

CSR 2018



STOCKMANN

TO THE READER

In 2018 we focused on inspiring our customers with even more responsible choices. During the year we introduced new responsible brands and products as part of our selection, and we significantly increased the use of sustainable materials in our own brand garments. We are proud to report that already 30% of Stockmann's own brand garments were made of sustainable materials and 65% of own brand jersey garments were made of organic cotton. Furthermore at Lindex, already 55% of the assortment was made of sustainable materials and a remarkable share of cotton, 96%, was more sustainable.

In 2018 both Stockmann and Lindex have worked on their CSR and sustainability strategies. Stakeholder engagement has been an essential part of this process and therefore, we want to thank all of our key stakeholder groups for their valuable contribution to the strategy process.

In this CSR Review we present our goals, efforts and reached targets towards more responsible business and inspiring customers with sustainable choices. Enjoy your read, and please send us feedback at csr@stockmann.com.

Emilia Gädda
CSR Manager



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READ MORE

All reviews are available in English, Finnish and Swedish at year2018.stockmanngroup.com

ABOUT THE REPORT

Stockmann's 2018 reporting consists of four reviews: 'Our year 2018' Business Review, Financial Review, Corporate Governance, and CSR. The CSR Review presents our sustainability themes, targets and progress in accordance with the Global Reporting Initiative (GRI) Standards: Core option.





STOCKMANN IN BRIEF

Stockmann, established in 1862, is a Finnish listed company engaged in the retail trade. It has over 44 000 shareholders and about 7 000 employees. The Group has three business divisions: Lindex, Stockmann Retail and Real Estate.

The company has 8 department stores, 474 fashion stores and 3 properties in a total of 18 countries. The head office is located in Helsinki, Finland. In addition, the company has 5 purchasing offices in the main production countries for its own brand garments: Bangladesh, China, India and Turkey.

Stockmann offers premium selections of brands, excellent customer service and inspiring shopping experience in its department stores, fashion stores and online. Our vision is to be the first source of inspiration for modern urban life for our customers.

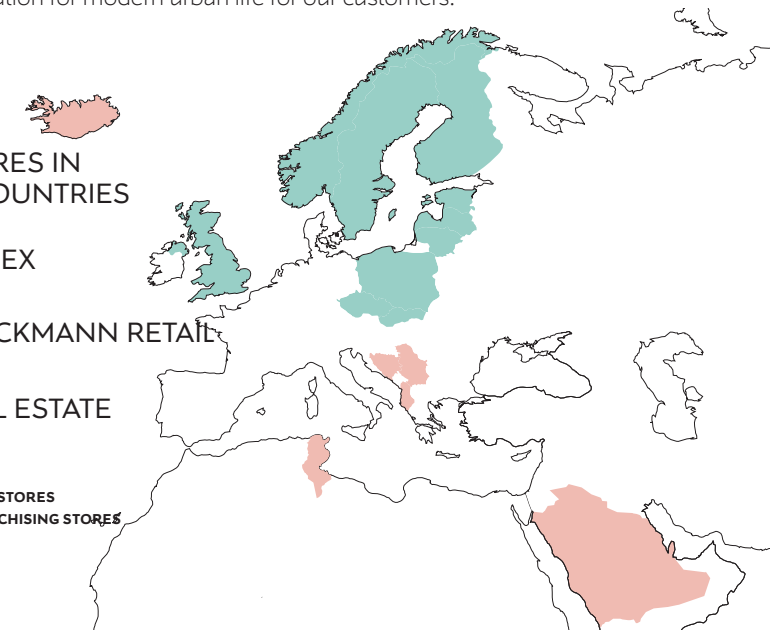
STORES IN
18 COUNTRIES

LINDEX

STOCKMANN RETAIL

REAL ESTATE

■ OWN STORES
■ FRANCHISING STORES



FROM THE CEO

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

Lauri Veijalainen
CEO



The CEO’s review is available in the ‘Our Year 2018’ Business review.



CSR PRINCIPLES

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



Our CSR work covers the entire value chain in Stockmann's operations. Responsibility starts in the supply chain, from ensuring safe working conditions to minimising environmental impacts.

We want to offer our customers the choice of responsibly produced products in our selections. We place the customer at the core and pay close attention to employee wellbeing as well as environmental aspects. We guarantee the safety of our products and inspire and support our customers to make more responsible choices.

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

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



KEY COMMITMENTS

Stockmann has committed to several international declarations and conventions.

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



STOCKMANN'S CODE OF CONDUCT

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

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



UN'S SUSTAINABLE DEVELOPMENT GOALS



THE GLOBAL GOALS
For Sustainable Development

We are committed to support the United Nations Sustainable Development Goals (SDGs) in our operations. From the 17 goals we have identified five goals that are most material to our core business and that we can have the most impact on.



RESPONSIBLE CONSUMPTION AND PRODUCTION

Our contribution include the incorporation of sustainability in our overall business operations, including supply chains, selection, marketing and communication.



DECENT WORK AND ECONOMIC GROWTH

Our contribution include responsibility towards our employees and people in our supply chain in providing fair working environment, and towards our shareholders in striving for profitable business.



CLIMATE ACTION

Our contribution include cutting emissions, increasing the efficiency of energy consumption and carrying out waste sorting and recycling in our own operations. In addition, we strive to increase the use of more sustainable materials in our own brand selections.



GENDER EQUALITY

Our contribution include active promotion of equality in all employment categories. In addition, Lindex works to empower women in its global supply chains with projects such as WE Women by Lindex and HERproject.



PARTNERSHIPS FOR THE GOALS

Our contribution includes active collaboration and engagement with our key stakeholder groups. We believe that together we can drive change towards a more sustainable future.



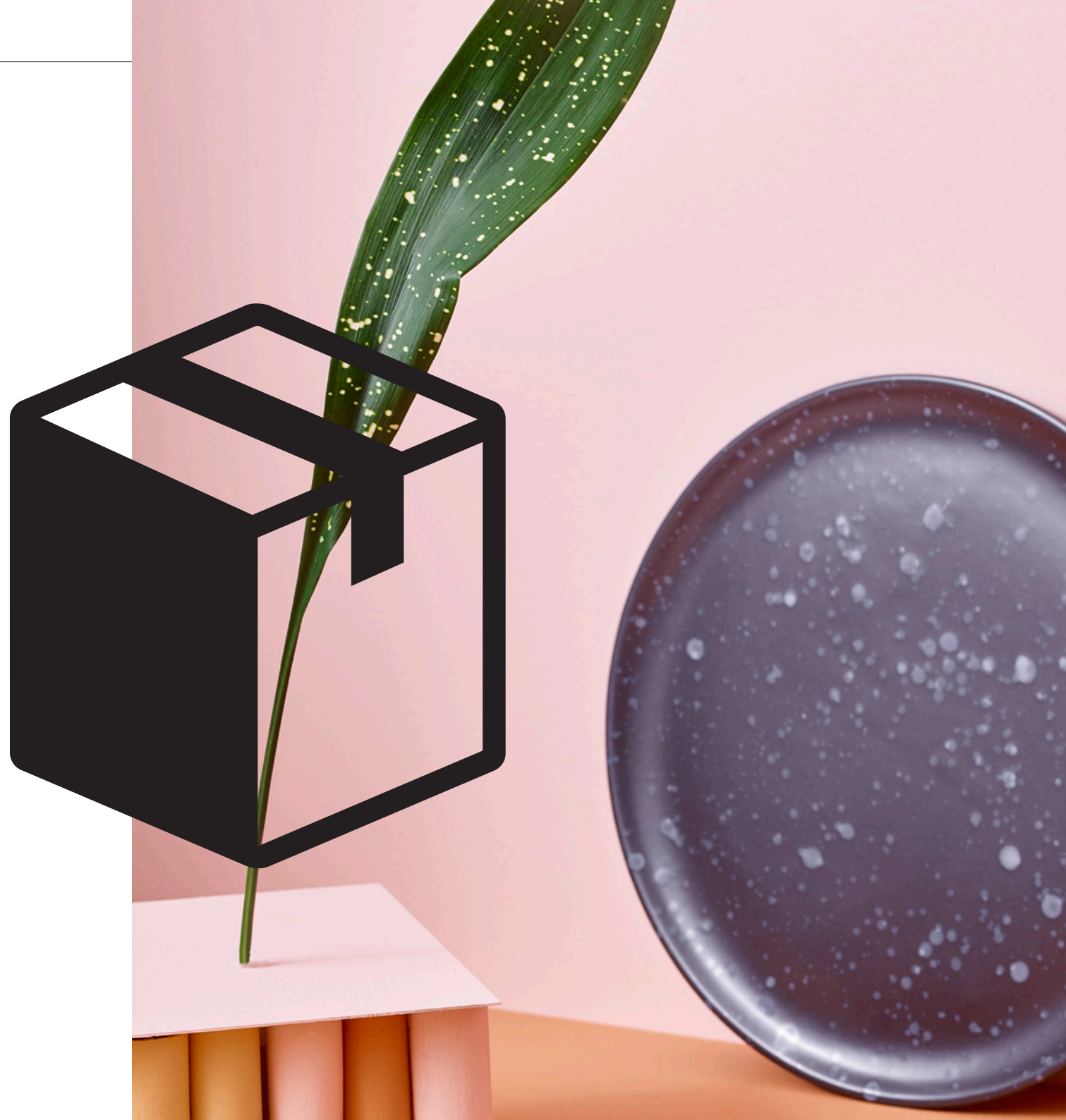
Lindex has also identified that SDG 6, clean water and sanitation, is a goal to which the business can make a significant contribution to.





CSR STRATEGY AND PROMISE

In 2018 Stockmann's CSR strategy for 2019-2021 was drawn up and approved. In the renewed CSR strategy the priorities and targets of Stockmann's responsibility work have been defined. Our new strategy will guide our work to fulfill our CSR promise.





In 2018, Stockmann's CSR strategy for the period 2019-2021 was drawn up. We launched the process by analysing Stockmann's current situation, operating environment and the driving trends in the society in which we operate in.

To identify relevant factors we worked across unit boundaries, and experts from Stockmann Retail and Real Estate participated and provided their expertise to the process.

As part of the strategy process, we carried out a stakeholder survey and received over 300 responses from our key stakeholder groups. In addition, in-depth interviews were conducted with suppliers, shareholders and investors, service providers, and authorities and NGO's. The feedback we received was valuable for our business operations and provided us with important insight into the experiences, expectations and wishes of our key stakeholders. In drafting the CSR strategy, we placed emphasis on aligning it with the Group's strategy and ensuring that it supports the goals of a unique and inspiring customer experience.

In our renewed CSR strategy, the strategic targets are grouped under four priority areas that create the future for our responsibility work. Key performance indicators that enable monitoring and measurement of our CSR work have been set for each area. Our renewed CSR promise is to inspire and support our customers in making responsible choices. We work for a more sustainable future.

The CSR strategy – its priority areas and targets, was approved by the Stockmann CSR Steering Group in late 2018 and by the Stockmann Management Team in the beginning of 2019.

This CSR review follows the structure of Stockmann's CSR strategy 2016-2018 and its material themes.

LINDEX

Lindex's ambition is to be recognised as a leading fashion retailer, known as one of the most sustainable, open and trusted companies in the fashion industry. Lindex wants to be the company that has gone beyond business as usual and sought to drive change. By being innovative, transparent and acting to create positive impact, Lindex will create a sustainable difference with its suppliers, partners and customers. Since the company's biggest impact lies in the product, ambitious goals concerning the product has been set, including both environmental and social aspects. By 2020, 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and at more sustainable production facilities. 100% of cotton will be either organic cotton, BCI cotton (Better Cotton Initiative) or recycled cotton.

In 2019, Lindex will launch its new Sustainability Ambition and targets for 2025.

CSR PROMISE //

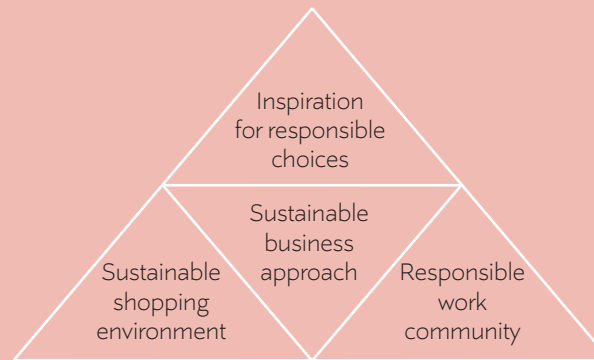
We inspire and support our customers in making responsible choices. We work for a more sustainable future.



CSR STRATEGY 2019-2021

OUR VISION // STOCKMANN IS THE CUSTOMERS

NO1 SOURCE OF INSPIRATION FOR MODERN, URBAN LIFE



FOUNDATION // STOCKMANN'S VALUES AND CODE OF CONDUCT





CSR HIGHLIGHTS 2018

- Already **30% of Stockmann's own brand garments** and **55% of Lindex's assortment** were made of sustainable materials
- **96% of cotton** used by Lindex **comes from more sustainable sources**
- Already **65%** of Stockmann's BOGI, CUBE, Cap Horn, Bodyguard and NOOM brand jersey garments are made of **organic cotton**
- **All of Stockmann's business operations** in Finland are ISO 14001 certified
- In the beginning of 2018 **Lindex expanded One Bag Habit** to its all markets. Both Lindex and Stockmann charge for shopping bags on all own markets and **only 30% of customers** chose to buy a bag.
- We reintroduced the old classic, **One Way**, as a temporary pop-up store. Our aim was to encourage our customers to a gender neutral way of expressing their style.
- **Lindex and WaterAid launched a joint project** to increase the access to clean drinking water and sanitation as well as improved hygiene in Dhaka, Bangladesh.
- We reduced emissions generated from domestic transports by **25%** between the years 2015–2018.





REPORTING PRINCIPLES AND MATERIALITY

This CSR review presents the focus areas and results of the Stockmann Group's responsibility work in 2018 in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

The reporting period for this review is the financial year from 1 January to 31 December 2018. The previous report, covering the year 2017, was published on 1 March 2018.

The review covers all of the Stockmann Group's own operations, which in 2018 comprised three divisions – Lindex, Stockmann Retail and Real Estate. The environmental figures cover also the operations of our tenants in department store properties. The supply chain is covered to the extent defined in the materiality analysis.

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

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

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

READ MORE

Additional information about Stockmann's and Lindex's CSR work can be found on the companies' websites, at stockmanngroup.com/en/csr and about.lindex.com/en/section/sustainability

STOCKMANN'S CSR THEMES FOR 2016–2018

STOCKMANN'S CSR THEMES FOR 2016–2018	STOCKMANN'S MATERIAL TOPICS	TOPIC BOUNDARY
CUSTOMER	Customer Satisfaction	Own operations
	Marketing and Labelling	
	Customer Privacy	
PERSONNEL	Employment	Own operations
	Labour and Management Relations	
	Occupational Health and Safety	
	Training and Education	
	Diversity and Equal Opportunity	
	Freedom of Association and Collective Bargaining	
	Non-discrimination	
PRODUCTS & SUPPLY CHAIN	Customer Health and Safety	Own brands' supply chain, product safety and procurement practices in own operations
	Materials	
	Procurement Practices	
	Supplier Environmental and Social Assessment	
ENVIRONMENT	Energy	Own operations
	Emissions	
	Effluents and Waste	
FINANCE & GOVERNANCE	Economic Performance	Own operations
	Anti-corruption	
	Anti-competitive Behaviour	
	Human Rights Assessment	



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. In 2018, as part of the CSR strategy for 2019–2021 process, we carried out a stakeholder survey and received over 300 responses from our key stakeholder groups. Our materiality assessment is based on this stakeholder survey, on the basis of which we have defined the 22 topics and indicators relevant to reporting.

LINDEX

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





STAKEHOLDER ENGAGEMENT

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

The table gives an overview of Stockmann Group's key stakeholder groups, our interaction as well as key topics raised during the strategy period 2016-2018.

1. Interaction

2. Key sustainability topics raised during CSR strategy period 2016-2018

CUSTOMERS

Customers are an especially important stakeholder group to the Stockmann Group, and one of our values is to inspire our customers.

1. Dialogue in department stores and stores, through customer service, emails and social media, via customer panel's and surveys. Through marketing communication, events and loyal customer programme.
2. Speed and availability of customer service, customer satisfaction, customer privacy, materials used in products, chemicals in products, labour conditions in supply chains, animal welfare, the packaging of stockmann.com online store orders, carrier bags and plastic.

PERSONNEL

We value our personnel and their commitment to the company. We work continuously to improve the working atmosphere and dialogue with employees.

1. Individual and group performance and development discussions, personnel surveys, Employees' Councils and Group Council, events, workshops and intranet.
2. Employee wellbeing and workload, shift-planning, equality, environmental issues in department stores, sustainable materials in products and certificates.

SHAREHOLDERS AND INVESTORS

Stockmann aims to be an attractive and sought-after investment target on the capital market.

1. Stock exchange announcements, financial reports, annual reporting, the website, webcasts, regular investor relations meetings and the Annual General Meeting of shareholders.
2. Financial performance, strategy execution, share price performance, sustainability performance, and customer and employee satisfaction.

SUPPLIERS AND SERVICE PROVIDERS

Long relationships with goods suppliers and service providers are key to our sustainability work and continuous improvement in production. All suppliers are expected to follow the Stockmann Code of Conduct.

1. Meetings, negotiations, workshops, projects, visits, inspections, website, surveys and through Stockmann's annual Supplier Day event.
2. Strategy execution, selection, sustainability targets and initiatives.

AUTHORITIES AND ORGANISATIONS

We collaborate and engage in dialogue with authorities and organisations to continuously develop our business operations.

1. Through networks, memberships, collaboration, projects, charity work, website and annual reporting.
2. Labour and human rights risks in supply chains, human rights risks related to cotton production, supply chain management, traceability of materials, animal welfare, fur products in our selection and environmental impact of the business.



CUSTOMERS

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



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

CUSTOMER SATISFACTION

Stockmann and Lindex each use separate customer feedback channels. Both business units monitor the development of customer satisfaction and brand image in numerous ways.

STOCKMANN

- All feedback gathered through encounters at the department stores, over the phone, via email and social media are gathered for analysis. Everyone who has asked for a response will be contacted. Customer feedback is also made visible to people working in support functions.

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2018	STATUS
CUSTOMER INSPIRATION FOR RESPONSIBLE CHOICES	We build ongoing dialogue to raise customer satisfaction	We continued an active dialogue with all stakeholders. In the autumn, we conducted a stakeholder survey and received valuable information on how we can develop our CSR work. Our Net Promoter Score (NPS) at department stores in Finland was 51 (41); significantly improved, but not yet on the long-term target level of 60 (scale -100- +100). At Lindex, 87% of in-store customers and 90% of online store customers said that they would be likely or very likely to recommend Lindex's store to friends or acquaintances.	● In process
	We share information about CSR work and sustainable choices	In 2018, sustainability was one of the key themes and Stockmann focused on inspiring the customers with even more responsible choices. We shared information about sustainable choices and CSR work in department stores, stores, through our personnel, in social media, through press releases, reports, website, and in our responses to customers, media, and NGOs. In the future, in our communication and marketing our target is to inspire and support our customers even more in making responsible choices.	● In process
	We engage in CSR and charity projects on a regular basis	We donated sample products and materials through our partners. We participated in charity projects and engaged our customers with charity campaigns, such as Stockmann's and WWF's round-up campaign for the Baltic Sea and Lindex's Pink Ribbon campaign.	● On target
	We ensure Customer Privacy	There were two limited incidents concerning customers' personal data, one in Finland and one in Estonia. Stockmann filed notifications on the incidents to the local data protection authorities. The Estonian data protection authority decided that no official procedure was required, while the incident that took place in Finland is still pending with the authorities.	● Target not met

- Stockmann has a customer service centre that is responsible for handling feedback given over phone, via e-mail and social media. Annually the centre handles approximately 180 000 cases. The quality of the service is measured and in 2018, 72% of the customers responded that they were satisfied with the service received. Target for response time is 24h, but during peak times the response times are longer than usual.

- Peak times for customer feedback occur before Christmas and during and after the Crazy Days campaigns.
- Customer experience is measured by regular email inquiries sent to loyal customers. One of the survey metrics is the Net Promoter Score (NPS), which measures the likelihood that a customer will recommend a service, and which is also one of our strategic Key Performance Indicators.

- Social media is an important channel for our customers to express their opinions. We serve different target groups on Facebook, Twitter, Instagram and LinkedIn. Topics that collected the most customer feedback were the Crazy Days campaign, online store orders, customer service in general, availability of products and the selection.



- As part of our CSR work, we conducted a stakeholder survey in late 2018. We invited 1500 customers to respond and received valuable feedback on how we can better respond to our customers' expectations and wishes.

LINDEX

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



Stockmann department store in Tallinn joined forces with the designer Reet Aus and the Re-use Centre and encouraged customers to bring used denim goods to a collection point at Stockmann. The used denim clothes have been turned into a knitwear collection that is sold at Stockmann Tallinn.



SERVICES TO SUPPORT A RESPONSIBLE LIFESTYLE



We inspire and support our customers in making responsible choices and provide information on sustainable choices and our

CSR work. Our goal is to be a source of inspiration for responsible consumption and lifestyle, and we provide our customers various services that support this goal.

Tips for choosing and taking care of clothing

STOCKMANN

- As part of our excellent customer service, customers are offered information on how to use and wash products, and on recycling alternatives, so that the lifecycle of the

product can be extended, and environmental impacts can be minimised.

- We also offer fashion consultant, sewing services and interior services to support the choice of products that are tailored to the customer.

LINDEX

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

Opportunities to recycle

STOCKMANN

- Stockmann department stores in Finland and the department store in Tallinn cooperates with the Emmy online shop that sells second-hand brand clothing. An Emmy collection box can be found at each department store in Finland and since August 2018 two Emmy collection boxes can be found in the department store in Tallinn. Using the boxes, our customers can recycle their clothes using Emmy's service and even collect their sales profit in the form of a Stockmann gift card.
- In Finland customers can return used electrical appliances and electronic equipment, batteries, fluorescent lamps and energy saving bulbs and nail polish to Stockmann department stores.

- Electronic devices and batteries can also be returned to the department stores in Tallinn and Riga.
- Stockmann regularly organises various recycling campaigns in cooperation with suppliers in its department stores in Finland and Baltics. For example, in Finland a campaign to recycle frying pans, cutlery and cookware was organised with Hackman, and the Knowledge Cotton Apparel brand collects second-hand clothes continuously. In addition, the department store in Tallinn collaborated with the designer Reet Aus and the Re-use Centre in a circular economy project. During the collaboration, customers were encouraged to bring used denim goods to the department store with the aim of reusing and recycling the material into new clothing.

LINDEX

- Lindex piloted textile collection in Sweden back in 2014. Today, Lindex's customers can hand in used textiles and clothes for recycling and reuse at all stores in Sweden, Norway and Finland. The textile collection is organised in collaboration with partners and investigation on finding partners in Lindex's other sales countries is under progress. In 2018, Lindex collected a total of 166 (150) tonnes of textiles for reuse and recycling. The 'Reuse and recycle' programme is a part of Lindex's long term ambition to close the material loop.



MARKETING AND LABELLING



Stockmann respects the rights of the consumer and engages in responsible marketing. This policy is included in the group-wide Code of Conduct. Our marketing communications are performed according to the Consolidated ICC Code on

Advertising and Marketing Communication Practice, the Consumer Protection Act and our marketing strategy.

Marketing communications

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

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

information, guidance and training in the field of ethical marketing.

In 2018, there were no incidents of non-compliance concerning marketing communications legislation or voluntary principles at Stockmann. At Lindex, it was found that six hygiene and cosmetic products did not comply with national marketing legislation by the market surveillance authority in Estonia. Corrective actions were immediately taken and the products were later approved for sale.



Stockmann respects the rights of the consumer and engages in responsible marketing.

Product information

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

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

STOCKMANN

- Stockmann has introduced the *Sustainable DESIGN* label in order to improve communication and provide information of products that are made with organic cotton, lyocell or recycled polyester. On the other side of the hangtag, there's more detailed information about the material.
- The *Design From Finland* label indicates that the product has been designed in Finland, at Stockmann's own design studio.



- In addition, there are several international and domestic brands in the Stockmann department stores' wide product selection that provide additional information on the products' sustainability aspects.

LINDEX

- To make it easier for customers to find the more sustainable garments, Lindex communicate which garments are more sustainable through *Sustainable Choice* hangtags. The tags also explain in what way a garment is considered to be a more sustainable choice and if there are any certificates linked to the item. The same information is visible in Lindex's online store.
- The Premium Quality label stands for great quality of wool, silk or leather used in products.
- The Even better denim label highlights the new production methods taken into use for denim garments to save water, energy and chemical use.
- Most of the products' neck labels are made of recycled polyester.





CUSTOMER PRIVACY



Stockmann and its employees respect the privacy and inviolability of the rights of its customers. We do not reveal or use customer information other than in strict accordance with the EU General Data Protection

Regulation (GDPR) and Stockmann's customer privacy policy. Training on GDPR and customer privacy is mandatory for all employees and it is included in the new employee induction programme.

The Group has two loyal customer programmes; the Stockmann loyal customer programme with approximately 0,7 million active loyal customers, and More at Lindex with over 4 million members. The companies keep in touch with their loyal customers on a regular basis and offer them exclusive deals and benefits with a monetary value. The loyal customer systems' data file descriptions can be found on the units' respective websites. Each of the loyal customer programmes has its own customer registers, compiled in order to manage customer relationships and for customer service and marketing purposes. The personal data of Stockmann's customers and of shareholders attending its General Meetings is handled confidentially in accordance with the applicable legislation.

During the year, Stockmann received several queries from customers regarding the use of personal data. These queries were dealt with on a case-by-case basis, and appropriate measures were taken depending on the nature of the inquiry. In 2018, there were two limited incidents concerning customers' personal data, one in Finland and one in Estonia. Stockmann has filed notifications to the local data protection authorities regarding the incidents. Estonian data protection authority decided that no official procedure was required. The incident that took place in Finland is still pending with the authorities.





PERSONNEL

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



The Stockmann Group’s Human Resources (HR) policies are based on the company’s values, HR strategy and Code of Conduct, on top of which the divisions have their own more detailed HR policies that support the success of individuals and the well-being 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 significant employer in Finland and Sweden. At the end of 2018, the company had 7 129 (7 325)

employees in 15 countries, of whom 2 145 (2 212) worked in Finland and 2 341 (2 234) in Sweden. However, the recent years have been demanding for our employees. Organisational changes has been required in order to streamline operations and improve long-term business profitability. During the coming years, the Group will focus even more on creating and promoting a people and customer-centric culture where a unique employee experience, seamless cross-

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2018	STATUS
PERSONNEL MOTIVATED AND ENGAGED RETAIL EXPERTS	We increase well-being at work	Despite the challenging year, Stockmann’s Organisational Health Index (OHI) score, which measures employee well-being and the ability of our organisation to reach its full potential, has continued to improve. In 2018, the OHI score was 56 (2017: 54). However, we did not reach our ambitious target of 65 (scale 0-100).	● In process
	We promote clear work roles and targets	84% of Stockmann’s personnel in Finland had performance and development discussions (PDD) with their superiors. We did not reach our target, 100%. During the year, Stockmann renewed the PDD-process in its support functions. The aim of the renewed model is to support a more coaching and agile supervisory work where continuous interaction and feedback are emphasised. At Lindex, all permanent employees have annual employee appraisal meetings with their manager and regular follow up meetings.	● Target not met
	We ensure safe working environment	There was a total of 60 reported workplace accidents in Finland, and in addition 50 on the journey to and from work (2017: total of 137, including Delicatessen business in Finland). In Sweden, there was a total of 137 (142) reported workplace accidents. The Group’s accident rate continued to decline and was 22 (25) accidents per million working hours.	● In process

functional teamwork and improved digital capabilities lie at the core.

In late 2017, Lindex launched an extensive Profitability and improvement programme. As part of the programme, the aim was to streamline operations especially at the Gothenburg Head office and support functions in Sweden, Norway and Finland. During the first quarter of 2018 Lindex carried out restructuring measures that led to the reduction of 71 positions mainly at the company’s Head office in Sweden.

As part of the streamlining efforts, Stockmann initiated cooperation negotiations in January 2018 which concerned about 350 people in supply chain, finance and HR positions in Finland. As an outcome, 74 people were laid off.

In the beginning of 2018, Stockmann launched a digital acceleration project, with the aim of increasing e-commerce and reinforcing the omnichannel approach. The focus has been on increasing the digital know-how within the organisation. During the

During the reporting year approximately 30 new digital expert positions have been launched.

reporting year approximately 30 new digital expert positions have been launched.

In October 2018, Stockmann Group announced that it has signed an agreement to sell its Nevsky Centre shopping centre property in St. Petersburg Russia, to PPF Real Estate. The transaction was completed on 24 January 2018, and it included Stockmann's fully-owned Russian subsidiary OOO Stockmann Nevsky Centre. With the transaction, 29 employees in the subsidiary moved to the new employer.

EMPLOYMENT CONTRACTS

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

STOCKMANN

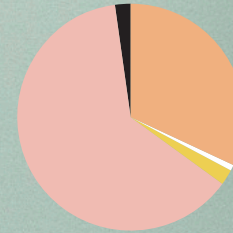
- The number of fixed-term employees at Stockmann has decreased, while seasonal workers at the department stores for Crazy Days and Christmas are now recruited through a recruitment agency.
- The Stockmann department stores offer many young people an opportunity to become familiar with the retail sector, e.g. in the form of the practical training periods of various educational institutions. Stockmann employed 200 (300) summer employees and 300 (330) interns during the reporting year. In addition, Stockmann

participated in the Confederation of Finnish Industries' "Get Acquainted with Working Life and Earn" (Tutustu työelämään ja tienaa) programme and offered 60 youngsters an internship position in the department stores. Furthermore, Stockmann collaborated with the independent development and humanitarian organisation Plan International Finland. We participated in the organisation's development project and during the summer offered short internships for youngsters in the programme. In addition, the department store in Riga gave 47 students from the age 15 the opportunity to gain a first job experience.

- In 2018, Stockmann also participated in the Service Foundation for the Deaf's (Kuurojen Palvelusäätiö sr) project and offered trainee positions under the Poveri-programme
- A number of people working in sales positions at Stockmann department stores are employees of Stockmann's tenants in, for example, restaurants and grocery stores.

LINDEX

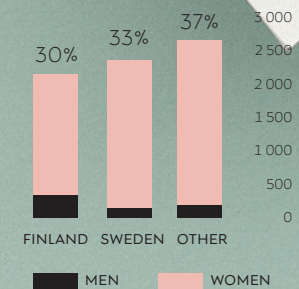
- Lindex offers internships both at the Head Office and in stores and it cooperates with different universities regarding internship positions.
- At the Head Office there are about 20 interns per year and most of them are placed in the Design and Purchasing Department.



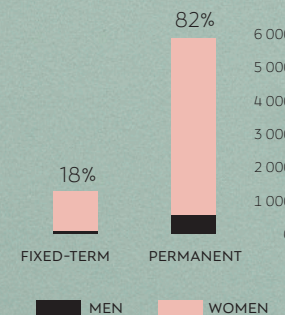
EMPLOYEES BY DIVISION

STOCKMANN RETAIL	32%
REAL ESTATE	1%
GROUP'S SHARED FUNCTIONS	2%
LINDEX	63%
PURCHASING OFFICES	2%

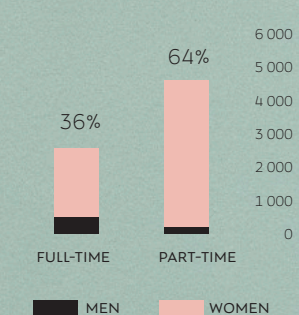
EMPLOYEES BY COUNTRY



FIXED-TERM / PERMANENT



FULL-TIME / PART-TIME





- At Lindex stores, extra workforce is needed around the summer and Christmas holidays. This need is solved mainly by offering more hours to part-time employees and extra employees connected to the store. Each year, Lindex employs about 20 seasonal employees to work at the Head Office during the summer and Christmas holidays.

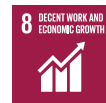
EMPLOYEE BENEFITS

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

In most countries, the employees are offered benefits that clearly go beyond the requirements set by legislation, such as health insurance and meal benefits. All employees can purchase products using an employee discount in stores belonging to the Group. In addition, from 2018, Stockmann employees in Finland are offered four times a year, the opportunity to purchase a set of work clothes with an additional discount. Employees can also purchase e.g. sample clothing at a budget price in personnel sales. Annually long-serving employees are awarded with a medal. In all units, employees are rewarded on their 50th birthday. Stockmann supports recreational and leisure activities for

permanent employees, for instance by supporting sports possibilities and through various staff clubs. Stockmann employees are rewarded for 30 years of service with additional holiday. Lindex has its own reward scheme according to which employees are rewarded for 25 years of service. In addition, Lindex supports recreational and leisure activities for employees, for instance by supporting sports.

LABOUR AND MANAGEMENT RELATIONS



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

Two employee representatives participate in meetings of Stockmann's Board of Directors and they have the right to attend and speak at Board meetings. One of these representatives is elected by the employee

representatives of Stockmann's Group Council and the other by the association representing Stockmann's senior salaried employees.

STOCKMANN

- The strategic target is that a performance and development discussion (PDD) is conducted at least once a year with each Stockmann employee. During the reporting year, Stockmann renewed the PDD process in its support functions. The aim of the renewed model is to support a more coaching and agile supervisory work where continuous interaction and feedback are emphasised. According to the recommendations of the renewed PDD model, a development discussion for personnel in executive and expert positions, shall be carried out three times a year. Implementation is annually monitored: in 2018, 84% of Stockmann's personnel in Finland had performance and development discussions with their supervisors. Furthermore, additional group development discussions are held in the sales operation to increase inclusion.
- In Finland, the Stockmann Group's divisions have their own Employees' Councils that convene four times a year. A similar model is followed in the Baltic countries. Human resources matters concerning Finland are handled at the Group Council, whose meetings are held twice annually.
- During the spring, Stockmann's Group Council decided that Stockmann will continue to support staff clubs in 2018 by

providing the clubs the opportunity to apply for financial support.

- In 2018, Stockmann organised information sessions for its personnel, on the quarterly results and the strategy process. The aim of these sessions has been to promote a culture of openness and to strengthen cooperation between the units.
- In Finland, Stockmann's system for initiatives was renewed. Now, the system is more transparent and efficient, and allows personnel to jointly develop business ideas.
- Stockmann has an incentive programme that covers every employee. Sales, warehouse and support personnel and the management have their own designated incentive schemes, which aim to encourage and motivate our employees to aim for top results and to inspire customers.

LINDEX

- All Lindex employees have an annual development discussion with their supervisor. The target discussions under the performance programme were held at the Lindex Head office and the distribution centre in Sweden every two months, as in the previous year.
- As part of the open communication, quarterly results and strategy meetings are held for all employees by the Lindex CEO. Along with the Group and Lindex strategy, future development areas are presented in these meetings and questions are answered. Each year after the summer holidays, an inspirational event with varied



topics from the management, related to the Lindex vision and strategies, is held for all Lindex employees.

- In 2018, on behalf of management, Lindex organised workshops with employees on how to develop the company's people strategy and employee brand.
- Lindex conducts regular dialogue with trade unions, to discuss for example wages, organisational changes, and other issues raised by trade unions.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Stockmann Group respects the basic rights of its employees, such as freedom of association and collective bargaining. In Finland, approximately 81 (80) % of the Stockmann Group's personnel are covered by collective agreements. All Lindex employees in Sweden, Norway and Finland, excluding senior salaried employees, are covered by a collective bargaining agreement. The company does not monitor the extent of union membership, but it does compile statistics on those employees in Finland whose trade union membership fee is deducted from their salary. In 2018, these employees accounted for 31 (30) % of the Group's personnel working in Finland. In other countries of operation, statistics on union membership have not been collected.

OCCUPATIONAL HEALTH, SAFETY AND WELL-BEING



Occupational health care is arranged in accordance with local laws and regulations in all countries of operation.

Employee wellbeing and occupational safety are discussed regularly in the Employees' Councils, which operate in accordance with the requirements of local legislation and represent all personnel groups. Employee well-being is measured through employee surveys both at Stockmann and Lindex units.

STOCKMANN

- An Organisational Health Index (OHI) survey was carried out among Stockmann's employees for the fifth consecutive year to measure employee well-being and the ability of our organisation to reach its full potential. The survey was open for all Stockmann employees and the response rate was 76%. While there was progress in the right direction, Stockmann's OHI score 56 (2017: 54), did not reach our ambitious target of 65 (scale 0-100).
- The issues and concerns expressed by Stockmann's personnel were employee well-being and workload, shift planning in department stores, which was developed in general and to take individual situations better into account, and the development of know-how.
- Stockmann has in place a guidance for remote work. The aim of the guidance is to

support work and family life balance as well as equal opportunity. In November, we took part in the national 'bring your child to work' day, a day dedicated to introducing children to the everyday work life of their closest adults, as well as making use of children's fresh ideas at the workplace.

- Small events to boost well-being at work included a 'take the stairs' theme week, yoga sessions, voluntary eyesight inspections and a sports weekend lottery by Otium, a foundation that supports employee well-being at Stockmann. In addition, Stockmann organised a 'Work Well-being day' for its personnel.
- Stockmann offered to its personnel in Finland the opportunity to take a seasonal influenza vaccine. This opportunity was highly appreciated by the personnel.

- Stockmann uses an early intervention model to follow up and support employees at an early stage in order to promote their working ability and health. A working ability discussion is a tool for managers for confidential discussion, and is recommended for use when something has changed in an employee's ability to work. Follow-up for sickness absences requires cooperation between the manager and the occupational health services, and sometimes involves a personnel representative and the HR department. Different modes of support for the return to work, such as work in trial periods or part-time sick leave, are actively used at Stockmann. The company also has a drug abuse programme to intervene in cases



We celebrated the 'Bring your child to work day' in November



involving substance abuse. The principles of this programme are updated regularly.

- As part of its normal operations, Stockmann's occupational health services take the working ability perspective into consideration with every appointment and advise employees on severe work-related diseases and any other risks associated with work, and give recommendations where necessary, for example for a more suitable work station. Supportive management practices, a safe working environment and the possibility of varied nutrition during the work day are also considered part of the support for employees' ability to work. Information on preventative action is also given out during the Group's occupational safety day event. In 2018, the theme of the Group's occupational safety day was 'well-being at work'.

LINDEX

- A staff survey is conducted regularly, so that Lindex can become an even better workplace. In November 2018, the



In autumn 2018, Stockmann launched a renewed e-learning environment.

questionnaire was sent to employees in Lindex all operating countries and the response rate among personnel was over 60%. The overall results of the survey were at a high level compared to Lindex's results from previous employee survey as well as compared with other companies of the same size.

- Identified development areas included competence development, more regular follow-ups on individual goals and skills development, more transparent communication and encouragement of employees to give feedback.
- In order to support employee wellbeing, mind workout classes were offered to personnel working at the Head Office in Sweden.
- Performance management is used at Lindex to follow-up and support employees at an early stage in order to promote their working ability and health. Different modes of support for the return to work after a sickness absence, such as work in trial periods or part-time sick leave, are actively used at Lindex. The company also has a drug abuse programme to intervene in cases involving substance abuse. The principles of this programme are available on the company intranet. Lindex conducts close cooperation with the occupational health services, in work-related diseases and any other risks associated with work, and for giving recommendations where necessary, for example for a more suitable work station.

SICKNESS ABSENCES AND WORKPLACE ACCIDENTS

Sickness absences and workplace accidents are reported in the 'Personnel figures' table. In Sweden, most accidents were due to slipping and falling over things as well as dropping and lifting things.

In 2018, medical occupational health care covered all employees in Finland whose employment had continued for more than 4 months, i.e. 1 968 (1 989) persons at year-end. The occupational health care services of the Group's units in Finland are arranged via the company's own occupational health clinics and outsourced services. The personnel at the Group's own clinics mainly serve employees in the Helsinki region. In other locations and at the Finnish Lindex stores, occupational health services are provided through outsourcing. The costs of occupational health services for year 2018 are not yet available. In Finland, the cost of occupational health services for year 2017 was approximately EUR 1.4 (2016: 1.4) million. The net cost of occupational health services in 2017 was approximately EUR 325 (2016: 330) per employee in Finland.

TRAINING AND EDUCATION

Systematic, continuous training is a core part of our HR practices and is carried out mostly through comprehensive e-learning programmes and through various internal training events and sessions involving

representatives of different business and personnel groups. The Group's goal is to enable and develop the personnel's personal skills and offer professional learning opportunities.

STOCKMANN

- The number of training hours at Stockmann Retail and Real Estate in Finland was a total of 20 000 (2017: 20 000) and this equals an average of approximately 9.3 (2017: 8.4) hours per employee. This includes training for sales supervisors, sales and product training, training towards a professional qualification and other training to increase professional competence.
- Stockmann organises a wide range of coaching sessions in Finland, regarding product competence, sales and service, induction for new employees, and coaching activities related to raising employee and customer experience among other things.
- Stockmann supports the combining of work and studies, for example by providing opportunities for apprenticeship training.
- In autumn 2018, Stockmann launched a renewed e-learning environment. In which all e-learning are available for the personnel and the new path-based structure guides the user to choose the right learning entity. New e-learning are done and published as needed. The e-learning program was also introduced in Stockmann's operations in Baltics.
- The roll-out of the Stockmann Group's Code of Conduct e-learning continued



among sales and logistics personnel in Finland. The roll-out will continue in 2019 in e.g. Stockmann Retail's Baltic operations.

LINDEX

- The average amount of training per person at Lindex in all operating countries was 8.0 (2017: 10.1) per employee. There were a total of 35 000 hours of training.
- Continuous professional development is promoted through various in-house training courses and events. In addition, external management training is offered. Due to reorganisation in 2018, no major trainings were executed. However, for the management, various change management trainings were offered and trainings on the Customer First programme was organised for sales personnel in the stores.

SKILLS MANAGEMENT AND JOB ROTATION

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

At Lindex, employees are encouraged to try new roles within Lindex, at stores and offices as well as at country organisations and

the Head Office to gain new experiences and perspective. This is considered a success factor in developing Lindex further, and a way to retain competent personnel. Opportunities for a transfer within the company are provided through Lindex's internal labour market, including internship opportunities in another role for shorter periods.

DIVERSITY AND EQUAL OPPORTUNITY & NON-DISCRIMINATION



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

STOCKMANN

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

The realisation of equality is actively promoted in all employment categories. Mutual respect and abiding by mutually set rules are part of this. In recruitment, we are open-minded towards the various backgrounds of the candidates. Job descriptions are designed to suit both women



In 2018, Stockmann was one of the official partners of Helsinki Pride.

and men. We ensure that the tasks, qualifications and titles are gender neutral. Age, sex or religious beliefs are only considered if there is a justified reason based on the position. In 2018, we updated the recruitment form and no longer ask gender-related questions from our applicants. We do not accept age discrimination and different age groups are well represented in the company. As of 2018, we also lowered the minimum age to our trainee and campaign positions. To balance the age breakdown among sales persons, we place emphasis on recruiting competent middle-aged female and male personnel as sales persons for Stockmann department stores. Personnel

planning has been developed to ensure equal treatment, e.g. regarding the offering of additional working hours, and the division of days off and Sunday work, and by renewing the guidance for remote work, allowing more personnel to take advantage of remote work. HR Business Partners work actively in cooperation with supervisors to deal with and anticipate potential cases of harassment, discrimination, equal opportunity, atmosphere and workload. In 2018, Stockmann was an official partner of Helsinki Pride, the biggest cultural event focusing on human rights in Finland. The event aims to bring up the diversity and make room also for the marginal voices in our society. With the



partnership, Stockmann wanted to publicly show its support for equality, inclusion and diversity. At the Pride week, Stockmann's HR Director represented Stockmann in a panel discussion regarding equality. During the year, Stockmann continued the discussion on sales personnel's working clothes and in autumn a pilot project was launched with renewed guidelines for working clothes. Aim of the pilot is to encourage personnel to dress according to their own style and identity, and in this way strengthen the culture of diversity and inclusivity within the organisation.

LINDEX

Lindex has its own global equality and diversity plan. The plan includes e.g. a policy on harassment and discrimination and it clarifies how to act in such situations and how to prevent violations. Diversity is seen as a competitive advantage for an international fashion company, where all employees are united in their passion for fashion, customers and trade. Lindex values and develops employees' job performance and skills regardless of age or ethnicity, and it wants to be perceived as an attractive company for all people. 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 similar.

DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES

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

EQUAL REMUNERATION OF WOMEN AND MEN

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

STOCKMANN

Remuneration of women and men working at Stockmann in Finland is monitored with the aid of an index of monthly or hourly salaries that compares women's salaries to men's salaries (index 100) per employee category. The latest update of the index was on 31 December 2018. The causes of pay differentials include, for example, the difference between job roles, level of requirements and individual competences within the same level of difficulty, which the index does not take into account. Men work relatively more in supervisor and ICT positions, which explains some differences.

EMPLOYEES BY AGE GROUP 2018

MEN/WOMEN	under 30 years old	30-50 years old	older than 50 years old
Entire personnel, %	38 (8/92)	42 (11/89)	20 (9/91)
Group Management Team, persons	-	3/6	0/1

EMPLOYEES BY GENDER

MEN/WOMEN	2018	2017	2016
Entire personnel, %	9/91	9/91	10/90
With Director title, %	44/56	50/50	44/56
Group Management Team, persons (%)	4/6 (40/60)	6/6 (50/50)	6/5 (55/45)
Board of Directors, persons (%)	5/3 (63/37)	6/2 (75/25)	5/3 (63/37)

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

INDEX	2018	2017	2016
Sales personnel (hourly salary)	98	99	98
Warehouse personnel (hourly salary)	94	95	94
Office personnel (monthly salary)	94	96	97
Senior salaried employees and management (monthly salary)	84	85*	83

* Figure is restated from the 2017 report

The index is only indicative, as it does not take into account the diversity of job roles and descriptions in each category.



LINDEX

According to Swedish Discrimination Act, Lindex annually conducts a salary mapping with the aim to detect, remedy and prevent unjustified salary differences between women and men who carry out equal or equivalent work. In 2018, no unreasonable differences due to gender were discovered. The foundation of Lindex's personnel policy is that

salaries are market related and competitive, and connected to the responsibility of the role and achieved results. Differences in salary because of gender, functional limitation, ethnicity, sex-transcendent identity, sexual orientation, religion and other beliefs, age or parental leave are not acceptable. The collective agreement sets the guidelines for the salary audit.

INCIDENTS OF DISCRIMINATION

During the reporting year, no case of sexual harassment or religious or political discrimination were raised at Stockmann Group. Stockmann's HR department dealt with two issues related to inappropriate behaviour in Finland. One of the filed complaints was completed during the reporting year, while the other complaint on

inappropriate behaviour is still under progress. During the reporting year, the Lindex Management Team was contacted by five Lindex employees in UK, regarding issues related to unfair treatment at work. Lindex local Country Manager met the employees in person and the issues were solved in cooperation. In other countries of operation, no cases of discrimination or harassment were made or addressed.

PERSONNEL FIGURES

	2018	2017	2016
Number of personnel 31 December	7 129	7 325	7 572
in Finland (men/women)	332/1 813	362/1 850	430/2 133
in Sweden (men/women)	147/2 194	116/2 118	128/2 254
Personnel on average	7 241	7 360	8 164
Personnel as full time equivalents, on average	5 299	5 426*	5 960
Personnel by employment contract			
fixed-term (men/women)/permanent (men/women)	18 (6/94) / 82 (10/90)	18 (6/94) / 82 (10/90)	17 (7/93) / 83 (11/89)
fixed-term (men/women)/permanent (men/women) in Finland	8 (7/93) / 92 (16/84)	10 (14/86) / 90 (17/83)	8 (10/90) / 92 (17/83)
fixed-term (men/women)/permanent (men/women) in Sweden	25 (7/93) / 75 (6/94)	16 (4/96) / 84 (5/95)	22 (5/95) / 78 (6/94)
Share of full-time/part-time employees of personnel, %	36/64	38/62	40/60
in Finland (men/women)	43 (24/76) / 57 (9/91)	46 (24/76) / 54 (10/90)	52 (24/76) / 48 (10/90)
abroad (men/women)	33 (16/84) / 67 (2/98)	35 (15/85) / 65 (2/98)	34 (17/83) / 66 (2/98)
Turnover of permanent employees, on average, %	22	19	21
in Finland	17	17	22
in Sweden	9	6	6
New permanent employee hires, %	20	18	14
in Finland	12	10	5
in Sweden	6	5	4
Personnel costs, EUR million	222.0	236.2	270.4
Personnel costs, share of revenue %	21.8	22.4	23.0

	2018	2017	2016
Average age of personnel	37	37	37
in Finland	40	39	40
abroad	37	38	37
Sickness absences, %	4.2	4.1	4.7
in Finland	4.7	3.8	4.3
in Sweden	4.7	4.6	5.1
Reported workplace accidents at workplace + on the way to work in Finland, number	60+50	85+52**	148+86**
Reported workplace accidents at workplace in Sweden, number	137	142	132
Personnel training expenses in Finland (excluding direct wage costs), EUR million	0.2	0.2	0.3

* Figure restated from the 2017 CSR report

** Figures include personnel in Delicatessen business in Finland



PRODUCTS & SUPPLY CHAIN

We offer our customers a wide selection of safe and long-lasting 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.

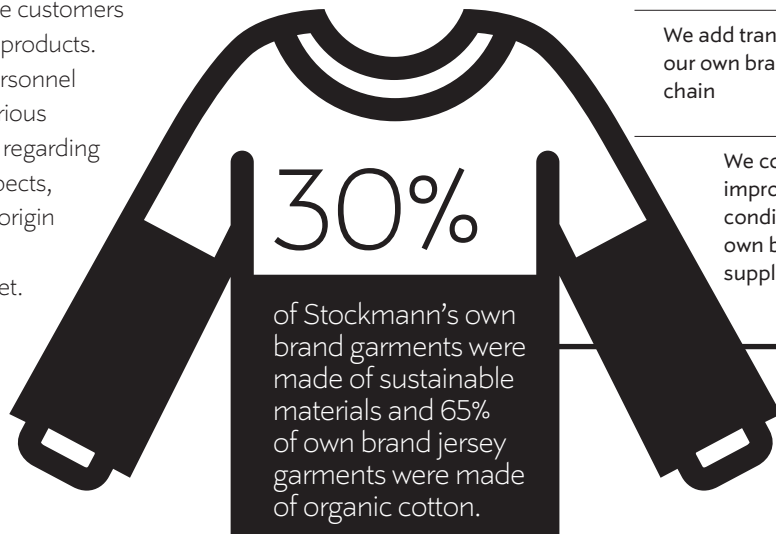


Stockmann's department stores and Lindex's fashion stores offer an extensive range of products, consisting of hundreds of thousands of product titles. These products sold in our stores must fulfil the quality, environmental and product safety requirements set for them at any given time.

Sustainable products as part of department store selection

Our broad product selection offers consumers opportunities to make responsible purchase choices. In the areas of fashion, cosmetics and home products, the choice includes products made from organic and recycled materials and products with an eco-label. Stockmann encourages its sales personnel to find out about the choice of eco-labelled products in their areas of responsibility and to offer them to the customers interested in such products. Information for personnel concerning the various labelling schemes regarding environmental aspects, sustainability and origin is available on the Stockmann intranet. The knowledge of sales personnel on eco-labels is surveyed annually in connection with ISO 14001 audits.

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2018	STATUS
PRODUCTS HIGH-QUALITY SELECTION WITH SUSTAINABLE CHOICES AND A TRANSPARENT SUPPLY CHAIN	We offer a wide selection of safe and durable quality products	There were zero public product recalls in own brand products and own import products, as targeted.	● On target
	We promote sustainable brands and environmentally friendly products	We introduced new, more sustainable brand products in our selection, and promoted them on the sales floor and in our communications channels. Responsible products in the home merchandise area were featured in a pop up shop in the Helsinki department store and the eco cosmetic selection was highlighted in the cosmetics departments. The Casa Stockmann collection introduced a bedlinen collection made of GOTS-certified organic cotton. Stockmann's Sustainable DESIGN label and Lindex's Sustainable choice label provided information on the sustainable materials used in own brand products.	● On target
	We increase the use of sustainable materials in our own brand garments	30% of Stockmann's own brand garments were made of sustainable materials, such as organic cotton, lyocell or recycled fibres. In addition, 65% of own brand jersey garments were made of organic cotton. 55% of the Lindex assortment was made of sustainable materials and 96% of cotton was more sustainable.	● On target
	We add transparency in our own brands' value chain	Both Stockmann and Lindex publish comprehensive lists of own brands' suppliers and factories on the companies' websites. Stockmann has also included the own brand home area in its list, as targeted.	● On target
	We cooperate to improve working conditions in our own brands' supplier network	100% of fashion and home own brand suppliers have signed the Stockmann Supplier Code of Conduct, the amfori BSCI Code of Conduct or similar. In 2018, over 80% of all the own brand producers in risk countries has undergone an amfori BSCI or similar audit.	● In process





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 Supply Chain organisation makes sure that products comply with the valid requirements set in legislation, such as chemical and product safety legislation. Products are tested by their manufacturers and importers, and Stockmann tests its own brand products and own imports, on the basis of regular sampling and risk analysis. Testing ensures that the products fulfil all quality and safety requirements set by legislation or the stricter requirements set by Stockmann.

In addition, Stockmann follows product notifications issued by the EU in order to inform customers as quickly as possible about products that pose a risk. RAPEX, the EU rapid alert system, facilitates the exchange of information between Member States and the Commission on measures taken to prevent or restrict the marketing or use of products posing a serious risk to the health and safety of consumers. In Finland, Finnish Customs and the Finnish Safety and Chemicals Agency (Tukes) also promote and supervise product safety.

Possible product recalls are handled in accordance with Stockmann's internal product recall instructions, which specify

responsibilities and the action required. In 2018, there were no public recalls involving own brand products sold by Stockmann department stores or Lindex, as targeted. However, at Lindex, two cosmetic products were found non-compliant with regulation on cosmetic products by market surveillance authority in Sweden due to incorrect labelling. One of the products was withdrawn from sales and one was corrected and then approved for sales. Furthermore, there were some incidents of non-compliance with voluntary codes at Lindex that led to withdrawal of two products from sales. One component in the packaging for a shower gel was found being made of PVC. Lindex has a voluntary ban on PVC in its products and packaging. One baby bib was withdrawn from sales for precautionary reasons.

MATERIALS



Responsibility is integral to the processes involved in clothing design and procurement of materials and products, and these processes are part of the operations of the Stockmann Group. We are set to

systematically increase the amount of environmentally less harmful, or sustainable, raw materials in the Group's own brand fashion products, such as organic cotton, lyocell and recycled fibres. We define sustainable cotton as the use of organic

cotton, Better cotton (BCI-cotton) or recycled cotton.

STOCKMANN

- In 2018, 30% (10) of Stockmann's own brands clothes for women, children and men were made of more sustainable materials, while already 65% of own brand jersey garments were made of organic cotton. Our target is to increase the amount of sustainable materials in our own brand garments.



In the Casa Stockmann collection we introduced our first bedlinen collection entirely made of GOTS-certified organic cotton.

55 %
of Lindex garments were made of sustainable materials and 96% of cotton was sustainably produced

- In the Casa Stockmann collection we introduces our first bedlinen collection entirely made of GOTS-certified organic cotton.

LINDEX

- Sustainability is part of Lindex's long-term strategy, with ambitious sustainability goals set for 2020 for fibres, processes and production. By 2020, 80% of Lindex's garments will be made from more sustainable materials, with more sustainable processes and more sustainable production facilities.
- In 2018, 55% (55) of Lindex garments were made of sustainable materials and 96% (95) of cotton was sustainably produced. In total, 33 million garments from sustainable materials were produced.
- 100% of Lindex's assortment for newborn babies was made of sustainable materials.
- 100% of Lindex's denim products are 'Better Denim', made from sustainable materials and with processes that use less water, energy and chemicals. 90% of the denim assortment is dyed with the cleanest indigo dye on the market.
- During the reporting year, Lindex has continued to work on and invest in introducing a more comprehensive selection of sustainable fibers, such as eco viscose and recycled polyamide. This work will become visible in the assortment in 2019.



USE OF CHEMICALS

When producing garments, chemicals are used in processes such as colouring, printing and washing. The Stockmann Group fulfils the requirements of REACH and actively works to limit the use of harmful chemicals in all of its products. As part of the Group's efforts to reduce the use of hazardous chemicals, the use of perfluorinated compounds (PFCs) has been banned since 2014. The ban affects all outerwear at Lindex and children's outerwear in Stockmann's own brand products, and these items are now treated with Bionic-finish@ECO instead.

Since 2015, Lindex has had a cosmetic and skincare assortment, Lindex Beauty that is certified with the Nordic Ecolabel. Lindex has participated in a cosmetic network, Dialogue Group, together with the Swedish Chemical Agency and several cosmetic brands and adopted a voluntary ban on insoluble microbeads in rinse-off products. A voluntary ban on certain fragrances and preservatives in cosmetic products intended for children has also been adopted.

PACKAGING MATERIALS AND CARRIER BAGS

Stockmann aims to bring to the market high-quality packaging and to minimise the environmental burden of packaging materials and offer customers material-efficient solutions. We actively monitor developments in the packaging industry and legislative developments, and we monitor customer experience closely and aim to offer new



Lindex has continued to work on and invest in introducing a more comprehensive selection of sustainable fibers.



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solutions proactively. We make good use of the Finnish 'Optikassi 2009' research on environmental impacts throughout the life cycle of packaging materials. The Stockmann Group reports on packaging materials used, in accordance with the EU Packaging Directive.

STOCKMANN

- Stockmann has made a commitment to reduce the consumption of plastic bags with the Society's Commitment to Sustainable Development. Accordingly, plastic bags are no longer available for our customers on a self-service basis and we have increased our in-store communications about sustainable choices in carrier bags.
- Since 2017, we have charged customers for carrier bags. In 2018, about 28% of our customers have chosen to buy a bag and around 18% of our customers have chosen to buy a plastic bag. We will continue to reduce the consumption of plastic bags and offer our customers paper and re-usable bags as part of our carrier bag selection.
- Stockmann's plastic carrier bags are 80% recycled plastic. The paper bags are made of FSC-certified paper.
- We recommend a re-usable bag as the best option and we offer a selection of re-usable bags.
- The packaging materials, such as the cardboard boxes, bubble wrap and packing paper, used for packaging the items purchased in the stockmann.com online

store are partially made of recycled materials.

- During the reporting year, we have been contacted regarding our approach to use seal bags for cosmetic products bought at online store. We appreciate the feedback and strive to find an alternative solution.

LINDEX

- Lindex carrier bags are made with 60% post-consumer recycled plastic, 20% post-industry recycled plastic and 20% renewable oyster shell chalk.
- In the beginning of 2018, Lindex expanded One Bag Habit and now charge for a shopping bags in all its stores. Only about 30% of customers have chosen to buy a bag during the reporting year and Lindex donates approximately EUR 594 000 to sustainable development.
- The One Bag Habit is a joint initiative, launched by Lindex and two other Swedish fashion brands with the aim to reduce the consumption of bags and raise awareness of bags negative environmental impact. The surplus from the bags are donated to causes that drive sustainable development. The initiative was awarded "Sustainable Brand Building Initiative of the Year" by Sustainable Brand Index in 2018.
- Lindex online store packages are made of 100 % recycled materials. In addition, Lindex has reduced the use of plastic in its supply chain, e.g. by reducing the plastic used on garments shipped from production countries.



THE CORNER-STONES OF OUR RESPONSIBLE PURCHASING PRACTICES

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

PROCUREMENT PRACTICES



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

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

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

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

In the Stockmann department stores, the major part of merchandise is made up of international and domestic brand products,

but we also carry a wide selection of own brand products in women's, men's and children's wear designed by our own designers, and which cannot be purchased anywhere else. In Lindex this applies to the majority of the products.

BUYING PRACTICES FOR OWN BRAND PRODUCTS

Stockmann does not own any factories or production facilities. Instead, our own brand products are made by contractors. When choosing a supplier, we pay attention to a number of factors. The most important criteria are: the fit with the Stockmann Group's needs, supplier know-how and ability to deliver, quality and price, CSR with the focus on working conditions and environmental issues, and the potential for long-term relationships. All factories need to fulfil the Stockmann Group's starting requirements and commit to the common Code of Conduct and continuous improvement. We aim for long relationships with suppliers.

Close cooperation with suppliers through local purchase offices

At year end, the Stockmann Group had five local purchasing offices in China (Shanghai and Hong Kong), Bangladesh, India and Turkey. The offices play a key role in developing working conditions and identifying risks. In total 131 persons are employed by the offices and they are tasked with supervising purchasing and production. They review the procedures of each factory that they use

before any orders are placed, and after which systematic responsibility work continues. Around 91% of Lindex products and approximately 40% of Stockmann's own brand products are bought via the Stockmann Group's purchasing offices.

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

In addition to audits and training, every aspect of suppliers' operations is rated according to a 'supplier scorecard', which forms the basis for development. Suppliers are evaluated with the score card twice a year, with the 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.

Our instructions for suppliers

The Supplier Code of Conduct is the backbone of our buying practices. All suppliers are expected to follow the Stockmann Supplier Code of Conduct, or the amfori BSCI Code of Conduct complemented with Stockmann's additional requirements, which are made based on detected human rights risks and other risks. These are, for example,



the ban on sandblasting of jeans, fundamental requirements for animal rights including angora and merino wool, leather, fur, feathers and down, the ban on Uzbekistan cotton, and chemical requirements.

Unauthorised subcontracting poses a risk to 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.

In addition, Stockmann's department stores have responsibility policies for wood originating from natural tropical forests and for fur. Lindex does not sell products made from real fur.

Amfori BSCI cooperation

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

The requirements set out in the Code are freedom of association and collective bargaining, fair remuneration, decent working

hours, occupational health and safety, special protection for young workers, protection of the environment and ethical business behaviour. It also prohibits discrimination, child labour, bonded labour and precarious employment. At the Stockmann Group we actively communicate about the amfori BSCI Code of Conduct to our suppliers and producers, and we cooperate with them to ensure a better chance of improving working conditions in our supply chains.

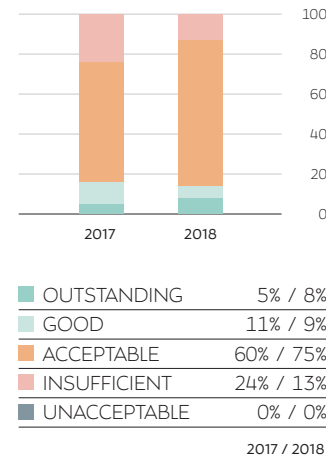
Factories where Stockmann and Lindex own brand products are produced that are in countries classified as high-risk by the amfori BSCI, are regularly audited by our own audits, conducted by our own local personnel, and by amfori BSCI audits conducted by a third party. The SA 8000 (Social Accountability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

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

Audits and findings

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

AMFORI BSCI-AUDITS 2017-2018



NUMBER OF AUDITS

	2018	2017
amfori BSCI	257	88
internal	66	119
SA8000 certificate	3	13

The amfori BSCI audits are conducted by internationally accredited independent auditors. None of the factories producing for the Stockmann Group received the audit result 'unacceptable' or were caught with 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.

Improving fire and building safety in Bangladesh

Stockmann is committed to improving factory safety in Bangladesh, which is one of our most important production countries. In 2013, we joined the Accord on Fire and Building Safety in Bangladesh, due to the risk posed by substandard factory buildings in the country. According to the agreement Stockmann is committed to having all of the factories producing garments for the Group audited on the basis of three different inspections, concerning fire safety, electricity and structural issues. The first contract period expired in the spring of 2018, but Stockmann has committed to the transition Accord, with the aim of finishing the detected improvements needed in the factories within the original Accord and to transfer the responsibility to the local government as soon as possible. The situation will be monitored every 6 months until the local government is ready to take charge or until 2021.

By the end of 2018, 89% of all the issues in all the factories within the Accord had been remediated, and 93% of those found in factories producing for the Stockmann Group.



ACCORD INSPECTIONS

	2018	2017
Accord inspections	145	221
Stockmann Group's remediation progress rate	93%	89%
Accord remediation progress rate	89%	82%

Production countries and factory lists

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

STOCKMANN

- In 2018 Stockmann's own brand garments were bought from around 99 (86) suppliers and made in around 142 (120) factories. Around 55 % of the garments were purchased directly and around 45 % through our purchasing offices. The suppliers and producers are in part the same as Lindex's.
- During the reporting year, Stockmann's home area own brand products were bought from 57 suppliers and made in 54 factories. Over 20 % of the products were purchased through our purchasing offices, while the majority of products were purchased directly. This is the first time we disclose information on our home own brand suppliers and factories.

LINDEX

- In 2018, Lindex had around 127 (142) suppliers who worked with 202 (242) factories.
- Lindex has 40 suppliers that stand for 80% of the production, considered Lindex's key suppliers. Lindex has systematically consolidated its supply chain to be able to focus on fewer suppliers and improving cooperation, working conditions and environmental work in the most important factories.
- In addition to disclosing the suppliers and factories where the Lindex garments are being sewed, Lindex has also published it processing units making prints, embroidery and washes in Turkey and Bangladesh. The aim is to expand to other production countries as well.

STOCKMANN'S MAIN OWN BRAND GARMENT PRODUCTION COUNTRIES

China	55%
India	11%
Bangladesh	11%
EU countries	9%
Turkey	4%

STOCKMANN'S MAIN OWN BRAND HOME PRODUCTION COUNTRIES

EU countries	55%
China	17%
Pakistan	9%
India	9%
Turkey	5%

LINDEX'S MAIN PRODUCTION COUNTRIES

Bangladesh	46%
China	23%
Turkey	7%
Myanmar	7%
Italy	5%

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 cooperation with ASAM, the Association for Solidarity with Asylum Seekers and Migrants.

Community projects in the supply chain

Our clothing orders create employment opportunities, particularly for women, in developing countries. Local wellbeing and environmental protection is also promoted by various projects to support the status and wellbeing of women, the education of children, and environmental protection in the manufacturing countries. As part of Lindex's Women Empowerment programme in supply chain, the Group is involved in HERhealth-project and most recently the WE Women by Lindex project. We are also involved in several projects to reduce water consumption and other environmental impacts, such as the Water Aid community project.

Syrian refugees in the supply chains in Turkey

In Turkey, refugees from Syria have been identified to be at risk of being abused due to their vulnerable status. A standard operating procedure is in place for the 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



Lindex is involved in the HERproject and most recently the WE Women by Lindex project



Supplier assessment for labour practices and human rights

A significant percentage of the own brand fashion products, approximately 90%, are manufactured in areas classified as risk countries by the amfori BSCI. We are aware that there is a risk of violation of the Code of Conduct and we are actively working to ensure compliance. We are looking into the possibility of better incorporating human rights and children's rights into our assessments. In February 2018, the Stockmann Board of Directors approved the Group's Human rights policy.

In the case of a human rights violation, we work together with the supplier to remediate the victim. No new orders are

placed until the violation has been corrected and the victim has been compensated.

TEXTILE INDUSTRY CHALLENGES AND RISKS

Challenges that concern the whole textile industry include, for example, the traceability and transparency of the supply chain, the realisation of human and labour rights throughout the chain, and the environmental impacts of production and raw materials. Our risk analysis shows five particular areas of risk for our Code of Conduct and these are; Managements systems, Documentation, Trade union affiliation, Wages and compensation, and Working hours. More information on the identified risks and management methods can be retrieved from Stockmann Group's website.

treatment should therefore be as efficient as possible.

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

Lindex cooperates with its denim suppliers to develop the production processes so that they have less impact on the environment. Lindex's Better Denim journey started in 2014, and today, 100% of Lindex's denim products are 'Better Denim' products. In total, the process uses up to 85% less water, 70% less energy and 45% less chemicals, with the chemicals used being better than those in conventional methods. The styles are dyed in the cleanest indigo dye on the market and more sustainable trims and details, such as buttons, zips and pocket linings, are used. All of the cotton in our denim comes from more sustainable sources; Better Cotton, organic or recycled cotton. In addition, recycled polyester is used. The jersey production process is also being developed to make it more environmentally friendly. Avitera dye, which reduces water consumption by 30%, is used for dyeing jersey fabrics for part of children's basic collections.

Through Lindex, the Stockmann Group has been involved for years in sustainability projects in the Group's important production countries, such as Bangladesh and India,

Lindex's Better Denim journey started in 2014, and today,

100%

of the denim is 'Better Denim'.

where there are challenges with water scarcity and clean water. During the last years, these projects have been proven to be an effective way to increase environmental awareness and improve processes. We aim for as many suppliers as possible to participate in these projects and to transition to more resource-efficient and cleaner production.

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



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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



ENVIRONMENT

Our objective is to reduce the environmental impact of our business operations and to act in accordance with sustainable development. In our daily operations we work to reduce adverse environmental 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 environmental system and the fulfilment of the environmental goals and objectives set.



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

ENVIRONMENTAL MANAGEMENT



Since 2003, an ISO 14001 certified environmental management system has been in use in Stockmann'

department stores and support functions in Finland. During the reporting year, we extended the scope of the certification to include the distribution centre in Tuusula, Finland, and today, all of Stockmann's business operations in Finland are ISO 14001 certified. The operating methods and guidelines of Stockmann's environmental management system have been adopted in the department stores in the Baltic countries with the goal of seeking certification in the coming years.

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2018	STATUS
ENVIRONMENT REDUCED IMPACT ON THE ENVIRONMENT	We continue to improve our energy efficiency	We continued on implementing energy efficiency measures in our operations. We increased the use of LED-lighting in our department stores and renewed some of the escalators in the Helsinki department store to more energy efficient ones. Our target is to improve the energy efficiency of our properties by 4% by 2020.	● In process
	We reduce the environmental impact of our logistics	During our strategy period we reduced domestic transport emissions by approximately 25% and we exceeded our target of 10%. The centralisation of warehouse operations into one distribution centre has had an important role in reducing emissions from domestic transport.	● On target
	We minimise waste and find possibilities for re-use and recycling	73.2% of the waste generated in Stockmann department stores in Finland was directed to recycling, and we exceeded the target level of 70%. In addition, the total amount of waste in Finland decreased by approximately 11% compared to previous year.	● On target

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 stores' energy-efficient concept, environmental issues are taken into account to the extent possible within the property in question.

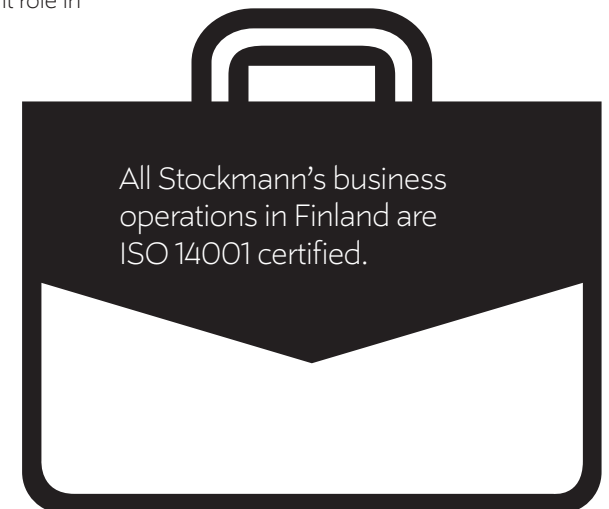
Stockmann's purchasing offices operate near production sites and the offices have made efforts to assess and minimise the harmful environmental impacts of their suppliers' factories.

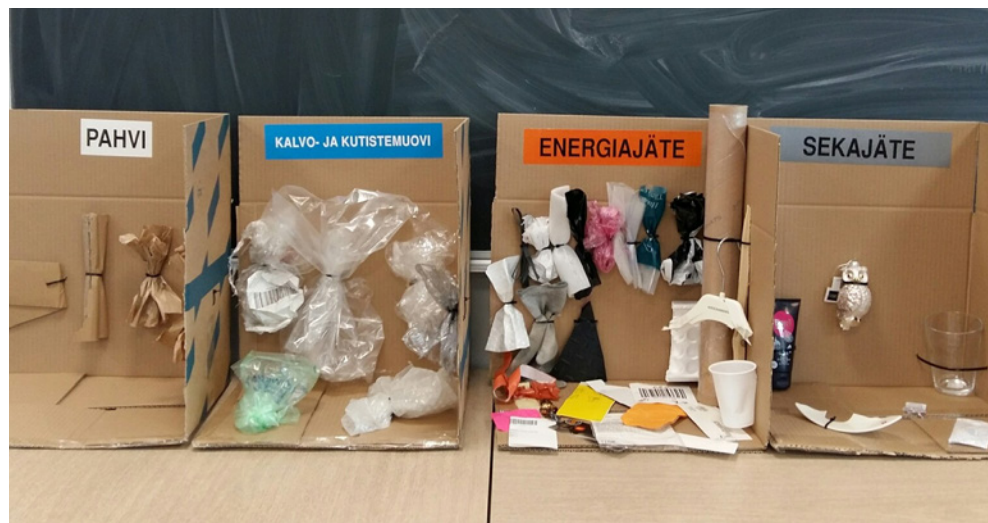
Stockmann considers environmental aspects when planning and managing operations and when procuring products and services for the Group's own use. Stockmann requires its service providers to commit to Stockmann's Code of Conduct and operating

principles during the cooperation. The environmental issues and targets are regularly discussed during the cooperation with service providers, since they have an important role in achieving Stockmann's environmental targets.

RAISING INTERNAL AWARENESS ON ENVIRONMENTAL ISSUES

Every employee's input is required for the achievement of our environmental goals and objectives. The personnel's environmental awareness is maintained and enhanced through training and regular internal communication, e.g.





Waste exhibition at the Stockmann distribution centre.

through the intranet and through information screens and bulletin boards placed in the personnel facilities.

During the reporting year several environmental training sessions were organised. For example, environmental topics are part of the induction training that all new employees participate in. We organised in cooperation with our waste management service provider, info sessions on waste management and sorting in the department store in Helsinki and in the distribution centre. In addition, we organised a small waste exhibition in our distribution centre in order to support waste sorting.

ENERGY



The Group's energy consumption mainly consists of electricity, district heating and district cooling. 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.

Energy efficiency is an important part of Stockmann's environmental work, as the energy consumption in Stockmann's own operations has been identified to be the most significant source of CO₂ emissions. As part of our environmental work we strive to

implement energy efficient measures in order to mitigate our climate impact and to improve efficiency in our business operations. Stockmann's Real Estate division is responsible for the energy management in the department stores, distribution centre and support functions. The Real Estate division and the Real Estate Coordinators in the department stores monitor the energy consumption as part of their day-to-day work. In addition, in order to further improve the energy management and the ability to respond divergences in consumption, Stockmann cooperates with ISS Energy Management. In 2018, Stockmann continued implementing the energy efficiency programme, by optimising the running hours of building systems and by optimising ventilation and lighting control in all premises in order to reduce electricity consumption. In

2019, Stockmann will conduct energy reviews in its premises and the outcome of these reviews will be used in the development of the energy efficiency work.

Stockmann has one distribution centre, located in Finland. The distribution centre serves the online store in Finland and the Stockmann department stores in all countries of operation. The Stockmann distribution centre opened in 2016, and it has enabled Stockmann to optimise its warehouse operations, reduce the amount of internal transportation of goods and improved the energy efficiency of the logistic operations. The Stockmann distribution centre is awarded with the LEED Gold environmental certificate. LEED (Leadership in Energy and Environmental Design) is an internationally recognised rating system to promote sustainable construction and design

ENERGY AND WATER CONSUMPTION 2016-2018

	2018	2017	2016
DIRECT CONSUMPTION			
Heating fuel (MWh)	474	432	430
Natural gas (MWh)	16 259	17 764	19 443
INDIRECT CONSUMPTION			
Electricity (MWh)	107 502	110 651	124 460
District heating and cooling (MWh)	76 072	73 321	80 550
Water (m ³)	217 501	210 607	218 110

Heating Fuel and Natural Gas data is based on metered data for Stockmann and estimations for Lindex. Purchased electricity consumption covers all Group's functions. Purchased heating and cooling energy consumption covers all the Group's functions, excluding purchasing offices. 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 (excluding the department store in Itis in Helsinki) and Lindex's distribution centre.



standards. The LEED certificate has four levels: Certified, Silver, Gold and Platinum. During the planning and construction of the building, sustainable development and other environmental perspectives, such as energy efficiency and geothermal energy, were taken into account. LED lighting is in use and the geothermal system produces a significant amount of the heating and cooling energy needed in the building. District heating generates the warm water needed in the building. The possibility for the use of solar energy as an energy source for the distribution centre has also been investigated.

During the reporting year, Stockmann has continued the renewal process of its lighting in its department stores in Helsinki and Jumbo. In both department stores, part of the conventional lighting has been replaced with LED-lighting. According to Stockmann's lighting concept the use of LED technology will be incorporated more widely in the department stores, especially in conjunction with renovation projects. Furthermore, some of the escalators in the Helsinki department store were renewed to more energy efficient ones. In 2018, we decided that the Delicatessen in the department store in Tallinn will be renewed during 2019. According to the decision and planning, the lighting in the first floor will be fully renewed to LED-based lighting. During the reporting year, the energy consumption of the department stores and distribution centre was closely monitored, and we took measures to improve energy efficiency, for example by reviewing and

optimising the department stores' lighting control and the distribution centre's ventilation.

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

EMISSIONS



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

The calculation of Stockmann's carbon footprint in 2018 covers the functions of the Stockmann Retail, Real Estate, Lindex and Group shared functions in all the countries of operation, excluding Lindex's franchise

GREENHOUSE GAS EMISSIONS 2016-2018

tCO ₂ e	2018	2017	2016	Change 2017-2018, %	Comments
DIRECT EMISSIONS (SCOPE 1)	1 580	1 270	1 970	24%	Increased mainly due to normal fluctuation in refrigerants
Stationary combustion	180	170	170	6%	
Refrigerants	1 400	1 100	1 800	27%	
INDIRECT EMISSIONS FROM PURCHASED ENERGY (SCOPE 2)	44 600	47 900	49 900	-7%	Decreased mainly due to energy efficiency measures and divestment of the Book House property
Purchased electricity (market-based)	31 300	33 900	35 600	-8%	
Heating and cooling	13 300	14 000	14 300	-5%	
OTHER INDIRECT EMISSIONS (SCOPE 3)	10 850	13 800	12 600	-21%	Decreased mainly due to good logistics management and normalisation of the transport environment in 2018
Internal logistics	1 900	2 800	2 800	-32%	
External logistics	6 000	7 900	6 600	-24%	
Business travel	850	1 100	1 200	-23%	
Waste	2 100	2 000	2 000	5%	
TOTAL	57 030	62 970	64 470	-9%	
AVOIDED EMISSIONS	250	270	1 100		Carbon emissions neutralised by certified climate projects by logistics operators
(NET EMISSIONS)	56 780	62 700	63 370		

The greenhouse gas emissions calculation for 2017 and 2016 has been restated in order to provide comparability. Refrigerants from Stockmann Baltic operations have been included for all reporting years. Significant amount of estimation for Lindex concerning heating and cooling. The figures presented in the table are rounded.

operations. At Stockmann, the figures also cover the emissions of our tenants in the department stores, who operate approximately 51% of the gross leasable area of the properties managed by Stockmann Real Estate at the end of 2018.

This is the ninth time that Stockmann is reporting its greenhouse gas emissions, covering the whole Group. The comparison figures are presented for 2016 and 2017, and possible changes in the scope of the calculation are explained in the comments column.



The Stockmann Group's emissions are presented in the table 'Greenhouse gas emissions 2016-2018'. The calculation was carried out in accordance with the international Greenhouse Gas (GHG) Protocol reporting principles. According to the GHG Protocol, companies are required to report the emissions arising from indirect electricity consumption as market-based figures as well as location-based figures. The figures reported in the table are reported according to the market-based calculation method, and the Stockmann Group's total emissions were 57 030 tCO₂e, while location-based emissions were 54 330 tCO₂e.

In 2018, the highest emissions, around 78%, came from the generation of purchased energy (Scope 2), especially electricity, which slightly decreased from the previous year. Approximately 54% of the electricity used by Lindex is renewable energy purchased from LOS Energy, for which the emissions are zero. Scope 3 indirect emissions are presented where relevant; the biggest such emissions can be attributed to logistics.

The Group's total reported emissions declined by approximately 9%. This was mainly due to decreased emissions in scope 2 (-7%) and the decrease of emissions generated from logistics in scope 3 (-35%). While the emissions in scope 1 increased (24%). Regarding scope 2, the consumption of electricity at both Stockmann and Lindex decreased, mainly due to energy efficiency measures and the divestment of the Book House property. The significant decrease of

emissions generated from logistics is mainly due to good logistics management and normalisation of the transport environment in 2018. During the reporting year, we did not face similar logistic challenges as the year before. Emissions generated from business travel decreased while emissions from waste slightly increased (scope 3). Scope 1 emissions increased from previous year, mainly due to normal fluctuation in refrigerants.

REDUCING TRANSPORT EMISSIONS

The Group serves customers in a number of different countries, and the distribution of goods to these various stores involves transport emissions. Considerable attention is paid to the efficient and less environmentally harmful movement of goods and we cooperate closely with our transport partners. In our logistic management, we value long-term relationships with partners and we strive for close cooperation in order to improve the efficiency of transport. Internal transport is continuously optimised through route planning, by choosing optimally sized transport equipment, by utilising return transports, by using new equipment with lower emissions, and with systematic follow-up and active dialogue with transport suppliers. The strategic target for Stockmann has been to reduce domestic transport emissions by 10% by 2018. We reached our target and have decreased the amount of domestic transport emissions with approximately 25% from 2015 to 2018.



We reached our target and have decreased the amount of domestic transport emissions with approximately

25%
from 2015 to 2018.

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. In addition, Lindex also uses rail transport as a fast delivery option. Shipping by rail instead of by air reduces emissions significantly and the target is to increase the share of rail transport.

REDUCING BUSINESS TRAVEL EMISSIONS

To minimise travel, videoconferencing and teleconferencing equipment is increasingly

utilised in meetings. Attention is paid to emissions from business travel, and low emission options are preferred for such trips. The company travel guideline recommends travel via train or bus over the use of a private car, and leasing cars have a limit set on maximum emissions. In addition, Stockmann has a guidance on remote work. The remote work practice creates an opportunity for the personnel to reduce commuting emissions, as well as it supports work and family life balance.

CDP SCORE

In addition to publishing its annual report, the Stockmann Group also reports on its greenhouse gas emissions in the international Carbon Disclosure Project (CDP) survey. In 2018, Stockmann's score continued to be on a good level, with the score B. The score presents a company's progress using a four-step approach: the completeness of the company's response (disclosure); the extent to which the company has assessed environmental issues, risks and impacts in relation to its business (awareness); the extent to which the company has implemented actions, policies and strategies to address environmental issues (management); and particular steps the company has taken which represent the best practices in the field of environmental management (leadership). Score B means that the company has taken actions to address environmental issues beyond initial screenings or assessments.



EFFLUENTS AND WASTE



The waste generated by the divisions' operations is mainly packaging waste, such as cardboard and plastic.

Biodegradable waste is also generated in Stockmann Retail's Delicatessen operations in Baltics and in the Real Estate division, due to the tenants' operations that include grocery stores, restaurants and cafés. We pay close attention to waste sorting and recycling by providing training for personnel and tenants, developing the guidance and making sorting practices more convenient.

The waste sorting is managed in accordance with the ISO 14001 environmental management system, and the results for the various business locations

are monitored on a monthly basis. Our target in Stockmann's operations in Finland is to reduce the amount of waste and to recycle as much as possible of the remaining waste as material. The total amount of waste decreased in 2018 in Finland by approximately 11% (20). The target for the recycling rate was 70%. The recycling rate in department stores in Finland was 73.2%. Stockmann closely cooperate with its waste management service provider. Lately, special attention has been paid on the waste collection schedules in order to improve the efficiency of waste transports and mitigate emissions generated from transportation.

In recent years, our stakeholders has showed interest regarding our approach to unsold clothing. At Stockmann, all products

are sold, using discount prices or by selling them to the personnel in the personnel shops, so that no products are left. Mildew or other spoilage of the products during transportation is rare. However, in such cases the products end up as waste and the process is monitored by Customs.

Water consumption in Stockmann's own operations is minimal, and the operations take place in areas where there is currently no scarcity of water. Measuring and minimising water consumption is nevertheless an important part of Stockmann's environmental responsibility. Stockmann's water consumption is presented in the table 'Energy and water consumption 2016-2018'. Most of the Group's water consumption takes place in

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

REUSE AND LOSS PREVENTION THROUGH PRODUCT DONATIONS

STOCKMANN

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

LINDEX

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

WASTE 2016-2018

Tons	Stockmann Finland			Stockmann Baltics			Lindex			Total		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
RECYCLABLE WASTE												
Cardboard and paper	1 071	1 211	1 604	189	245	236	1 277	1 179	1 205	2 537	2 635	3 045
Bio waste	905	964	1 356	111	131	172	1	1	1	1 017	1 096	1529
Plastic	52	42	54	6	8	5	0	0	0	58	50	59
Other recyclable waste (metal, glass)	39	52	74	20	10	15	0	0	78	59	62	167
RECOVERABLE WASTE												
Mixed waste	49	157	224	247	459	470	3	2	5	299	618	699
Combustible waste	714	798	996	248	52	0	45	35	25	1 007	885	1 021
Bio waste	34	0	0	0	0		0	0	0	34	0	0
Hazardous waste	3	8	13	20	14	16	1	1	1	24	23	30
TOTAL	2 867	3 032	3 101	841	919	915	1 328	1 218	1 314	5 036	5369	6 551
RECYCLING RATE, %	72%	70%	72%	40%	43%	48%	97%	97%	98%	73%	73%	74%

Figures for Stockmann cover all the functions in Finland (excluding the department store in Tapiola) and Baltics. The Lindex figures covers the distribution centre in Sweden. The figures are not entirely comparable between the countries.



FINANCE AND GOVERNANCE

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



ECONOMIC PERFORMANCE



The Stockmann Group's adjusted operating result in 2018 was EUR 28.4 million (EUR 12.3 million). The adjusted operating result improved in Lindex and Real Estate, but Stockmann Retail's adjusted operating result was lower than in the previous year. The reported operating result was EUR -5.0 million, including EUR -25.0 million impairment of Stockmann Retail's goodwill and other adjustments totalling EUR -8.4 million. The objective of 2019 is to improve the Group's operating result excluding the impact of Nevsky Centre. In the beginning of 2019, we launched a project aiming at reducing the Group's expenses by EUR 20 million by the end of the year.



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from Financial Statements at year2018.stockmanngroup.com

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

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

CSR THEME	TARGETS & ACTION POINTS	KEY PERFORMANCE INDICATORS (KPIs) AND PROGRESS 2018	STATUS
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 the amfori BSCI Code of Conduct	We continued the roll-out of our CoC e-learning programme. At the end of 2018, 59% of Stockmann's personnel in Finland had completed the training. Of the members in the Stockmann support functions and department store management teams, 94% had completed the training. The long-term target is for 100% of the Group's personnel to have completed the training. Our ongoing target is to have 100% of Stockmann's suppliers to sign the Stockmann CoC.	● In process
	We provide economic added value to all our stakeholders	The Group's adjusted operating result was positive in 2018, EUR 28.4 million (EUR 12.3 million). The net profit for the year remained negative, and the Board of Directors proposes that no dividend to be paid for the financial year 2018. Suppliers and personnel continue to be the stakeholders receiving the most economical added value: purchases from suppliers were EUR 756.9 million and salaries and other employee benefit expenses totalled EUR 188.6 million in 2018.	● Target not met
	We provide transparent and reliable CSR communications with an integrated view	We published integrated reviews of the business operations, financials, governance and CSR. In addition, we published CSR information in the Report by the Board of Directors, according to the EU directive 2014/95/EU for non-financial information. We published detailed information about our CSR strategy targets and their progress.	● On target
	We carry out a human rights assessment with key stakeholders	In 2018, the due diligence project continued. By the end of reporting year, we have reviewed the fulfilment of human rights in Lindex's sales and franchise countries. The work will continue in 2019.	● In process

Stockmann plc shares are listed on Nasdaq Helsinki. At the end of 2018, Stockmann had 44 393 registered shareholders, compared with 46 672 a year earlier. 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 2017 result due to the loss. The Board of Directors proposes to the Annual General Meeting that no dividend be paid on the 2018 result.



VALUE TO STAKEHOLDERS

Resources

PROFESSIONAL PERSONNEL
& ORGANISATION

BRAND

PRODUCTS

OMNICHANNEL SERVICES

FINANCIAL RESOURCES
& PROPERTIES

NATURAL RESOURCES



Impacts

CUSTOMERS

Sales, rental and service income and other operating income

EMPLOYEES

Salaries, wages, pension contributions and other benefits

SOCIETY

Social security payments & taxes

SUPPLIERS & OTHER PARTNERS

Cost of goods, materials & services

INVESTORS & SHAREHOLDERS

Financial expenses

DISTRIBUTION OF ECONOMIC ADDED VALUE TO DIFFERENT STAKEHOLDERS

EUR million		2018	2017	2016	2015	2014
Producing added value						
Customers	Sales, rental and service income and other operating income	1 026.2	1 060.3	1 177.5	1 435.8	1 606.0
Good suppliers and service providers	Cost of goods, materials and services purchased, includes capital goods and paid rents	-756.9	-790.5	-864.9	-1 147.6	-1 320.4
ADDED VALUE PRODUCED BY STOCKMANN		269.3	269.8	312.6	288.3	285.6
Distribution of added value						
Personnel	Salaries, wages and pension contributions	-188.6	-201.6	-233.0	-281.9	-315.5
Shareholders	Dividends	0.0	0.0	0.0	0.0	0.0
Investors	Financial expenses	-35.3	-31.8	-23.9	-22.1	-23.8
Public sector	Other social security payments, taxes	-37.6	-53.2	-50.1	-54.7	-37.0
DISTRIBUTED TO STAKEHOLDERS IN TOTAL		-261.4	-286.7	-307.0	-358.7	-376.3
Retained in the company to develop operations		7.9	-16.9	5.6	-70.4	-90.7

Continuing operations

Stockmann Delicatessen operations have been reported as discontinued operations in 2018 and 2017, the comparison year 2016 has been restated.

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



CHARITY COOPERATION

As part of its corporate social responsibility, Stockmann may make donations to non-profit public benefit organisations that fund education, culture, research and other social projects in the countries where Stockmann operates. Charity work is guided by the donation policy that is available on the company's website. In addition, Stockmann's business units may also support the non-profit projects of public benefit organisations as part of their commercial campaigns and activities.

STOCKMANN

- To celebrate Finnish Nature Day, we organised a weekend-long round-up campaign together with WWF Finland and invited our customers to raise funds for the Baltic Sea protection work. During the campaign weekend, customers of Stockmann department stores in Finland made nearly 2 600 donations. In addition, the department store in Riga continued its charity campaign to reduce the use of plastic shopping bags together with WWF Latvia, donating funds to the Baltic Sea protection work.
- We donated our websites, stockmann.com and stockmanngroup.com, to the Red Cross Hunger Day collection.
- On the UN's International Day of the Girl Child, we campaigned together with the humanitarian organisation Plan International Finland. We donated EUR 1 to Plan for each sold Crazy Days Plan labelled children's own brand product.

- In our Christmas season campaign, together with our customers, we fulfilled the Christmas wishes of youngsters in families with limited means, with EUR 49 300, delivered by Hope ry, a non-profit organisation that supports Finnish families with limited means. In addition, we once again took part in a campaign organised by Home Instead senior care, encouraging customers to buy Christmas flowers for lonely elderly people with limited means.
- We organised to our personnel in Finland the opportunity to help families with limited means by offering voluntary work opportunities at Hope ry.

LINDEX

- Lindex is one of the main partners of the Pink Ribbon project. In the 2018 campaign, Lindex, together with its clients, donated approximately EUR 1 million to support cancer research. Since 2003, Lindex's campaigns have collected a total of nearly EUR 14 million for the campaign.
- On International Women's Day 2018, Lindex highlighted the special day and textile female workers by donating part of the sales to HERhealth. The EUR 119 000 donation will be used to start more Herhealth projects in Lindex suppliers' factories.
- In Lindex's round-up campaigns, customers were invited to round-up their purchases with an amount of their choice. With the 2018 campaigns, a total of EUR 300 000 was donated for various causes, for example WaterAid.
- Together with other Swedish fashion retailers, Lindex campaigned to reduce the use of plastic bags with the 'One Bag Habit' campaign. In 2018, Lindex expanded the campaign and charge for shopping bags on all own markets. During the reporting year, Lindex's shops generated EUR 594 000 in surplus for the bags, which was donated to, for example, finance the joint



Plan's Donata Pennanen shows Stockmann's BOGI own brand garment that came on sale on UN's International Day of the Girl Child.



READ MORE

www.stockmanngroup.com

project with WaterAid to increase access to clean water, sanitation and improved hygiene in Bangladesh. The project focuses on an area where many of the textile workers who produce clothes for Lindex live.




CORPORATE GOVERNANCE

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

GRIEVANCE MECHANISMS

The company uses a group-wide whistleblowing reporting channel, which is provided by an external partner. The channel is a tool for Stockmann's own employees, as well as for business partners and other stakeholders, to anonymously report any suspected or detected violations of the Code of Conduct or other corporate policies using the channel. Stockmann's employees also have the possibility to report any suspicions to their supervisor, their unit's security manager, the company management, the legal



All whistleblowing reports and discussions are treated seriously and handled confidentially.

department, or the Group's Internal Audit. All whistleblowing reports and discussions are treated seriously and handled confidentially. All incidents are reported to the Head of Internal Audit and to the Director of Legal Affairs. In 2018, no incidents were reported through the channel.

CSR ORGANISATION

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

Separate working groups related to CSR targets and topical issues are set up as necessary to prepare or implement the issues or decisions that have been dealt with by the CSR Steering Group. In addition, Stockmann's environmental management group convenes regularly, to follow-up on environmental



Our goal is to continue a human rights assessment with our key stakeholders.

management issues as required for the ISO 14001 certificate.

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

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 Corporate Sustainability Team has overall responsibility for developing sustainability at Lindex and the team works closely together with the Production Sustainability Teams located at the production offices. Each department and sales country organisation then aligns their sustainability work accordingly. Sustainability topics are discussed regularly at Lindex Management Group meetings and are implemented and followed up through the regular management systems.

HUMAN RIGHTS ASSESSMENT

The Stockmann Group respects and promotes all human rights, as defined in the Code of Conduct and the supplementary Human Rights principles. Most of the Stockmann Group's own employees work in countries classified by the amfori BSCI as low-risk countries for human rights violations. In 2018 we continued the due diligence project where we study the fulfilment of human rights in Lindex sales and franchise countries. The work continues in 2019. Our goal is to continue a human rights assessment with our key stakeholders. Human rights assessment in the supply chain are discussed in chapter 'Supplier Assessment for Labour Practices and Human Rights' and on the Stockmann Group website.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

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



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

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

Stockmann is a founding member of Transparency Suomi ry, the Finnish chapter of Transparency International, an organisation operating in 90 countries that works to combat international bribery and corruption.

CORRUPTION RISK ASSESSMENT

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

The Board of Directors has approved the company's risk management policies, which concern all of the Stockmann Group's divisions and areas of business. The

functionality of internal control is monitored by the Internal Audit, which operates as an independent unit under the CEO and reports its observations to the Board Audit Committee.

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: ICT and information security, finance operations, environmental issues, misconduct, security and insurance.

The divisions' respective management are responsible for making financial and strategic plans in their own units and for analysing business risks and evaluating actions, as a part of strategy planning. Business risks are also analysed outside the strategic process, especially in connection with significant projects and investments, and are reported to the Board of Directors as needed.

Unethical business practices among Stockmann's employees or various stakeholders could cause reputational damage for Stockmann as well as a possible financial impact. In 2018, there were no confirmed cases of corruption and Stockmann was not informed of any corruption-related lawsuits against the Group.

COMMUNICATION AND TRAINING ON CODE OF CONDUCT

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

We continued the roll-out of our CoC e-learning programme. At the end of 2018, 59% of Stockmann's personnel in Finland had completed the training. Of the members in the Stockmann support functions and department store management teams, 94% had completed the training. The long-term target is for 100% of the Group's personnel to have completed the training.

The Stockmann Code of Conduct, the Lindex Ethical Policy, the Anti-corruption policy and the incorporated whistleblowing system will be developed into an e-learning programme for all Lindex employees to complete.



READ MORE

The company's risk management, risk factors and internal control systems are explained in more detail in the 2018 Corporate Governance review at [year2018.stockmanngroup.com](#)



GRI CONTENT INDEX

Disclosure number	GRI content	Location	Additional information or omissions
GENERAL STANDARD DISCLOSURES			
102-1	Name of the organisation	47-50 GRI index	Stockmann plc
102-2	Activities, brands, products, and services	3 Stockmann in brief 27-34 Products and Supply Chain	The origin, production conditions and health impact of products are a topic of public discussion. Topics raised by our stakeholders are presented in the relevant section of this review. For example materials of animal origin are dealt with in the Group's product guidelines http://www.stockmanngroup.com/en/product-guidelines
102-3	Location of headquarters	3 Stockmann in brief	
102-4	Location of operations	3 Stockmann in brief, 27-34 Product and Supply chain, 47 GRI index: disclosure number 102-6	
102-5	Ownership and legal form	"Our year 2018" Business Review, Financial Review 2018	
102-6	Markets served	3 Stockmann in brief	Stockmann Retail: in total 8 department stores in Finland, Estonia and Latvia. Stockmann has made a licensing agreement concerning the use of the Stockmann brand in Russia until 2023. Reviva Holding Limited's subsidiary AO Stockmann Reviva has been responsible for the Stockmann department stores' operations in Russia since 1 February 2016. Stockmann Real Estate: in total 3 properties in Finland, Estonia and Latvia. The sale of Stockmann's Nevsky Centre shopping centre in Russia was completed in January 2019. Lindex: In 2018, Lindex had 474 stores. Own stores were located in 10 countries in Europe: Sweden, Norway, Finland, Estonia, Latvia, Lithuania, Czech Republic, Slovakia, Poland, UK. 41 franchise stores were located in 8 countries: Iceland, Bosnia and Herzegovina, Serbia, Kosovo, Albania, Saudi Arabia, Qatar and Tunisia.
102-7	Scale of the organisation	"Our year 2018" Business Review	
102-8	Information on employees and other workers	18-26 Personnel	
102-9	Supply chain	27-34 Products and Supply Chain	Supplier and factory list for own fashion and home brands: http://www.stockmanngroup.com/en/supplier-and-factory-list
102-10	Significant changes to the organisation and its supply chain	Financial Review / Report by the Board of Directors, 27-34 Products and Supply Chain	Stockmann sold its Book House property in the centre of Helsinki in May 2018. In October 2018, Stockmann signed an agreement for the sale of the Nevsky Centre shopping centre in St Petersburg. The transaction was completed in January 2019.
102-11	Precautionary Principle or approach	Report by the Board of Directors, Corporate Governance Review	
102-12	External initiatives	4-5 CSR principles	
102-13	Membership of associations	stockmanngroup.com	Activities in organisations: http://www.stockmanngroup.com/en/activities-in-organisations
102-14	Statement from senior decision-maker	"Our year 2018" Business Review	
102-16	Values, principles, standards, and norms of behaviour	4-5 CSR principles, 41-46 Finance and Governance	The Stockmann Group's values: http://www.stockmanngroup.com/en/core-values
102-18	Governance structure	Corporate Governance review, 41-46 Finance and Governance	
102-40	List of stakeholder groups	12 Stakeholder engagement	
102-41	Collective bargaining agreements	18-26 Personnel	
102-42	Identifying and selecting stakeholders	12 Stakeholder engagement	
102-43	Approach to stakeholder engagement	12 Stakeholder engagement	



Disclosure number	GRI content	Location	Additional information or omissions
102-44	Key topics and concerns raised	12 Stakeholder engagement and entire review	Key topics raised in stakeholder engagement and Stockmann's response to them are presented in the stakeholder engagement section and in the relevant section of the review.
102-45	Entities included in the consolidated financial statements	Financial review, Notes to the Consolidated Financial Statements	All the annual reviews are available at year2018.stockmanngroup.com.
102-46	Defining report content and topic Boundaries	10-11 Reporting principles and materiality	
102-47	List of material topics	10-11 Reporting principles and materiality	
102-48	Restatements of information	47-50 GRI index	Changes reported in connection with relevant performance indicators.
102-49	Changes in reporting	10-11 Reporting principles and materiality	No significant changes in the list of material topics or topic boundaries.
102-50	Reporting period	10-11 Reporting principles and materiality	
102-51	Date of most recent report	10-11 Reporting principles and materiality	
102-52	Reporting cycle	10-11 Reporting principles and materiality	
102-53	Contact point for questions regarding the report	47-50GRI index	csr@stockmann.com
102-54	Claims of reporting in accordance with the GRI Standards	10-11 Reporting principles and materiality, GRI index	This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	47-50 GRI index	
102-56	External assurance	10-11 Reporting principles and materiality	
Management approach			
103-1	Explanation of the material topic and its Boundary	10-11 Reporting principles and materiality	
103-2	The management approach and its components	Entire review	A more specific location is provided in the GRI index under the relevant topic.
103-3	Evaluation of the management approach	47-50 GRI index	Evaluation of the management approach is part of a continuous activity. Based on the evaluation, changes are made to practices in day-to-day management as well as part of annual planning and strategic planning. Based on the evaluation, changes have been made to management methods, for example, in connection with organizational changes.
TOPIC SPECIFIC CONTENT			
Topic specific content is reported regarding aspects identified as material			
Economic impacts			
201	Economic performance	41-46 Finance and Governance	The management approach is described in the section 'Finance and Governance'.
201-1	Direct economic value generated and distributed	41-46 Finance and Governance	
204	Procurement practices	27-34 Products and Supply Chain	The management approach is described in the section 'Products and Supply Chain'.
204-1	Proportion of spending on local suppliers		The aspect is defined material but the suggested indicator is not suitable. Information on Procurement practices is provided in section 'Products and Supply Chain'. A list of the own brands suppliers and producers is available at http://www.stockmanngroup.com/en/supplier-and-factory-list
205	Anti-corruption	41-46 Finance and Governance	The management approach is described in the section 'Finance and Governance'.
205-2	Communication and training about anti-corruption policies and procedures	41-46 Finance and Governance	
205-3	Confirmed incidents of corruption and actions taken	41-46 Finance and Governance	
206	Anti-competitive behaviour	41-46 Finance and Governance	The management approach is described in the section 'Finance and Governance'.
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	47-50 GRI index	There were no legal actions or fines for anti-competitive behaviour, anti-trust, or monopoly practices or their outcomes in 2018
Environmental impacts			
301	Materials	27-34 Products and Supply Chain	The management approach is described in the section 'Products and Supply Chain'.



Disclosure number	GRI content	Location	Additional information or omissions
301-3	Reclaimed products and their packaging materials	47-50GRI index	The aspect is defined material but the suggested indicator is not suitable. Information on the fulfillment of producer responsibility and regarding opportunities to recycle offered to customers is provided in section 'Customers', in the chapter 'Services to support sustainable lifestyles'.
302	Energy	35-40 Environment	The management approach is described in the section 'Environment'.
302-1	Energy consumption within the organisation	35-40 Environment	Figures include energy consumption in owned and leased properties/premises.
302-2	Energy consumption outside the organisation	35-40 Environment	A limited amount of data is collected on energy consumption outside the organisation for disclosure 305-3.
303	Water	47-50 GRI index, 35-40 Environment, 27-34 Products and Supply Chain, 13-17 Customers	The aspect is not defined material. Water Consumption in Own Activity Waste water is covered in the section 'Environment' in the chapter 'Waste water and waste'. The wastewater from operations goes into the municipal sewer systems. The company has no emissions into the water system. Indirect Water Consumption Use of water in our supply chain is explained in the section 'Products and Supply Chain' in the chapter 'Suppliers Environmental Assessment'. Our indirect impacts also include water use in the usage phase, such as washing clothes at home. This topic is discussed in the section 'Customer' in the chapter 'Tips for choosing and taking care of clothing'.
303-1	Water withdrawal by source	35-40 Environment	Water is not recycled or reused in the operations.
304	Biodiversity	Not reported	The aspect is not defined material. The company's department stores and stores are located in areas zoned as commercial properties. As commercial functions are not located in conservation areas or other areas rich in terms of biodiversity, the Group's impacts on biodiversity are low.
305	Emissions	35-40 Environment	The management approach is described in the section 'Environment'.
305-1	Direct (Scope 1) GHG emissions	35-40 Environment	
305-2	Energy indirect (Scope 2) GHG emissions	35-40 Environment	
305-3	Other indirect (Scope 3) GHG emissions	35-40 Environment	Indirect scope 3 emissions are presented where relevant: the biggest such emissions can be attributed to logistics and waste.
306	Effluents and waste	35-40 Environment	The management approach is described in the section 'Environment'.
306-2	Waste by type and disposal method	35-40 Environment	
Social impacts			
401	Employment	18-26 Personnel	The management approach is described in the section 'Personnel'.
401-1	New employee hires and employee turnover	18-26 Personnel	Not reported by gender or age group, information not available.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	18-26 Personnel	"Benefits exceeding the statutory level have not been reported in detail. Practices vary in different operating countries."
402	Labour/Management relations	18-26 Personnel	The management approach is described in the section 'Personnel'.
402-1	Minimum notice periods regarding operational changes	47-50 GRI index	Stockmann operates according to the notice periods specified in local labour legislation in all its operating countries. In Finland, the notice period is between two weeks and six months, depending on the duration of the employment relationship. In Sweden, the minimum is between one week to several months, depending on the duration of the employment relationship and nature of changes. Minimum notice periods regarding operational changes have not been defined in retail sector collective bargaining agreements.
403	Occupational health and safety	18-26 Personnel	The management approach is described in the section 'Personnel'.
403-1	Workers' representation in in formal joint management – worker health and safety committees	18-26 Personnel	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	18-26 Personnel	Information by gender is not available at the moment. Occupational diseases and lost days not reported.
404	Training and education	18-26 Personnel	
404-1	Average hours of training per year per employee	18-26 Personnel	Information on training by gender is not available. Information by employee category or other countries of operation is not collected in equal detail.



Disclosure number	GRI content	Location	Additional information or omissions
404-2	Programmes for upgrading employee skills and transition assistance programmes	18-26 Personnel	
404-3	Percentage of employees receiving regular performance and career development reviews	18-26 Personnel	Information by gender or employee category is not available at the moment.
405	Diversity and equal opportunity	18-26 Personnel	The management approach is described in the section 'Personnel'.
405-1	Diversity of governance bodies and employees	18-26 Personnel	Comparison figures are in part inadequate. Information on minority group membership is not collected, as this is not permitted under Finnish legislation. Employees according to employee category not reported. The aim is to report the information in the future.
405-2	Ratio of basic salary and remuneration of women to men	18-26 Personnel	The reporting covers Stockmann's operations in Finland.
406	Non-discrimination	18-26 Personnel	The management approach is described in the section 'Personnel'.
406-1	Incidents of discrimination and corrective actions taken	18-26 Personnel	
407	Freedom of association and collective bargaining	18-26 Personnel, 27-34 Products and Supply Chain	The management approach is described in the sections 'Personnel' and 'Products and Supply Chain'.
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	27-34 Products and Supply Chain	Most of the Stockmann Group's own employees work in countries classified by the Amfori BSCI as low-risk countries for human rights violations. The fulfillment of freedom of association in the supply chain is monitored through own audits and those made by a third party
412	Human rights assessment	41-46 Finance and Governance, 27-34 Products and Supply Chain	The management approach is described in the sections 'Finance and Governance' and 'Products and Supply Chain'.
412-1	Operations that have been subject to human rights reviews or impact assessments	41-46 Finance and Governance, 27-34 Products and Supply Chain	
412-2	Employee training on human rights policies or procedures	41-46 Finance and Governance	
414	Supplier social assessment	27-34 Products and Supply Chain	The management approach is described in the section 'Products and Supply Chain'.
414-1	New suppliers that were screened using social criteria	27-34 Products and Supply Chain	
414-2	Negative social impacts in the supply chain and actions taken	27-34 Products and Supply Chain	amfori BSCI audit results
415	Public policy	-	The aspect is not defined material.
415-1	Political contributions	47-50 GRI index	Stockmann does not make political contributions or donations to any politicians, political parties or related organizations, either directly or indirectly.
416	Customer health and safety	Products and Supply Chain	The management approach is described in the section 'Products and Supply Chain'.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	27-34 Products and Supply Chain, 47-50 GRI index	
417	Marketing and labelling	13-17 Customers	The management approach is described in the section 'Customers'.
417-3	Incidents of non-compliance concerning marketing communications	47-50 GRI index	In 2018, there were no incidents of non-compliance concerning marketing communications legislation or voluntary principles at Stockmann. At Lindex, it was found that six hygiene and cosmetic products did not comply with national marketing legislation by the market surveillance authority in Estonia. Corrective actions were immediately taken and the products were later approved for sale.
418	Customer privacy	13-17 Customers	The management approach is described in the section 'Customers'.
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	13-17 Customers	
* All standards: version 2018			
	Customer satisfaction	13-17 Customers	This topic is material to Stockmann but it is not covered by an existing GRI Standard. The management approach is described in the section 'Customers'.
	Net promoter score (NPS), likelihood to recommend service	13-17 Customers	