Compact."

Lauri Veijalainen
CEO

The full CEO's review is available on the 'Our Year 2016' Business review.



READ ALL
the annual reviews at
year2016.stockmanngroup.com



TO THE READER

2016 was a year of turnaround and also a demanding year for our employees, characterized by organizational changes, personnel reductions and the establishment of new ways of working, as we strived to improve Stockmann's profitability. Through the efficiency programme measures, our operating result was positive following two years of heavy losses. We conducted active stakeholder dialogue, and placed growing emphasis on customer experience.

We continued on our path towards a responsible and transparent supply chain, and increased the use of sustainable materials in our own brands' clothes. We committed to reducing plastic bags and started the renewal of our shopping bags selection in our department stores. We also reduced our food wastage considerably. Lindex extended textile recycling in its stores and introduced the 'Even Better Denim', a collection that contains post-consumer recycled cotton and that is made with improved water processes and energy efficiency. Lindex discontinued its Generous concept and integrated plus sizes in all its fashion concepts. Stockmann's new logistics centre, which has been granted the environmental LEED Gold-level certificate, opened during the year and will reduce our logistics emissions going forward.

This CSR report has been compiled to present our efforts towards even more responsible business. Have a good read, and send us feedback at csr@stockmann.com if you have any comments.

Johanna Stenbäck
CSR Manager

OUR COMMITMENT

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 in department, fashion and online stores. In our CSR work this means commitment to sustainable development and offering our customers responsible shopping experiences.

Our Corporate Social Responsibility 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, and offering 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 and national laws and regulations valid at any given time in the countries in which we operate. The most important of the international agreements and recommendations that guide us, is our commitment to the principles of the UN Global Compact. The operating principles of Stockmann's Code of Conduct define ways of working for all

employees and management staff without exception.

Stockmann also requires its suppliers and partners to abide by these principles.

Our CSR work is systematic and it is developed constantly. Open dialogue and cooperation with our stakeholders, and communication and reporting about advancements in our responsibility work are an essential part of our CSR.

We focus our CSR work on what is most important and material to our business. The material aspects and the agreed CSR themes create a systematic and persevering foundation for Stockmann's corporate responsibility strategy.

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

Stockmann is committed to contributing to the United Nations Sustainable Development Goals (SDGs), adopted by the UN General Assembly in 2015. These goals, which are part of the new agenda for sustainable development in order to end poverty, protect the planet, and ensure prosperity for all, include a set of 17 ambitious SDGs to be achieved by 2030. We have identified four goals that are most material to our core business and that we can have the most effect on.

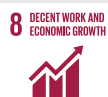
RESPONSIBLE CONSUMPTION AND PRODUCTION

Our most important goal incorporates our CSR vision to offer our customers responsible shopping experiences and our long-term commitment towards a responsible and transparent supply chain.



DECENT WORK AND ECONOMIC GROWTH

This goal encapsulates our responsibility towards our employees and people in our supply chain in providing a fair working environment, and towards our shareholders in striving for profitable business.



CLIMATE ACTION

Improving energy efficiency and climate change mitigation through setting emissions targets are central to Stockmann's environmental work.



PARTNERSHIPS FOR THE GOALS

We are in this together: our customers, employees, shareholders, suppliers, authorities, as well as other organizations and partners all pay an important role in achieving these goals.



OUR CSR VISION //

WE OFFER OUR CUSTOMERS RESPONSIBLE SHOPPING EXPERIENCES. WE ARE COMMITTED TO WORKING FOR A MORE SUSTAINABLE FUTURE.



CSR STRATEGY

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

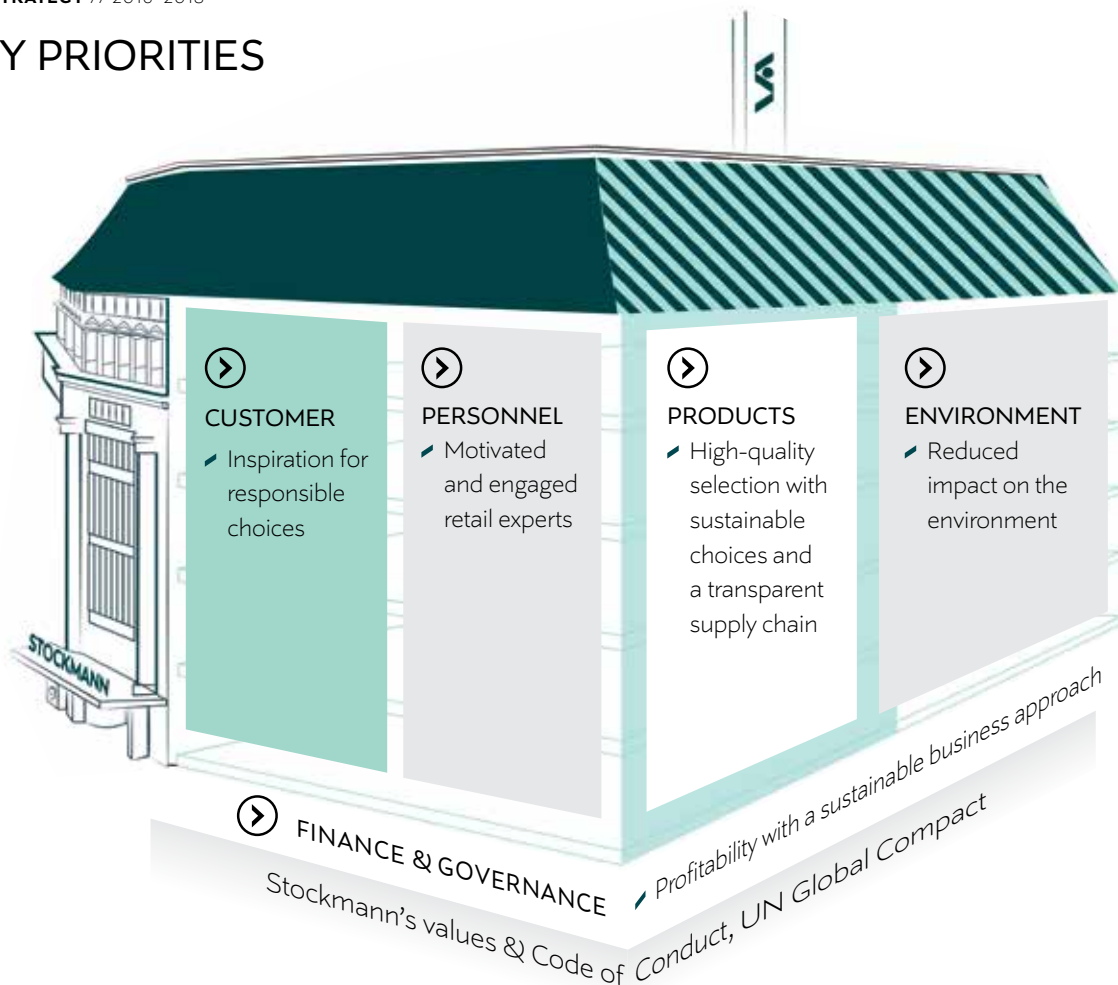
These goals, presented in detail on the following pages, have been set to support the Group strategy and the aims of our business operations by enhancing customer focus and improving efficiency. We work determinedly to meet these goals, which are grouped under the five material CSR themes, and cover the whole value chain. The CSR strategy was approved by the Stockmann Management Team at the beginning of 2016, while the specific targets, action points and KPIs were completed

during the year. Stockmann's business strategy, values, the Code of Conduct, our materiality analysis and the 10 principles of the United Nations Global Compact form the basis for Stockmann's CSR strategy.

Lindex's ambition is to be recognized as a leading fashion retailer, known as one of the most sustainable, open and trusted companies in the industry. Lindex seeks to go beyond business as usual and to drive change. Ambitious goals involving fibres, processes and manufacturing include the commitment to making 80 per cent of Lindex's assortment from more sustainable sources by 2020, and sourcing 100 per cent of cotton as either organic cotton, BCI cotton (Better Cotton Initiative) or recycled cotton. Sustainability is considered from a lifecycle perspective, from initial design to reuse and recycling when the clothing is no longer wearable.

CSR STRATEGY // 2016-2018

KEY PRIORITIES



CSR THEMES	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2016	STATUS
CUSTOMER INSPIRATION FOR RESPONSIBLE CHOICES	We build ongoing dialogue to raise customer satisfaction	We continued active dialogue with all stakeholders. Our Net promoter score (NPS) was 40; improved, but not yet on the long-term target level of 60 (scale -100- +100).	● Target not met
	We share information about CSR work and sustainable choices	We shared information about sustainable choices and CSR work through our channels, including reporting, website, social media, responding to queries by customers, media, and NGOs, and by educating sales personnel. Our target is to even better inspire our customers with sustainable choices.	● In progress
	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
PERSONNEL MOTIVATED AND ENGAGED RETAIL EXPERTS	We increase wellbeing at work	While there was progress in the right direction, Stockmann's Organizational Health Index (OHI) score, 38, did not yet meet our target of 50 (scale 0-100).	● Target not met
	We promote clear work roles and targets	85% of Stockmann Retail and Real Estate personnel in Finland had performance and development discussions. Our target is 100%. At Lindex, all permanent employees have annual employee appraisal meetings with their manager.	● In progress
	We ensure safe working environment	There was a total of 148 (127) reported workplace accidents in Finland, and in addition 86 on the journey to and from work. In Sweden, there was a total of 62 (113) reported workplace accidents, including the journey to and from work. None of the accidents led to severe injury. A further target for reducing workplace accidents will be set in 2017.	● Target to be set
PRODUCTS HIGH-QUALITY SELECTION WITH SUSTAINABLE CHOICES AND A TRANSPARENT SUPPLY CHAIN	We offer a wide selection of safe and lasting quality products	There were zero product recalls in own brand products, as targeted.	● On target
	We promote sustainable brands and environmentally friendly products	We shared information about sustainable choices through our channels. Our target is to make the sustainable brands and environmentally friendly products in our selection more well-known among our customers.	● In progress
	We offer a competitive selection of organic products	The share of organic food sales of the total food sales was 4.4 per cent, and was on the same level as last year (4.6 per cent), as targeted. This level is industry leading, compared with the Finnish average of 2.0 per cent*. *) Estimate by the Finnish Organic Food Association Pro Luomu: share of organic sales of total food sales in grocery shops in Finland in 2016	● On target
	We increase the use of sustainable materials in our own brand garments	More than 50 per cent of the Lindex assortment was made from more sustainable materials in 2016. The goal is that 80 per cent of Lindex clothes will be made from sustainable materials by 2020. Approximately 90 per cent of all Lindex cotton is more sustainable, such as organic and Better Cotton. The goal is to reach 100 per cent by 2020. During 2016, Lindex launched new 'Even Better Denim' styles that contained more sustainable cotton as well as post-consumer recycled cotton, which represents one step towards closing the material loop. In 2016 Lindex sold approximately 28 million garments made from more sustainable materials.	● In progress

CSR THEMES	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2016	STATUS
PRODUCTS HIGH-QUALITY SELECTION WITH SUSTAINABLE CHOICES AND A TRANSPARENT SUPPLY CHAIN	We increase the use of sustainable materials in our own brand garments	In addition to NOOM women's clothes, garments made of organic cotton will be included in the spring 2017 collection of Stockmann's own children's brands Bogi, Cube&CO and Bel.	● In progress
	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 by the end of 2018.	● In progress
	We co-operate to improve working conditions in our own brands' supplier network	We continued working towards the target of getting 100 per cent of our own brand suppliers and factories to sign the Stockmann Code of Conduct and those producing in risk countries to sign the BSCI Code of Conduct, and becoming BSCI audited by the end of 2018.	● In progress
ENVIRONMENT REDUCED IMPACT ON THE ENVIRONMENT	We continue to improve our energy efficiency	We achieved the target of a 9 per cent reduction in energy consumption, as we had committed to in the Finnish retail sector's energy efficiency agreement for 2009-2016. Our further target is to improve the energy efficiency of our properties by 4 per cent by 2020.	● In progress
	We reduce the environmental impact of our logistics	We set the course to achieving the target of reducing domestic transport emissions by 10 per cent by 2018, with a significant reduction in the amount of transport loads.	● In progress
	We minimize waste and find possibilities for re-use and recycling	We continued to decrease our food wastage, according to the target of -25 per cent by 2018. In 2016, biodegradable waste decreased for another year in a row, by 15 per cent. 70.5 per cent of the waste generated in Stockmann department stores in Finland was directed to recycling, reaching the target level of 70 per cent. We promoted recycling by donating products, materials and food to charity. With a new partner in Oulu, we achieved our target of having at least one partner for food donation in each Delicatessen.	● On target
FINANCE & GOVERNANCE PROFITABILITY WITH A SUSTAINABLE BUSINESS APPROACH	We strive for ethical and transparent operations through commitment to the Stockmann Code of Conduct (CoC), the UN Global Compact and Business Social Compliance Initiative (BSCI)	We continued the roll-out of our CoC e-learning. At the end of the year, 33 per cent of the Stockmann support functions and department store supervisors had completed the training. Further roll-out has been planned for 2017 to reach the target of 100 per cent of the Group's personnel by the end of 2018. We continued the work towards the requirement of getting 100 per cent of our suppliers to sign the Stockmann Code of Conduct and those in risk countries to sign the BSCI Code of Conduct by the end of 2018.	● In progress
	We provide economic added value to all our stakeholders	We returned to profit, as the Group's adjusted operating result in 2016 was up, to EUR 20.2 million (EUR -28.5 million). The net profit for the year still remained negative, and the Board of Directors suggests no dividend be paid to the shareholders. Suppliers and personnel remain the stakeholders receiving the most economical added value: purchases from suppliers were EUR 981.4 million and salaries and other employee benefit expenses totalled EUR 250.8 million in 2016.	● In progress
	We provide transparent and reliable CSR communications with an integrated view	We renewed our reporting by publishing integrated reviews of the business operations, financials, governance and CSR. Achieving this milestone prepares us for the target of publishing a fully integrated report for the year 2018. We increased transparency through publishing detailed information about our CSR strategy targets.	● In progress
	We carry out a human rights assessment with key stakeholders	A self-assessment survey was conducted in Lindex sales countries in late 2016, to study the fulfilment of human rights. This study was the first step towards our goal of carrying out a human rights assessment with our key stakeholders by the end of 2018.	● In progress

REPORTING PRINCIPLES AND MATERIALITY

This Corporate Social Responsibility (CSR) 2016 review is part of the Stockmann Group's annual reporting which consists of four reviews: 'Our year 2016' Business Review, Financial Statements, Corporate Governance, and this review which presents the focus areas and results of the Stockmann Group's responsibility work according to GRI G4 Guidelines. The review is intended for our key stakeholders and it is published annually.

This Stockmann CSR review is in compliance with the Global Reporting Initiative (GRI) G4 Guidelines, and in accordance with the Core option of the guidelines. The report has not been reviewed in full by a third party. Financial indicators which are presented in the financial statements are externally assured. The G4 Specific Standard Disclosures are presented under the five Stockmann CSR themes.

Stockmann's subsidiary Lindex publishes a CSR report of its own, with more detailed information about its CSR work and also provides additional information on its website at lindex.com.

REPORTING PRINCIPLES

The reporting period for this review is the financial year from 1 January to 31 December 2016. The previous report, covering the year 2015, was published on 23 February, 2016.

The CSR review for 2016 covers all of the Stockmann Group's own operations, which in 2016 comprised three divisions - Stockmann Retail, Real Estate and Lindex - in 17 countries, the Group's shared functions and headquarters in Helsinki in Finland, and the purchasing offices in five countries in Asia.

The figures reported in the CSR review do not include department store operations in Russia due to the divestment on 1 February 2016, nor does the report cover Lindex shops in Russia, which were closed by May 2016.

The supply chain is covered to the extent defined in the materiality analysis. The report does not include information about Lindex's franchising stores. There is a total of 37 franchising stores in 6 countries, which are managed by 5 franchising partners.

The GRI indicators have been selected according to materiality. The GRI content index can be found at the end of the review. 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, which accounted for 45 (52) per cent of revenue in 2016 and 40 (46) per cent of personnel at year-end. 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.

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 ongoing process at Stockmann. During the years 2012 - 2014 Stockmann defined its material sustainability aspects for reporting according to the requirements in the GRI G4 reporting guidelines. 31 material aspects were identified and then categorized under five CSR themes: customers, employees, products, environment, finance & governance. These themes also define the content and structure of this CSR review. The materiality assessment process is described in full on the Group website and in the previous 2015 CSR review.

During the preparation of the Stockmann CSR strategy 2016-2018, the CSR themes were revisited, re-evaluated and updated where needed.

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 2016, Lindex started a stakeholder assessment that will continue in 2017. While the results showed differences among stakeholder groups, they all placed the greatest importance on aspects linked to Lindex products along the product lifecycle, such as material choices, product safety and social conditions in their production. To meet this interest, Lindex sustainability reporting will focus on the product lifecycle point of view.

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. The groups and our stakeholder dialogue with them are outlined below.

CUSTOMERS

Customers are our most important stakeholders and one of our values is to inspire our customers. We are in direct dialogue with customers in stores and in addition through customer service and social media with hundreds of contacts every day. We arrange customer surveys and have a customer panel to enable Stockmann department stores to better understand customer needs and expectations towards Stockmann. We engage customers to share their ideas. One example of this is a customer expert programme that was launched at the beginning of 2016 to plan and develop the new department store in Tapiola, to be opened in March 2017. We share information via customer encounters and service, our website, printed materials and reports.

PERSONNEL

We value our personnel and their commitment to the company. Our goal is to be a sought-after employer on the labour market. 2016 was a demanding year for our employees, characterized by organisational changes and the establishment of new ways of working. Employee wellbeing and coping with workload due to constant changes were raised as a topic by Stockmann personnel and is something that has been taken seriously by the management. We work continuously to improve the working atmosphere and dialogue with employees. During the year, the Group's employees have been involved in interaction and dialogues in several ways and through various channels, including the intranet, team meetings and information sessions for large audiences. Stockmann has engaged in discussion with the personnel and listened to them through surveys, including an Organizational Health Index (OHI) survey. 'New Stockmann' kick-off events were organized in all department stores and at the Takomotie office during the autumn.

SHAREHOLDERS AND INVESTORS

Stockmann aims to be an attractive and sought-after investment target on the capital market. The key topics and concerns raised by shareholders and investors are financial performance, strategy execution, share price performance and dividend distribution. Inquiries concerning sustainability have somewhat increased in recent years, and concern customer and employee satisfaction, for example. We provide shareholder and investor

information as required for listed companies through stock exchange announcements, financial reports and the annual reporting, the Group's website, audio webcasts and regular investor relations meetings. The Annual General Meeting of shareholders is normally held in March.

GOODS SUPPLIERS AND SERVICE PROVIDERS

Long relationships with goods suppliers and service providers are key to our sustainability work and continuous improvement in production. We seek to develop our partnerships in order to ensure a good business environment for all, and the best possible service to our customers. All suppliers and service providers are expected to follow the Stockmann Code of Conduct. We engage in active direct dialogue with the suppliers and producers of our own brands through our local purchasing offices, through meetings and workshops, through regular visits to suppliers and in connection with inspections of factories and production units. We encourage our suppliers to take part in training events and workshops organized under the Business Social Compliance Initiative (BSCI). We meet suppliers for international and domestic brand products in regular purchasing negotiations, where sustainability issues are also discussed.

AUTHORITIES AND ORGANISATIONS

By utilizing networks, memberships in several organisations or other means, we engage in dialogue with authorities and organisations concerning improvement work and development projects. We cooperate with NGOs and participate in different types of charity work. We provide general information on our website, respond to specific information requests and take part in seminars and meetings.

KEY TOPICS RAISED IN 2016

The key sustainability topics and concerns raised by our stakeholders in 2016 included, for example, the speed and availability of customer service, customer satisfaction, employee wellbeing and workload, human rights and social conditions in the supply chain of textiles and food products, human rights risks related to cotton production and traceability of materials, protection of Syrian refugees' rights in Turkish supply chains, sustainable materials and certificates in general, fur products in our selection, chemicals in clothes and cosmetics, use of plastic bags, food waste, selection of sustainability-certified products, such as chocolate and coffee, animal rights in the context of halal meat, the packaging of stockmann.com online store orders, recycling, and social engagement. Further topics and Stockmann's response to them are presented in the relevant section of the review.

CUSTOMERS

Customers are our most important stakeholders and one of the company's values is to inspire our customers. 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 legislations in its operations and promotes free competition in its sector.

CUSTOMER ORIENTATION

The Stockmann department stores are known for their customer-oriented service. Top-rated, professional customer service is achieved through regular personnel training from the recruitment stage onwards, including comprehensive induction arrangements for employees. Stockmann's value 'We inspire our customers' strongly guides the company's operations, and considerable attention is given to providing a best-in-class service that exceeds 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 (PR5)

At Stockmann department stores the measurement of customer satisfaction is an ongoing process. The knowledge we can receive by measuring our customers' satisfaction and by receiving feedback is valuable. The information that is received through surveys enables us, for example, to identify areas for development and improvement. All feedback gathered through encounters in the department stores, over the phone, via email and social media are gathered in one place for analysis.

In late 2015, we started to systematically measure customer satisfaction using the Net Promoter Score (NPS). During the year, we have sent out thousands of customer satisfaction surveys. The response rate has been high. The NPS is also one of our strategic Key Performance Indicators. See also 'Aiming to improve customer satisfaction'.

The topics that received the most feedback at Stockmann Retail were the Crazy Days campaigns, the online store and its logistics and customer service in general. To speed up information flow from the stores to buying and elsewhere in the organisation, sales personnel now have a fast track for conveying customer wishes for certain products or brands, for example, by using an internal feedback channel on their tablet.



AIMING TO IMPROVE CUSTOMER SATISFACTION

Our customers' opinions are extremely important to us. Every weekday, we receive a huge amount of feedback and answer hundreds of phone calls, e-mails and social media comments. We send weekly surveys to our loyal customers, asking them to rate their shopping experience. We collect feedback through customer satisfaction surveys and exit polls, social media and numerous customer encounters.

We want to gain a better understanding of our customers' needs and expectations so we can develop our operations accordingly. For example, our sales personnel can now easily forward customer feedback received in a sales situation using a tablet. Customer feedback and satisfaction is monitored weekly at the department stores, and the data for each department is reviewed monthly in order to ensure a sufficient sample size.

Customer satisfaction data is supplemented with a Net Promoter Score (NPS) that indicates each customer's willingness to recommend Stockmann to friends or acquaintances. The NPS ranges between -100 and +100. At the end of 2016, Stockmann's NPS was 40, falling short of the set target of 60. However, the indicator is trending in the right direction as we continue our efforts to improve customer satisfaction.

Stockmann uses a customer panel as an instrument for engaging with customers. The panel, formed in 2014, consists of thousands of Stockmann loyal customers.

Customer satisfaction is at the core of the business and new tools have been taken into use to improve customer perception. At the Delicatessens, a phone application for feedback was piloted in the spring. Customers can contact us



DIGITAL TOOLS ENABLE BETTER SERVICE

Several improvements were made to the multichannel customer experience in 2016. The sales personnel in the department stores' fashion, cosmetics and household departments and the Delicatessens now carry tablets that enable them to check product information and availability and to make reservations and orders for products from the warehouse or other department stores. The tablets also allow them to quickly check information on campaigns, events, sales news or training material, as well as to follow up on Stockmann's advertising and posting on social media. The internal feedback channel allows the sales personnel to forward any customer feedback or requests for products without delay.

The tablet tools were introduced in Finland in autumn 2015, and by the end of 2016 there were nearly 800 tablets in use. The staff has been pleased with how the new tools assist them in their sales work. A pilot for the use of tablets at the Tallinn and Riga department stores began in the autumn.

through feedback channels and social media, and a response is sent to each customer who requests this. 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 thumb up or down questions. Peak times for customer feedback occur before Christmas and during the Crazy Days campaigns, during and after which the response times are longer than usual.

Customer satisfaction measurement at Stockmann also includes exit polls, and in the Stockmann department stores the mystery shopper method.

Social media has become an increasingly important channel for our customers to express their opinions. Stockmann's social media presence has grown in the past years, and it includes accounts on Facebook, Twitter, Instagram and LinkedIn, with different target groups.

To make customer feedback visible to personnel working in support functions, several 'Customer now' events were organized and feedback was also presented on the intranet. Particularly successful customer service achievements were celebrated and rewarded during the year.

Several requested improvements were introduced in the new version of the Stockmann.com online store in November, such as product availability information for department stores. The Stockmann app, downloadable to smartphones, improves the omnichannel experience, offering information about campaigns, topical products and offers. Customers can use the app as their loyal customer identification and see their purchase intake. The role of the app will increase in 2017, as communications to loyal customers will shift to a more digital direction.

THE DIGITAL FITTING ROOMS PILOT

which began at the Helsinki lingerie department was expanded to all department stores in Finland in the second half of the year. By the end of the year, Stockmann had a total of 75 digital fitting rooms that allow customers to ask for another size or colour to try on and to call a salesperson for assistance.



Customer wishes for the new department store

At the beginning of 2016, we launched a customer expert programme *New Stockmann for Tapiola* ('Uutta Stockaa Tapiolaan') where our customers could participate through social media in the planning and development of the new department store. For example, customer experts were invited to workshops with the themes department store experience, food & home, and fashion & beauty. The many roles of a department store came up in the discussions. The customers wanted attention to be paid to both local, everyday shoppers as well as those coming from further away for something special. Easy solutions for everyday life were requested, as well as little moments of luxury. Digital services to support and speed up everyday shopping were identified as necessary, along with the possibility of spending time in the department store, with the desire for experiences and the element of surprise. A holistic, excellent service experience on the sales floor was mentioned by many. Wishes that came up in the panels have been fulfilled as much as possible, for example the concrete wishes for resting areas around the department store, and ideas for the service lounge area with sofas, cell phone charging stations and a pick-up point for online purchases.

Customer surveys at Lindex

Lindex arranged two customer surveys in its main markets Sweden, Norway and Finland during 2016. The response rate was 40 per cent, with altogether more than 60,000 responses for both surveys. The topics of the surveys related to in-store customer experience and customer service. The results showed that most customers were either satisfied or very satisfied with the overall experience, and the level of satisfaction had increased from the previous year. To maintain a high level of customer satisfaction, best practices are shared and there are market-based targets, follow-ups and support available for stores. The topics that have received most feedback at Lindex have been online store orders, selection, sustainability, and the More at Lindex loyal customer program. In the autumn of 2016, plus sizes were integrated to Lindex fashion concepts and campaigns, with a positive response.



LINDEX FASHION IN ALL SIZES

In autumn 2016, Lindex integrated plus sizes in all their fashion concepts and discontinued their Generous concept. The integration was made to make women of all sizes and shapes feel included and to be able to shop from all Lindex collections. The autumn campaign featured plus size models Ashley Graham and Candice Huffine. Lindex has received a lot of attention for the reform and the feedback from customers has been very positive.

MARKETING COMMUNICATIONS

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.

Our marketing communications avoid all misleading practices, such as false or deceptive messages and omission of important information. Our marketing is never 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.

Customer perspectives and needs have been widely mapped in conjunction with Stockmann strategy work.

Our value proposition is to offer a premium shopping experience and to ensure that we are worthy of our customers' trust every day, in all service situations and channels.

Lindex uses brand tracking to follow-up brand perception. Feedback is always listened to and adjustments are made where necessary. While most feedback on marketing is positive, Lindex has received some criticism regarding its choice of models and the gender perspective on kids' clothes.

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) organization, 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. Members can also get copy advice for specific campaigns.

Stockmann's business divisions support non-profit projects of charity organizations as part of their commercial campaigns and activities, as presented on page 40.

INCIDENTS OF NON-COMPLIANCE WITH REGULATIONS CONCERNING MARKETING COMMUNICATIONS (PR7)

At the end of the reporting year one complaint was made to The Council of Ethics in Advertising in Finland about mannequin dolls in a Stockmann department store. The complaint was not yet resolved at the time of publishing this report.

The Swedish Advertising Ombudsman received no submissions regarding Lindex's advertisements during the year. Lindex has never received any reprimands or been found in breach of standards by the Advertising Ombudsman. There were no incidents of non-compliance with legislation or voluntary principles in 2016.

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 otherwise than in strict accordance with Stockmann's customer privacy policy. Training on customer privacy is included in the new employee induction programme.

In 2016 the Group's divisions had three loyal customer programmes: the Stockmann customer programme with

approximately 1.8 million loyal customers, More at Lindex with 3.8 million members, and until its divestment, the Hobby Hall loyal customer programme. 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.

COMPLAINTS REGARDING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA (PR8)

During a year, Stockmann receives several queries from customers regarding how it uses personal data. These cases are dealt with and in 2016 none of them led to follow-up measures. There were no complaints or cautions from the authorities on the loyal customer systems.

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 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. Cooperation 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 major employer - the company had 8,324 (9,734) employees in 16 countries at the end of 2016. The highest number of employees was working at Lindex, with a total of 4,427 (4,733) employees at year-end. Stockmann Retail had 3,464 (4,471) employees at the end of the year, Stockmann Real Estate employed 85 (71) employees, Stockmann Group's shared functions employed 216 (325) employees and the company's purchasing offices 132 (134) employees.

EMPLOYEES

BY DIVISION



Stockmann Retail	42 % (3,464)
Stockmann Real Estate	1 % (85)
Group's shared functions	3 % (216)
Lindex	53 % (4,427)
Purchasing offices	2 % (132)

CHANGES IN EMPLOYMENT IN 2016

Following the launch of an efficiency programme in February 2015, a number of actions have been taken to achieve the annual

cost savings target of EUR 50 million. The actions include the renewal of Stockmann's support functions and reducing the headcount, renegotiations of supplier terms and conditions, and release of store space from Stockmann's own retail operations to external tenants resulting in lower rental costs. In 2016, there were several actions that led to personnel decline. Additional measures targeting further annual savings of approximately EUR 20 million during 2017 were launched in June.

Every year, Stockmann employs seasonal employees mainly as campaign helpers during the Crazy Days campaigns and Christmas. In 2016, these helpers were mainly recruited through a recruiting agency, and so were not included in Stockmann's payroll, which shows as a reduction in personnel.

Reductions in logistics were due to the introduction of the new, more efficient distribution centre in May 2016. This centre in Tuusula, southern Finland, combines the existing five warehouses into one and improves the omnichannel operations by speeding up delivery times, among other benefits. The distribution centre became fully operational during autumn 2016, after the warehouses in Finland had moved in stages to the new centre. The warehouse in Riga will move in 2017.

The largest codetermination negotiations of the reporting year, concerning the support functions, started in June and were concluded at the beginning of August. The target was to considerably flatten the organisational structure, eliminate overlaps and simplify processes. A new lean organisation, that will adjust the number of Stockmann's employees in line with the scope of current operations, was discussed with the personnel during the codetermination negotiations.

During the year 2016, altogether four codetermination negotiations were held, which concerned around 3,620 persons in Finland. The reduction need was estimated to be about 495 employees. At the end, 281 persons were laid off. In addition, around 80 people from the support functions were offered a new position as a sales assistant and around 60 people were offered a position in the support functions with new employment conditions. The negotiations concerned personnel in support functions, ICT, logistics and Hobby Hall. The layoffs mostly affected the personnel in support functions and logistics. The number of department store sales assistants was not reduced.

The divestment of Hobby Hall, which took place on 31 December 2016 as agreed in April 2016, led to the transfer of approximately 150 Hobby Hall employees to SGN Group as part of the transaction. As of 1 May 2016, Hobby Hall's logistics operations were transferred to Posti, with all of Hobby Hall's warehouse personnel, around 130 employees, being transferred to Posti as existing employees.

The closing down of the Oulu department store at the end of January 2017, a decision that was already made in February 2015, will lead to a personnel reduction of around 230 people.

These reductions have been taking place gradually during 2015-2017, as many employees started seeking new jobs when the close-down was announced. Replacement employees have been recruited through a recruitment agency, and are not in Stockmann's payroll.

In November 2016, Stockmann signed a five-year cooperation agreement with Tech Mahindra to produce part of Stockmann's ICT services. As a result, a transfer of 33 employees from Stockmann to Tech Mahindra will take place on 1 January 2017. Stockmann will maintain an ICT organisation of about 40 employees.

The divestment of the Russian department store business to Reviva Holdings Limited resulted in the transfer of approximately 2,300 employees to the new owner on 1 February 2016, as agreed at the end of 2015. However, department store operations in Russia were classified as discontinued operations already in the reporting for 2015, so this reduction in personnel was shown already in the figures for 2015.

NUMBER OF EMPLOYEES BY CONTRACT, REGION AND GENDER (G4-10)

Employment contracts

In retail the need for fixed-term employees is high, as the summer and Christmas seasons increase the need for seasonal employees. Among the Stockmann Group's employees, 16 (20) per cent had fixed-term employment contracts in 2016; women represented 93 (92) per cent of the employees and men 7 (8) per cent. In 2016, the share of women among permanent employees was 87 (85) per cent and the share of men was 13 (15) per cent. The number of full-time employees was 3,297 (3,764); women represented 78 (82) per cent and men 22 (18) per cent of the full-time workforce. The number of part-time employees was 5,027 (5,970), 60 (61) per cent of the workforce. The share of women among the part-time employees was 94 (90) per cent and the share of men was 6 (10) per cent.

FIXED-TERM / PERMANENT



FULL-TIME / PART-TIME

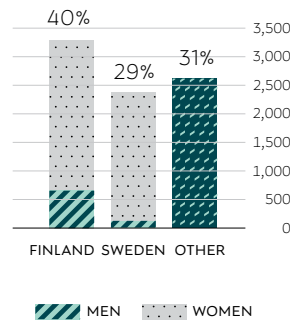


Regional and gender distribution

Of the Stockmann Group's employees, the highest number of employees was in Finland, 3,315 (4,455) employees. The share of men was 20 (22) per cent and share of women 80 (78) per cent

of the total Finnish workforce. In Sweden the number of employees was 2,382 (2,550), and the share of men was 5 (5) per cent and the share of women was 95 (95) per cent. Together, these two countries cover 68 (72) per cent of the total personnel of 8 324 (9,734) employees.

EMPLOYEES BY COUNTRY



Seasonal variations

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 practical training periods of various educational institutions. During 2016, Stockmann's Finnish department stores had on average 1,350 (1,500) Crazy Days campaign helpers both in the spring and in the autumn. However, in the last few years, these helpers have been increasingly recruited through a recruiting agency, so in the spring, only 292 were on Stockmann's payroll and in the autumn there were none. In addition, the department stores and support functions offered work experience to almost 220 (500) summer employees and more than 360 (400) interns during the reporting year.

Lindex offers internships both at the Head Office and in stores and 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. Each year, Lindex employs about 20 seasonal employees during the summer and Christmas holidays. They work at the Head Office, at the distribution centre or the Finance Department. In 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.

Supervised and self-employed workers

Use of supervised workers or self-employed workers is minimal in Stockmann Group, the former being limited to some cases in marketing.

Tenants' employees

A number of people working in sales positions at Stockmann department stores are employees of Stockmann's tenants in, for example, restaurants, shop-in-shops and concession-departments.

EMPLOYEE TURNOVER (LA1)

The Stockmann Group's personnel turnover was 19 (17) per cent in continuing operations in 2016. However, the turnover depends to a great extent on the local labour market. In Finland, the turnover rate was 13 in continuing department stores (12 per cent in all Finnish department stores in 2015). The turnover rate was significantly higher, 20 per cent, in the Oulu department store, which is to be closed at the end of January 2017. In Sweden, the turnover rate was 6 (5) per cent.

EMPLOYEE BENEFITS (LA2)

The Stockmann Group offers its personnel the benefits required by local legislation in each of the countries in which it operates. These benefits might 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. Stockmann supports recreational and leisure activities for permanent employees, for instance by supporting sports and through various staff clubs. In 2016, the company's support for employees' leisure activities amounted to approximately EUR 100,000 (EUR 100,000) in Finland.

All Lindex employees are entitled to receive a health and fitness benefit of a maximum of SEK 1 500 for sports and other health-related activities, such as massage and mindfulness classes conducted during the year. The company also gives financial support to a non-profit sports association at the Lindex Head Office called "Lif", which arranges different sports activities, lectures and get-togethers for its members from all Head Office departments as well as the Lindex Sweden country office. Lindex also provides its personnel discounts for a number of external sports clubs.

Every year, Stockmann awards medals of merit to its long-serving employees. The tradition started in 1924, and over 22 000 medals have been distributed over the 90 years. Medals of merit are awarded for careers of 10, 15, 20, 25, 30, 35, 40, 45 and 50 years with the Stockmann Group. In 2016, 557 (741) medals were awarded to employees of Stockmann, of which 469 (546) were given in Finland and 88 (99) in the Baltic countries. One 45-year and four 40-year career medals were awarded in Finland. Medals of merit for 50 years of service have been rarely awarded in the company: 69 in total since 1924.

Lindex has its own reward scheme according to which employees are rewarded for 25 years of service. In addition, all units reward employees on their 50th birthdays.

LABOUR AND MANAGEMENT RELATIONS

The Stockmann Group monitors the implementation of good HR practices through personnel surveys, performance appraisal

discussions and other feedback channels. At Lindex, all permanent employees have annual employee appraisal meetings with their manager. In Finland, it is our target that 100 per cent of the personnel have a performance and development discussion, and in 2016 we came close, with a result of 85 per cent.

Stockmann has played a leading role in codetermination issues in Finland. The company's Employees' Council was set up in 1924 – over fifty years before legislation was passed in 1979 on legal requirements for codetermination between employees and employers in companies. In Finland, 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.

Two employee representatives participate in meetings of Stockmann's Board of Directors. 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. The employee representatives have the right to attend and speak at Board meetings.

During the year 2016, Stockmann's employees have been engaged in interaction and dialogues in several ways. For example, several information sessions regarding strategy progress were held by the new CEO Lauri Veijalainen, along with other sessions about the advancement of development projects such as digital services, which were held for the employees of the support functions.

At Lindex, quarterly results and strategy meetings are held for all employees by the Lindex CEO Ingvar Larsson. Along with 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 Lindex vision and strategies, is held for all Lindex employees. "Breakfast with Ingvar" is a popular concept where small groups of personnel are invited to meet and discuss current topics with the Lindex CEO. During introduction days for new employees, representatives from management meet and introduce the new employees to each area of Lindex.

In November 2016, there was an employee walkout by the senior salaried employees working at support functions at the Takomotie office to voice discontent towards the HR policy. This call was taken seriously by the management, and we work continuously to improve the working atmosphere and dialogue with employees. For example the following HR processes are underway to improve employee wellbeing: the renewal of the rewarding and bonus scheme, for which employees were invited to give ideas, principles for remote work, renewal of initiative process, and improvements to the ways of working of the Employees Council.

MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES (LA4)

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 one month. Minimum notice periods regarding operational changes have not been defined in retail sector collective bargaining agreements.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Stockmann Group respects the basic rights of its employees to freedom of association and collective bargaining. We recognise that the fulfilment of these rights is at risk in our supply chain, and thus we support their fulfilment through the BSCI Code of Conduct that sets requirements for Freedom of Association and Collective Bargaining, and the other measures explained in 'Supplier Assessment for Labour Practices and Human Rights' on page 29.

COVERAGE OF COLLECTIVE BARGAINING AGREEMENTS (G4-11)

In Finland, approximately 79 (82) per cent 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. Stockmann respects its personnel's freedom of association and right to engage in collective agreement activity. 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 2016, these employees accounted for 32 (31) per cent of the Group's personnel working in Finland. In other countries of operation, statistics on union membership have not been collected.

RISKS OF VIOLATIONS OF RIGHT TO EXERCISE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (HR4)

Most of the Stockmann Group's own employees work in countries classified by the BSCI as low-risk countries for human rights violations. Freedom of association in the supply chain is monitored with BSCI audits and by Stockmann's own audits conducted by CSR specialists working in the purchasing offices.

GRIEVANCE MECHANISMS FOR LABOUR PRACTICES AND HUMAN RIGHTS

GRIEVANCES ABOUT LABOUR PRACTICES (LA16, HR12)

Stockmann employees are entitled to report any violations or suspected abuse of the Code of Conduct or other corporate policies to their supervisor, their unit's security manager, the company management, the legal department, or the Group's

Internal Audit. In 2015, Stockmann introduced 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 report suspected or detected violations of the Company Code of Conduct or other corporate policies. 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.

During the year, a handful of incidents were reported through the channel, and they were treated seriously and handled confidentially. However, none of the incidents were severe.

In 2013, Stockmann temporarily laid-off most of its staff in Finland, around 5 000 employees for 12 working days to achieve cost savings. Service Union United PAM challenged the procedure on behalf of two of Stockmann's employees. While Stockmann's actions were judged to be legal in the district court, the court of Appeal ruled in September 2016 that Stockmann should have tried to find replacement work for these employees and is required to compensate the lost income.

HUMAN RIGHTS ASSESSMENT

The Stockmann Group respects and promotes all human rights, as defined in the Code of Conduct.

HUMAN RIGHTS REVIEWS AND IMPACT ASSESSMENTS (HR9)

Most of the Stockmann Group's own employees work in countries classified by the BSCI as low-risk countries for human rights violations and therefore no human rights assessment of Stockmann's own operations has been conducted thus far. That said, a self-assessment survey was conducted in Lindex sales countries in late 2016, to study the fulfilment of human rights. This study was the first step towards our goal of carrying out a human rights assessment with our key stakeholders by the end of 2018.

See 'Supplier Assessment for Labour Practices and Human Rights' on page 29 for information about the supply chain.

OCCUPATIONAL HEALTH AND SAFETY

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. Preventative work is also an important focus in the occupational safety day, which is organized for the whole Group every other year. In addition, coaching on working ability has been arranged for supervisors in Finland, aiming to increase wellbeing at work and reduce absences and the costs of absence.



TOWARDS A BETTER WORK CULTURE

An Organisational Health Index (OHI) staff survey that tracks organisations' health and performance was conducted at Stockmann for the third time during the second half of 2016. The results of the latest survey indicated that openness and trust had increased, while the clarity of the strategy had decreased. The overall grade describing the organisation's ability to reach its full potential fell from the previous survey, although it remained slightly better than the grade given in the first OHI staff survey

in 2014. According to the HR Director, the results of the survey reflected the several major changes implemented simultaneously during the past few years, and not all implementations were as successful as intended. The results of the survey will be carefully reviewed in each department, and they will be used as a basis for discussions on developing our procedures. The survey was sent to 2,200 employees in Finland in November, and the proportion of respondents, at 55 per cent, was higher than previously.

EMPLOYEE WELLBEING

An Organizational Health Index (OHI) survey was carried out among Stockmann's employees for the third consecutive year to measure employee wellbeing and the ability of our organization to reach its full potential. The survey was sent to 2,200 employees in Finland, and 55 per cent responded, which was an increase on before. While there was progress in the right direction, Stockmann's Organizational Health Index (OHI) score, 38, did not yet meet our target of 50 (scale 0-100) and efforts towards employee wellbeing and coping at work will be continued.

During the year, there were various efforts to improve employee wellbeing as well as supporting work and family life balance. In November, we took part in the national bring your child to work day, a day dedicated to showing children the everyday work life of their closest adults, as well as making use of children's fresh ideas at the workplace. Events with special programmes for kids were organised in the Stockmann's Takomotie Office as well as the Itis and Tallinn department stores. See the boxed text.

At the Takomotie office, external lectures to support wellbeing and find new strength for work were held for support functions personnel in the auditorium with Skype access. Thanks to positive feedback, the target is to continue similar sessions on a regular basis, to improve access with video access, and arrange them for people working in department stores as well.

Kick-off events to share information about the Stockmann strategy and to celebrate the 'new Stockmann' were held for employees in the capital region, Turku and Tampere during the autumn.

Small events to boost wellbeing at work include 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.

SICKNESS ABSENCES AND WORKPLACE ACCIDENTS (LA6)

The sickness absence rate was 4.2 (4.4) per cent of regular working hours in Finland in 2016, and abroad it was 5.0 (4.6) per cent of hours worked. There was a total of 148 (127) reported workplace accidents in Finland, and in addition 86 on the way to work. In Sweden, there was a total of 62 (113) reported workplace accidents, including the journey to and from work. Out of those in Sweden, 26 happened at the distribution centre and 35 at Lindex shops. In addition, 15 close calls were recorded. 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. 3,041 (3,691) 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 for Finnish Lindex stores, occupational health services are provided through outsourcing. In Finland, the costs of occupational health services totalled EUR 1.7 (1.9) million. The net cost of occupational health services was approximately EUR 230 (190) per employee in Finland. Information on the distribution by gender is currently not available.



CHILDREN'S DAY AT WORK

Our employees' children were given the opportunity to visit their parent's workplace and become familiar with the daily routines at the department stores as part of the Bring your child to work day. The theme day was held across Finland for the first time on 18 November with the aim of introducing children to their own parent's or other close adult's work and making use of children's and young people's fresh ideas at the workplace.

A number of our staff's children convened on three afternoons at the Itis department store, where they expressed their desire of being given real work to do. First the children were given personnel name tags, after which they were assigned duties that included training at Delicatessen cash desks, collecting shopping trolleys, clearing Christmas decorations, collecting orders using the sales personnel's tablets, attaching security tags on products, hanging up price signs and decorating. The most exciting part of the day for the children was their visit to the control centre, where they could look at the surveillance cameras and for example look for their mothers. Finally, it was time to have snacks in the staff cafeteria and participate in the 'Your dream department store' drawing competition.

Children were also welcomed at the Takomotie office. In addition to getting to know their parents' work stations and colleagues, the children drew pictures of their dream department store, watched videos about Stockmann in the auditorium and took photos with the Crazy Days ghost. In Tallinn, a Christmas event was organised for children and the programme included a tour of their parents' workplace and a visit by Santa Claus.

TRAINING AND EDUCATION

Systematic, continuous training is a core part of our HR practices and carried out mostly through various in-house training courses and activities in all businesses and for all employee categories.

TRAINING (LA9)

The number of training hours at Stockmann Retail and Real Estate in Finland was a total of 35,000 hours (29,300 hours) or 4,670 days (3,900 days). This includes training for sales supervisors, sales and product training, training towards a professional qualification and other training to increase professional competence.

The total number of training hours for Lindex in Sweden was 15,343 (2015: 54,075 in all Lindex countries) during 2016. Calculated for 1,742 employees, this equals an average of 8.8 (11.1) hours per employee. Out of these, 11,080 hours were spent on training and 4,263 hours were spent on introductions.

Statistics on training hour distribution by gender or by employee categories or other countries of operation are not collected in equal detail.

Stockmann in Finland organizes various training courses focusing on employee orientation on products and services, and sales skills for all employees and on using a tablet tool as part of the sales process. In addition, all new employees in the department stores take part in the BASE training.

In department stores, sales supervisors were trained to improve their skills in supporting and coaching their teams in meeting the customer, in order to gain better results in customer service and sales. Training for additional sales was also organized for sales personnel. During the autumn, Stockmann's sales concept was renewed and a new type of sales training according to the new concept was piloted. This sales training will be scaled up in January 2017.

The reporting year was characterized by many changes in the organization, and to support managers and supervisors in Stockmann, support functions coaching was provided related to codetermination negotiations and layoffs.

Not included in training hours, employee coaching was carried out for 2000 hours in total while revisiting the Stockmann values and the strategy process. For example in sales, 'value pop ups' were organized to discuss the new values and Stockmann strategy.

Stockmann supports the combining of work and studies. For example, several opportunities for apprenticeship training were offered, including opportunities to study for the Specialist Qualification for Shop Managers and the Further Qualification in First-Line Management.

Briefing sessions on CSR issues in the supply chain were held during the year for buyers and merchandise managers of Stockmann's own brand in support of the goal of a responsible, transparent and traceable fashion product supply chain. The personnel's environmental awareness is enhanced through continuous training and regular internal communication, outlined in the section 'Environment', on page 32. The progress in the roll-out of the Stockmann Group's Code of Conduct e-learn-

ing programme is outlined in the section 'Communication and training on anti-corruption policies and procedures', on page 42.

At Lindex, continuous professional development is promoted through various in-house training courses and activities as well as external education to meet individuals' needs for their leadership. A number of different types of training were given at Lindex's Head Office during 2016. The Lindex Leadership Program training was given in the form of both group and individual training, with an average of 16 hours of training per manager. Lindex provided a basic introduction to all areas of sustainability within the retail business to its leaders and persons in key roles, to 27 participants with an average of 6 hours per person. To strengthen knowledge on the different Office programs Lindex has held classes with 26 participants and an average of 3 hours per person. To strengthen employees' abilities to meet the challenge of finding a work-life balance, Lindex offered mindfulness classes where 36 persons each received 10 hours of mindfulness education and information.

Introduction days for new Lindex employees are held at least twice a year. During 2016, 44 persons attended the introduction days with an average of 8 hours per person. Training was provided on salary and budgeting issues for 10 leaders with 3 hours per person. 400 leaders and employees attended training in working against goals and setting own goals with the ambition that all employees should have greater understanding and knowledge of Lindex's strategy and clearly see their own connection and contribution to Lindex's overall goals. Team building activities and workshops are held on a regular basis to boost team performance, with topics such as personality analysis, group processes and giving feedback.

PROGRAMMES FOR SKILLS MANAGEMENT AND LIFELONG LEARNING (LA10)

Continuous development at work and an active internal labour market are Stockmann's strengths. Having 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 from various parts of the company, including customer service duties.

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. The 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 representative and the HR department. If sickness absences exceed the limit of the 30 days or 10 periods in a year that are set as the threshold, a discussion on the employee's working ability is initiated. 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, the most recent update being in September 2015.

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, which was last held in the spring of 2015.

At Lindex, employees are encouraged to try new roles within Lindex, between stores and offices as well as between country organisations and 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 shift within the company are provided through Lindex internal labour market, including internship opportunities in another role for shorter periods.

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 has a 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. The latest addition to boost employee wellbeing is mindfulness classes.

MANAGING CAREER ENDINGS

The decision to close down the Oulu department store in early 2017 resulted in a personnel reduction of around 230 people. To support the Oulu department store personnel in this change, a programme called Voima 'Strength' was launched during the spring 2015 and it ran throughout 2016. The programme was supported by the Finnish Work Environment Fund. The aim of the programme was to ensure respect and a sense of value during the close down, and to empower personnel and maximize their possibility for re-employment. With education and training in applying for work, the emphasis was to support the wellbeing of the personnel and to ensure excellent customer experience until the end.

DIVERSITY AND EQUAL OPPORTUNITY, EQUAL REMUNERATION FOR WOMEN AND MEN & NON-DISCRIMINATION

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

Stockmann has an equality plan which is regularly updated and approved in the company's Employees' Council (see 'Labour and management relations on page 16'). 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 is part of this. In recruitment, candidates are evaluated in the spirit of equal opportunity, and men and women are hired for any position, without bias for traditional women's or men's jobs. Age, sex or conviction is only considered if there is a justified reason based on the position.

To balance the age breakdown among sales persons, we give emphasis to recruiting competent middle-aged female and male personnel as sales persons for Stockmann department stores.

Lindex has its own equality and diversity plan. Diversity is seen as a competitive advantage for an international fashion company, where all employees are united in their passion for fashion, customers and trade. Lindex values and develops employees' job performance and skills regardless of age or ethnicity, and 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 employees, 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 expansion.

DIVERSITY (LA12)

In 2016, women comprised 88 (87) per cent and men 12 (13) per cent of the Group's personnel. The proportion of female managers is high in all functions: of all the managerial staff working in Finland and abroad in 2016, 57 (59) per cent were women. On the Stockmann Board of Directors, three out of the eight (2015: three out of eight) members were women. While 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. In summer 2016, the Management Teams of the Stockmann Group and Stockmann Retail were merged to speed up decision-making. At year end, five (2015: two) out of eleven of the Group's Management Team members were women.

Information on the average age of the employees is presented in the 'Staff Figures' table. Information on minority group membership is not collected, as this is not permitted under Finnish legislation.

EQUAL PAY (LA13)

Stockmann has an equality plan which is regularly updated. The purpose of the plan is to raise structural issues in work duties and set improvement targets to achieve a more equal working environment through statistics.

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 31.12.2016. The index is only indicative, as it does not take into account the diversity of job roles and descriptions in each category. For sales persons, warehouse and office personnel, the wages are according to the collective trading sector labour agreement and based on e.g. work experience and the cost-of-living category, which depends on the locations of the workplace.

The ratio of basic remuneration of women to men by employee category is as follows: Sales persons, hourly salary index 98; Warehouse personnel, hourly salary index 94; Office personnel, monthly salary index 97; Professional and managerial staff, monthly salary index 83.

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 is not acceptable. The collective agreement sets the guidelines for the salary audit.

TOTAL NUMBER OF INCIDENTS OF DISCRIMINATION (HR3)

During the reporting year, altogether five complaints of discrimination were made, of which two were in Lindex Norway and three in Lindex Finland. Depending on the complaint, they were handled by Lindex HR, through a union, or an authority such as the Swedish Equality Ombudsman (DO). All five complaints were found groundless.

STAFF FIGURES 2012–2016

	2016 ¹⁾	2015 ²⁾	2014	2013	2012
Number of personnel 31 December	8,324	9,734	12,143	15,441	16,041
in Finland	3,315	4,455	6,382	7,033	7,553
abroad	5,009	5,279	5,761	8,408	8,488
Personnel on average	9,006	10,762	12,157	14,963	15,603
Personnel as full time equivalents, on average	6,562	7,643	8,916	11,422	11,898
Average age of personnel	37	36	35 ³⁾	35	34
in Finland	40	38	36	35	34
abroad	36	35	35 ³⁾	34	34
Turnover of permanent employees, on average, %	20	17	21 ³⁾	23	26
in Finland	20	11	8	10	13
abroad	20	22	30 ³⁾	34	37
Sickness absences, %	4.7	4.5	4.1 ³⁾	4.2	4.5
in Finland	4.3	4.4	4.1	3.8	4.2
abroad	5	4.6	4.0 ³⁾	4.6	4.8
Share of full-time/part-time employees of personnel, %	40/60	39/61	43/57	44/56	42/58
in Finland	49/51	47/53	45/55	45/55	42/58
abroad	34/66	32/68	41/59 ³⁾	43/57	42/58
Reported workplace accidents in Finland, number	148	127	185	238	212
Staff costs, EUR million	290.5	321.5	356.3	397.8	405.1
Staff costs, share of revenue %	22.3	22.4	22.2	19.5	19.1
Staff training expenses in Finland (excluding direct wage costs), EUR million	0.3	0.4	0.5	0.6	0.7

1) figures include Hobby Hall and Oulu employees

2) continuing operations

3) includes also discontinued operations

PRODUCTS

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.

Stockmann's department stores and Lindex's fashion stores offer an extensive range of products, consisting of more than 600 thousand product titles. These products sold in our stores must fulfil the quality, environmental and product safety requirements set for them at any given time.

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 by Stockmann in the case of 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, with the exception of food, pharmaceutical and medical devices, which are covered by other



EVEN BETTER DENIM

In October 2016, Lindex launched new Even Better Denim styles. These products were made from organic, Better cotton and postconsumer recycled cotton and with processes that use less water, energy and chemicals. All details such as zips, buttons and rivets were the most sustainable alternative on the market. The Even Better Denim styles were also dyed with a cleaner dyeing process that is better for the environment and the people making the product.

mechanisms. In Finland, also Finnish Customs, the Finnish Safety and Chemicals Agency (Tukes) and the Finnish Food Safety Authority (Evira) promote and supervise product safety.

Stockmann Delicatessen and the company's central kitchen have an extensive internal quality assurance and testing system for product safety. In addition to compliance with legal and official requirements, the central kitchen is certified in accordance with the international food safety standard ISO 22000, which goes beyond the legal requirements by, for example, including additional self-surveillance in the form of a product safety group. The central kitchen prepares Meals, Deli and cafeteria products for all the six continuing department stores in Finland. During its renovation in 2016, special attention was paid to saving water, along with the overall improvement of the kitchen's operations, and we are constantly seeking to further improve its operations.

PRODUCT RECALLS (PR2)

Product recalls are handled in accordance with Stockmann's product recall instructions, which specify responsibilities and the action required. The instructions cover both food and non-food products and have been approved by the CSR steering group.

In 2016, there were no public recalls involving own brand products sold by Stockmann department stores or Lindex. Nor were there any product safety, quality or other similar defects requiring product recalls regarding the Stockmann central kitchen's products or products imported by Stockmann. During the reporting year, there were no legal actions or fines associated with the health or safety risks of own brand products.

COMPLIANCE WITH THE PROVISION AND USE OF PRODUCTS AND SERVICES (PR9)

There were no fines for non-compliance with laws and regulations concerning the provision and use of products and services during the reporting year.

ENVIRONMENTAL PERFORMANCE OF PRODUCTS

SUSTAINABLE MATERIALS IN OUR GARMENTS

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 according to our sustainability categorization. For example, we define sustainable cotton as the use of organic cotton, Better Cotton (BCI-cotton) or recycled cotton. Lindex 'Even Better Denim' styles that were launched in October 2016 contained post-consumer recycled cotton, which comes from garments collected from consumers. Lindex uses also pre-consumer recycled cotton that is made from textile industry waste.

Sustainability is part of Lindex's long-term strategy, with ambitious sustainability goals set for 2020 for fibres, processes and production. One of the goals is to have 80 per cent of Lindex clothes made from sustainable materials by 2020. Today, more than 50 per cent of Lindex clothes are made from sustainable materials. Another 2020 goal

Today,
50%
of Lindex product range is made from sustainable materials

90%
of Lindex cotton is either organic, Better Cotton or recycled

is to have 100 per cent of the cotton used in Lindex's clothes comes from more sustainable sources, such as organic cotton, Better Cotton or recycled cotton. In 2016 Lindex reached 90 per cent.

In 2016, Lindex sold approximately 28 (27) million garments made from sustainable materials. 100 per cent of Lindex's newborn assortment, kids' basic assortment as well as 90 per cent of women's basic assortment are made of sustainable materials.

Today 100 per cent of Lindex's denim assortment is 'Better Denim', which means that it is made from sustainable material and with processes that use less water, energy and chemicals. In autumn 2016, Lindex launched new 'Even Better Denim' styles that contained more sustainable cotton as well as post-consumer recycled cotton, which represents one step towards closing the material loop. See the boxed text and 'Encouraging customers to recycle' on page 38.



ORIGIN AND TRACEABILITY OF COTTON

Cotton is a substantial component in fashion and household textile products. Cotton is grown in countries where the risk of human rights violations is high, and conventional cotton is difficult to trace due to, among other things, the mixing of cotton obtained from different sources at different stages of the supply chain. These risks apply to the textile industry as a whole. Stockmann does not accept cotton from Uzbekistan because of the human rights and environmental risks associated with the country's cotton production. This policy has been included in our supplier contracts.

We have a regular dialogue with our suppliers and organizations to improve the traceability of conventional cotton but there is no established method to trace its exact origin in a reliable way. Organic cotton and recycled cotton comes from systems that work to ensure traceability. Approximately 80 per cent of the cotton used in the Group's own brand products is from more sustainable sources, meaning it is either certified organic cotton, Better Cotton (BCI) or recycled cotton. Most of the sustainable cotton is used in Lindex's products.

Lindex's goal is that 100 per cent of the cotton used in their clothes will come from more sustainable sources by 2020. In 2016, Lindex reached 90 per cent. 100 per cent of the cotton used in Lindex's basic assortment for newborns and kids comes from sustainable sources.

The share of organic cotton will also be increased in Stockmann's own-brand clothes. In addition to NOOM women's clothes, garments made of organic cotton will be included in the spring 2017 collection of Stockmann's own children's brands Bogi, Cube&CO and Bel.

Stockmann is continuously searching for possibilities to expand the number of products made from sustainable materials. Among Stockmann's own brands, NOOM women's clothes as well as Bogi, Cube&CO and Bel children's clothes will have organic cotton products in their spring 2017 collection. Tencel is another sustainable material that is being introduced in Stockmann's own brands clothes in 2017. We are also looking into the possibility of using Better Cotton in Stockmann's own brands.

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 our 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 Index and children's outerwear in Stockmann own brand products, these items are now treated with Bionic-finish@ECO instead.

SUSTAINABLE PRODUCTS AS PART OF DEPARTMENT STORE SELECTION

Stockmann department stores offer an extensive selection of products, consisting of around 600 thousand product titles. 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 persons to find out about the choice of eco-labelled products in their areas of responsibility and to offer them to customers who appreciate them. Information for personnel concerning the various labelling schemes on environmental aspects, sustainability and origin is available on the Stockmann intranet. Sales persons' knowledge of eco-labels is surveyed annually in audits and is recorded in the audit reports.

The range of organic cotton in the brand garments on sale in Stockmann department stores has been extended over the years. New sustainably profiled brands have also been intro-

THE SELECTION OF RESPONSIBLE CHOCOLATE WAS EXPANDED

During Christmas 2016, our department stores offered a larger than before selection of responsible chocolate. The cocoa used in these products is certified as having been obtained from responsible sources and the packaging includes a certification label such as UTZ Certified, Fair Trade or Rainforest Alliance. Cocoa is farmed in countries where the risk of human rights violations is high. By using cocoa certified by a third party, we can ensure that its production is responsible and subject to supervision.

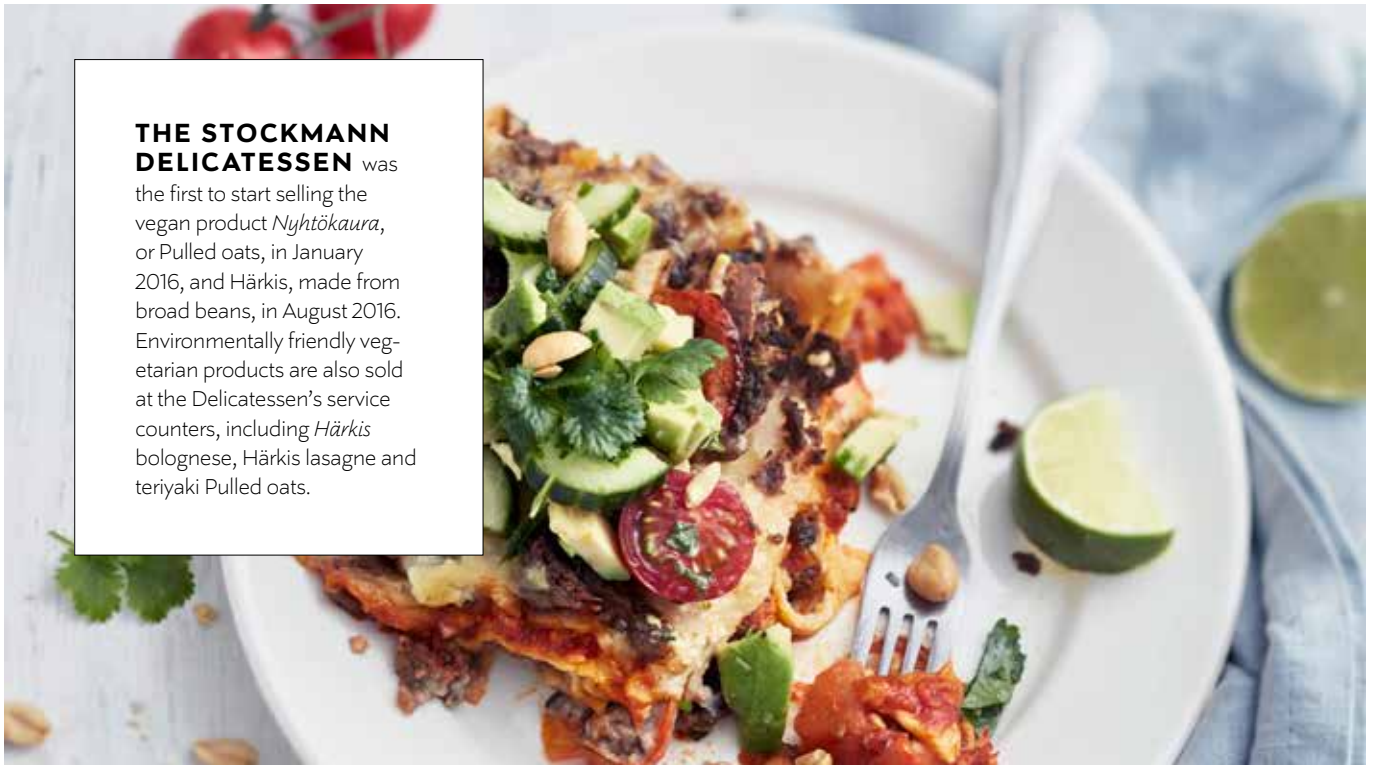
The annual comparison published by Finwatch examines different retailers' selection of certified boxes of chocolate. In 2015, Stockmann had 6 responsible boxes of chocolate in its selection, whereas in 2016 the number had grown to 13. In addition to boxes of chocolate, Stockmann's selection includes plenty of other sustainability certified and organic chocolate products, such as chocolate bars.

Responsible chocolate has been a frequent topic in our supplier negotiations in recent times. Starting in 2017, we have decided to use UTZ Certified cocoa in Stockmann's own brand chocolates, the Stockmann Choco brand.



THE STOCKMANN DELICATESSEN

was the first to start selling the vegan product *Nyhtökaura*, or Pulled oats, in January 2016, and *Härkis*, made from broad beans, in August 2016. Environmentally friendly vegetarian products are also sold at the Delicatessen's service counters, including *Härkis* bolognese, *Härkis* lasagne and teriyaki Pulled oats.



duced in 2016, for example children's brands using organic cotton, such as the Finnish Papu and Vimma brands.

SUSTAINABILITY CERTIFIED PRODUCTS IN THE DELICATESSEN

The Stockmann Delicatessen food departments' selections include more than 1 500 organic products. The share of organic food sales as a percentage of total food sales is regarded as one of the Key Performance Indicators (KPI) of our product selection. In 2016, the share of organic food sales of the total food sales was 4.4, on the same level as last year (4.6 per cent), as targeted. This level is industry leading, compared with the Finnish average of 2 per cent*. The slight decline was due to getting rid of some of the products with the lowest rotation, as part of reducing food wastage. In addition, Stockmann Delicatessen offers a large number of Fair Trade and other sustainability certified food products. See the boxed text about sustainable chocolate.

Stockmann Delicatessens have a Marine Stewardship Council (MSC) certificate and since the beginning of 2017, also an Aquaculture Stewardship Council (ASC) certificate. The MSC-certified fish products consist of imported wild fish that is caught responsibly, without endangering fish stocks, and the origin of the fish is traceable all the way to where it was caught. The ASC-certification stands for responsibly farmed seafood that aims at minimising the environmental and social footprint of commercial aquaculture with industry best practice.

We do not sell any endangered species as classified by the Finnish Ministry of the Environment and the Finnish Environment Institute. We favour Finnish fish products and fish products classified as 'green list' by WWF Finland and we have constantly reduced the fish products classified as 'red list' from our selections.

PRODUCT GUIDELINES (PR6)

The Group's divisions prepare guidelines on product selections and purchasing operations as necessary. Our supplier requirements ban certain practices from our own brand products, such as sandblasting for jeans, and also set fundamental requirements for animal rights, including angora and merino wool, leather, fur, feathers, down, as well as guidelines for cotton and chemicals. In addition, Stockmann department stores have responsibility policies for wood originating from natural tropical forests, and for fish and shellfish products and eggs. The policies are available on the Group website in full. Since 2012, fireworks have not been sold in the department stores. Lindex does not sell products made from real fur.

Customer feedback on disputed products in our product selection is carefully considered by the buying organisation. Over the years, particular questions and concerns have been expressed by customers regarding certain products at the Stockmann department stores. These include: products with fur, following which fur coats are no longer stocked in the selection; WWF red listed tropical shrimps and tuna, so we now only sell Agricultural Stewardship Council (ASC) or Global Cap certified tropical shrimp, and Friends of the Sea (FOS) certified fresh tuna; foie gras, following which we have checked with our French supplier that the farming conditions are responsible, and for which we also carry domestic, undisputed options; Halal-meat, for which our suppliers follow the same EU regulations on animal rights as all our meat suppliers.

PRODUCT AND SERVICE LABELLING

Fashion products made from materials with reduced environmental impacts, such as organic cotton or recycled fibres, are

*) Estimate by the Finnish Organic Food Association Pro Luomu: share of organic sales of total food sales in grocery shops in Finland in 2016

clearly marked. Lindex's products are marked with a 'Sustainable Choice' label and Stockmann's own brand fashion products made from organic cotton are marked with the 'Organic Cotton' label. New labels will be added during 2017, as new sustainable materials, such as Tencel, are introduced to Stockmann's own brands.

We tell our customers about the origin of the products. The country of origin is marked on all Stockmann own brand clothing and on the garments sold by Lindex, on the care label attached inside the garment. The target is for the country of origin to be marked on all Stockmann's own brand home products or on their price tags.

Stockmann follows the EU regulations on food labelling. For example, allergens and mandatory comprehensive information on nutritional value are clearly marked on the packaging labels of all the products made in Stockmann's central kitchen, Stockmann's own food brands and own imports. Compliance with regulations is ensured through training, stakeholder engagement and continuous monitoring of the legislation for foodstuff.

SUPPLY CHAIN

At Stockmann responsibility starts in the supply chain, from ensuring safe working conditions to minimizing environmental impacts. Responsible, transparent and traceable supply chains form one of Stockmann's CSR focus areas and are important for our stakeholders. As over 70 per cent of the Group's revenue comes from fashion, we focus especially on responsibility in the fashion supply chain. Our reporting on the supply chain covers the buying practices in Stockmann's own operations and Stockmann Group's own brands' supply chain, based on risk assessment, and the ability to have an influence.

In the retail sector, the value chain – a product's journey from raw material to customer – is often long and contains many stages. A significant percentage of the fashion products we sell are our own brand products, designed by our own designers, and which cannot be purchased anywhere else. In Lindex this applies to the majority of the products.

In the Stockmann department stores, the major part of merchandise are international brand products, but we carry also a wide selection of own brand products in women's, men's and children's wear, as well as home and food products. For example, in the beginning of 2016, Stockmann launched a new own fashion brand – 'cut & pret'. In the launch of this new brand, we also emphasized the importance of a responsible and transparent supply chain.

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, the right to freedom of association, living wages, human rights assessments, our own audits, and remediation for human rights violations. In 2016, human rights risks related to cotton production and traceability of materials as well as protection of Syrian refugees' rights in Turkish supply

chains were also raised. These concerns are addressed in this chapter.

BUYING PRACTICES

OUR INSTRUCTIONS FOR SUPPLIERS

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 BSCI Code of Conduct and continuous improvement. We aim for long relationships with suppliers.

The Supplier Code of Conduct is the backbone of our buying practices. Stockmann does not own any factories or production facilities, apart from the central kitchen of the Stockmann Retail division, discussed separately. Instead, the fashion products sold in Stockmann department stores and Lindex stores are made by contractors. Most of these products, over 90 per cent, are bought via Stockmann Group's purchasing offices in Asia. In 2016, Lindex garments were bought from 153 (160) suppliers and made in around 258 (290) factories. Stockmann's own brand garments were bought from around 150 (120) suppliers and made in around 215 (190) factories, and around half of the garments were purchased directly and half through purchasing offices. The biggest producer of the Stockmann Group's own brand fashion products is Bangladesh (37 per cent) and next is China (33 per cent). Stockmann Retail and Lindex use the same suppliers and factories to a large extent.

All suppliers are expected to follow the Stockmann Code of Conduct. In addition, we require that our own brands' supply chain complies with the Supplier Code of Conduct, which incorporates the Business Social Compliance Initiative (BSCI) Code of Conduct, complemented with Stockmann's additional requirements related to e.g. animal rights, chemicals and environmental matters.

Unauthorized subcontracting is a risk for compliance with our Code. Our producers are always required to inform us about the possible use of sub-contractors in advance. As a result of our risk analysis, we have banned the use of sub-contractors in Bangladesh altogether, this being a zero tolerance issue which will lead to no further orders being placed.

New instructions and alignments can be made according to the human rights risks identified. At the moment, our alignments include, for example, the prohibition of the sandblasting method for jeans, as it can be hazardous to workers' health if it is carried out without proper protective equipment or training, a risk that is controlled by not placing orders with factories that have gear for sandblasting. See 'Product guidelines' on page 26 for more information.

MANAGING AND DEVELOPING SUPPLY CHAINS THROUGH BSCI

The Stockmann Group has been a member of the Business Social Compliance Initiative (BSCI) since 2005. BSCI is a business-driven initiative for companies committed to improving working conditions in factories worldwide. The 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 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 BSCI Code of Conduct to our suppliers and producers, and cooperate with them to ensure a better chance of improving working conditions in our supply chains.

Factories in countries classified as high-risk by the BSCI, where Stockmann and Lindex own brand products are manufactured, are regularly audited by our own audits, conducted by our own local personnel, and by BSCI audits conducted by a third party.

With the introduction of the new BSCI Code of Conduct the audit protocol also changed. The new audit protocol has become mandatory for all audits from the beginning of January 2016. Audits complying with the new BSCI Code of Conduct have begun in May 2015. If deficiencies are identified, a corrective action plan is formulated and its implementation is monitored. Local working conditions are also influenced through various international conventions and initiatives.

ACCORD IN BANGLADESH

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 structural inspection includes calculations on the load-bearing capacity, which is something that cannot be inspected in audits made by BSCI or our internal audits.

CO-OPERATION WITH SUPPLIERS THROUGH LOCAL PRESENCE

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. The approximately 130 persons employed altogether by the offices 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.

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, while also performing announced and unannounced audits. Our local production and quality controllers also visit the production units on a daily basis to ensure that conditions meet our requirements, and 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 by the score card twice a year, with the Code of Conduct vs. performance being included as a parameter. Based on the evaluation, we grade our suppliers, and those with the best results get the most orders.

REMEDIATION IN CASE OF HUMAN RIGHTS VIOLATION

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.

TRANSPARENCY THROUGH FACTORY DISCLOSURE

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.

BUYING PRACTICES FOR FOOD AND BRAND PRODUCTS

In addition to our own brand products, well-known brand products are purchased for sale at Stockmann department stores. The responsibility issues regarding international and domestic



brand products are assessed during the purchasing negotiations and supplier agreements.

The Stockmann Delicatessen uses well-known and reliable EU suppliers and favours long-term relationships. In general, Stockmann does not directly import grocery products from outside the EU to Finland. The suppliers of the few products imported by Stockmann that are produced in a risk-country have joined the BSCI. A risk-assessment has been made to identify those products, with the biggest risks in the supply chain, due to production or origin of the main ingredient in a risk-country. During 2016, briefings on CSR themes were arranged for food buyers.

SUPPLIER ASSESSMENT FOR LABOUR PRACTICES AND HUMAN RIGHTS

SUPPLIER CRITERIA FOR LABOUR PRACTICES, HUMAN RIGHTS AND THE ENVIRONMENT (LA14, HR10, EN32)

According to our procurement practices, all factories need to fulfil the Stockmann Group's minimum requirements and commit to the BSCI Code of Conduct before starting cooperation. These include requirements for labour practices, human rights and environmental actions. The purchasing offices review the operating models and quality levels of each factory that they use before entering into a contract and starting production.

A significant percentage of the own brand fashion products – 96 per cent – are manufactured in areas classified as risk countries by the BSCI. We are aware that there is a risk of violation of the Code of Conduct and we are actively working to ensure compliance. Our risk analysis presented below, shows five areas of risks for the Code of Conduct. In addition, we are looking into the possibility of better incorporating human rights and children's rights into our assessments. Our goal is to carry out a human rights assessment with our key stakeholders by the end of 2018.

RISK ANALYSIS

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 BSCI policies that are placed visibly at the workplace. We encourage factory managers to take part in BSCI training related to the freedom of association and collective bargaining.

Wages and compensation

Paying incorrect wages is a common problem. 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. This is not enough, however, since the minimum wage is seldom at a sufficient level to cover basic needs and also provide some discretionary income. We think that it should be possible to live on the wage earned by a factory worker. 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 'Health Enables Return (HER)' project.

The wages paid is a factor considered in the supplier scorecard (see 'Co-operation with suppliers through local presence'), and those suppliers with the best scores receive more orders than the others. We work with the question through BSCI but also by benchmarking other initiatives. We actively follow the discussion on the living wage, participate in round-table discussions and other initiatives on the issue – such as the Better Work, Fair Wage Network by the Fair Labour Association and various other round-tables and consider new ways of addressing the 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.

Community projects

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, Solmaid High School, and Health Enables Return (HER) projects. We are also involved in several projects to reduce water consumption and other environmental impacts. Read more on Lindex website.

AUDITS AND INSPECTIONS (LA15, HR11)

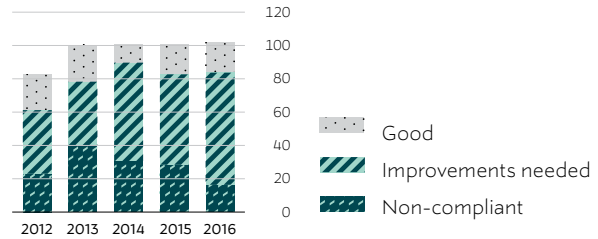
The Stockmann Group engages in an ongoing dialogue and in regular auditing of the producing factories, both through its own audits and the BSCI audits to identify negative human rights impacts according to our risk analysis.

A total of 123 (142) BSCI audits were conducted in factories located in risk countries that manufacture Stockmann's own brand products for the company's department stores and Lindex in 2016. Of these, 80 (114) were full audits and 43 (28) were re-audits. They all complied with the new BSCI audit protocol. The BSCI audits are conducted by internationally accredited independent auditors. The results are presented in the graphs: 2016 results according to the new scoring system and 2012-2016 results according to the old scoring system, with part of the 2015 results and all of the 2016 results converted to the old scoring system to allow comparison over the years.

The most common BSCI audit result was 'acceptable', which was received by 65 per cent of the full audits and 70 per cent of follow-up audits. 19 per cent of the full audits and 14 per cent of the follow-up audits scored either 'outstanding' or 'good'. None of the factories producing for the Stockmann Group received the audit result 'unacceptable' or were caught with

BSCI AUDITS 2012-2016

Scoring according to earlier audit protocol



BSCI AUDITS 2016

Scoring according to new audit protocol



zero-tolerance issues. The main findings in the 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.

As of 14 January 2017, all BSCI audits will be semi-announced by default, providing producers a four-week time frame during which the audit will be conducted. This new approach will further contribute to improving the audit quality. Until this point, most audits have been made after being fully announced, allowing the producer to know the exact date of the audit.

In addition to these external audits, the Stockmann Group's CSR specialists working in our purchasing offices carried out 92 (116) audits. Of these, 84 (90) were full audits and 8 (26) re-audits.

By signing the Accord on Fire and Building Safety in Bangladesh, Stockmann is committed to having all of the factories producing garments for the Group audited on the basis of three different inspections: fire safety, electricity and structural issues.

123

BSCI audits

92

own audits

144

Accord inspections
in Bangladesh

The structural inspection includes calculations on the load-bearing capacity of a building, which is something that cannot be inspected in audits made by the BSCI or our internal audits. In 2016, 109 fire safety and electricity inspections were made in factories producing for the Stockmann Group, along with 35 structural inspections. During 2016 the remediation work continued, and today, 71 per cent of the issues found in factories producing for Lindex and Stockmann own brands have been remediated.

After each audit, no matter whether it is a BSCI audit, Stockmann's own audit or an Accord inspection in Bangladesh, an audit report with corrective action plan (CAP) is put together. Each task on the CAP is given a deadline and progress is monitored. The most common findings are detailed in the risk analysis.

During 2016, 3 (4) of our goods suppliers and 4 (11) factories held the Social Accountability 8000 (SA8000) certificate, considered a best practice by the BSCI initiative, but not set as a requirement by the BSCI or Stockmann.

SYRIAN REFUGEES IN THE SUPPLY CHAINS IN TURKEY

Around eight per cent of Stockmann Group's own brand garments are produced in Turkey, where refugees from Syria are 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.

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. At the same time, we have been cooperating with our suppliers in improvement projects covering responsible water management, energy efficiency and use of chemicals through Lindex. For example, together with its suppliers and denim experts Lindex screened its denim production to grade the environmental impact. As a result, some washes, such as extra rinses, were dropped and other washes were combined. Together these changes made significant savings – water consumption was reduced with up to 42 per cent and energy usage was reduced by 27 per cent. These more sustainable techniques have been implemented in all Lindex denim production. Today, 100 per cent of the Lindex denim selection is 'Better Denim', made from more sustainable material and with processes that use less water, energy and chemicals.

ENVIRONMENTAL PROJECTS IN THE SUPPLY CHAIN (EN33)

Water is an essential part of Lindex long-term sustainability commitment, as textile production consumes large quantities of water and it is a prerequisite for the business, and because access to clean water is essential to human life.

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 during 2016 includes the Partnership for Cleaner Textiles in Bangladesh (PaCT), the Sweden Textile Water Initiative (STWI), the Better Cotton Initiative. 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. In 2016, Lindex continued and strengthened its engagement in water related issues. More information can be found on Lindex website.

ENVIRONMENT

Stockmann's objective is to reduce the environmental impact of the company's business operations. We acknowledge the environmental impacts of our operations and strive to prevent 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 the Group's quality and environmental systems and our 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 coordinated by the Communications and CSR function and is part of the divisions' day-to-day operations. The divisions independently set specific environmental targets, define indicators for monitoring the achievement of these targets and establish appropriate management practices.

ENVIRONMENTAL MANAGEMENT

A certified management system is in use for operations in Finland as follows: all Stockmann department stores and support functions in Finland are ISO 14001 certified and Stockmann's central kitchen has been granted the ISO 14001 and ISO 22000 certificates. The operating methods of Stockmann's environmental management system have also been adopted in the department stores in the Baltic countries.

Lindex does not have a certified environmental management system in use. Lindex stores mainly operate in leased premises in shopping centres, which mean that in addition to the shop's 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 they 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. In 2016, Stockmann Real Estate engaged in a large competitive bidding for cleaning, waste management and real estate services. Environmental criteria had an important role in the negotiations. The service providers need to commit to Stockmann's operating principles, and the cleaning services have an important role in achieving Stockmann's ambitious recycling targets. As a result of the bidding, changes were made in real estate service providers and cleaning services, for example in Turku, where cleaning will continue with local small businesses.

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 enhanced through training and regular internal communication e.g. through the intranet and information screens in the personnel facilities.

Stockmann has an e-learning package on environmental topics, launched in 2015. The e-learning package focuses on environmental knowledge, waste management and energy efficiency, and it is also available for Stockmann's tenants who operate in the same premises as the department stores. Stockmann's environmental specialist regularly visits the department stores and guides the personnel with regard to environmental targets and trains new tenants in recycling practices. During the reporting year, topical environmental matters were also discussed in morning briefings for department store personnel.

MATERIALS

PACKAGING MATERIALS

Stockmann aims to minimize the environmental burden of packaging materials and offer customers material efficient solutions. Our selection choices follow the Finnish 'Optikassi 2009' research on environmental impacts throughout the life cycle of packaging materials. We follow technical and legislative developments as well as customer experience closely and aim to offer new solutions proactively.

In 2016, we made a voluntary commitment to reduce plastic. In connection with this, we started the renewal of our shopping bag selection, introducing more recycled materials and paper bag options, and we increased our in-store communications about sustainable choices in shopping bags. In the process, the selection of the thinnest plastic bags, with the least opportunities for reuse, will be reduced, and thin plastic bags are no longer available for our customers on a self-service basis at the Delicatessen and the Daily cosmetics cashiers. These actions are part of Stockmann's commitment to sustainable development, to reduce the amount of plastic waste and litter for our part. See the boxed text.

The Stockmann Group can influence choices of packaging materials and the amounts used, especially when procuring goods for its own use. The divisions' purchasing offices actively monitor developments in the packaging industry and aim to use high-quality packaging and to reduce unnecessary use of packaging material through material efficiency.

At our Delicatessen service points the plastic boxes for ready meals, pastries and other service counter products are made of 50 per cent recycled plastic. The cardboard boxes used for packaging items purchased in the stockmann.com online store are partially made of recycled fibres.



MORE RESPONSIBLE SHOPPING BAGS

Stockmann's selection of plastic, paper and reusable shopping bags is being renewed to make them more sustainable. In October 2016, we were among the first to make the commitment to reduce the use of plastic bags. We have increased in-store communications on different shopping bag alternatives, and during the next year, charging for plastic bags will be gradually expanded in the department stores for non-food consumer goods in order to reduce the consumption of plastic bags. These measures come as a part of Stockmann's social responsibility commitment to reduce the use of plastic bags in accordance with the principles of sustainable development. We aim to act as a forerunner in environmental issues and to play our part in reducing plastic waste and litter.

The renewal of the selection was started in 2016. For example, Globe Hope reusable bags made from Stockmann's old outdoor advertisements were sold at the Crazy Days in the autumn, and our Delicatessens sell reusable bags made from old sails. Reusable bags, particularly those made from recycled materials, offer a good alternative to plastic bags, and for this reason the selection and attractiveness of reusable bags will be increased both in the Delicatessens and in the department stores. Grey plastic bags containing more than 90 per cent of recycled material were also introduced in the Delicatessens in the autumn. Other new alternatives containing more sustainable materials will be added to the selection during 2017. At the same time, we are reducing our selection of thinner plastic bags that are poorly suited for reuse.

At the Delicatessens' fruit and vegetable departments, customers can choose from free paper and biodegradable bags or reusable fruit and vegetable bags that are subject to a fee alongside thin plastic bags. Since the start of 2017, small bags made of thin plastic are no longer displayed at cash desks and cashiers no longer actively offer plastic bags to wrap such items as frozen foods. In future, paper or plastic bags will be given to customers at the cash desks upon request.

The Stockmann Group reports on packaging materials used, in accordance with the EU Packaging Directive. For the Group's operations in Finland, the reports are submitted to the Finnish Packaging Recycling Rinki. The materials reported include plastic bags and other materials used in stores to package goods for customers, and packaging materials unpacked at the logistics centres. For most of Stockmann's imported goods, the reporting responsibility for product packaging materials lies with Stockmann's logistics partner, Tuko Logistics. Lindex also reports on its use of packaging materials to the relevant authorities in the countries in which it operates, such as Sweden, Norway and the Baltic countries. This reporting is summed up on the Group website (EN1).

ENERGY EFFICIENCY

The Group's energy consumption mainly consists of electricity, heating and district heating. Energy is consumed by the lighting, 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 over a decade. The commitment given in 2013 to the Finnish retail sector's energy efficiency agreement on behalf of the Stockmann department store operations in Finland has further strengthened the dedication to energy efficiency. According to the commitment set for 2009-2016, our target was to achieve a 9 per cent reduction in energy consumption, and we reached this target. Under the agreement, Stockmann has conducted energy reviews in its premises and implemented further energy efficiency improvements according to the prepared action plan. The energy reviews are also required under the energy efficiency legislation that came into force at the beginning of 2015. Negotiations concerning the retail sector's new energy efficiency agreement for 2017-2025 are ongoing, together with other retail sector companies.

In 2016, Stockmann continued with the energy efficiency programme by focusing on monitoring and optimising the running hours of building systems and lighting control in all premises, to achieve further reductions in electricity consumption.

In logistics, Stockmann's new distribution centre in Tuusula will reduce internal transports as the earlier four warehouses in Finland were centralised into one. The distribution centre, opened in the spring of 2016, serves the department stores and online store in Finland and in the future, it will also serve the Baltic countries. It received the LEED Gold certification in autumn 2015. LEED (Leadership in Energy and Environmental Design) is an internationally recognized rating system to promote sustainable construction and design standards. There are four levels of certification – Certified, Silver, Gold and Platinum. During the planning and construction of this 29,000 square metre distribution centre, sustainable development and other environmental perspectives, such as energy efficiency, were taken into account. The project received a high rating, especially in the efficiency of

ENVIRONMENTAL CERTIFICATE FOR THE NEW LOGISTICS CENTRE

Stockmann's logistics centre, which launched its operations in April 2016, was awarded with the LEED Gold environmental certificate. Encompassing 29,000 square metres of floor space, the building was designed with sustainable development and environmental aspects in mind. Its geothermal heating system generates the necessary heating and cooling energy. Lighting consists of LED lights. Located in Jussla, Tuusula, the largely automated logistics centre will, once at full capacity, serve all of Stockmann's department stores in Finland and the Baltic countries and the Stockmann online store. The centralisation of the warehouses cuts transportation distances and thus carbon dioxide emissions.



energy consumption mainly due to the distribution centre's use of geothermal energy, which has proven to be efficient and sufficient: the building uses only geothermal energy for heating and cooling, and no additional energy was needed for these purposes in 2016. The possibility for the use of solar energy as an energy source for the distribution centre has also been investigated.

The extensive renovation of the Turku department store's Delicatessen brought important improvements to energy efficiency, as all the refrigeration equipment, the cold room and freezer room were changed and renewed and the new equipment uses carbon dioxide as a refrigerant. The new freezers have lids, and the curtains installed to cold storages can be preset. New refrigeration equipment will also be taken into use in the new Tapiola department store that opens in March 2017.

During the reporting year, energy efficiency improvements were also achieved through the renovations of some of the escalators and lifts in the Helsinki department store. In the Delicatessen food departments, energy was saved during the summer by means of night purging to utilise cool night air in the ventilation of the department stores.

Several department changes took place in the Helsinki department store during the year, and when possible, the lighting was changed to LED-based lighting and lighting controls were made adjustable during these renovations. Lindex's stores have also focused on minimising energy consumption, and all stores follow an efficient energy consumption checklist as a routine practice. Lindex's long-term goal is to become energy neutral through the use of renewable energy sources. An indebt 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 per cent of the energy consumption, and hence energy reduction measures will focus on these, and especially on lighting. As a result, the use of LED lights will be increased. To reduce carbon dioxide emissions, Lindex prioritizes energy from renewable sources.

ENERGY AND WATER CONSUMPTION 2014-2016 (EN3, EN4, EN8)

	2016	2015	2014
DIRECT CONSUMPTION			
Heating fuel (MWh)	430	434	318
Natural gas (MWh)	19,443	16,677	18,603
INDIRECT CONSUMPTION			
Electricity (MWh)	127,279	128,278	131,301
District heating and cooling (MWh)	81,707	83,013	85,491
Water (m ³)	224,957	242,369	235,235

Figures for District heating and cooling for 2015 and 2014 and Heating fuel for 2015 restated due to calculation errors.

Heating Fuel and Natural Gas data is based on metered data for Stockmann and estimations for Lindex. Purchased heating and cooling energy consumption covers all the Group's functions. Heating and cooling data for Stockmann is based on invoicing and data from service providers. Due to the significant amount of estimations and extrapolation in heat consumption for Lindex, the data quality is considered fair. Reporting on water covers all the Stockmann functions and Lindex's distribution centre. The reporting on energy and water consumption excludes discontinued operations (Russian department stores, Lindex Russia for 2016) and franchising operations.

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 2016 covers the functions of the Stockmann Retail, Real Estate, Lindex and Group shared functions in all the countries of operation, excluding discontinued department stores in Russia and franchise operations. In Stockmann Retail operations, the figures also cover the emissions by our tenants in the department stores, who operate 48 per cent of the gross leasable area of the properties owned by Stockmann Real Estate.

This is the seventh time that Stockmann is reporting its greenhouse gas emissions, covering the whole Group. The comparison figures are presented for 2014 and 2015, and the changes in the scope of the calculation are explained in the comments column.

Mitopro Oy has consulted us in the calculation of the carbon footprint in 2016. The calculation was carried out in accordance with the international Greenhouse Gas (GHG) Protocol reporting principles.

GREENHOUSE GAS EMISSIONS IN 2016 (EN15, EN16, EN17)

The Stockmann Group's emissions are presented in the table below. In 2016 the highest emissions, around 70 per cent, came from the generation of purchased energy (Scope 2), especially electricity, which remained on the same level as previous year. A little over half of the electricity used by Lindex is renewable energy purchased from Bergen Energi, for which the emissions are zero. Scope 3 indirect emissions are presented where relevant; the biggest such emissions can be attributed to logistics and waste.

The adjusted total reported emissions declined by seven per cent. This was mainly due the closure of Lindex shops in Russia and the consequential decrease in scope 2 emissions, as well as a decrease in logistics emissions, both internal and external. An underlying reason for the latter was Stockmann Retail's withdrawal from department store business in Russia. However, the reporting for Stockmann Retail logistics emissions is not fully comparable, and the decrease is partially due to differences in reporting scope in logistics.

There was an increase in the emissions for refrigerants due to more extensive than usual replacement of old refrigeration equipment. Emissions on business travel and mail delivery declined. Emissions from waste remained on the same level as in the previous year.

GREENHOUSE GAS EMISSIONS 2014–2016 (EN15, EN16, EN17, EN30)

	tCO ₂ 2016	tCO ₂ 2015	tCO ₂ 2014	Change 2015–2016 in %	Comments
DIRECT EMISSIONS (SCOPE 1)	3,100	2,500	1,900	24 %	
Stationary combustion	170	170	140	0 %	
Refrigerants	2,900	2,300	1,800	26 %	Increase in refrigerants emissions due to more extensive than usual replacement of old refrigeration equipment.
INDIRECT EMISSIONS FROM PURCHASED ENERGY (SCOPE 2)	47,500	48,900	56,300	-3 %	Decrease in total Scope 2 emissions compared to 2015 is caused by Lindex Russia discontinued operations.
Purchased electricity	33,100	34,400	37,900	-4 %	Emissions of electricity purchased by Lindex from Bergen energi are zero.
Heating and cooling	14,400	14,500	18,400	-1 %	Significant amount of estimation for Lindex, quality of data is fair. Stockmann Retail heating consumption has increased during 2016.
OTHER INDIRECT EMISSIONS (SCOPE 3)	16,200	20,500	21,700	-21 %	
Vehicles	300	300	400	0 %	
Internal logistics	2,800	3,400	3,300	-18 %	Decrease in mail delivery CO ₂ emissions. Distribution emissions remained at the same level as 2015.
External logistics	10,000	13,600	14,700	-26 %	Decrease due to withdrawal from department store business in Russia and change in reporting scope. Data for 2016 and 2015 not fully comparable.
Business travel	1,100	1,200	1,300	-8 %	Decrease in air travel miles.
Waste	2,000	2,000	2,000	0 %	
TOTAL	66,800	71,900	79,900	-7 %	
AVOIDED EMISSIONS	1,100	1,700	1,500		Carbon emissions neutralized by certified climate projects by logistics operator.
(NET EMISSIONS)	65,700	70,200	78,400		

The reporting excludes discontinued operations (department stores in Russia) and franchising operations.

The 2015 figures for refrigerants and logistics emissions have been restated due to calculation errors.

The figures presented in the table are rounded to the nearest hundred tCO₂.

CDP SCORE

In addition to publishing its annual report, Stockmann Group also reports on its greenhouse gas emissions in the international Carbon Disclosure Project (CDP) survey. In 2016, Stockmann's score was good with the score B (2015: 94B), according to the CDP's new streamlined scoring (A, A-, B, B-, C, C-, D, D-). 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.

WATER

WATER CONSUMPTION IN OUR OWN OPERATIONS (EN9, EN10, EN22)

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 minimizing 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 2014-2016'.

Most of the Group's water consumption takes place in the department stores' restaurant, kitchen and sanitary facilities. In the divisions and the Group's support functions, the water used at the different business locations is supplied by the local water utility.

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. To decrease water consumption, waterless urinals are in use in certain customer washrooms in Stockmann department stores.

Stockmann has only one production facility of its own, the central kitchen which prepares Meals, Deli, and cafeteria prod-

ucts for the department stores. When the central kitchen was renovated in 2016, special attention was paid to minimizing water consumption, through the installation of water saving nozzles and designing new ways of cleaning with less water.

The wastewater from operations goes into the municipal sewer systems. The company has no emissions into the water system, nor is water recycled or reused in the operations.

INDIRECT WATER CONSUMPTION IN THE SUPPLY CHAIN AND USE PHASE

Textile production is water intensive. Water usage in our supply chain is discussed in the section 'Supplier assessment for environmental practices' on page 31.

Our indirect impact also includes water consumption in the use phase, the way the garments are washed at home by our customers and how they are discarded. 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. In addition, Lindex provides tips and product care instructions for washing, drying, repairing aimed at reducing the environmental impact of garments on its website and with in-store materials. See also 'Encouraging customers to recycle' on page 38.

EFFLUENTS AND WASTE

The waste generated by the divisions' operations is mainly packaging waste, such as cardboard and plastic. The Stockmann Retail division generates biodegradable waste as a result of the operations of the central kitchen and the Delicatessen food departments as well as Real Estate's tenants operating restaurants and cafés. We pay close attention to waste sorting and recovery 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

WASTE 2014-2016, TONS (EN23)

	Stockmann Finland			Stockmann Baltics			Lindex			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
RECYCLABLE WASTE												
Cardboard and paper	1,620.8	1,804	1,988	236	206	247	1,205	1,211	1,311	3,062	3,221	3,222
Combustible waste	1,017.1	1,113	1,197	0	0	3	25	94	110	1,042	1,207	1,207
Bio waste	1,364.2	1,630	2,224	172	174	154	1		476	1,537	1,804	1,804
Other (plastic film, metal, glass)	140.8	148	141	20	23	27	78	0.1	236	239	171	172
Mixed waste:	231	253	250	470	444	438	5	5	3	706	702	702
Landfill waste	0	41	42							0	41	41
Combustible waste	231	212	209							231	212	212
HAZARDOUS WASTE	13.2	11	7	16	13	9	1	0	0	30	24	23
TOTAL	4,618.1	5,212	6,058	915	860	879	1,314	1,310	2,137	6,847	7,382	7,383
WASTE UTILIZATION, %	100	99	99	49	48	50	100	100	100	93	95	93



WASTE WEEK

Stockmann participated in the Waste Week campaign organised by the Consumers' Union of Finland at the end of August and beginning of September. During the campaign, a pop-up restaurant in the Helsinki city centre Delicatessen prepared delicacies from food that would have otherwise gone to waste. Reducing food waste is one of Stockmann's strategic goals for minimising the environmental impacts of its operations.

amount of waste and recycle as much as possible of the remaining waste as material. The total amount of waste decreased in 2016 in Finland by approximately 11 (15) per cent. The target for the recycling rate was 70 per cent. The recycling rate in department stores in Finland was 70.5 per cent.

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, with the aim of halving food waste from the 2014 level by the end of 2016. This target was almost reached. In our CSR strategy, we have set a further target to decrease food wastage by 25 per cent from the 2015 level by the end of 2018. Through preventative measures, such as prudent and skilful buying and expanded charity collaboration, Delicatessens have been able to significantly reduce the amount of biodegradable waste. In 2016, biodegradable waste decreased by 15 per cent, for another year in a row. See the next chapter about food donations from Delicatessen.

SYSTEMATIC REUSE AND LOSS PREVENTION THROUGH PRODUCT DONATIONS

Stockmann department stores and the support functions work together to promote recycling by donating unsold products, product samples, and leftover materials to agreed local partners and various recycling workshops.

In Helsinki, we cooperate on a continuous basis with the Reuse Centre and its Näprä unit. Material samples from Stockmann's design studio were donated to Näprä throughout the year. In 2016, samples of clothes, sheets, towels, toys, as well as baby products and the previous year's Christmas wrapping materials were donated to Hope ry, a non-profit organisation that supports Finnish families with limited means.

Stockmann Delicatessens collaborate closely with different charitable organizations. After finding a food donation partner in Oulu, we achieved our target of having at least one food donation partner in each Delicatessen. For example, in Helsinki, Itis and Turku, several agreed charitable partners retrieve donations 6 times per week. The range of food products donated was expanded in 2015, and now includes almost all kinds of groceries, in addition to bakery products, which we have been donating for years now. The donated products are edible though they do not fulfil all our quality requirements. The reasons for removal from sale include a strange form or a dent in a vegetable, one bad grape in a grape box and faulty packaging.

Lindex regularly donates unsold products to different charity organizations, in accordance with its clothes recycling and donation policy. The stores themselves decide where to donate the garments. 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.

ENCOURAGING CUSTOMERS TO RECYCLE

We provide our customers with the opportunity to recycle. For example, in Finland customers can return used electrical appliances and electronic equipment, batteries, fluorescent lamps and energy saving bulbs to Stockmann department stores. Electrical appliances and batteries can also be returned in Estonia. Every year, various recycling campaigns are organized in cooperation with Stockmann's suppliers. For example, a campaign to recycle frying pans, cutlery and cookware was organized with Hackman in all the department stores in Finland, and clothes take-back is continuous by Knowledge Cotton Apparel clothing brand. During the Christmas period, customers were able to return the grease produced by cooking their Christmas ham to the Helsinki flagship department store. This campaign, playfully titled 'Kink-kutemppu' in Finnish, was the joint effort of several organisations, and the collected grease was used to produce diesel fuel, and the profit was donated to charity.

Started as a pilot in Sweden in 2014, Lindex's customers can now hand in used textiles and clothes for recycling and reuse in all stores in Sweden, Norway and Finland. The 'Reuse and recycle' programme is a part of the company's long term ambition to close the material loop. During 2016, altogether over 27 000 kilograms of textiles were collected.



THE DENIM SHOES

are Lindex's first product made with materials collected from Lindex's customers. The post-consumer denim used in the shoes was collected by Myrorna, a Swedish second hand chain that gets part of its materials from Lindex textile recycling in store. Other parts of these shoes were sustainable as well: for example, the soles were made with FSC certified natural rubber, sourced from sustainably managed forest, and the factory in Pakistan, where the shoes were made, received Fair trade compensation.

TRANSPORT

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. 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.

ENVIRONMENTAL IMPACTS OF TRANSPORTING PRODUCTS AND PEOPLE FOR OWN OPERATIONS (EN30)

To minimize travel, video- and tele-conferencing equipment is increasingly utilised in meetings. Attention is paid to emissions from business travel, and low-emission options are preferred for such trips. Company travel guideline recommends travel via train or bus over own car, and leasing cars have maximum emissions.

The new distribution centre for the department stores, opened in 2016, is expected to decrease transport distances

significantly in the Helsinki region. The first results of this will be obtained during 2017. Transport is continuously being optimized through route planning, choosing optimally sized transport equipment, taking advantage of return transport, using new equipment with low emissions, and systematic follow-up and active engagement with transport suppliers.

CO₂ emissions from internal and external logistics and business travel are reported in the table 'Greenhouse gas emissions 2014-2016'.

LINDEX REUSE RECYCLE

Customers can now hand in textiles for reuse and recycling at any Lindex store in Finland, Sweden and Norway. The 'Reuse and recycle' programme is a part of the company's long term ambition to close the material loop. To achieve this, Lindex works with partners: Myrorna in Sweden, Fretex in Norway and Remeo in Finland. The collected textiles are given a new life in second hand shops or through recycling where they become part of new products, such as clothes for the industry or isolation material. Only approximately two per cent cannot be reused or recycled and is instead burned for energy.



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. The Stockmann Code of Conduct, our values and management practices form a framework for our procedures and efforts to promote a sustainable future. 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 achieved a positive operating result in 2016 after two years of heavy losses. The Group's adjusted operating result in 2016 was up, to EUR 20.2 million (EUR -28.5 million). Adjusted operating costs decreased by more than EUR 65 million and helped improve the result despite lower revenue. The Group's revenue in continuing product areas and businesses was down by 4.1 per cent. Of the Group's three divisions, the fashion chain Lindex and the Real Estate business are profitable, while Stockmann Retail was still loss-making. Earnings per share in continuing operations were EUR -0.33 (EUR -1.24), or EUR -0.12 (EUR -2.43) including discontinued operations.

Stockmann Group's economic performance is explained in full in the 2016 Financial Statements which can be found at year2016.stockmanngroup.com.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (EC1)

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. The distribution of economic added value to different stakeholders is illustrated on page 40, and presented in detail for the past five years in the table below.

Stockmann plc shares are listed on Nasdaq Helsinki. The company had 49,813 (52,415) registered shareholders at the year-end. The dividend policy set by Stockmann's Board of Directors is to distribute more than half of the earnings from ordinary operations. No dividend was paid on the 2015 result. The Board of Directors proposes to the Annual General Meeting no dividend to be paid on the 2016 result.

Information on salaries and other remuneration of the Board of Directors, the CEO and the Management Team can be found in the 2016 Corporate Governance review at year2016.stockmanngroup.com.

DISTRIBUTION OF ECONOMIC ADDED VALUE TO DIFFERENT STAKEHOLDERS

EUR million		2016*	2015*	2014	2013	2012
Producing added value						
Customers	Sales excluding VAT, other operating income, financial income	1,305.2	1,435.8	1,606.0	2,041.6	2,118.8
Goods suppliers and service providers	Costs of goods, materials and services purchased, includes capital goods and paid rents	-981.4	-1,147.6	-1,320.4	-1,567.3	-1,610.4
Added value produced by Stockmann		323.9	288.3	285.6	474.3	508.4
Distribution of added value						
Personnel	Salaries, wages and pension contributions	-250.8	-281.9	-315.5	-353.5	-361.0
Shareholders	Dividends	0.0	0.0	0.0	-28.8	-43.2
Investors	Financial expenses	-23.9	-22.1	-23.8	-32.1	-34.2
Public sector	Other social security payments, taxes	-52.4	-54.7	-37.0	-22.7	-45.4
Distributed to stakeholders in total		-327.1	-358.7	-376.3	-437.0	-483.8
Retained in the company to develop operations		-3.2	-70.4	-90.7	37.2	24.6

* Continuing operations

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 EUR 1 303.2 mill.

EMPLOYEES

Salaries, wages, pension contributions and other benefits EUR 290.5 mill.

SOCIETY

Social security payments & taxes EUR 52.4 mill.

SUPPLIERS & OTHER PARTNERS

Cost of goods, materials & services EUR 981.4 mill.

INVESTORS & SHAREHOLDERS

Financial expenses EUR 23.9 mill.
No dividends in 2016

DONATIONS TO CHARITY (EC1)

As part of its corporate social responsibility, Stockmann may make donations to non-profit public benefit organizations 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. Donations to charity are evaluated separately from the company's commercial activities and may not be linked to past, present or future business transactions. They are decided on by the CEO.

In addition, Stockmann's business units may also support non-profit projects of public benefit organizations as part of their commercial campaigns and activities.

In 2016, Stockmann department stores continued co-operation with Hope ry, a non-profit organisation that supports

Finnish families with limited means. Stockmann also took part in a campaign organised by Home Instead senior care, encouraging customers to buy Christmas flowers for lonely elderly people with limited means.

During the year, Stockmann donated the Group website and the Stockmann online store website to the Red Cross Hunger Day collection. In Helsinki, we supported Helsinki Pride and the 'Peli poikki' demonstration against racism, for example.

Lindex has been a partner for the Pink Ribbon project since 2003 and since the start Lindex has together with its customers donated approximately EUR 12 million to support breast cancer research. In 2016, the campaign included a specially-designed Pink Collection, with 10 per cent of the sales price being donated. A pink leather bracelet and annual sales of the Pink Ribbon also

CHRISTMAS CAMPAIGN WITH HOPE

Over the Christmas period, customers were encouraged to take photos in front of a photo booth backdrop in each department store and to share them using hashtag 'Christmas is for sharing'. For each new photo shared on Instagram using the hashtag, 0.50 euros was donated to Hope ry. Employees in the Helsinki area donated old toys fit for Christmas presents via Hope ry.



contributed hugely to this year's fundraising, which amounted to a total of EUR 1.2 million in all operating countries.

During 2016, Lindex engaged in several round-up campaigns for charity. During the campaigns customers were invited to round-up their purchases with an amount that would be donated in full to a charity.

FINANCIAL ASSISTANCE RECEIVED (EC4)

To support and empower our personnel during the close down of the Oulu department store, we engaged in a programme called Voima 'Strength'. This programme received financial support from the Finnish Work Environment Fund during 2015-2016.

CORPORATE GOVERNANCE

Stockmann issues a separate review on its Corporate Governance highlighting its governance model. The review is part of the Annual reporting at year2016.stockmanngroup.com.

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. Such laws and regulations concern securities markets, competition, consumers, marketing, product liability, employment, the environment, privacy and equality. In its business operations, Stockmann aims to exceed the minimum requirements stipulated by laws, regulations or conventions.

Stockmann's Code of Conduct, available on the Group's website, defines the ways of working that all employees and management staff must follow, without exception. It covers the following areas:

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

We also require our suppliers and partners to abide by these principles. The Code is complemented by a set of more detailed rules and guidelines which are in harmony with it.

Stockmann's operations are also guided by international treaties and recommendations, such as the UN's Universal Declaration of Human Rights and Convention on the Rights of the Child, the ILO's Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. Stockmann is committed to the UN's Global Compact initiative since 2011, and accordingly promotes human rights, labour rights, environmental protection and anti-corruption measures. Stockmann is committed to contributing to the United Nations Sustainable Development goals, explained in 'Our commitment' on page 4.

Other voluntary commitments include the principles of the Business Social Compliance Initiative on group-level since 2005, the Bangladesh Accord on Fire and Building Safety since 2013,

and the principles of responsible import trade by the International Association of Department Stores (IADS) since 2002.

Through Lindex, we are additionally committed to voluntary initiatives, such as the Better Cotton Initiative and the Fair Wage Network.

Grievance mechanisms for labour practices and human rights are discussed on page 17.

CORPORATE RESPONSIBILITY ORGANISATION

Stockmann's Corporate Social Responsibility Steering Group, whose Chairwoman is Nora Malin, Director, Communications, 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. During 2015-2016, working groups with experts from Stockmann Retail and Real Estate were set up to prepare the CSR strategy for 2016-2018.

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 organization 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.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

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. Their content is incorporated in the Code of Conduct e-learning.

Stockmann's employees and management must act in the best interests of the company and in a manner that avoids conflicts of interest. Stockmann strives to carry out transparent and responsible operations.

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, and has been applied in all countries of operation and informed to all suppliers 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 that works to combat international bribery and corruption and that operates in 90 countries.

CORRUPTION RISK ASSESSMENT

The Group's international operations pose challenges for resolute anti-corruption action. Anti-corruption policies are included in the 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 is 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 pro-

jects and investments, and are reported to the Board of Directors as needed. The company's risk management, risk factors and internal control systems are explained in more detail in the 2016 Corporate Governance review at year2016.stockmanngroup.com

COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES (SO4)

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, launched in late 2015, continued during 2016. The target is for each Stockmann employee to complete the training programme by the end of 2018 and to operate according to the principles outlined in the Code of Conduct. By the end of 2016, 33 per cent of Stockmann's support functions' personnel and department store supervisors had successfully completed the training (2015: 35 per cent of support functions personnel). Further roll-out has been planned for 2017.

During 2016, a revision was made to the Lindex Ethical policy in order to adapt it to present circumstances as well as to incorporate it as a part of the Stockmann Code of Conduct. In 2017, the Stockmann Code of Conduct, the Lindex Ethical policy, the Anti-corruption policy and the incorporated whistle-blowing system will be developed into an e-learning programme for all Lindex employees to complete.

The Employee Discount Rules and Lindex Ethical Policy also contain information on anti-corruption policies.

INCIDENTS AND LEGAL ACTIONS (SO5, SO6, SO7)

In 2016, Stockmann was not informed of any corruption-related lawsuits against the Group. Stockmann does not make political contributions or donations to any politicians, political parties or related organizations, either directly or indirectly. There were no legal actions or fines for anti-competitive behaviour, anti-trust, or monopoly practices or their outcomes in 2016.

GRI CONTENT INDEX

Code	GRI content	Level of reporting	Page and section in the CSR review or other location	Further information or omissions
GENERAL STANDARD DISCLOSURES				
Strategy and Analysis				
G4-1	Statement from the President and CEO	fully	2, From the CEO, 4, Our Commitment, 5-7, CSR strategy, CEO's review in "Our year 2016" Business Review	
Organisational Profile				
G4-3	Name of the organisation	fully	39-42, Finance and Governance	
G4-4	Primary brands, products and services	fully	"Our year 2016" Business Review	
G4-5	Location of the organisation's headquarters	fully	8, Reporting Principles and Materiality	
G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	fully	8, Reporting Principles and Materiality, 23-31, Products	
G4-7	Nature of ownership and legal form	fully	"Our year 2016" Business Review, Financial Review	
G4-8	Markets served	fully	"Our year 2016" Business Review	
G4-9	Scale of organisation	fully	"Our year 2016" Business Review	
G4-10	Total number of employees by employment contract, region and gender	fully	14-22, Personnel	
G4-11	Percentage of total employees covered by collective bargaining agreements	fully	14-22, Personnel	
G4-12	Organisation's supply chain	fully	23-31, Products, & Supplier and factory lists for fashion own brands suppliers on the Group's website: http://www.stockmanngroup.com/en/supplier-and-factory-list and "Our year 2016" Business Review	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	fully	Financial Review / Report by the Board of Directors	In February Stockmann completed the sale of its department store operations in Russia to Reviva Holdings Limited. With the deal, the entire stock of Stockmann's Russian subsidiary AO Stockmann and the business of its the seven department stores in Russia were transferred to a new owner. Lindex also closed its stores in Russia during spring 2016. In April Stockmann announced that it was selling its subsidiary Hobby Hall to the Finnish SGN Group. This deal was concluded on 31 December 2016. The department store in Oulu was closed at the end of January 2017, a decision that was made in spring 2015.
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	fully	Corporate Governance Review, Financial Review, Notes to the Consolidated Financial Statements	
G4-15	Externally developed charters, principles or initiatives to which the organisation subscribes or which it endorses	fully	39-42, Finance and Governance	
G4-16	Memberships of associations and advocacy organisations	fully	stockmanngroup.com	Information on memberships of associations and advocacy organisations by Stockmann and Lindex is published on the Group's website.
Identified Material Aspects and Boundaries				
G4-17	Entities included in the organisation's consolidated financial statements	fully	Financial Review, Notes to the Consolidated Financial Statements	
G4-18	Process of defining the report content	fully	8, Reporting Principles and Materiality	The materiality assessment process is described in full on the Group website and in the previous 2015 CSR review.
G4-19	Material aspects	fully	8, Reporting Principles and Materiality	The materiality assessment process is described in full on the Group website and in the previous 2015 CSR review.
G4-20	Aspect boundary for each material aspect within the organisation	fully	stockmanngroup.com	The materiality assessment process is described in full on the Group website and in the previous 2015 CSR review.
G4-21	Aspect boundary for each material aspect outside the organisation	fully	stockmanngroup.com	The materiality assessment process is described in full on the Group website and in the previous 2015 CSR review.

G4-22	Restatements of information provided in previous reports	fully	-	Changes reported in connection with relevant performance indicators.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	fully	-	Changes reported in connection with relevant performance indicators.
Stakeholder Engagement				
G4-24	List of stakeholder groups engaged in the organisation	fully	9, Stakeholder engagement	
G4-25	Basis for identification and selection of stakeholders with whom to engage	fully	9, Stakeholder engagement	
G4-26	Organisation's approach to stakeholder engagement	fully	9, Stakeholder engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	fully	9, Stakeholder engagement, and relevant sections in CSR review	
Report Profile				
G4-28	Reporting period	fully	8, Reporting Principles and Materiality	
G4-29	Date of the most recent previous report	fully	8, Reporting Principles and Materiality	
G4-30	Reporting cycle	fully	8, Reporting Principles and Materiality	
G4-31	Contact point for questions regarding the review or its contents	fully	3, To the Reader, "Our year 2016" Business Review	
G4-32	GRI content index	fully	43-47	
G4-33	Organisation's policy with regard to external assurance	fully	8, Reporting Principles and Materiality	The report has not been reviewed in full by a third party. Financial indicators which are presented in the Financial Review are externally assured. Mitopro Oy consulted us in the calculation of the carbon footprint in 2016.
Governance				
G4-34	Governance structure of the organisation and committees	fully	39-42, Finance and Governance, and Corporate Governance Review	
Ethics and Integrity				
G4-56	Organisation's values, principles and codes	fully	4, Our commitment, 39-42, Finance and Governance	
SPECIFIC STANDARD DISCLOSURES				
Reporting on aspects identified as material.				
Disclosure on Management Approach				
	Disclosure of management approach (DMA)	fully	4-42	The DMA for each material aspect is presented under the relevant theme or under its own heading.
Economic Impacts				
Economic Performance				
G4-EC1	Direct economic value generated and distributed	fully	39-42, Finance and Governance	
G4-EC4	Financial assistance received from government	partially	39-42, Finance and Governance	
Procurement Practices				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	no		The aspect is defined material but the indicator is not suitable. Additional information on Procurement practices is provided in section 'Products' (pp. 23-31) and on the Group's website with list of fashion own brands suppliers (Stockmann, Lindex)
Environmental Impacts				
Materials				
G4-EN1	Materials used by weight or volume	fully	stockmanngroup.com	Information on the use of packaging materials by Stockmann Retail and Lindex is published on the Group's website.
Energy				
G4-EN3	Energy consumption within the organisation	fully	32-38, Environment	
G4-EN4	Energy consumption outside the organisation	no	32-38, Environment	A limited amount of data is collected on energy consumption outside the organisation for EN17 / Scope 3 review.
G4-EN5	Energy intensity	no		The energy intensity of the Stockmann department stores in Finland is monitored and used as basis for energy efficiency measures but currently not reported.
G4-EN6	Reduction of energy consumption	no	32-38, Environment	Detailed information on the various efforts to decrease energy consumption is given in the report section 'Environment'. However, amount of reductions in joules cannot be reported at the moment.

Water					
G4-EN8	Total water withdrawal by source	fully	32–38, Environment		
G4-EN9	Water sources significantly affected by withdrawal of water	fully	32–38, Environment		The company has no emissions into the water system.
G4-EN10	Percentage and total volume of water recycled and reused	fully	32–38, Environment		Water is not recycled or reused in the operations.
Biodiversity					
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	no			Not a material aspect. 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.
Emissions					
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	fully	32–38, Environment		
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	fully	32–38, Environment		
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	fully	32–38, Environment		
Effluents and Waste					
G4-EN22	Total water discharge by quality and destination	fully	32–38, Environment		The wastewater from operations goes to municipal sewer systems. There is no water discharge referred to by GRI from Stockmann's operations.
G4-EN23	Total weight of waste by type and disposal method	fully	32–38, Environment		
G4-EN24	Total number and volume of significant spills	fully	GRI Content Index		During 2016, there were no environmental accidents or breaches related to environmental aspects.
Products and Services					
DMA: Environmental performance of products					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	no			The aspect is defined material but the GRI indicator is not suitable for Stockmann's operations. Information material to Stockmann is presented in the 'Products' section of the report, in chapter 'Environmental Performance of Products' (pp.X).
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	no			The aspect is defined material but the GRI indicator is not suitable for Stockmann's operations. Information about Stockmann's efforts in encouraging customers to recycle and is presented in the 'Environment' section of the report, in chapter 'Effluents and Waste' (pp.X).
Transport					
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	fully	32–38, Environment		
Supplier Environmental Assessment					
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	partially	23–31, Products		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain, and the actions taken	partially	23–31, Products		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	fully	GRI Content Index		There were no grievances about environmental impacts filed or addressed through formal grievance mechanism during 2016. In Stockmann Retail division, there is a widely used mechanism in place for reporting minor defects regarding environmental practices, such as interference in recycling practices.

Social Impacts					
Labour Practices and Decent Work					
Employment					
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	fully	14-22, Personnel		Information on the distribution by gender or by age group is not available at this level of detail.
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation	fully	14-22, Personnel		
Labour/Management Relations					
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	fully	14-22, Personnel		
Occupational Health and Safety					
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	fully	14-22, Personnel		Information on the distribution by gender is not available.
Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	fully	14-22, Personnel		Information on the distribution by gender and employee category is currently not available.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	fully	14-22, Personnel		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	fully	14-22, Personnel		
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	fully	14-22, Personnel		Information on minority group membership is not collected, as this is not permitted under Finnish legislation.
Equal Remuneration for Women and Men					
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	fully	14-22, Personnel		The reporting covers Stockmann's operations in Finland.
Supplier Assessment for Labour Practices					
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	fully	23-31, Products		
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	fully	23-31, Products		
Labour Practices Grievance Mechanisms					
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	fully	14-22, Personnel		
Human Rights					
Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	fully	14-22, Personnel		
Freedom of Association and Collective Bargaining					
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at a significant risk, and measures taken to support these rights	fully	14-22, Personnel		
Human Rights Assessment					
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	fully	14-22, Personnel		

Supplier Human Rights Assessment				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	fully	23-31, Products	
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	fully	23-31, Products	
Human Rights Grievance Mechanisms				
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	fully	14-22, Personnel	
Society				
Anti-corruption				
G4-SO4	Communication and training on anti-corruption policies and procedures	fully	39-42, Finance and Governance	
G4-SO5	Confirmed incidents of corruption and actions taken	fully	39-42, Finance and Governance	
Public Policy				
G4-SO6	Total value of political contributions by country and recipient/beneficiary	fully	39-42, Finance and Governance	While the indicator is reported, the aspect is not identified material.
Anti-competitive Behaviour				
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	fully	39-42, Finance and Governance	
Product Responsibility				
Customer Health and Safety				
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	fully	23-31, Products	
Product and Service Labelling				
G4-PR5	Results of surveys measuring customer satisfaction	fully	10-13, Customers	
Marketing Communications				
G4-PR6	Sale of banned or disputed products	fully	23-31, Products	
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	fully	10-13, Customers	
Customer Privacy				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	fully	10-13, Customers	
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	fully	10-13, Customers	

