

A group of young people are pushing a shopping cart down a street at sunset. The cart is filled with people, and they are all smiling and laughing. The scene is captured in a warm, golden light, suggesting the end of the day. The background shows a modern building with large windows and doors.

TOKMANNI

CORPORATE RESPONSIBILITY REPORT 2017

# IN MOTION

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# DIRECTION

## Tokmanni is in motion.

We work hard for smart shopping and more sustainable discount retailing. Responsibility is a prerequisite for Tokmanni's success and a strategic focus area from the Executive Group level all the way to the stores and supply chain. Our vision and strategy define the direction we are heading towards.

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# Finland's leading general discount retail chain

Tokmanni is the only general discount retailer in Finland with a nationwide network. At the end of 2017 Tokmanni had 175 stores across Finland. Tokmanni offers its customers a wide and attractive assortment, affordable prices and a pleasant shopping experience.

Tokmanni's product assortment consists of leading international brands, the company's own private label products, licensed brands and non-branded products. Our private labels are among others: Autoplus, BBQ King, Energy+, Future TT Sport, Ideale, Iisi, Kotikulta, Kraft, Priima, Real, Tok Garden and Vaeltaja.

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

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

Asia and 12 per cent from other parts of Europe. Tokmanni's sourcing organisation is responsible for product purchases. Tokmanni is committed to responsible sourcing, and it seeks to buy products only from responsible suppliers. In 2017 products were supplied to Tokmanni directly from the following risk countries defined by the Business Compliance Initiative (amfori BSCI): Bangladesh, Bulgaria, China, India, Indonesia, Turkey and Vietnam.

Tokmanni's shares are listed on the main list of the Nasdaq Helsinki stock exchange. At the end of 2017 the company had approximately 14,000 shareholders. The biggest shareholders were Rockers Tukku Oy owning 17 per cent, Elo Pension Company with 8 per cent and Varma Mutual Pension Insurance Company with 7 per cent of the company shares.

Key Performance Indicators	2015	2016	2017
Revenue, MEUR	755.3	775.8	796.5
Operating profit, MEUR	39.1	49.2	38.8
% of revenue	5.2	6.3	4.9
<b>Employment</b>			
Employees	3,293	3,224	3,255
Permanent employees	2,424	2,440	2,540
Full time employees	1,203	1,137	1,187
<b>Sourcing</b>			
Share of suppliers committed to amfori BSCI Code of Conduct, %	81	95	99
<b>Environment</b>			
Total energy consumption, MWh*	107,038	118,411	115,697
Waste recovery, %	94.0	99.8	100

\* The figures include both estimated and measured consumption.



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

The aim of our responsibility work is to minimise the business risks, make use of opportunities, and produce added value for stakeholders. We observe the relevant legislative requirements and collective agreements and the principles of good governance in everything we do.

Our operations accord with the provisions of the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. Our operations are also governed by our ethical guidelines, which consist of Tokmanni's Code of Conduct and the related principles, policies and instructions. These provide the framework for our corporate responsibility work and guide our operations.

We assess responsibility risks as part of the process of managing business risks

and aim to make responsibility part of our value creation in all of our operations.

## **Tokmanni's goal is a motivated, committed and diverse personnel**

Fair treatment of people is an important theme in our responsibility work. We are building an operating culture that is fair and based on trust and supports the wellbeing of all employees.

Our aim is to ensure that our personnel is motivated and committed to their work.

## Our target is to have a diverse work community in which equal treatment is ensured for everyone from the recruitment phase onwards.

On account of our growth and new stores, we are constantly in need of new, skilled employees. In 2017, we opened a record 13 new and 2 relocated stores across Finland, and our target is to open about 5 new and relocated stores per year. Tokmanni has a significant role as an employer in Finland and is known particularly as an employer of young people. In 2017 Tokmanni employed hundreds of young people.

Our target is to have a diverse work community in which equal treatment is ensured for everyone from the recruitment phase onwards. Tokmanni is a member of the FIBS Diversity Charter. Our customer base is becoming more diverse, so we need to make sure that our employees can understand their needs. It is also very im-

portant to ensure our employees' wellbeing at work and career development.

### We develop the responsibility of our sourcing

Responsible sourcing and products are an essential part of our strategy. We will continue to improve our sourcing operations by, for example, increasing direct imports without compromising product safety, quality or responsibility. Tokmanni is a member of the amfori Business Social Compliance Initiative (BSCI), which is a development programme directed at companies with the aim of improving working conditions at the factories and farms in a company's supply chain. Factories producing Tokmanni's private label products and products in the standard selection imported by Tokmanni must be amfori BSCI members or become so within a reasonable time frame. We also require the factories supplying our brand products to provide an undertaking that their production is in accordance with the amfori BSCI requirements. In addition to amfori BSCI audits, we also carry out our own audits at our suppliers' factories.

At the beginning of 2017 we published our human rights assessment based on the UN Guiding Principles on Business and Human Rights that we carried out during 2016.

As a result of the assessment, it was found that the most salient potential human rights impacts in Tokmanni's operations and value chain relate to health and safety, safety of buildings, excessive overtime, lack of living wage, and the use of child labour and forced labour. The monitoring and indicators of these potential human rights impacts were agreed in connection with the investigation. Third party audits, in which factory workers have been interviewed also outside the factories, have been carried out in 2017 in four countries to confirm the results of the assessment. The results of the audits will be published later.

Product safety is also key in responsible operations. We want to be certain that all the products we sell are safe to use.

### Continued efforts into energy and resource efficiency

Tokmanni's biggest environmental impacts are caused by energy use, logistics and waste. Efficient resource use is an important part of the company's responsibility work. Our goal is to reduce energy consumption, to prioritise renewable energy and to minimise the amount of waste transferred to incinerator plants by improving our recycling. The work is becoming increasingly challenging as we are continuously increasing

our selling space, which will increase energy consumption and waste volumes. The company will be required to do significant efforts on improving resource efficiency.

We aim to gradually increase our use of solar power, among other things, in our stores' electricity production. The company already produces part of the electricity for some of its stores with store-specific solar power. We are also seeking similar opportunities at other stores and our logistics centre in Mäntsälä. Tokmanni does not own its store premises, so adding solar panels will require long-term planning and negotiations for the individual premises. The majority of transport service providers are setting emissions reduction targets and moving over to more environmentally friendly technology. Regarding waste, Tokmanni is working towards a reduction in food waste and in 2016, the company committed to reducing the number of plastic bags as part of the Ministry of the Environment's and the Federation of Finnish Commerce's Green Deal initiative.

### 2017 was a transitional year, progress was made in the responsibility work

Full-year 2017 revenue grew 2.7 per cent from the previous year. The trend



**During the year we established a Responsibility Advisory Board to support our responsibility work.**

in Tokmanni's Like-for-Like revenue was weaker than expected during the first and second quarter of 2017 due to poor demand for seasonal products and the shelf availability issues related to the implementation of a new assortment management tool. In June we lowered our full-year guidance regarding Like-for-Like revenue and profitability, and in the end Like-for-Like revenue decreased 1.3 per cent from the previous year. Comparable EBITDA totaled EUR 55.0 million (62.8), a comparable EBITDA margin of 6.9 per cent (8.1).

Heikki Väänänen, who was Tokmanni's CEO from 2009, left the company in June 2017. At the same time, Chairman of the Board Harri Sivula was appointed interim CEO. Mika Rautiainen from Kesko Group was appointed Väänänen's successor in July. Rautiainen will start in his new position in June 2018.

During the year we also continued our focused responsibility work, among other things by setting up the Responsibility Advisory Board. The Advisory Board is made up of external experts whose task is to provide the company with an external opinion of the company's responsibility work and to function as a sounding board for the company regarding responsibility trends, risks and best practices.

In May we organised our annual corporate responsibility day at our premises in Mäntsälä. The aim of the event is to improve staff members' understanding of responsibility matters, to engage and train members of staff and offer more in-depth knowledge of responsibility offered by the company's important stakeholders.

During the year, we continued to implement our Deep Green project at our premises in Mäntsälä. The target of the project is to reduce the environmental impacts of Tokmanni's office in Mäntsälä and our aim is to extend applicable areas of the project to our stores.

Mäntsälä, 16.2.2018

**Markku Pirskanen**  
Deputy CEO and CFO



# 2017 highlights

## January

Tokmanni publishes the results of its human rights assessment.

## March

A High minds group is established.

## April

A Sustainability Advisory Board is established.

## May

Notification of safety observations, improving the accident investigation process and learning from these to prevent accidents from happening and to improve the creation of a healthy and safe work environment.



## May

Tokmanni organises a Responsibility day.

## May

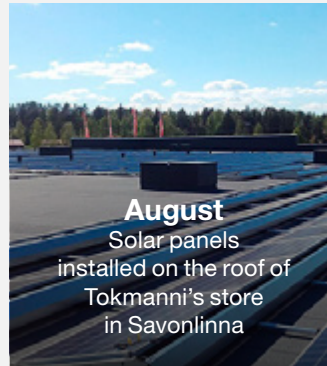
The Deep Green programme is launched in Mäntsälä.

# 99%

of Tokmanni's purchases come from amfori BSCI audited factories.

## June

Nordic Swan label evening organised on social media.



## August

Solar panels installed on the roof of Tokmanni's store in Savonlinna

## August

Occupational health services were put out to tender and a national agreement was drawn up with Mehiläinen. This will ensure conformity in working capacity management models, and thus ensure proactive support of working capacity with a comprehensive service agreement which will help to prevent premature applications for employment disability pensions.

**Tokmanni participates in the Finland100 project** by donating voluntary work.



## November

Third place in Finnwatch's comparison of Easter chocolate and second place in Finnwatch's comparison of Christmas chocolate.

**Best Annual Reports 2017**

Report *Watch* by e.com

**Tokmanni's 2016 reports achieve B+ rating in ReportWatch Industry Rating.**

# Megatrends, risks and opportunities for Tokmanni

Tokmanni has identified the megatrends that affect the company's business and corporate responsibility perspectives. The material megatrends for Tokmanni are related to demographic development and society, climate change and resource scarcity, and digitalisation and technological development. Megatrends and the opportunities and challenges presented by them are assessed every year as part of the company's strategic planning. Tokmanni assesses the responsibility risks as part of the general risk management process.



## Demographic changes affect consumer habits and shopping experience requirements

- Urbanisation
- An ageing population and the emergence of elderly people as a significant consumer group
- Decline in family size
- Increase in number of nationalities and religions in Finland
- Reduction in importance of ownership, especially in younger age groups

### Opportunity

- Extensive store network and online store, which serve customers in all of Finland's major towns
- The emergence of a price conscious elderly population as a substantial consumer group
- Diversification of customer base
- Smart shopping trend

### Challenge

- Continuing urbanisation and the declining number of inhabitants in small towns
- Product selections and product pack sizes affected by smaller family sizes and the ageing of the population
- Decline in consumption by young people

### Response

- Development of products and services to correspond to changing customer groups and needs
- Diverse labour force and product selection
- Consideration of the impacts of the surrounding customer base and migration in the planning of networks
- Business models related to circular economy



## Limited availability of resources, climate change and responsibility

- Limited resources lead to problems with availability of products and rising prices.
- Climate change brings requirements for reducing energy consumption and making it more energy efficient, and for the use of renewable energy.
- Extreme weather phenomena (e.g. torrential rain and storms) will increase, which will affect own operations, and supply chains and logistics.
- The origin of products and social responsibility in the whole company's value chain are increasingly important selection criteria for consumers. The transparency requirements of selections, prices and product origins are growing alongside product safety.

### Opportunity

- Tokmanni's responsible and environmentally friendly operations strengthen the company's competitiveness.
- Reduction of environmental impacts throughout the value chain
- Developing an environmentally friendly product assortment
- Introducing energy and cost-efficient solutions to stores, such as solar panels and LED lighting
- Opportunities offered by circular economy (e.g. services in addition to/ instead of products)
- Careful management of product safety, quality control and a strong price-quality image enhance the company's competitive advantage
- Responsibility communications support openness and transparency throughout the value chain.

### Challenge

- Increased energy consumption caused by new stores, also in logistics; growing waste volumes and related costs
- Limited availability of raw materials for products affects the availability and price of Tokmanni's products in the long run.
- The operations of factories especially in coastal regions and in the emerging markets may be interrupted due to floods, storms or other natural phenomena.
- Shortcomings in the responsibility of the supply chain and partners
- Deterioration of employer image and difficulty of obtaining competent workforce due to loss of reputation
- Shortcomings in product safety and quality control

### Response

- Focusing attention on products' raw materials, use of renewable raw materials, recycling of products and sale of recycled products, modularity and serviceability of products; products that reduce environmental impacts (e.g. solar panels)
- Focusing attention on packaging materials and methods, and recycling of packaging
- More ecological alternatives for logistics and optimisation of routes, for instance, alternative fuels, optimisation of loads
- Reduction of energy consumption in all operations
- More efficient use of resources, reduction of waste, reuse and recycling
- Selection of suppliers and supplier requirements
- Increased requirements for knowledge and transparency of the supply chain; information to be produced for consumers on production responsibility
- Human rights assessments and increased intervention in human rights violations
- Increase in stakeholder cooperation





## Digitalisation's impacts on business processes and the value chain

- Increasing information security requirements
- Rise of automation and robotics in production, use of artificial intelligence
- Internet of Things and sensors (e.g. in properties)
- Growth of transparency requirement throughout value chain
- Reduction in labour force need in the retail sector and change in the professional requirements of the work
- Change in nature of work so that it is independent of place and time

### Opportunity

- Use of automation, robotics and artificial intelligence in own operations (e.g. supply chain management, boosting efficiency of warehouse and logistics operations, processing big data, etc.)
- RFID and blockchain and other enablers
- Telework and other models of working that are independent of time and place

### Challenge

- Speed of change too fast
- Failure in information security requirements
- Inability to meet consumers' transparency requirements comprehensively enough
- Tools and labour force resources unable to keep up with the speed of change

### Response

- Boosting business processes and utilisation of artificial intelligence throughout the operations
- Continuous increase in transparency in the value chain
- Efforts into training employees
- Recruitment and development of new competencies

## Digitalisation's impacts on consumer habits and customer experience

- Consumers are online and buy things 24/7. Importance of mobile shopping will grow.
- Competition will increase – the next option is only one "click" away.
- Changes in purchase path
- Significantly shorter purchase process
- Acceleration in service expectations and speed of purchasing
- Importance of social media and online reviews
- No online or bricks-and-mortar stores – only one experience regardless of channel (omnichannel)
- Consumer's own time has a price. Consumers are willing to pay for services (ease) and the level of services (e.g. speed of delivery).
- Consumer models are changing the growth of responsible purchasing (e.g. transparency requirement increasing).

### Opportunity

- Utilising digitalisation at the consumer interface (marketing, new products & services, etc.)
- Harnessing digitalisation in development of responsibility (e.g. reduction of material, energy and waste and ensuring transparency in the supply chain)
- New business models, e.g. sharing economy, circular economy

### Challenge

- Digitalisation significantly changes Tokmanni's operations at the consumer interface, and throughout the value chain.
- The competitive field becomes increasingly global and non-transparent.

### Response

- Development of a digital service offering and an omnichannel Tokmanni
- Development of new ways of communicating with consumers
- Development of digital marketing
- Varied order and delivery methods and channels, transparency of supply chain
- Development of digital service offering and new business models

# Profitable growth as a strategic objective

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

Tokmanni's strategic objective is to be a profitably growing, modern retailer with an affordable price image, an attractive assortment, and a good in-store customer experience. Responsibility is one of the company's strategic focus areas, with an aim to minimise business risks, make use of opportunities related to this, and produce added value for stakeholders over short-, mid- and long-term.

The long-term objective is low single digit growth in Like-for-Like revenue. Growth is sought by developing an interesting product assortment that meets customer needs, by marketing

**Growth is sought by developing a topical and interesting product assortment that meets customer needs.**

and continuous development of customer experience in the brick-and-mortar and online stores. Tokmanni markets its products truthfully, in an understandable manner and in compli-





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

ance with its ethical guidelines. In accordance with the company's data protection principles, personal data is used as provided by data protection legislation.

Tokmanni's assortments consist of over 25,000 stock-keeping units (SKUs). Product safety is vital for success and Tokmanni wants to ensure that the products are safe to use, responsibly sourced and produced in good conditions. The company takes product safety into account in its operations and ensures this by, for example, conducting self-supervision and product testing itself and commissioning it from third parties.

The company has defined expansion of its store network as another strategic growth objective. At the end of 2017 Tokmanni had 175 stores around Finland. The aim is to increase selling space by about 12,000 square metres per year. This will lead to increases in the company's energy consumption and waste generation, and means that the company will have to work continuously on improving its energy and material efficiency.

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

Tokmanni aims to improve its profitability and working capital efficiency by increasing the processes' efficiency and tools used in sourcing, supply chain and category management. At the same time, the company aims to ensure that responsibility and ethical guidelines are considered in the processes.

### **Tokmanni's strategy**

#### **Long term profitable growth is sought:**

- leveraging its unified brand image and, demand-driven category management, continuous store concept and assortment development and through further investments in digital and omni-channel services to drive Like-for-Like revenue growth;
- continuing to increase the amount of net new selling space by approximately by approximately 12,000 square meters annually, translating into approximately five new or relocated stores, and
- improving profitability and working capital management through improved processes and tools in sourcing, supply chain management and category management as well as improving its store efficiency



# Stakeholder engagement

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

The company keeps in touch with the most important stakeholders daily through various channels, and with others when necessary. Tokmanni has communicated with investors for instance through the websites, reports and one-on-one meetings. The list of engagement channels with other stakeholders can be found on page 24 of Tokmanni's [Corporate responsibility report 2015](#).

## Active involvement in associations and initiatives

Tokmanni participates actively in the operations of various national organisations including the Federation of Finnish Commerce, the Finnish Grocery Trade Association (PTY), the Finnish Cosmetic, Toiletry and Detergent Association and the Finnish Council of Shopping Centers. In the Federation of Finnish Commerce, Tokmanni is represented on the Board of Directors (until June 2017), the corporate responsibility group, communication group and the training committee.

At PTY, Tokmanni's representatives participate in the Board of Directors, retail trade group, communications group, product safety group and self-supervision group. We also participate in the operations of the Helsinki Region Chamber of Commerce in the training and labour force committee and the medal for merit committee.

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

Tokmanni has joined the Ministry of Environment's and Federation of Finnish Commerce's Society's Commitment to Sustainable Development's Green Deal initiative, which has the purpose of reducing the consumption of plastic bags.

Tokmanni aims to halve the use of plastic self-service bags per customer by the year 2026 and reduce the use of plastic bags by offering bags made of alternative materials. Tokmanni is also a member of corporate responsibility network FIBS and its Diversity Network. In 2017, Tokmanni joined A Shared Vision for Respecting UN Guiding Principles on Business and Human Rights in Grocery Trade Supply Chains. Retail businesses, NGOs, the Ministry of Economic Affairs and Employment and the Ministry for Foreign Affairs of Finland are part of the shared vision. Tokmanni also participates the UN Global Compact.

## Advisory Board

In 2017, Tokmanni set up the Advisory Board for Responsibility to step up its responsibility work. The Advisory Board comprises external experts and, among others, the company's CEO and several members of the Executive Group. The

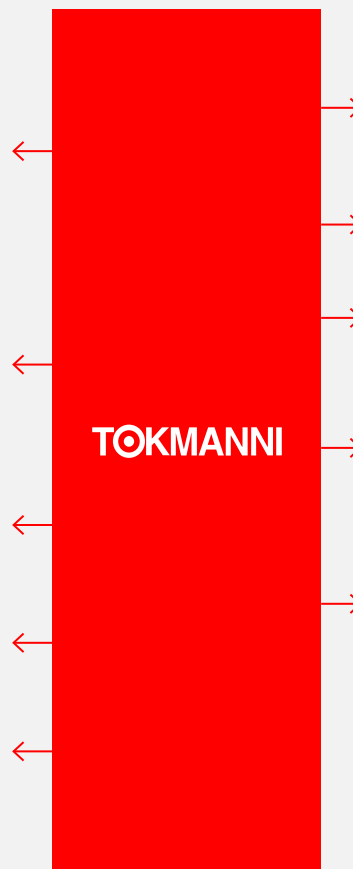
Board's goal is to support Tokmanni's responsibility work by providing the company an external opinion of the company's responsibility work, by acting as a sounding board for the company in responsibility trends, risks and best practices, for example. The Advisory Board convenes twice per year and it started its work in August 2017.

## Tokmanni supports

Tokmanni also implements its corporate social responsibility by supporting various charitable organisations. In 2017, Tokmanni supported Veikko and Lahja Hursti's Laupeudentyö ry together with Unilever. Tokmanni also supported those in need via Brother Christmas.

To celebrate Finland's centenary, Tokmanni offered its employees the opportunity to perform 365 days of voluntary work in various places. There is more information on this on Tokmanni's website in Finnish.

Tokmanni's answer	Main concerns	Stakeholder
Diversity of affordable products, ensuring quality and safety independently and using external help, membership of amfori BSCI and requirements for supplier factories, internal audits, communications	Product selection, availability and price of products, product safety and quality, responsibility of sourcing	<b>Customers</b>
Compliance with laws and regulations, ethical guidelines, labour policies, principles and instructions, training and communications	Labour rights, training programmes	<b>Personnel</b>
Vision and strategy and acting in accordance with these, ethical guidelines, investor communications	Financial performance, responsible operations	<b>Owners and investors</b>
Agreements, amfori BSCI requirements, communications	Matters related to purchases, fair treatment, requirements for suppliers	<b>Suppliers</b>
Compliance with laws and regulations, ethical guidelines, communications	Compliance with regulations	<b>Authorities</b>



Stakeholder	Main concerns	Tokmanni's answer
<b>Decision makers</b>	Obtaining information, opportunities to influence matters	Websites, discussions, communications
<b>Industry associations</b>	Active participation in operations, distribution of information	Tokmanni employees in different working groups, communications
<b>Academia</b>	Cooperation, obtaining information	Joint projects, reporting, lectures, communications
<b>Non-governmental organisations</b>	Responsibility in the entire value chain, transparency, distribution of information	Ethical guidelines, amfori BSCI membership and requirements for supplier factories, audits, meetings, replies to questionnaires, communications
<b>Media</b>	Active offering of information, answering queries quickly and honestly	Websites, social media, other communications

Channels for stakeholder engagement are available at Tokmanni's [Corporate responsibility report 2015](#).

# Materiality analysis

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

The themes have arisen from Tokmanni's materiality analysis and their selection is based on the principles defining the content of reporting presented in the GRI 101 Foundation standard. The materiality analysis was carried out in spring 2015 using telephone interviews and an online survey, to which there were 565 responses. The respondents to the survey represented suppliers, personnel, consumers, authorities and decision makers, industry organisations, investors and non-governmental organisations. The majority of respondents represented the personnel, consumers or suppliers. Tokmanni's top management answered the questionnaire from the point of view of effects on business.

The results were discussed and confirmed in the company's Executive Group. The criteria used

## **Tokmanni impacts directly the following material responsibility themes: Business integrity, Fair treatment and Efficient use of resources.**

were financial impacts including risks and opportunities, environmental impacts and effects on people. The final results concerning the material issues are presented on the following page.

In 2017, the correctness of the material issues was verified with conversations in small groups made up of suppliers (both in Finland and China), personnel, some non-governmental organisations and industry organisations. A Facebook survey was used to find out consumers' opinions. On the basis of the conversations, it was not considered necessary to

change the list of material responsibility themes.

Tokmanni directly impacts the following material responsibility themes with its own operations: Business integrity, Fair treatment and Efficient use of resources. In Responsible sourcing and products, the impacts are mainly indirect (contribution, linkage) and they affect supply chains, Tokmanni's partners and customers who use products sold by Tokmanni. There is a more detailed description of the themes and Tokmanni's activities related to these themes under each theme.





# Material responsibility themes



## Business integrity

Economic performance  
Employment  
Anti-corruption  
Privacy protection  
Ethical marketing



## Fair treatment

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



## Responsible sourcing and products

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



## Efficient use of resources

Efficient use of materials  
Energy efficiency  
Efficient logistics  
Efficient waste recycling

**Four initiatives were launched around the material themes in 2017, and further divided into projects. The initiatives are:**

- Carbon neutral Tokmanni
- Tokmanni supporting circular economy
- A diverse Tokmanni
- Tokmanni respecting human rights

These will be implemented over the years 2017–2020 and there will be more information on them in the next report.

# Management approach

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

This description of management approach covers all Tokmanni's material responsibility topics. Tokmanni's Corporate Responsibility Report only concentrates on matters that are completely within Tokmanni's control, apart from logistics and sourcing. In the area of sourcing and product responsibility, the Shanghai office is included in the reporting. In the area of logistics, the emissions figures cover the transport services suppliers and air travel emission data has been provided by the travel agency.

The Shanghai sourcing office is a joint venture in which Tokmanni and the Norwegian

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

Compliance with legislative requirements and the principles of good governance are minimum requirement for all of Tokmanni's responsibility work. The operations accord with the provisions of



the UN's International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. The basis of corporate responsibility work at Tokmanni are the [company values](#) and [Code of Conduct](#), including the complementary principles, policies and instructions. Tokmanni's Code of Conduct and related principles have been approved by the Board of Directors. The policies have been approved by the Executive Group and the instructions by the heads of business units.

The CEO is ultimately responsible for Tokmanni's corporate responsibility matters. He reports these to the Board of Directors regularly. The Board of Directors deals with corporate responsibility matters if necessary, and the presentations and information produced by Tokmanni's corporate responsibility experts serve as support for the decision making. The Board of Directors also approves data other than financial data that is presented in the report

by the Board of Directors in accordance with Section 3a of the Accounting Act. Responsibility for the operational management of the work lies with the Company's CFO and Deputy CEO, who is a member of the Executive Group. The Head of Corporate Responsibility reports to the CFO and Deputy CEO. The Head of Corporate Responsibility leads the working group that consists of representatives of business units and the personnel, whose duty is to be responsible for reaching the company's corporate responsibility targets in the business units. It is the responsibility of everyone at Tokmanni to comply with the company's Code of Conduct and, in their own work, to minimise negative impacts on the environment and society.

In Tokmanni's responsibility work, material matters are themes that are important for stakeholders' decision making and for business performance. These themes are business integrity, fair treatment, responsible sourcing and products, and efficient use of

## The material themes have been defined according to the materiality analysis presented in the GRI 101 Foundation standard.

resources. The material themes have been defined according to the materiality analysis presented in the GRI 101 Foundation standard ([see p. 16](#)). The operational work is carried out in the company's various departments, where responsibility targets are set for the material responsibility topics, measures to reach these targets are defined and the results concerning these targets are reported. Corporate responsibility indicators

are reported once a year and the operational indicators are monitored quarterly in the meetings of the steering groups. Targets are reported separately for each material area in this report.

Tokmanni's management systems are further described in Tokmanni's [Corporate Governance Statement](#). Corporate responsibility risk management is part of the company's risk management process. Tokmanni aims to follow

the precautionary principle in all its operations. Management is constantly assessed at Tokmanni, and targets, resourcing and business practices are modified if necessary.

Tokmanni has two channels for reporting operations that are not responsible. One of the channels can also be used to report products that are not responsible. Notifications submitted to the whistleblowing channel are described in this report ([see p. 23](#)).





# Managing material topics

Material topic	Main steering principles and policies	Targets and measures 2018
<b>Business integrity</b>		
Economic performance: 201-1	Accounting principles, International Financial Reporting Standards (IFRS), <a href="#">Governance</a>	<a href="#">Financial targets</a>
Anti-corruption: 205-2, 205-3, 206-1, 415-1	<a href="#">Code of Conduct</a> , Anti-bribery principles, <a href="#">Governance</a>	<a href="#">Targets of Business integrity</a>
Anti-competitive behavior: 206-1	<a href="#">Code of Conduct</a> , Competition law principles	<a href="#">Targets of Business integrity</a>
Marketing and labelling: 417-3	<a href="#">Code of Conduct</a>	<a href="#">Targets of Responsible products</a>
Customer privacy: 418-1	<a href="#">Code of Conduct</a> , Data protection principles, <a href="#">Human rights principles</a>	<a href="#">Targets of Business integrity</a>
<b>Fair treatment</b>		
Employment: 401-1, 401-2	Personnel policy	<a href="#">Targets of Fair treatment</a>
Occupational health and safety: 403-1, 403-2	<a href="#">Code of Conduct</a> , Personnel policy, Operating plan for occupational health care cooperation, <a href="#">Human rights principles</a>	<a href="#">Targets of Fair treatment</a>
Training and education: 404-3	Training plan	<a href="#">Targets of Fair treatment</a>
Labor-management relations: 402-1	<a href="#">Code of Conduct</a> , Personnel plan, Personnel policy, Equality plan, <a href="#">Human rights principles</a>	<a href="#">Targets of Fair treatment</a>
Diversity and equal opportunity: 405-1, 405-2	<a href="#">Code of Conduct</a> , Equality plan, <a href="#">Human rights principles</a>	<a href="#">Targets of Fair treatment</a>
Non-discrimination: 406-1	<a href="#">Code of Conduct</a> , Equality plan, <a href="#">Human rights principles</a>	<a href="#">Targets of Fair treatment</a>
<b>Responsible sourcing and products</b>		
Responsible sourcing: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2	<a href="#">Code of Conduct</a> , amfori BSCI's <a href="#">Code of Conduct</a> , <a href="#">Principles of responsible sourcing</a> , Guidelines for responsible sourcing, <a href="#">Human rights principles</a>	<a href="#">Targets of Responsible sourcing</a>
Customer health and safety: 416-1, 416-2	Instructions of quality and packaging, <a href="#">Human rights principles</a>	<a href="#">Targets of Responsible products</a>
Socio-economic compliance: 417-1, 419-1	Instructions of quality and packaging	<a href="#">Targets of Responsible products</a>
<b>Efficient use of resources</b>		
Efficient use of materials: 301-1	<a href="#">Code of Conduct</a> , Environmental policy	<a href="#">Targets of Efficient use of resources</a>
Energy efficiency and emissions: 302-1, 302-3, 305-1 – 305-4	<a href="#">Code of Conduct</a> , Environmental policy	<a href="#">Targets of Efficient use of resources</a>
Efficient waste recycling: 306-2	<a href="#">Code of Conduct</a> , Environmental policy, <a href="#">Plastic bag commitment</a>	<a href="#">Targets of Efficient use of resources</a>
Efficient logistics: 305-3	<a href="#">Code of Conduct</a> , Environmental policy	<a href="#">Targets of Efficient use of resources</a>

# Values as the basis for responsibility work

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



## Customer focus

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



## Respect

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



## Renewal

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



## Profitability

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



## Corporate social responsibility

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



# Ethical guidelines

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

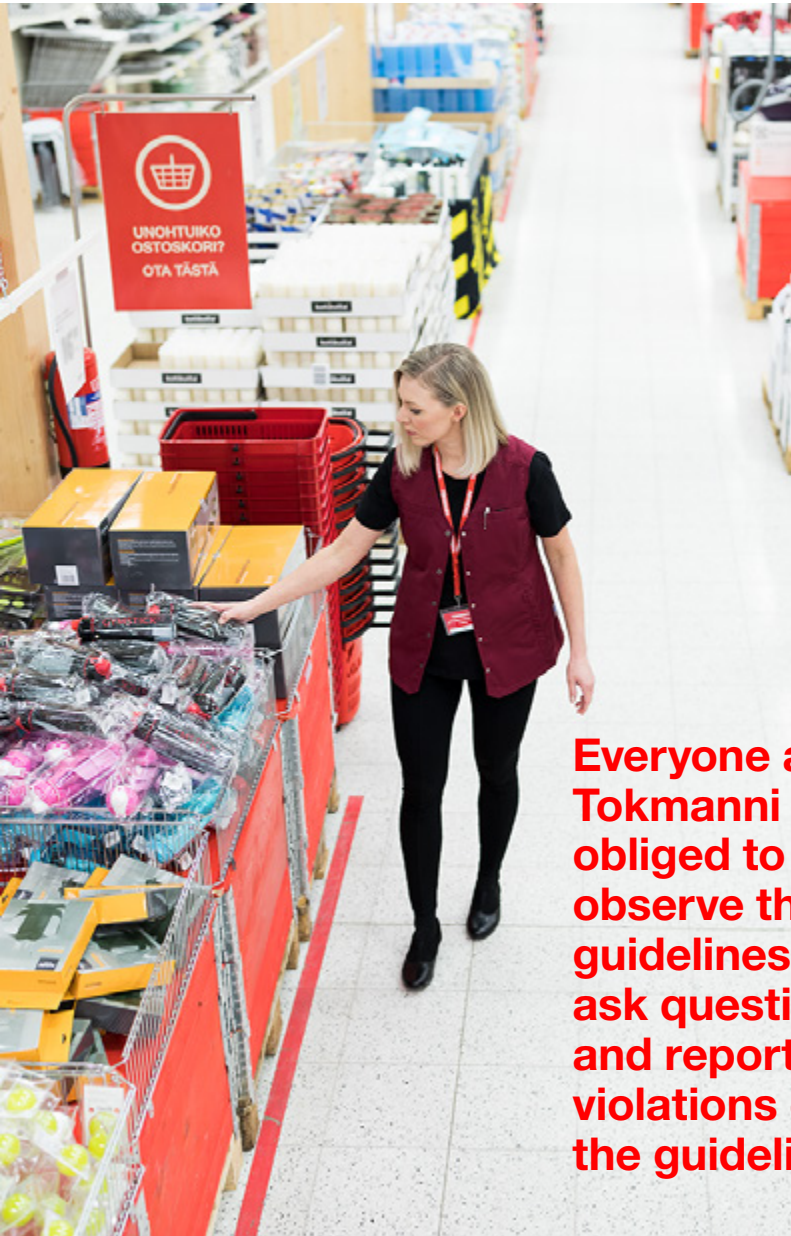
Tokmanni employees and the members of the Board of Directors have received training on Tokmanni's Code of Conduct and have undertaken to comply with it. The training will be organised

## Our Code of Conduct includes the following rules:

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







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

again for all Tokmanni employees in 2018. The Executive Group and key employees have also received additional training on prevention of corruption, trade sanctions and competition law. This training will also be organised again in 2018. New employees and those returning from longer periods of leave participate in the training as part of their own induction programme. Everyone at Tokmanni is obliged to observe the guidelines, ask questions and report violations of the guidelines. Tokmanni carries out inspections on its partners in connection with the prevention of corruption and observation of trade sanctions.

Everyone is also obliged to inform their supervisors or the Compliance unit of good practices. The Compliance unit can be informed via the whistleblowing channel, which is presented as part of the training on the Code of Conduct. The channel is also always open for Tokmanni's external stakeholders, and notifications can also be made anon-

ymously. Notifications received in the channel are processed confidentially as required in data protection legislation. Tokmanni's stakeholders can also provide notifications of operations or products that are not responsible through another channel, which can be found on Tokmanni's website.

### **Compliance unit**

The Compliance unit is responsible for Tokmanni's compliance with the guidelines. The Compliance unit is headed by the Chief Compliance Officer, who reports directly to the Chief Executive Officer and also regularly informs the Board of Directors. In addition to the Chief Compliance Officer, the Compliance unit includes three Compliance Officers, each of whom has a specific area of responsibility. The Compliance Officers answer queries concerning their area of responsibility and update the principles and instructions that are their responsibility.

The Compliance unit handles notifications concerning financial

wrongdoings received via the whistleblowing channel or otherwise, and actions that violate Tokmanni's Code of Conduct, and imposes potential sanctions. The Compliance unit convenes monthly but handles pressing matters immediately.

The whistleblowing channel was opened in September 2015. In 2017, the Compliance unit received 15 notifications, all of which have been processed. 14 of the notifications were related to employees, and one to external partners. Tokmanni didn't have any corruption or human rights violation incidents in 2017.

Users' satisfaction with the channel was studied in 2017. About 55 per cent of the respondents who used the channel were satisfied or very satisfied with the functioning of the channel. There were no respondents who were dissatisfied or very dissatisfied with the channel. Participants of the Code of Conduct training in 2018 will be given a recap about the channel and its principles.

# Human rights as a starting point for responsibility

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

## We aim to respect human rights

Regarding human rights, Tokmanni's operations are also guided by the UN Guiding Principles on Business and Human Rights. In line with the due diligence principle, Tokmanni has evaluated and monitors the potential effects of its operations on human rights, and takes any corrective measures, if necessary. Tokmanni communicates its potential human rights impacts as far as possible within its degree of participation, possibility and power of influence. Tokmanni has published its Human rights princi-

## The goal is to continuously reduce potential negative human rights impacts.

ples and a summary of its Human rights report 2016 on its [website](#).

Based on the evaluation, the most significant potential human rights impacts in Tokmanni's operations relate to health and safety, safety of buildings, excessive overtime, a living wage, and the use of child labour and



forced labour. The potential negative impacts identified can impact upon a range of human rights, including the right to work, the right to health, the right to life and the right to a family life. In 2017 we commissioned audits carried out by third-party at our suppliers' factories in Bangladesh, China, Myanmar and Turkey to try and verify the validity of potential human rights impacts discovered in human rights evaluations. The audits have also included interviews with employees carried out outside of the factories. We will report the findings later.

### We act for human rights

The occupational safety and health of personnel has been further improved (see p. 58), as has the safety of business travel. The flexibility of work has been improved with teleworking and solutions tailored for people with partial work capacity.

A strategy and action plan for responsible sourcing has been developed as part of Tokmanni's strategy process. Among oth-

ers, ideas for matters related to grievance and remedy mechanisms have been suggested in workshops with other companies chaired by a consultant familiar with human rights issues. This work is still under way. There was also discussion on the development of suppliers' management system during the strategy process. Supply chains have been investigated, particularly regarding critical raw materials (see p. 63), by requiring suppliers to provide information on their suppliers. This work is also still under way.

For several potential significant human rights impacts, a part solution in risk countries would be functional freedom of association and collective bargaining. These are ways of ensuring a living wage and preventing excessive overtime, for example. The implementation of freedom of association and collective bargaining at suppliers' factories is currently monitored with audits.

Tokmanni will update its human rights assessment once a year based on the results of

## Tokmanni also expects its business partners to respect human rights in line with supplier requirements.

amfori BSCI audits and its own audits, as well as complaints filed via various channels. The goal is to continuously reduce potential negative human rights impacts.

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

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

- improving occupational health and safety
- improving the safety of business travel
- increasing flexibility of work

### In purchasing, we work towards:

- further developing a strategy and action plan for responsible purchasing
- further developing a supplier management system
- developing a grievance and remedy process in accordance with the effectiveness principles that are contained in the UN Guiding Principles
- going deeper into the supply chain



# UN's Sustainable Development Goals and Tokmanni

Tokmanni is committed to the UN Sustainable Development Goals (SDG), which will guide its member states' operations until 2030. We have chosen the most important goals for our work and our stakeholders. You can read more about our actions in the section Sustainability Work 2017.

More information about UN Sustainable Development Goals [here](#).

## The most relevant goals for Tokmanni



## Other goals



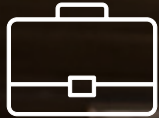
# PHENOMENA

No company works in a vacuum. Tokmanni is affected by various global megatrends and important responsibility issues that will change how we handle our business and our responsibility. Next, we will present four interesting phenomena indicating the future of the retail sector.

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# Business integrity

Read more about  
our measures and actions in the

 Sustainability work 2017





## Digitalisation enables more responsible business

In our global world, product supply chains are long and complex. Digital solutions and services allow us to keep track of products more closely. Electronic solutions improve the traceability of supply chains and help to develop processes. Waste is reduced, and environmental efficiency improves.

Digitalisation is already having a considerable effect on the world and is making significant changes in all sectors. However, few sectors are changing quite as quickly and dramatically as the retail sector. The opportunities created by technology are revolutionising buying, selling, logistics and recycling, and each new technological breakthrough furthers this development. Utilising digitalisation in business is traditionally associated with the improvement of productivity using IT solutions. However, this perspective is too narrow if you consider all the opportunities that digitalisation can bring for developing business and changing procedures





from the perspective of responsible business.

### Consumers' purchasing behaviour undergoing radical change

Digitalisation has significantly changed consumers' purchasing behaviour over the past decade. The time and shopping location no longer matter as consumers can buy products and services 24 hours a day, every day of the year from all over the world. There is deeper involvement in the purchasing processes and information is sought from the internet before and during the transaction. Consumers seek information on the availability of a product, compare prices in different stores, seek technical information from the internet and read peer reviews and recommendations about the product. Digitalisation also significantly increases pressure for transparency and increases the need for product traceability. Consumers demand increasingly accurate information on products and they need to find this information easily and quickly.

The payment process is also changing and has largely already become digital.

### Product transparency with technology

International retail sector giants, such as Wal-Mart and Tesco, are attempting to respond to customers' increasing demands for transparency by developing technologies which can help to offer more transparent information on the origin and materials of their products. Today, this type of product labelling is still the sole right of individual retail giants and globally they are less common, but it is only a matter of time before customers start to think that this is normal practice. This and the fact that technology is getting cheaper is also forcing other operators in the retail sector to introduce similar technologies.

The key existing technologies, such as the RFID code that is familiar from inventory management, are developing and create more opportunities regarding transparency. Traditional paper product labels will be replaced by microscopic electronic devices that can be read with smart-

**Technology makes it possible for operators that are unknown to each other to produce and maintain databases in a distributed manner.**



## New possibilities for monitoring offer companies the opportunity to save each detail of the product related to each stage of production.



phones and product labelling that can be read with new generation bar codes. The product labelling created with the technologies developed can be used so that the information is directly saved in them and, in some cases, almost in real time as the product moves through the supply chain. Alternatively, the product could simply contain an identifier that guides consumers to a huge amount of data on the internet. Therefore, consumers would easily be able to access information where the origin data collected is not just general information on some product group, but information on the actual product that the consumer is holding. By developing technologies like this companies can create increasingly developed ways of tracing the origin of their products.

Supply chains and production contain a growing number of companies that produce and supply products or services together. This may create challenges for the traceability of products. However, a relatively new type of technology called blockchain creates better opportunities for tracing products and product ecosystems that have been produced together. Technology makes it possible for operators that are unknown to each other to produce and maintain databases in a distributed manner. In the blockchain, information is distributed among participants, so it can

be verified from many sources and used to compile a database. The technology means that members of the chain can trust each other even though they do not know each other. From the responsibility perspective, the fundamental thing in blockchain technology is that information that has been saved can't be changed later on, so in this way it creates opportunities for saving, tracing and sharing information on the supply chain in a dispersed and safe way throughout the ecosystem.

### Technology increases supplier requirements and improves processes and quality control

Transparency is not important only at the customer interface, as monitoring technologies increase companies' requirements targeted at suppliers at the start of the production chain. Supply chains, from the beginning until the finished product, are long and complex. Today, supply chains are rarely straight and are made up of massive networks that branch off and are hard to trace. Until now companies have found it difficult to confirm suppliers lower down than Tier 1 and Tier 2 suppliers as this has been financially and logistically challenging and the information is not necessarily reliable. Though companies make huge efforts into auditing Tier 1 and Tier 2 suppliers, these audits may be insufficient, and the

### Digitalisation significantly changes companies' operations throughout the value chain

#### Consumer

- Changes in consumption, purchasing locations and behaviour, and forms of payment

#### Production

- Rise of automation and robotics
- Use of artificial intelligence
- Internet of Things

#### Logistics & sourcing

- Transparency requirement
- Optimisation of logistics

#### Workforce

- Reduction in need for workforce and changes in professional requirements of work
- Education will become digitalised; work will be independent of place and time



biggest risks may be found much deeper in the value chain.

In certain critical industry sectors, such as the pharmaceutical and chemical industry, traceability has been standard practice for a long time, despite the costs and complexity. These sectors have refined systems, which are used to confirm the origin of pharmaceutical ingredients, among other things, primarily due to the requirements of product safety and regulations.

However, developing technologies will make monitoring easier in other industry sectors, so companies will be able to ensure that suppliers do not replace approved materials with poorer-quality alternatives, prevent counterfeit components and materials from entering the supply chain and ensure that products are manufactured at the factories stated by the supplier and not elsewhere. Traceability is also a very essential factor for companies aiming to measure the ecological footprint of their products.

New possibilities for monitoring offer companies the opportunity to save each detail of the product related to each stage of production. The information can be used

**Over the longer term, digitalisation will revolutionise everything, from transport and work to housing and food production.**



to boost the processes and to analyse products, for example from the perspective of quality, safety, reliability and responsibility. Digitalisation will allow companies to demand more and more traceability from throughout the value chain. Only those suppliers and products whose traceability is in order can be approved.

### **Digitalisation also reduces companies' environmental impacts**

By digitalising and automating their processes companies can enhance their energy efficiency, material efficiency and waste processing. For example, unnecessary use of materials and waste can be reduced and use of capacity can be made more effective. Procedures can also be changed completely, for instance by reducing unnecessary transportation using tele-diagnostics. People can be assisted in their work and daily life by making environmentally friendly choices more attractive. Over the longer term, digitalisation will revolutionise everything, from transport and work to housing and food production. In this way digitalisation can significantly reduce the material and energy intensity of the economy. Energy consumption can be optimised in many ways through digitalisation. The heating of buildings and industrial processes, for example, can be intensified with sensors and analytics.

## PERSPECTIVE

# Blockchain technology is anticipated to revolutionise the world

Utilisation of blockchain technology is arousing considerable interest all over the world. This technology, which has been called a megatrend, makes more transparent sourcing possible, for example – also in the retail sector.

The media is even describing blockchain as a technology, comparable to the internet, that will significantly change people's lives and practices. Blockchain is a decentralised online log book of transactions in which different parties can store, exchange or transfer different types of information or value. All information in the blockchain is distributed among countless computers, which means it can be verified from many sources. There is no way of changing or

falsifying information without others knowing, so exponents of the technology believe there is no need for banks, law offices, agencies or any other traditional intermediaries to guarantee trust.

## Many different uses

Up to now, the most well-known user of blockchain has been the digital crypto-currency bitcoin, but in many sectors, people are now thinking of ways of using blockchain technology to assist business development. Experts believe that the technology can enable many more digital solutions, in addition to digital currencies, such as voting systems, and identity, property and other registers, and smart contracts, which are like self-executing computer programs based on programming code.

Users of blockchain technology can already be found in the finance sector, where services based on blockchain are said to speed up monetary transactions and settlement of share trades. The Nasdaq stock exchange has already engaged in share trading using blockchain technology. Around the world, people have been working on a land registry based on blockchain technology and even global citizenship. However, the technology has received plenty of criticism: its implementation is considered to be demanding and the electricity consumption of its transactions huge.

## Blockchain technology in the retail sector

Many consumers are demanding cheaper prices and higher-quality products and services. They are increasingly interested in the background of their purchases and more aware of issues related to responsibility. At the same time, retail trade companies naturally aim to meet customer expectations and also speed up the flow of goods, prevent counterfeit products and reduce sourcing costs. To succeed on the market, companies need to harness significant resources for many functions, such as performing various audits, compiling reports and acquiring certificates of origin for products.

Blockchain technology can also be considered to benefit retail trade businesses. Using the technology, various operators can not only conclude agreements and speed up money transfers, they can also verify the origin of their products more accurately than before, and monitor the life cycle of products, from raw materials to end-use. As transactions can be verified reliably, operators can react quickly to possible problems with authenticity and quality at different stages of production, for example, in connection with production or logistics. The increase in transparency of sourcing may reduce the need for intermediaries to carry out

## Companies may also pass on the reliable information collected with blockchain technology to others.

product inspections, which means the reduction of costs.

Companies may also pass on the reliable information collected with blockchain technology to others. For example, in the retail sector, it would be possible to provide consumers with encouragement regarding their purchase decisions, for example, by offering meaningful information on the origin or production method of a product or service. This could help operators gain a competitive edge in the market.



## Fair treatment

Read more about  
our measures and actions in the

[Sustainability work 2017](#)





## Diversity as a business driver

The benefits of diversity are now recognised much better than earlier in Finnish companies. For many, the retail sector is a gateway into working life and companies can be champions for diversity. However, this requires the work community to be open and target oriented.

Diversity can refer to the individual characteristics of different people, such as age, sex, ethnic background or position in the company. In addition to these characteristics that can easily be observed, diversity is also made up by skills, values, operating style and attitude. Many variable factors are also associated with diversity, such as life situation and health.

The diversity of the work community requires employers to develop their abilities to encounter differences and change their own procedures so that they are better at considering differences. A diverse work community is sometimes considered to be a liability. It may take longer for employees to complete their orientation and adjust to the work community if they are unacquainted with Finnish working culture. On the other hand,



## Openness and target-orientation hold a key position in the construction of a successful, multicultural company.



other members of the team may wonder why the work tasks need to be delegated in a new way due to the life situation of one employee, for example. Despite this, more and more Finnish companies consider diversity above all to be a positive resource and that the benefits that it provides to business are bigger than the challenges.

### Campaign highlighted good practices and new ideas

Within the framework of the Helsinki Region Chamber of Commerce's Chamber of Multicultural Enterprises (COME) project, the Successful Multicultural Company Campaign was arranged at the beginning of 2017. Tokmanni participated in this campaign with 45 other companies. The campaign attempted to find workable practices to promote multiculturalism in different-sized companies and to highlight new thinking concerning the recruitment of personnel. Project Director **Markku Lahtinen** from the Helsinki Region Chamber of Commerce has seen over the past three years how companies' understanding of the

benefits of diversity has grown. Companies want to employ the best talents no matter what their nationality is, which means companies have to be open towards differences and to be able to recognise competence.

The companies that participated in the competition considered the benefits of a multicultural organisation as the improvement of networking and innovation and the growth of customer satisfaction. Personnel value managers who believe that multicultural personnel are a strength and who value learning from other cultures. A multicultural company was also considered an attractive employer.

### Targets are more important than different ways of operating

Attracting investments and skills is important for Finland's success, so promoting diversity at companies has an important role in affecting opinions.

"Openness and target-orientation hold a key position in the construction of a successful, multicultural company. Instead of focusing on doing things in

the right way, we need to focus on doing the right things," says Lahtinen.

Companies that place importance on the observance of established procedures will not benefit from diversity. In a target-oriented corporate culture, there is more freedom and different ways of doing things are permitted more easily. Then there is more room for innovation and

success is measured on the basis of results.

"Supporting diversity needs to be part of the company's values, but a functional multicultural team, for example, is not built with strategic decisions. Everyday acts, coaching of supervisors, support and patience is needed for this as a multicultural work community is created through learning and mistakes," says Lahtinen.





### Retail sector as a pioneer in multiculturalism?

It is difficult for people who have moved to Finland from other countries to gain a foothold in the Finnish labour market. Skills are not always identified and the services for work-based immigration are dispersed. Lahtinen feels that it is important that services for the highly skilled and professionally skilled are in one place so that no unnecessary hurdles are placed in the way of gaining employment. According to Lahtinen, the recently-launched International House Helsinki, which brings public, private and third sector services together in one place, is a good example of a fresh way of thinking and customer-oriented service.

The retail sector is among the sectors that employ the highest number of young people, and for many it is also a gateway into working life. Therefore, in Finland the retail sector could show the way as a multicultural working community and promote diversity also in other ways. Summer jobs, part-time jobs and on-the-job training often provide the first experience of a working community

## An open atmosphere that is respectful of others will also rapidly come across to customers and have a positive impact on the service experience.

and this has a significant impact on attitudes.

Multiculturalism offers the Finnish retail sector new ways of understanding its customers, because increasingly competence in multiculturalism will be required in order to construct a good service and product selection as the customer base becomes more multicultural. The opportunity to receive customer service in your own language, or for the product assortment to take the celebrations of different cultures into consideration are business opportunities that are worth using. In the retail sector, members of the work community work closely with the customer, so an open atmosphere that is respectful of others will also rapidly come across to customers and have a positive impact on the service experience.

### PERSPECTIVE

## For the joy of the work

*Considering people with partial work capacity requires encouragement*

A diverse work community and ensuring the equal treatment of personnel from the recruitment phase onwards are important targets for Tokmanni. The company aims to establish operating practices and conditions in which all employees feel that they are in an equal and comparable position in relation to colleagues, irrespective of individual characteristics, such as age, position, sex, ethnic background, life situation or health.

Tokmanni has actively created models, among other things, that support employees' occupational wellbeing and adjust work when a person's working capacity has declined.

Store Manager **Katri Haantaus** has successfully managed her team in situations where work has been redistributed among the team when an employee has had to temporarily or permanently stop taking

care of certain tasks. It is not easy for a committed employee to hand over tasks and even team members may be unfamiliar with the various work tasks in their team.

"Supporting the cooperation of a diverse team involves talking about matters early on and giving the discussion a chance. This helps to prevent corridor conversations and discrimination," says Haantaus.

Consideration of people with partial work capacity and flexible work requires encouragement, honesty and openness. The supervisor role includes coaching the team in changing situations and reinforcing the team's common goal. Katri Haantaus wants to work in a way that ensures that enjoyment of work is retained in all situations and conditions. "Openness, honesty and open communications are everything in this matter."





# Responsible sourcing and products

Read more about  
our measures and actions in the

[Sustainability work 2017](#)





## Living wage and responsible business

Globalisation has raised people's living standards all over the world. Despite this, in many countries workers are still not ensured a living wage.

Before globalisation, governments protected and supported domestic production with various taxes and customs duties. When customs duties were added to products manufactured abroad, they became more expensive than the domestic products. Customs duties meant that it made sense to manufacture many products domestically, even though this was more expensive, and the products manufactured may have been poorer quality than those manufactured abroad. On shop shelves foreign products were always more expensive than domestic ones.

Globalisation has meant that such customs duties and taxes have been partially abandoned. As a result, store product selections have grown, and the prices of many products manufactured abroad have declined. Products are manufactured by those who are able to do





this efficiently, and they are usually manufactured in countries where wage and production costs are clearly lower than those at home.

### Benefits and challenges of globalisation

Developed countries have benefited from globalisation, which can be seen in cheap prices and the growth of product selections. At the same time, in many developing countries economic growth has created jobs and helped people to make a better living. Over the past thirty years global poverty has reduced, and in China, for example, hundreds of millions of people have been able to improve their living standards. However, there are still many countries in the world where globalisation has not raised living standards as desired. Though every person should be able to receive fair compensation for their work, this, unfortunately, does not always happen in global production.

The statutory minimum wages enacted by states in the production countries are not always at a sufficient level for people to live on and some countries don't even have a statutory minimum wage. If employees are unable to cover their own and their family's basic needs, this can easily lead to human rights violations at the workplace. A wage that is insufficient for living on is



**Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs.**

associated for example with the use of child labour and forced labour, excessive overtime and endangering occupational safety, especially in piecework.

The rights of freedom of association and collective bargaining are also part of the ILO's fundamental rights at work. The realisation of these rights would bring employees better conditions for receiving a higher wage. However, the right of freedom of association in trade unions is not realised in all countries in the world.

### Defining a living wage

In 1919 the International Labour Organisation (ILO) specified a minimum wage as a fundamental right in accordance with the ILO Convention. In 1948, the UN's Universal Declaration of Human Rights officially recognised the right of workers to receive a living wage. However, the UN's Declaration did not specify the living wage.

Implementation of the living wage requirement has been complicated by the fact that different states, international and local trade unions, NGOs and various research institutions have formed their own definitions and measurement methods for calculating a living wage. [The Global Living Wage Coalition](#) has started to apply a method developed by Richard and Martha Anker for defining a living wage in various parts of the world.





According to the definition, a living wage is “the remuneration that is sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.”

This definition also provides detailed calculation methodology and indicators for specifying a living wage.

### Long and complex supply chains

The supply chain from raw materials to the store is usually very long. For example, the

## Companies have a responsibility and obligation to respect human rights.

clothing production chain includes many different stages that are completed by various parties and suppliers. Let's take an ordinary cotton T-shirt as an example. The production stages include harvesting the cotton from the fields, transporting the cotton to the spinning mill, spinning the cotton into yarn, and transporting the yarn to where it is woven into fabric, which is then washed and dyed. The fabric is sewed into a T-shirt either at the same place or elsewhere. After this the T-shirt is either transported to the country of sale or to the next place where it is printed on, for example. Therefore, the supply chain can easily contain dozens of parties, and trying to find out who these are can be incredibly hard for an individual company.

### Who is responsible for ensuring a living wage?

This is a difficult question from a company perspective. Though it is a government's job to ensure the realisation of human rights, companies have a responsibility

and obligation to respect human rights and, among other things, to ensure that the employees working in its supply chain are paid a living wage. However, the matter is not as clear-cut as this and companies do not always, despite their good intentions, necessarily have the opportunity to affect the matter as they would wish.

Individual companies have limited opportunities to impact, and the cooperation of different parties is needed to solve the problem. It is important for companies to be able to work together to ensure that human rights are realised in supply chains. In addition to cooperation between companies, governments, NGOs and the actual employees, for example is needed to find solutions.

Though a company's opportunities to impact living wage may be limited, it is able to influence the matter, for example, by carefully choosing suppliers, by auditing suppliers and cooperating with its suppliers. Companies can also have an impact on the realisation of rights with contractual terms and whistleblowing channels set up for factory employees. Ending business relationships as a result of violations of rights at work is not often the best solution. When business relationships end, it is often the factory workers who suffer by losing their jobs. Therefore, the problem should be solved in cooperation with the suppliers.

## PERSPECTIVE

## Wage challenges in the supply chain

### According to SASK, what are the biggest challenges for workers in developing countries regarding receiving a living wage?

The key problem is that many workers do not earn a living wage for their work. According to the International Labour Organisation (ILO), the percentage of workers out of the global workforce (in total 3.2 billion workers in 2016) living in extreme poverty had declined from 53 per cent in 1991 to about 13 per cent by 2016. This is an excellent trend and direction. However, there are still almost 500 million workers in the world living in extreme poverty.

### Can you give us any concrete examples?

The textile industry in Bangladesh is one example of a global value chain in which the branded clothing that we wear is often manufactured in unbearable conditions. Though the statutory minimum wage has

been raised substantially in recent years as a result of international attention, minimum wages are still not enough to live on. International operators, brands, store chains and trade unions have continued to keep the matter in the spotlight and have helped to improve working conditions, for example using the international Accord agreement. The Accord already currently covers about 60 per cent of the over three million employees working in textile industry in Bangladesh. Thus, huge progress has been made regarding a living wage also in Bangladesh, but there is still a lot to do.

### From your perspective what are companies' biggest challenges?

There are many types of companies, so the biggest challenges vary for each company. The key challenges for retail trade companies are the size of the supply chains and the related information management. There are easily dozens of various commercial operators associated with the value chain of one product, and some of these operators change frequently. Managing this type of chain is challenging for anyone, but it becomes especially challenging when the value chain includes lots of operators in developing countries. Often, at least some of the operators many operate in the informal economy. Such operators can be found in developing countries, for example in tasks

## Third-party audits are a good tool at best, but lots of problems remain hidden even in good audits

related to agriculture, logistics and even real estate management.

### What should companies focus on from this perspective and how?

Knowing your own supply chains is the most important thing in this matter. You should make a risk assessment of your value chain and first focus on the areas where the risks are the greatest. Third-party audits are a good tool at best, but our investigations into the value chain of the Finnish retail sector prove that lots of problems remain hidden even in good audits. For example, this is because the target is often informed in advance that there will be an audit, which means there is time to prepare by even forging documents, such as documents on salaries and working hours.

### Janne Ronkainen

Executive Director of SASK, the Trade Union Solidarity Centre of Finland

About 20 years of experience in leadership and expert tasks in development cooperation organisations. Familiar with ethicality issues of company supply chains, for example through his role as Executive Director of Fairtrade Finland.

### SASK

The Trade Union Solidarity Centre of Finland, is the solidarity and development cooperation organization of Finnish trade unions. SASK's members are 37 Finnish unions whose members total about 1.7 million employees in Finland.





## Efficient use of resources

Read more about  
our measures and actions in the

[Sustainability work 2017](#)







## Circular economy challenges and encourages us to cooperate

Just a few generations ago, clothes were used until they fell apart and leftovers were used to conjure up new meals and this was self-evident. Now in cities, municipalities and companies these skills are being adapted into practices following the concept of circular economy.

In the past, people didn't have much, which meant they lacked things and money. Many had to live very frugally, and within their means. Around the world, many still experience such shortages, also in Finland. But this has also gained another meaning: humanity is starting to run out of natural resources. And because of this we need to rethink many things. We need to start learning to mend, share and rent things again, instead of always buying new things.



The principle of circular economy is very simple and reasonable: products are designed to be durable and easy to reuse, also as components. Raw materials and energy are renewable and side streams of industrial processes and agriculture are collected and used as raw materials by other operators. Hardly any or very little waste is generated.

### Finland now has a road map to a circular economy

But something that is easy in principle is not necessarily easy in practice. To turn the concept into reality, a road map to a circular economy for the years 2016–2025 was compiled for Finland – the first country in the world to have one.

The work was led by Sitra, the Finnish Innovation fund, and several ministries,

businesses, researchers, NGOs and trade unions were involved. The road map has five interlinked focus areas: a sustainable food system, forest-based loops, technical loops, transport and logistics, and joint actions.

The actions are divided into three levels:

- Policy actions leading to circular economy. For example, these are acts and decrees that promote circular economy.
- Key projects of focus areas, in other words, flagship projects for the development of a circular economy.
- Focus area pilots, in other words, first-phase development trials.

The road map was published in autumn 2016 and since then some key projects and trials have already been launched. For example, in November 2017 the first pilot projects for a sustainable food system were

selected from Åland, Central Finland, Finnish Lakeland and Lapland. The goal is to create a food system for each area, where production and consumption take place through conservation of natural resources and their optimal use and recycling.

All projects have the following in common, they are extending the sustainability perspective to the entire food chain, from production to plate and further to nutrient recycling. For example, side streams of various materials are generated in food production, and the aim is to make use of these in accordance with the concept of circular economy.

### Cooperation across organisational boundaries is needed

The circular economy is currently a hot topic around the world, and many other

countries in addition to Finland are aiming to become a model country for circular economy. The discussions emphasise the need for systemic change, without which it will be impossible for the circular economy to make progress or strengthen.

“Circular economy really is a model example of systemic change, as the need for change affects almost all industries and social sectors. These types of paradigm shifts are impossible to implement alone,” says **Martin Hunt**.

Martin Hunt is a Principal Project Manager at Forum for the Future, a British company offering sustainable development services, who has been involved in investigating the challenges posed by the circular economy for the energy industry and construction sector, for example.

## Circular economy business models

Sitra introduces the most inspiring Finnish companies in the circular economy on its website. These have been compiled from all five circular economy business models:

### Product-life extension

These include recycling of office furniture and usable IT equipment, and fashion libraries and clothing repair services.

### Product as a service

Examples include combining various forms of transport and acquisition of work uniforms as a service.

### Sharing platforms

These include a food service utilising mobile technology and recycling service for surplus soil.

### Renewability

Examples include replacing petrol with fuel made from biological waste and biodegradable lubricant from forest industry side streams.

### Resource efficiency and recycling

These include recycling old sheets into raw material for new rag pieces, fish farmed with local raw materials to reduce the nutrient load in the Baltic Sea and using old bread in beer preparation.

Read more: [www.sitra.fi/en/projects/interesting-companies-circular-economy-finland/](http://www.sitra.fi/en/projects/interesting-companies-circular-economy-finland/)



To achieve systemic change, cooperation across organisational and sectoral boundaries is necessary. Courage and openness is also needed.

"I don't believe that the biggest hurdles are related to technology, though I am sure they also exist. The circular economy is such a rational and fantastic concept that if technological hurdles were the only hurdles then they would have been solved by now. I believe that, above all, it is a question of a need for cultural change, the ability to change your perspective," says Martin Hunt.

According to him, the circular economy will require companies to cooperate in a way they have never done before, which may feel scary at first. In Forum for the Future's projects it has become clear that it is quite a challenge for large companies in particular to open up, share information and to "let go" as it were, in other words, give up the idea of full control.

### A perfect model does not exist

There is no single right way or model for developing procedures according to the circular economy concept. If there were, this would have certainly already been introduced. Different types of models may prove to be successful in different sectors. The change happens gradually, and potential winners are drivers of change. "Innovators and forerunners are needed in all types

of social change. Then come the adapters and finally the stragglers, who only adopt new procedures when forced to."

According to Martin Hunt the stragglers are those companies who have made large investments in projects following the "old model" and whose financial freedom to move is therefore very limited. Those whose gaze extends to the outer ring of their traditional value chain and who seek cooperation with an open mind are the ones who are most likely to find new, exciting opportunities.

However, no idea will be successful unless it can be developed into financially profitable business. So far, according to Martin Hunt we have seen plenty of interesting pilots and trials, but we have not seen any sufficiently scalable business.

"In the circular economy it is a question of a long-term change. It is probably not a good idea to think that only the type of model that conforms 100 per cent to the concept of is suitable. We should consider the circular economy as a force for change and driver of innovation. In any case, trials and pilots will lead us towards a society that is more sustainable than it is now. I believe this is more important than the name given to this change. The most fundamental thing is that the change takes place in the spirit of circular economy so that we are able to value and give value to sustainability and sharing."

## Fazer is reducing food waste together with its customer companies

Fazer Food Services restaurants serve 130,000 lunches a day. Fazer has produced a guide for restaurants on how to reduce food waste and is using forms of communications to encourage its diners to make responsible choices. Campaign challenges will be used to encourage people to only take the amount of food that they are able to eat. During the campaigns Fazer will measure the amount of food that customers throw away from their plates and the customers will hear the results. This will help diners understand how much food they throw away.

In spring 2017, Fazer and Tokmanni carried out a project at Tokmanni's staff restaurant in Mäntsälä in cooperation with students from Hanken School

of Economics to prevent food waste. The project sought reasons for the generation of waste and aimed to find new procedures for reducing it. The students also had to think about whether it would be possible to create a closed loop process at the restaurant so that the bio-based waste generated could be recycled and utilised there.

The top suggestions included boosting the efficiency of communications and using the compost formed from biodegradable waste to allow Tokmanni's employees to grow herbs at Tokmanni's premises. This joint activity was considered to be a recreational activity but also an opportunity to put corporate responsibility into concrete terms and get the company's personnel involved.



## PERSPECTIVE

## Recycling of plastic film will extend to Tokmanni stores

Tokmanni has started recycling clear plastic film in its stores in cooperation with Lassila & Tikanoja at the beginning of 2018. The goal is to further increase the percentage of recycled waste.

At Tokmanni's logistics centre in Mäntsälä, plastic film has been collected ever since the centre was opened around 10 years ago. Around 90 tonnes of plastic are collected at Mäntsälä in a year. It is harder to do this at stores as the plastic needs to be collected separately from several locations. Tokmanni started making progress in this matter when it signed a property maintenance agreement with L&T. The maintenance has already been circulating the stores each week and will now start collecting the plastic film at the same time. The store staff collect the plastic that



**The applications for recycled plastic are virtually the same as those for normal plastic, but it can't be used to make products that are directly in contact with food.**

accumulates over a week in 400-litre sacks and L&T comes and collects these sacks.

The property maintenance agreement covers over 80 stores, which is almost half of all of Tokmanni's stores.

"We are starting the recycling of plastic at a couple of dozen stores which have an existing property maintenance agreement with us. The collection will be extended to new stores as they join the scope of the agreement," explains **Marko Rouhiainen**, Account manager at L&T.

L&T pre-treats the plastic, i.e. granulates it, and then sells it. The majority of the plastic granulate, about 80 per cent, is exported. The applications for recycled plastic are virtually the same as those for normal plastic, but it can't be used to make products that are directly in contact with food.

# SUSTAINABILITY WORK 2017

On the following pages we will explain Tokmanni's goals, measures and results of our responsibility work from the point of view of every Material topic.

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# Business integrity

## ACHIEVEMENTS AND TARGETS

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

### Achievements 2017

The company's Code of Conduct is trained to Tokmanni employees.



All messages sent to Tokmanni's grievance channel are managed properly.



Tokmanni will not have any cases of corruption.



Tokmanni will be not have privacy violations.



There will be no remarks from authorities related to marketing in Tokmanni.



### Targets 2018

The company's Code of Conduct is trained to Tokmanni employees. All employees to renew the training in 2018.

All messages sent to Tokmanni's grievance channel are managed properly.

Tokmanni will not have any cases of corruption.

Tokmanni will be not have privacy violations.

There will be no remarks from authorities related to marketing in Tokmanni.



## UN Sustainable Development Goals and Tokmanni



- Development of business
- Integration of responsibility into business
- Foreign trade
- Cooperation with various parties to improve responsibility
- Increasing consumers' knowledge of responsibility
- Preventing crime (e.g. shoplifting)
- Development of indicators

## Privacy protection

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

Tokmanni complies with all laws and regulations related to privacy protection. In order to ensure its systems and registers have no actual or suspected cases of infringement of privacy protection, compliance with data protection principles is monitored at Tokmanni, and technical systems are also monitored to ensure they are up to date also from the perspective of information security.

The personnel are also trained in information security matters, for example through online training. All of the Group's personnel have completed information security training, which is currently part of the induction of employees in all roles. A topical follow-on section was prepared for the training in 2017. Completion of this section started at the end of 2017 and will continue during 2018. Information security training is related to daily situations at work where information security skills are needed. Diverse cases have been used throughout 2017 to communicate information security matters.

Tokmanni is a PCI DSS audited company and meets the requirements of the International Payment Card Industry Data Security Stand-

ard. PCI DSS applies to all people who process payment card data. As a result of the audit, Tokmanni has received a Report on Compliance and an Attestation of Compliance.

The EU General Data Protection Regulation (GDPR) has entered into force and it will be enforced as of May 2018. During 2017 Tokmanni inspected its processes, information security practices and cooperation agreements to ensure that it meets the requirements of the GDPR.

Tokmanni did not receive any complaints about breaches of privacy protection or of lost customer data in 2017.

## Responsible marketing

Tokmanni wants its marketing to be ethical, clear and easy-to-understand and it complies with the relevant legislation and regulations in its marketing.

In 2017, efforts were made to pay more attention to responsible marketing at Tokmanni. For example, product data was improved at the company, to make it easier for customers to make purchase decisions by providing them with a more comprehensive understanding of products' characteristics of use. Tokmanni attempted to make marketing texts even easier to read, by increasing the size of price labelling, among

other things. For example, efforts were made to improve the availability of campaign products by developing systems.

During the year Tokmanni provided information on the responsibility work that it presented in the previous year's Corporate responsibility report by arranging information announcements on its store radio and social media channels for instance. In spring 2017 Tokmanni arranged an environmental night on its Facebook pages. The aim of the event was to raise customers' environmental awareness and reinforce Tokmanni's quality image. In its environmental night, Tokmanni's guest was a chemicals expert from the Nordic Swan label who answered questions regarding the Swan label posed by Tokmanni's social media followers.

The active education of store personnel in responsible marketing was continued. Attention was paid to price labelling and location of alcoholic beverages and tobacco products and the supervision of the sale of age-restricted products.

In May 2017, Tokmanni organised a responsibility day for its office staff. The aim of the event that was organised for the second time was to improve staff members' understanding of responsibility matters, to engage and train members of staff and offer more in-

depth knowledge of responsibility provided by the company's important stakeholders.

Like previous year, Tokmanni's advertising was not dealt with by the Council of Ethics in Advertising in 2017. The authorities gave six notices to Tokmanni stores, one of which was related to price marking, two to the visibility of licenses and three to taring of scales.

Tokmanni aims to cooperate with only responsible partners. All marketing partners have committed to observing Tokmanni's Code of Conduct. Commitment will continue to be a requirement and the guidelines will be attached to all cooperation agreements.

Tokmanni's goal is to avoid receiving any complaints from authorities regarding its marketing in 2018.

## Generating and distributing direct added financial value

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

### Generating and distributing direct added financial value, MEUR

Stakeholder group	Added financial value	2015	2016	2017
Customers	Sales	759	779	797
Goods suppliers and service providers	Purchasing	-498	-507	-529
<b>Added value produced</b>		<b>261</b>	<b>272</b>	<b>268</b>
Personnel	Wages and benefits	-92	-96	-98
Public sector	Taxes	-3	-7	-6
Creditors	Financial items	-21	-15	-7
Business development	Expenses related to the development of operations	-132	-127	-132
<b>Earnings retained</b>		<b>15</b>	<b>27</b>	<b>26</b>

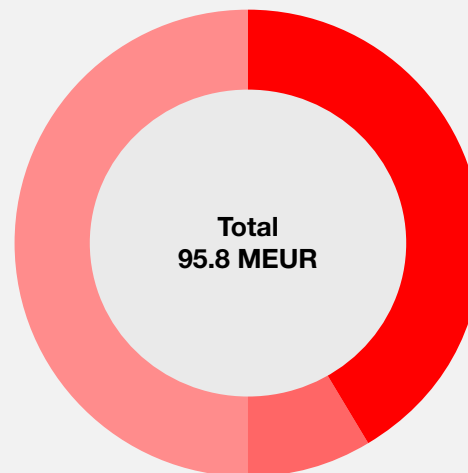
## Tax footprint

### Withholdings and employer contributions 39.8 MEUR

Remitted withholdings from salaries	15.0
Employer pension insurance payments	24.0
Employer social security payments	0.8

### Income and capital taxes 8.1 MEUR

Corporate income tax	6.9
Property tax	1.2



### Indirect taxes 47.9 MEUR

Value added tax	39.3
Excise duty	2.3
Import customs duties	4.3
Electricity tax	1.9
Insurance premium tax	0.1





# Fair treatment

## ACHIEVEMENTS AND TARGETS

Tokmanni increases its enterprise value with responsible operations, diverse personnel and expertise development. An open and respective corporate culture is key to success and sustainable business. With inclusive and fair personnel management, Tokmanni is able to reduce business risks and produce added value for stakeholders. The company continuously monitors the progress of management, supervisory work, working atmosphere and equal treatment.

### Achievements 2017

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



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



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



### Targets 2018

Safety observations will be made and reported more actively, and occupational health and safety will improve.

Involving personnel in development will continue. New values and management principles have been created and implemented among the personnel.

Personnel related performance indicators are being updated and business intelligence will improve.

## UN Sustainable Development Goals and Tokmanni



- Employment
- Employment of young people and people with partial work capacity
- Occupational health and safety requirements and monitoring their implementation throughout the value chain, with special attention to women
- Offering employees exercise vouchers and discounts for fitness services
- No discrimination
- Increasing the number of women in management positions
- Enabling the promotion of women in the company
- Continuous training and development of employees
- Publishing human rights principles
- Development of indicators

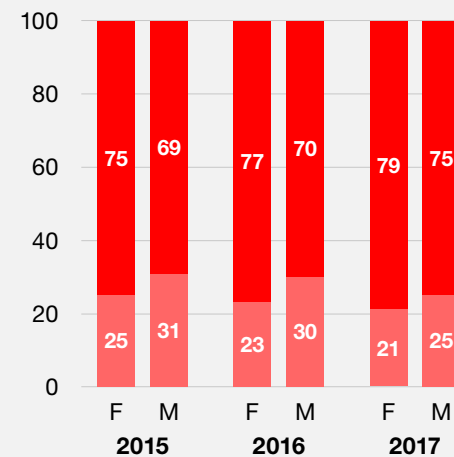
## Committed personnel

Motivated and committed personnel forms the basis of the company's success.

At the end of 2017 Tokmanni had a total of 3,255 employees, which was 31 more than at the end of 2016. The establishment of new stores was the main reason for the increase in the number of employees. The

average number of Tokmanni personnel in 2017 was 3,232. The figure reported includes employees who were on periods of absence from the workplace (e.g. on maternity, paternity, parental, childcare, study and job alternation leave). On average, the number of people on periods of absence at one time was 183.

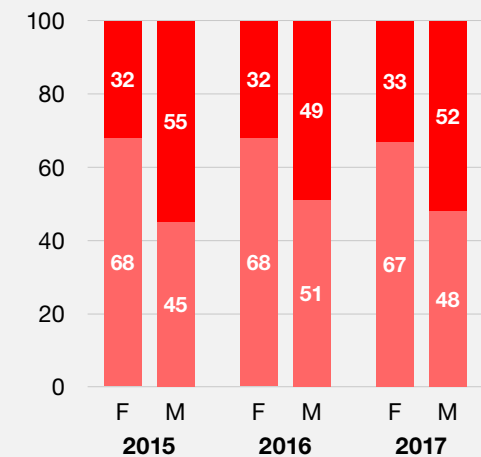
### Permanent and temporary employments by gender, %



- Permanent employments
- Fixed-term employments

All employments at the end of year included.

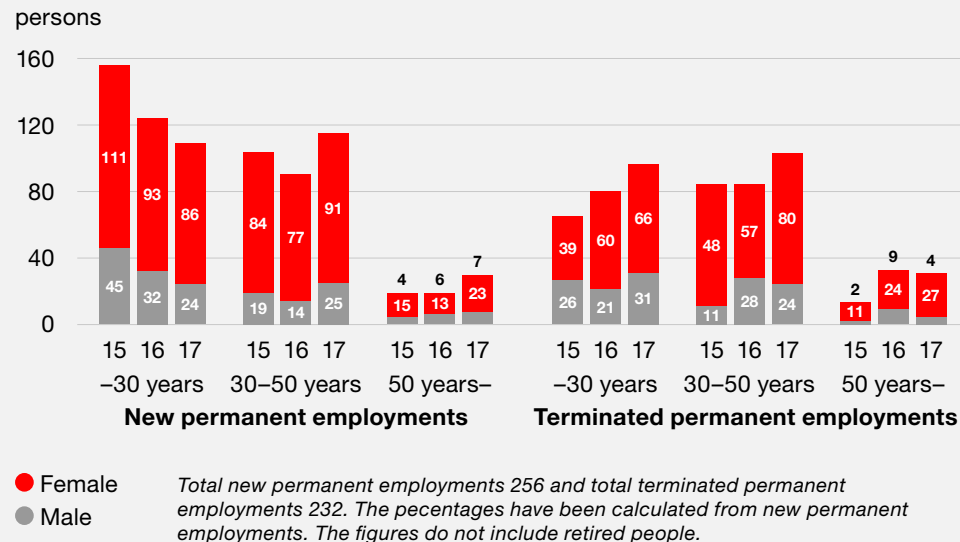
### Full-time and part-time employments by gender, %



- Full-time employments
- Part-time employments

All employments at the end of year included.

## New permanent employments and terminated permanent employments by age and gender



### High number of permanent employees

At the end of 2017, 78 per cent of Tokmanni's total workforce were in permanent employment and 22 per cent in fixed-term employment. Full-time employees accounted for 36.5 per cent, and part-time employees for 63.5 per cent, of all personnel. In the retail sector busy seasons have an impact on the number of employees required and the majority of the part-time employees were cashiers.

The number of permanent employees that started at Tokmanni in 2017 was 256, and the corresponding number that departed during the year was 232. The turnover of permanent employee arrivals during the reporting period was 7.8 per cent, and the corresponding departure turnover was 7.1 per cent. The turnover figures do not include employees leaving the company because of retirement. Tokmanni has a committed personnel. At the merit medal party in 2017 189 members of staff were

awarded for 10, 20 or 30 years of service at Tokmanni. At the end of the year, the average service years of the permanent employees were 9.2 years and the share of employees with more than 10 service years was 38.3 per cent.

### Minor use of agency workers

Tokmanni's use of agency workers is minor. According to the statutory requirement Tokmanni always offers extra work first to the company's own part-time employees. Each year, Tokmanni also employs about 1,000 fixed-term seasonal helpers for the needs of the store network during the summer and the Christmas seasons. In 2017 Tokmanni continued its cooperation with Barona Logistics, and some of its employees working in the logistics organisation are employed by Barona logistics.

### Covered by collective agreements

Tokmanni observes all the provisions of the codetermination legislation (the Act on Co-operation within Undertakings) and those set out in collective agreements (the Finnish retail sector collective agreement), including the legal provisions and notification times concerning reorganisations. All personnel groups except for the management and senior salaried employees are covered by the Finnish retail sector collective agreement. Tokmanni's management

and senior salaried employees accounted for 1.7 per cent of the company's personnel at the end of 2017. These two personnel groups normally also follow the terms of the retail sector collective agreement.

## Equal treatment at work

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

### Equitable benefits

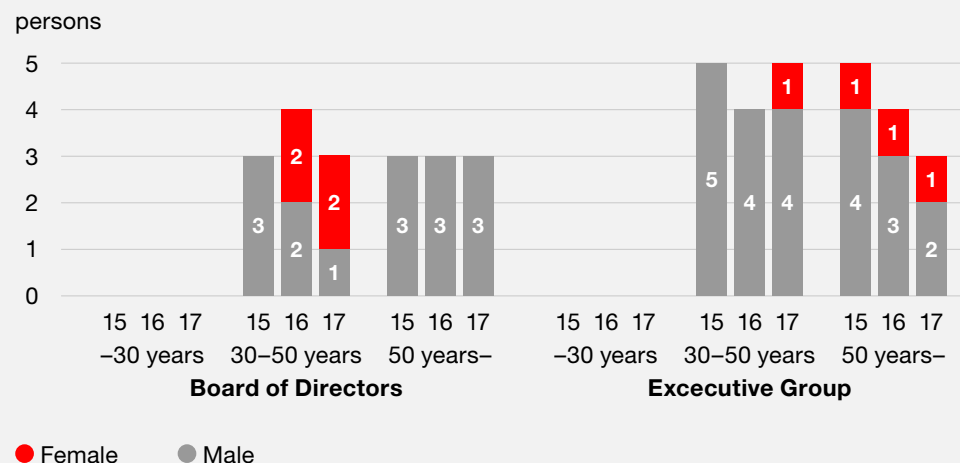
Tokmanni's personnel enjoy extensive personnel benefits, and the same benefits, apart from a few exceptions, apply to both permanent and fixed-term employees, regardless of the nature of the employment relationship and the hours contracted. The Executive Group determines the personnel benefits each year.

In addition to the statutory benefits, other benefits include a diversity of purchasing benefits, funding for Christmas parties and recreational activities, and fitness and culture vouchers partially paid by the employer.

Tokmanni also gives its staff gifts at Christmas and on significant birthdays (50th and 60th), rewards for long service (10, 20 and 30 years of service) and a thank-you for those retiring. The occupational health service provided to staff is also more



## Age and gender distribution, Board of Directors and Executive Group



extensive than the statutory minimum, as it includes a general practitioner service.

### Incentives for work

Tokmanni operates an incentive pay scheme for all personnel, with the exception of the warehouse staff, who have their own productivity bonus system.

The incentive bonus is given if there is an improvement in Tokmanni's EBITDA. The bonus is determined on the basis of the net result and the organisational or personal indicators that have been established. The review takes place each quarter. Key per-

sonnel are covered by an incentive system that is based on the company's success and the system includes a monetary reward and share-based reward.

The total amount paid in incentive cash rewards and productivity bonus for 2017 was EUR 379,536.60.

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

## Age and gender distribution, others



### Diversity and equal opportunity

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

Tokmanni's personnel groups are:

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

- Employees: store and warehouse employees

The average age of the company's personnel at the end of 2017 was 38 years. At the end of 2017 the Board of Directors had six members, out of whom two were female. During 2017 three new members joined Tokmanni's Executive Group. At the end of the reporting period, the number of members in the Executive Group was eight, two of whom were female.

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

The majority, about 85 per cent, of Tokmanni's personnel are directly covered by the pay schedule of the Finnish retail sector collective agreement, which has equality-based pay schedules. The basic pay and other remuneration of the management and office personnel are determined by the post and the nature of the work, and also on the basis of experience, skills and performance. In Tokmanni, salaries are defined with Hay Group job evaluation based on job requirements. In stores the salaries of store managers are affected in particular by the size of the store and its net sales.

### Improving job satisfaction

Job satisfaction among Tokmanni's personnel is surveyed. The survey focuses on factors such as equality, working atmosphere, supervision and development of fair management. Areas for improvement are selected each year in the different parts of the company, and these are monitored on a regular basis. In 2017 achievement of the targets was also monitored with a poll containing a few questions. The next survey will be carried out at during 2018.

### Discrimination prohibited

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

procedures for handling cases of inappropriate treatment and for preventing such occurrences. The guidelines state that intervention must be made immediately in cases of inappropriate treatment.

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

Tokmanni is a signatory of the FIBS Diversity Charter and diversity is considered as a competitive advantage at Tokmanni. By encouraging employee participation and developing a coaching-based management style, Tokmanni wants to encourage personnel to raise their development suggestions and increase personnel's opportunities to have an impact.

## Employee training and development

Tokmanni's aim is a motivated and committed personnel who value the customer, their own work and their employer and contribute responsibly to the company's performance.

The development of personnel expertise ensures that Tokmanni achieves its strategic objectives. Continuous advancement is important, as the surrounding world is changing quickly, and development of professional skill enables individuals to keep up with the changes. The employees

themselves have a big responsibility to maintain and develop their own professional skill, but Tokmanni also supports their development, thus ensuring it achieves its objectives.

Tokmanni's personnel are offered various training and development opportunities. Professional expertise is developed in all tasks through conventional and online training programmes of different lengths and in-service training. Tokmanni's in-house experts participate in the training and improvement of personnel skills in collaboration with external training partners.

In recent years, coaching-based supervisory work skills have been developed. All supervisors are trained in a long-term coaching programme that incorporates tools and practices for the fair management of employees. The management model emphasises the supervisor's role in producing results, building cooperation and managing change. During 2018, a continuation will be piloted for this coaching programme, which according to feedback is effective and thought-provoking. The expertise of supervisors in employment matters is ensured by offering them regular training in employment legislation and the collective agreement. During 2017, supervisors were also provided coaching in matters related to occupational wellbeing and working capacity, which play a huge role in personnel

motivation and commitment. Supervisors also receive training in intervention. The company's Executive Group also received coaching during 2017.

Supervisory work as a whole was evaluated at Tokmanni with a personnel questionnaire carried out at the beginning of 2017. According to the questionnaire, the personnel awarded supervisory work with the overall grade 4/5. A total of 38 supervisors who received exceptionally good results in the Pulssi personnel questionnaire were rewarded in 2017.

### Developing skills through apprenticeships

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

Safety training and Tokmanni's online ethical guidelines training are compulsory for all the company's personnel and each member of staff completes these in conjunction with their induction.

During in 2017, Tokmanni provided office staff with the opportunity to learn more about topical subjects at their own workplace every quarter. This will also continue in 2018. During 2017 each member of staff at the office had the chance to hear talks about respectful leadership and encounters, and about personal wellbeing. At the beginning of October, the Nordic Business Forum was brought to Tokmanni via video streaming, offering personnel the chance to listen to the world's most influential speakers at their workplace.

### Personal appraisals and performance assessments

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

The personal appraisals are held once a year. In fixed term contracts of less than 12 months, there is not always time to perform a personal appraisal, so a feedback discussion at the induction phase can be used in these cases.

In 2017, about 80 per cent of personnel had attended a personal appraisal with their supervisor.

### Influencing by participating

In 2017 Tokmanni employees were given the chance to discuss strategy and ask the company's management further questions at discussion events organised for personnel. The objective of these events was to improve communications and openness and to reinforce strategy in daily work.

On 17 November, head office personnel worked as Christmas helpers at stores, which offered the opportunity to learn new things through cooperation. During the day, employees learnt about another employee's job and carried out constructive discussions. In the discussions, many things that work well came up, but also areas for development. The thoughts and ideas were passed on to the teams to assist development work.

### Occupational health and safety

#### Towards better health and job satisfaction

Tokmanni is successful when its healthy and satisfied personnel conduct their work tasks safely. The health, working capacity and safety of personnel is ensured with working capacity management.

The goal of Tokmanni's working capacity management is to anticipate the occupational health risks of personnel, improve job satisfaction and lengthen careers. The average

age of Tokmanni's personnel is 38 years and members of staff retire around the age of 63.

Industrial safety at Tokmanni is organised in compliance with the legislation. All of Tokmanni's personnel groups are represented on its occupational wellbeing group. In 2017 new operating models for managing working capacity at Tokmanni were created based on an internal assessment of risks and needs, and steering group activities were launched to develop working capacity management practices and business intelligence together with personnel and Tokmanni's occupational health care and insurance partners. Occupational health services were put out to tender and one occupational health care partner was selected to serve the company throughout Finland from 1 August 2017.

### Flexible work for personnel with partial work capacity

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

The return to work of personnel with partial work capacity was also developed within the Group. The development of the Flexible Work model, which was launched in 2016, was continued in 2017. The model makes it easier for personnel with partial work capacity to keep working and it specifies the tasks in various organisations that are suitable for personnel with partial work capacity. In cooperation with the occupational health service, these can be used to create temporary job descriptions for personnel with partial work capacity. Tokmanni also established a subsidiary called Taitomanni to help speed up the recovery of working capacity of Tokmanni employees with partial work capacity.

### Supervisors' working capacity management skills improved with coaching

Supervisors' working capacity management skills were improved during 2017. Tokmanni holds regional small group meetings attended by occupational health service representatives and store managers. The aim of these meetings is to improve store managers' working capacity management skills, increase cooperation between the occupational health service and supervisors, and use peer support to enhance supervisors' ability to cope.

In 2017 the procedures were standardised to relate to the aims and themes of



Tokmanni's working capacity management, which are supporting the work of personnel with partial work capacity, occupational ergonomics, recruitment and induction, wellbeing of supervisors and changing the occupational safety culture to into a preventative activity.

The selection of supervisor training offered was also complemented with training on bringing up subjects for discussion to encourage supervisors to discuss subjects that can have an impact on occupational wellbeing. The working capacity training and training on bringing up subjects for discussion will be permanent features in the annual training calendar for supervisors.

### Working towards better occupational ergonomics and safety

At Tokmanni, most of the long-term sickness absences and applications for premature employment disability pensions are due to musculoskeletal disorders. Therefore in 2017, in cooperation with the occupational health service, Tokmanni improved supervisors' skills regarding the impact of good ergonomics on working capacity and ability to cope. We also published new ergonomics guides on store and warehouse work.

Tools that improve ergonomics were also assessed and developed. In 2016 the

internal working capacity management risk assessment showed that Tokmanni still has room for improvement in its control of occupational accidents and near accidents. Focusing on occupational safety is important. In 2017 Tokmanni's industrial safety organisation was transferred to HR. The aim is to raise the entire personnel's awareness of safety observations, in particular, and learn about dangerous situations together. All accidents are investigated and discussed in team meetings and the occupational wellbeing group with the aim of preventing accidents from happening.

During 2017 the entire logistics personnel received training in a new occupational safety culture way of thinking. At stores and in administration the training was offered to supervisors. This training to promote a safety culture will be continued in order to develop the safety of the work environment and to minimise all health-related risks.

### Online doctor and other new operating models

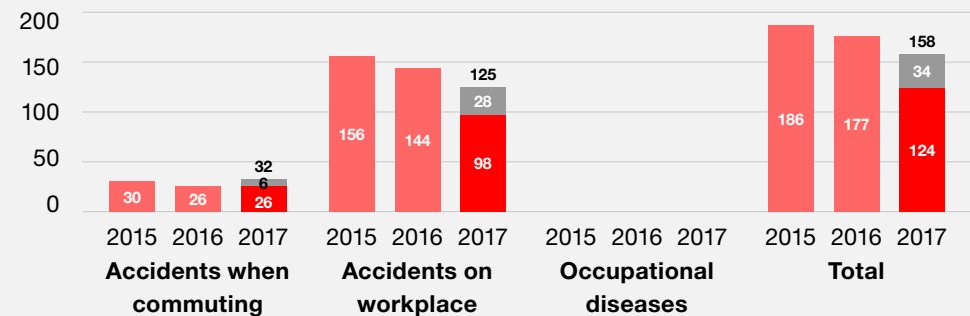
In 2017 Tokmanni modernised its sickness absence practices by improving self-reporting practices, and by introducing an assistive appointment booking system and the online doctor services provided by the occupational health services. The new forms of service aim to provide health care that is more user friendly and to cut costs.

In 2017, an online working capacity management system, known as Kompassi, was acquired for the Group. The system provides a better overall picture of sickness absences and for the management and reporting of working capacity risks. This improved the identification of individual working capacity risks, the planning of well-timed treatment

and rehabilitation measures and the monitoring of the return to work.

The resources of HR's occupational wellbeing team were also strengthened with an additional employee, which will make it possible to carry out more personalised working capacity management and training of supervisors.

### Accident types



● Female ● Male  
● Total, previous years

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

	2015	2016	2017
Injury rate (IR)	42	38	35
Occupational diseases rate (ODR)	0	0	0
Absentee rate (AR)	5.6%	6%	5.4%
Work related fatalities	0	0	1



# Responsible sourcing and products

## ACHIEVEMENTS AND TARGETS

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

### Achievements 2017

Over 95 per cent of purchases come from factories that have joined the amfori BSCI initiative.



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



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



### Targets 2018

Tokmanni has piloted a feedback channel for reporting human rights violations in the supply chain (grievance mechanism).

Tokmanni has confirmed the results of the amfori BSCI audits with their own visits to over 25 per cent of the factories that are active in risk countries in 2018.

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

## UN Sustainable Development Goals and Tokmanni



- Employment
- Responsible sourcing

- Reliable and predictable purchasing agreements
- No forced labour or child labour
- Ban on modern slavery
- Occupational health and safety requirements and monitoring their implementation throughout the value chain, with special attention to women
- Ensuring trade union activities in the private label supply chains
- Endeavouring to pay a living wage throughout the supply chain
- Preventing discrimination throughout the value chain
- Protecting risk groups in the private label supply chains
- Environmental requirements and monitoring of these in the supply chain
- Improving packaging efficiency
- Preventing corruption throughout the value chain
- Improving the traceability of products and ensuring the responsibility of the supply chain
- Special requirements of risk products
- Use of standards and certifications
- Offering affordable products to customers
- Offering customers safe products
- Offering customers healthy and safe foods
- Training of own employees
- Training and development of suppliers
- Publishing human rights principles
- Development of indicators

## Responsible sourcing

Responsibility is a key element of Tokmanni's sourcing process. The process is supported by Tokmanni's principles and guidelines for responsible sourcing. As a member of the amfori Business Social Compliance Initiative (amfori BSCI), Tokmanni is committed to complying with the amfori BSCI's Code of Conduct. Tokmanni also requires its supplier factories to be committed to operating in accordance with the amfori BSCI Code of Conduct, and these suppliers must also demand the same from their own suppliers and producers.

### Responsibility work focuses on risk countries

The supervision of responsibility of sourcing focuses in particular on risk countries, which according to the World Bank's classification have the greatest risk of labour and human rights violations. The primary focus is on suppliers within Tokmanni's more immediate sphere of influence, i.e. private label and exclusive distribution product suppliers. Tokmanni requires factories manufacturing these products in risk countries to be audited in accordance with amfori BSCI or SA8000. Sourcing agreements with the factories of brand suppliers must also contain a commitment stating that production accords with the require-



ments of amfori BSCI. The assessment of responsibility already begins at the supplier tendering stage, as responsibility issues are taken into account in the competitive bidding.

### 99 per cent of risk country purchases from audited factories

Tokmanni's target is to direct all direct sourcing from risk countries to suppliers using factories audited by amfori BSCI or SA8000. In 2017, 99 per cent (95) of direct purchases from risk countries were made from audited factories. This can be considered to be an exceptionally good figure, because due to reporting technology reasons, the share of purchases from amfori BSCI or SA8000 audited factories in risk countries

is not likely to ever achieve 100 per cent in reporting. Tokmanni constantly distributes information on the amfori BSCI initiative's principles, training and auditing, to its supplier factories to encourage them to renew their audits and to understand the benefits of responsibility from the perspective of the company and its employees.

### Increasing transparency in the supply chain

Another of Tokmanni's targets is to increase transparency in supply chains by investigating the factories of suppliers that do not source from risk countries and the responsibility of these factories. As part of the development of responsible sourcing, Tokmanni's procedures have been

changed so that information regarding a product's country of origin is mandatory at the product establishment stage. This means that supervision of responsible sourcing can be better targeted on those products and suppliers with a greater risk of human rights violations in their manufacturing. This will make it possible to state the country of origin on product packaging, and from the beginning of 2018, Tokmanni will start stating the country of manufacture/origin on the packaging of its private label products.

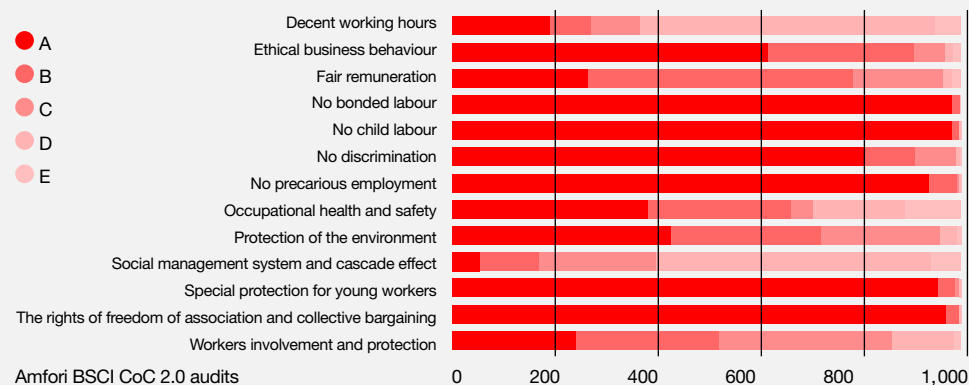
### Monitoring responsibility of sourcing with audits

The responsibility of Tokmanni's sourcing is monitored and developed with amfori

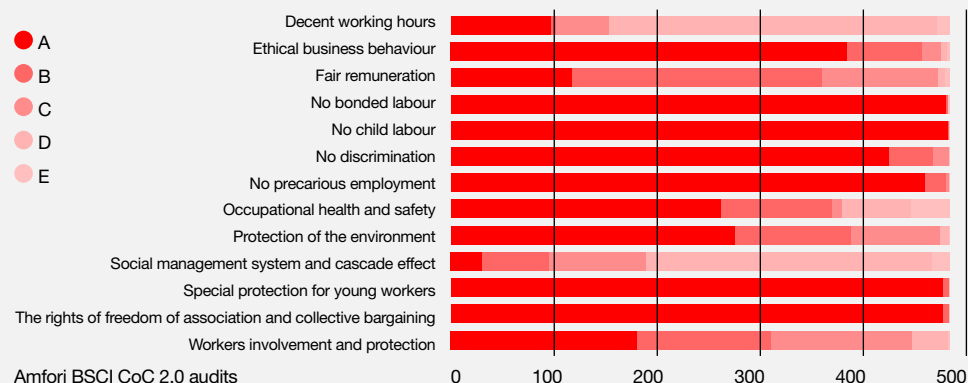
BSCI audits and Tokmanni's own audits. Tokmanni also accepts SA8000 auditing.

An auditing company approved by amfori BSCI compiles a report of factories located in risk countries, and a person in charge of responsible sourcing at Tokmanni's sourcing organisation analyses this report. The results of the amfori BSCI audits are evaluated on a five-step scale from A to E. If the score is C to E, Tokmanni sends information to the supplier on the observed problems and a request to resolve the problems. SA8000 audited factories automatically receive the score Good in the amfori BSCI database. Some of the suppliers in the amfori BSCI database are Tokmanni's responsibility (Tokmanni is a RSP, i.e. a responsible company for suppli-

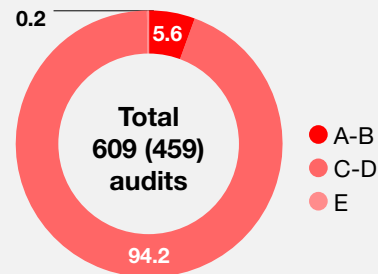
Amfori BSCI full audits 15.5.2015–4.1.2018



Amfori BSCI follow-up audits 15.5.2015–4.1.2018



### Amfori BSCI and SA8000 audit results 2017, %



ers). If problems are observed with these suppliers, Tokmanni also asks them to provide concrete problem-resolving plans including schedules for the resolving of observed problems. Problem-resolving plans are also requested from factories where significant problems are found, even if the suppliers aren't Tokmanni's responsibility.

In 2017, 604 (459) amfori BSCI audits were carried out at factories manufacturing Tokmanni's products. The majority of factories received the score C (acceptable). The validity period of the audit and the timetable for renewing the audit depend on the factory's score, so the figures only include the factories where audits were renewed during 2017. SA8000 auditing was also carried out at 5 (7) factories. In the amfori BSCI audits most of the problems were found in the areas of management systems, working

hours, employee participation and awareness building.

Tokmanni also carries out its own audits at factories in risk countries and other countries of manufacture. The company's own audits are carried out particularly at the factories of potential new suppliers, and at any factories where amfori BSCI audits have discovered significant problems. The audits focus on the problem areas described in the amfori BSCI reports and investigate whether corrective measures have been taken. The audits also focus in particular on occupational safety and quality assurance. In 2017 Tokmanni carried out 102 (113) own audits in Bangladesh, Bulgaria, Cambodia, China, Finland, Estonia, Italy, Poland, the UK and Vietnam.

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

### Developing responsible sourcing

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

### Key high-risk raw materials and certification of products

In 2017, palm oil, wood, fish and cotton, in particular, were defined by the executive group of the sourcing organisation as Tokmanni's key high-risk raw materials. Suppliers are required to declare the country of origin of high-risk raw materials and any sustainability certification, and to provide more information on the origin of the raw materials, if necessary. To ensure the origin and responsible production of raw materials, Tokmanni aims to increase the number of certified products. Sustainability labels should be used especially on Tokmanni's private label products. In sustainability labelling, the following systems are emphasised: FSC, Nordic Swan Ecolabel, organic, MSC, Fairtrade, UTZ and Oeko-Tex.

### Animal welfare in supply chains

Tokmanni considers animal welfare to be of utmost importance and is committed to promoting it in its supply chains. We require all products sold by Tokmanni that contain raw-materials of animal origin and manufacturing of them to comply with laws and regulations throughout the entire supply chain. Tokmanni's Animal Welfare Principles are based on the universally accepted Five Freedoms of the UK Department for Environment, Food and Rural Affairs (Defra): freedom from hunger and thirst,

freedom from discomfort, freedom from pain, injury or disease, freedom to express normal behaviour and freedom from fear and distress.

We require that our products of animal origin come from animals that have been bred for food production or are derived of fish or mollusc origin (incl. cosmetics

### Principles for responsible purchasing:

- No Child Labour
- No Bonded Labour
- No Discrimination
- No Bribery
- Fair Remuneration
- Decent Working Hours
- Occupational Health and Safety
- Special Protection for Young Workers
- Compliance with Laws and Collective Agreement
- The Rights of Freedom of Association and Collective Bargaining
- Ethical Business Behaviour
- Protection of the Environment

raw-materials). Animals may not be slaughtered primarily for the sale of their skin, fur, horns, feathers or other parts.

Compliance with Tokmanni's animal welfare policy is monitored by documentary inspections and contracts in the purchasing process. These include verification of documentation of wool origin or entering a non-mulesing agreement. In addition, in some products policy compliance can be verified, for example through certifications given. An example of this is down produced in accordance with the Responsible Down Standard which is used as material in Tokmanni's own brand down jackets. In cosmetics, the ban on animal testing also

applies to cosmetics raw materials (Regulation (EC) No 1223/2009 of the European Parliament and of the Council on cosmetic products). In our private labels, we use only European manufacturers that have to comply with EU legislation in their own activities.

## Product responsibility

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

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

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

consignments prior to delivery, and through third-party testing and self-supervision inspections in Finland.

## Responsibility of the importer

Besides its private label products, Tokmanni imports various goods and branded products from manufacturers outside the EU. For these products Tokmanni bears the importer's responsibilities, which include various requirements that are comparable to the manufacturer's obligations. Tokmanni demands a high standard of product safety, security documents in accordance with the type of product and product labels in accordance with Finnish laws for all the

### Farm animals

- Tokmanni will not accept products from farms that do not observe the Five Freedoms in their supply chain (entire chain, including transportation and slaughter).

### Animal hair

- Tokmanni will only accept hair from living farm animals.
- Tokmanni will not accept rabbit hair (including Angora rabbit hair), or the hair of caged or endangered species
- Tokmanni requires full traceability of the origin of hair right back to the farm

### Wool

- Tokmanni does not accept the mulesing method; for wool from Australia, Tokmanni requires the wool to be declared as Non-Mulesed wool in accordance with the National Wool Declaration
- Tokmanni requires full traceability of the origin of wool right back to the farm and will only accept wool from farms that comply with the Five Freedoms

### Fur

- Tokmanni will not accept real fur

### Down and feathers

- Tokmanni will not accept down or feathers plucked from live birds or from farms where this is practiced
- Tokmanni will not accept down or feathers from farms where animals are force-fed
- Tokmanni will only accept down or feathers from slaughtered birds bred for meat production (excluding foie gras production)
- Tokmanni will not accept the down or feathers of endangered species
- All down and feathers intended for Tokmanni's use must be sterilised

### Leather

- Tokmanni will only accept leather from cows, sheep, buffalos, goats or pigs, or skin from fish that have been used in food production
- Tokmanni will not accept cow, calf or ox leather from India
- Tokmanni will not accept leather from Bangladesh because of the poor conditions in its tanneries
- Tokmanni will not accept leather from aborted animals (including caracul or Persian lamb)

### Exotic skin

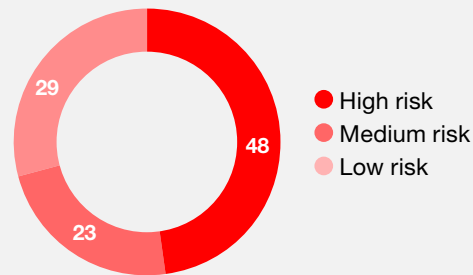
- Tokmanni will not accept real exotic animal skins (including snakes, lizards and alligators)

### Animal testing

- Tokmanni will not accept animal testing on any cosmetic products during any stage of production (production or on finished products)
- Tokmanni will not allow the use of cosmetic ingredients that have been tested on animals in the products it imports itself or in its own cosmetics products



### Purchases by risk level (received purchases in 2017), %



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

products it imports. Tokmanni ensures with contractual means and product and documentation inspections that importers have fulfilled their obligations.

### Responsibility of the distributor

In addition to the manufacturer and importer, Tokmanni acts as purely a distributor for a large number of the products it sells. These products include all consumer goods imported from the EU other than Tokmanni's private label products. Also

in these products Tokmanni must comply with the relevant due diligence principle prescribed by the product safety legislation and be able to identify the different product group requirements in regard to product labelling and compliance requirements, for example. Correspondingly, Tokmanni imposes requirements on its suppliers concerning the need for a high standard of product safety, and through contractual means and random self-supervision inspections, the company ensures that it fulfils its obligations.

### Product safety as a goal

The aim in 2017 was to improve the product safety and product and quality of experience of private label products, licensed products and products imported by the company. The indicator used in this assessment is the number of instances of non-compliance for these product categories. The number of non-compliances in 2017 was 15 (27). Most of the cases were due to the quality of the product in use deviating from the product specification.

### Inspected, controlled and safe products

Tokmanni does risk-based self-supervision for its private labels and imported products. The supervision is done in the country of origin, the logistics centre and in stores.

Products are put through technical product inspections, consignment inspections and risk based self-supervision inspections. Tokmanni aims to prevent all the non-conformities in product safety and quality of experience before the new imported or private label products are introduced. Non-conformities are prevented with product quality and documentation inspections, where compliance and appropriateness for the Finnish market are ensured.

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

In 2017 Tokmanni imposed a prohibition on the sale of one licensed product introduced to the market by Tokmanni on the basis of ensuring product safety. The prohibition concerned the sale of an angle grinder, as the structure of the product did not meet all the requirements imposed on the product by its standard. Tokmanni also recalled one of its private label products in 2017. The recall concerned a LED floodlight, as a safety deficiency and potential electric shock hazard was discovered in Tokmanni's own quality control. In addition, in 2017, as a Finnish retailer, Tokmanni also imposed a prohibition on the sale of one product. The product was a LED fidget spinner, and the reason was that the battery compartment came off too easily in some of the products.

During 2017 Tokmanni reviewed or renewed the labelling of 1,675 (1,394) private label products. 282 (922) products were inspected in Tokmanni's self-supervision, and third-party product testing was carried out on 758 (95) consignments in 2017. A total of 109 products or product families were subject to a recall or prohibition on sale at Tokmanni in 2017.

No financial penalties were imposed on Tokmanni in 2017 for violations of legislation and regulations concerning products and services.

### Legislative amendments improve product safety

Tokmanni is constantly monitoring the changing legislation to ensure product safety.

In 2017 the main legislative changes that had an impact of Tokmanni's goods flow were the ending of the transitional period for the old chemical labelling decree on 31 May 2017 and the ending of the transitional period for the new national tobacco act on 20 May 2017.

Both transitional periods created additional work at stores and the warehouse. The change did not affect Tokmanni's private label products, as the product labelling had already been changed at the beginning of the transitional periods.



# Efficient use of resources

## ACHIEVEMENTS AND TARGETS

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

### Achievements 2017

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



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



Increasing the waste recovery rate to 100 per cent.



### Targets 2018

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

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

Keeping the recycling rate of waste at 34 per cent and raising reuse to 62 per cent.

### UN Sustainable Development Goals and Tokmanni



- Decoupling business growth from material and energy consumption, and contamination of environment
- Reducing energy consumption
- Improving energy efficiency
- Using renewable energy in own operations
- Recommending the use of renewable energy to logistics service providers
- Obtaining renewable energy certificates
- Energy and material efficiency of products
- Improving packaging efficiency
- Reduction, reuse and recycling waste
- Ending the use of HFCs
- Using final food waste in energy production
- Offering fewer plastic bags to customers
- Offering energy efficient products for customers
- Reducing climate change risks in the supply chain
- Environmental requirements and monitoring of these in the supply chain
- Development of indicators

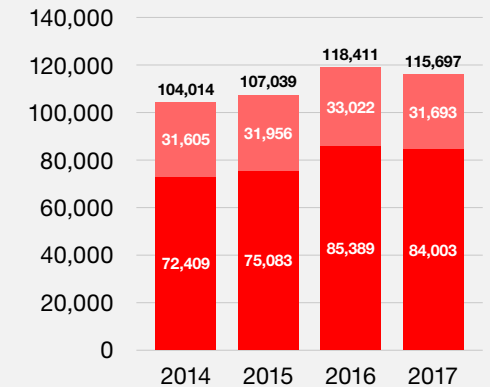
## Energy-efficient business

Climate impacts' reduction is one of the most important areas of corporate responsibility at Tokmanni. The main focus of Tokmanni's climate strategy is to reduce the energy consumption and carbon dioxide emissions of its properties.

Reduction of energy consumption and carbon dioxide emissions supports Tokmanni's business strategy objectives and improves profitability, as reducing energy consumption also lowers costs. The use of renewable energy can also have a positive impact on Tokmanni's reputation and improve energy self-sufficiency. Climate matters are also associated with business risks, such as interruption of operations caused by weather conditions and risk to reputation, which Tokmanni seeks to minimise.

The majority of the climate impacts during the lifecycle of Tokmanni's products arise during the manufacturing and use of the products. The company has limited opportunities to affect these impacts and their measurement is challenging. This is also partly the case for transport. The main focus of Tokmanni's climate strategy in the coming year is to reduce the energy consumption and carbon dioxide emissions of its properties. Tokmanni's goal is to achieve

### Total energy consumption, MWh



● Heating ● Electricity *The figures include both measured and estimated consumption.*

carbon neutrality regarding the emissions of its properties, air travel and leasing cars by 2030. The goal will be achieved by

- Reducing energy consumption and improving energy efficiency
- Using renewable energy
- Acquiring renewable energy certificates
- Offsetting the emissions caused by air travel.



## Monitoring and remote management reduce electricity consumption

Electricity consumption and heating are Tokmanni's main climate impact factors. Thus, Tokmanni's measures taken to curb energy consumption focus particularly on its properties, as the company has control over the energy solutions for these. In addition to Mäntsälä, about 47 (43) per cent of the number of store properties and about

67 (69) per cent of the Group's total energy consumption are under Tokmanni's control. The other stores are located in commercial or shopping centres, and Tokmanni has no direct influence over the energy solutions at these stores.

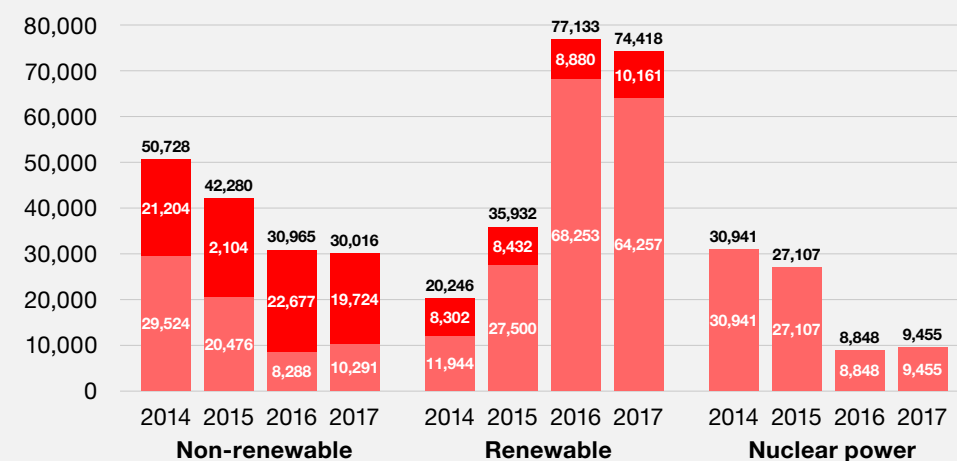
The biggest consumers of electricity in the properties are lighting, ventilation and cooling. Measures taken to reduce energy consumption and the associated emissions focus particularly on remote

management of automation systems in properties, control of optimum use, and monitoring arrangements. The company has an action plan to extend the use of LED lighting in its store network and it also constantly monitors developments in the cost and energy efficiency of other new technologies. Over the long term, LED lighting and new technologies will considerably reduce electricity consumption. Remote management updates, control of

optimum use, and training will also reduce energy consumption, though the largest savings have already been achieved with these measures.

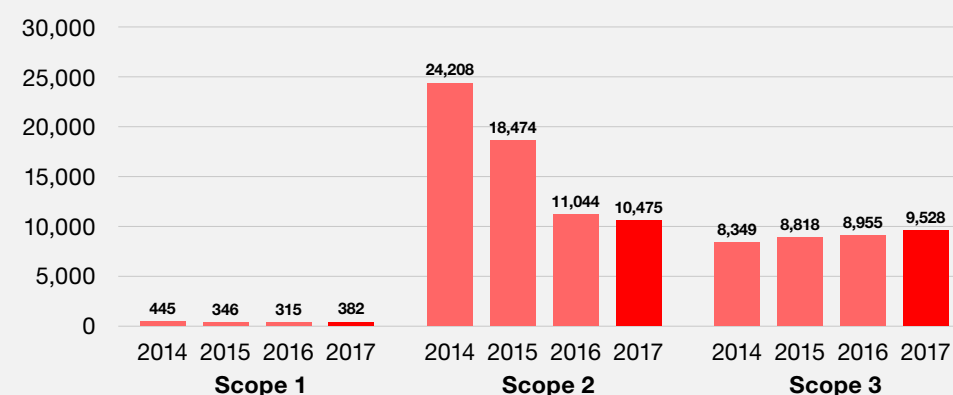
In 2016, Tokmanni launched the Deep Green project with the aim of reducing the environmental impacts, including energy consumption, of Tokmanni's office in Mäntsälä. The measures include instructing personnel how to save energy at the office and encouraging the use of carpooling

## Consumption of purchased energy, MWh



● Heating ● Electricity The figures include both measured and estimated consumption. Electricity includes selfproduced solar-electricity.

## Carbon footprint, ton CO<sub>2</sub>



**Scope 1:** Direct greenhouse gas (GHG) emissions

**Scope 2:** Indirect greenhouse gas (GHG) emissions

**Scope 3:** Other indirect greenhouse (GHG) gas emissions

Scope 2 includes market based greenhouse gas emissions.

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

when commuting to work. The extension of the project to stores was planned in 2017 and the aim is to implement this in 2018.

### Renewable energy solutions

Besides reducing energy consumption, CO<sub>2</sub> emissions are reduced through the use of renewable energy. In 2017 solar panels were installed at Tokmanni's store in Savonlinna. The solar power plant is expected to produce about 75–80 MWh of energy per year, which corresponds to about 10–15 per cent of the store's total annual electricity consumption. Tokmanni has an action plan to extend the use of solar energy to stores around Finland and its logistics centre in Mäntsälä.

Carbon dioxide emissions were also covered by renewable energy certificates. In 2017, renewable energy certificates equalling 62,190 MWh (66,065) were used at Tokmanni, which was 74 (77) per cent of Tokmanni's total electricity consumption. Electricity consumption at the Mäntsälä logistics centre and at the stores that were using electricity purchased by Tokmanni was covered in full by the certificates.

Air travel emissions in 2017 were offset by investing in renewable energy projects through a selected partner. In 2017, emissions were offset with Gold Standard projects implemented in Bangladesh and Vietnam.

### New alternatives for reducing emissions

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

### Environmentally sound logistics

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

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

Concentration provides better opportunities to combine consignments, improve the load capacity utilisation rate of transport units and optimise transport routes. This also reduces the adverse impacts on the environment. The JOT (just-on-time) approach has set challenges for achieving the maximum load capacity utilisation rate for transport units. Tokmanni continuously works together with its partners to avoid empty kilometres.

### Target is to increase rail and container transport

Import consignments from Europe are now collected by lorry or by containers that can travel by rail for some of the journey. The target is to increase the share of rail and container transport to reduce emissions. On a large container ship, the emissions per container are considerably lower than the emissions per trailer on a so-called ro-ro vessel. Shipping companies renew their vessels all the time. The latest ships are larger and more efficient, which reduces the emissions per transport unit.

Tokmanni has also started using rail transportation from China. Containers or small consignments are transported by rail via Kazakhstan, Russia and Belarus to Poland where they are transported to Finland by lorry or container. This is an alternative to air transport from China. The carbon

footprint of rail transport is considerably smaller than that of air transport.

### Concentration of delivery cycle lowers carbon dioxide emissions

In 2016, Tokmanni created an annual plan based on delivery peaks which regulates the number of delivery days at different times on a store-specific basis. The annual plan increased the load size of deliveries on average by six per cent on the previous year, which reduced the number of kilometres driven each week by about 10,000. During 2017 we were unable to implement the annual plan to optimise the number of delivery days, which is unfortunately shown by the emissions figures of transport.

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

### Resource efficiency

Tokmanni seeks to minimise the amount of waste transferred to incinerator plants by reducing waste, and by reusing and recycling waste. Excellent results have been achieved in waste recovery.

In 2017, Tokmanni reused 47 per cent and recycled 34 per cent of its waste. The rest of the waste was recovered, as energy, among other things. The goal is to increase reuse into 62 per cent and keep recycling in the same level in 2018.

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

In 2016, Tokmanni joined the Ministry of Environment's and the Federation of Finnish Commerce's Society's Commitment to Sustainable Development's Green deal and aims to halve the use of plastic self-service bags (fruit bags) per customer by 2026. The reduction in the use of plastic bags is proceeding according to plan. For example, checkout assistants no longer offer lightweight plastic bags at checkouts and the plastic bags for the screws sold by weight have been replaced with paper bags. The sale of plastic carrier bags has also been reduced by offering customers bags made from alternative materials.

### Recycling packaging materials

As Tokmanni does not itself manufacture any of its products, it is not possible to report on the materials used in products. Most of Tokmanni's waste consists of packaging materials. The company endeavours to reduce the amount of packaging materials, actively monitors the volume of waste generated in its warehouse and stores and is continuously improving its waste recycling.

Tokmanni is responsible for the recycling and other waste management of the devices and packaging it places on the market. Tokmanni fulfils its producer responsibility through various producer communities and by actively developing with them ways to ensure sustainable development. Tokmanni collaborates with Finnish Packaging Recycling, Rinki Ltd and others in striving to increase the recovery rate for packaging. Tokmanni notifies Rinki Ltd of the overall quantities of packaging materials imported. The materials are paper fibre, plastic, glass, metal and wood. The non-renewables among these are plastic, glass and metal, which can be recycled efficiently. The plan is to begin reporting packaging materials in the 2018 corporate responsibility report.

Tokmanni engages in electrical and electronic equipment recycling via SELT Association and Stena Oy. For portable and storage batteries Tokmanni has an agreement

with Recser Ltd and Akkukierätyös Pb Oy. Recser has a nationwide collection network for portable and storage batteries, and Akkukierätyös is a producer organisation that specialises in recycling lead-based batteries. Tokmanni has also signed a cooperation agreement with Finnish Tyre Recycling Ltd for collecting and recovering tyres.

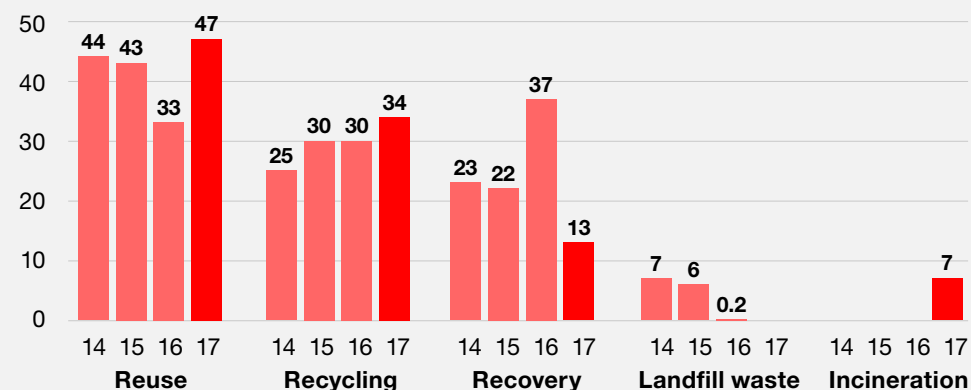
### Increased efforts into digitalisation

Tokmanni aims to reach its customers increasingly by digital means. One of

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

In 2017, Tokmanni increased communications using digital channels, for example in social media and on its website. During the year, Tokmanni also advertised on television and radio. In 2017, the number of Tokmanni's direct marketing leaflets that were printed increased to about 304,000 per week. The growth was a result of, among others, the increase in the store network and the fact that the distribution of

Total weight of waste by disposal method, %



Total 2014: 13,708 tn  
 Total 2015: 13,572 tn  
 Total 2016: 12,924 tn  
 Total 2017: 14,379 tn

Reuse consists of reused pallets at the logistic centre. The data has been obtained from the service providers. Service provider has changed 2017

See page 79 for total weight and disposal method by waste type.



fresh foods advertisements was separate from the Tarjoussanomat direct marketing leaflet. In 2017, around 2,236,200 Tarjoussanomat direct marketing leaflets were distributed each week, which is about 27,600 copies, or about 1.3 per cent more, per week than the previous year. However, calculated per store, the number of copies of Tarjoussanomat printed was reduced by 11 per cent. Tokmanni's summer catalogue and Christmas toy catalogue were not distributed as direct marketing, as the catalogues were published as digital versions and only a small edition was printed for stores. There was no Christmas catalogue

similar to the one published in 2016, as this year the products were advertised online rather than in a printed catalogue. Advertising in newspapers was also reduced considerably. The posters on display in stores were also adapted so that they require considerably less ink.

The reduction of plastic bags was started at Tokmanni at the beginning of 2017 when the small bags that are available on a self-service basis were removed from checkouts. The availability of these self-service bags was also reduced elsewhere in the stores during spring 2017. Paper bags and reusable bags are offered as an alternative at checkouts. Tokmanni's personnel has also received training in this matter.

In 2018, Tokmanni's goal is to reduce the amount of printed material in relation to net sales, for example by optimising the distribution of direct marketing leaflets and developing digital communications.

### Effective prevention of food waste

The amount of food waste in the food products chain as a whole, including households, is approximately 400 million kilos annually, which equates to 10–15 per cent of all the food fit for consumption. For the retail sector, expired food is always a loss. As a responsible operator, Tokmanni aims

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

The right selection of food products, appropriate order and delivery quantities and delivery dates, store-specific monitoring of demand, and reduced prices for products near their expiry date are all effective ways of preventing food waste at the stores.

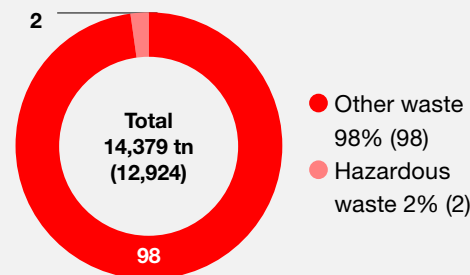
Measures have been taken at all stores to prevent and reduce food waste. In addition, 30 stores with the greatest challenges in terms of expired food waste have been included in a special monitoring process as part of a wastage prevention project.

A store-specific action plan has been drawn up for these stores in conjunction with process advisers and others, and their food waste is monitored weekly by the regional organisation. Active monitoring and prevention of food waste are again in the sales organisation's action plan for 2018.

Although expired food waste has been reduced, stores will inevitably always have a certain amount of unsold food that is

still fit for use. In October 2015, Tokmanni began giving away for charitable purposes food products whose 'best before' date had expired. This is always done through agreement between the store and a local charity organisation. The agreement states the purpose for which the food will be used and the handling arrangements, so as to make sure the products are for charitable purposes and safe for the eventual consumers of the food. 92 stores have already distributed food for charitable purposes. The idea is that in the future Tokmanni will be able to give away all unsold food products from stores to local operators for their use.

### Waste by type, %



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

See page 79 for total weight and disposal method by waste type.

# GRI

We report on sustainability in accordance with the Global Reporting Initiative (GRI) standards. In this section, you will find more detailed information on the coverage and principles of our reporting and a summary of the GRI indicators.

## In this section

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# Reporting principles

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

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

The information in the report is for 2017, although some indicators also present historical data where this is available. Tokmanni plans to publish corporate responsibility information annually, either in a separate

Corporate responsibility report or as part of the annual report. The previous Corporate Responsibility Report was published in February 2017. The information in this report has not been assured externally.

This report has been prepared in accordance with the GRI Standards: Core option. At least one indicator is reported for every material topic. The indicators have been selected to form as complete and balanced picture of Tokmanni's corporate responsibility matters as possible.

## Further information

[ir.tokmanni.fi/en/responsibility](http://ir.tokmanni.fi/en/responsibility)

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# Information used in calculations

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

- The electricity is purchased from the power market. The electricity purchased for the stores controlled by Tokmanni and for the logistics centre in Mäntsälä is covered by renewable energy certificates. For these sites, the market-based specific emissions coefficient is 0 g CO<sub>2</sub>/kWh.
- The environmental profile of the residual mix calculation published by the Energy Authority for 2016 has been applied to the consumption of electricity not controlled by Tokmanni.<sup>1</sup>
- In the 2016 residual mix, non-renewable energy sources account for 47.36 per cent, renewable energy sources account for 9.13 per cent and nuclear power

accounts for 43.51 per cent. The average specific emissions of carbon dioxide from power production are 287.81 g/kWh, and the amount of nuclear fuel used is 1.23 mg/kWh.

- The primary energy coefficients used in the calculations are: renewable fuels 1, non-renewable fuels 1.75 and nuclear power 3.03.<sup>2</sup>
- The location-based emissions coefficient used for electricity is the average CO<sub>2</sub> emissions coefficient published by Motiva for Finland, calculated as a five-year rolling average, which is 181 g CO<sub>2</sub>/kWh.<sup>3</sup>

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

- The market-based CO<sub>2</sub> emissions coefficient for district heating calculated for the Tokmanni sites is 156 CO<sub>2</sub>/kWh.<sup>4</sup>

- The location-based emissions coefficient used is the average CO<sub>2</sub> coefficient of 176 g CO<sub>2</sub>/kWh calculated using the benefit sharing method for Finnish district heating CHP areas<sup>4</sup>.
- The information concerning the division of district heating into renewable and non-renewable fuels is from Finnish Energy's district heating statistics<sup>5</sup>.
- The primary energy coefficient used in the calculation is 0.9<sup>6</sup>
- The fuel emissions coefficients published by Statistics Finland have been used as the emissions coefficients for gas and oil.<sup>7</sup>

The calculations for transport in Finland use an average consignment size (based on the number and weight of consignments), distance travelled by consignments (invoiced kilometres, as opposed to actual kilometres that the cargo has been in load

space), and average consumption and average emissions values per vehicle type as compiled by the transport operators. The year used for comparison is 2015.

Tokmanni has collected information about the emissions of transport outside Finland from various operators. The basis for emissions calculations and the energy consumption of the transport operation are not known. The year used for comparison is 2015. Through its own agreements, Tokmanni manages 35 per cent (34) of the transport consignments of purchases. Its reporting covers 99.99 per cent (99.99) of the import consignments transported under its own agreements and 100 per cent per cent of the transport consignments from the warehouse to the stores.

All of Posti's services in Finland are carbon neutral Posti Green services that generate no emissions for customers. The emis-

<sup>1</sup> Energy Authority. 2017. Residual mix in 2016.

<sup>2 and 6</sup> Matias Keto. Energy factor. General principles and factors of realised electricity and heat production, Report for the Ministry of the Environment.

<sup>3 and 4</sup> Motiva. 2017. CO<sub>2</sub> emissions coefficient.

<sup>5</sup> Finnish Energy. 2017. District heating statistics 2016.

<sup>7</sup> Statistics Finland, Fuel Classification 2017.

sions of the services provided by Posti were 22.022 ton CO<sub>2</sub> before offsetting in 2017.<sup>8 and 9</sup>

An emissions report for air travel has been obtained from the service provider. Energy consumption is not known. The year used for comparison is 2015. Tokmanni has offset the emission of its air travel in 2017.

### Calculation basis and accuracy of data

The recorded consumption data obtained in consumption monitoring is the primary information used for ascertaining the consumption of power and heating by Tokmanni's logistics centre and its stores. However, such data is not available for all stores, and so the consumption by active stores outside the monitoring system is estimated on the basis of the consumption by stores that are covered by the consumption monitoring. In other words, specific consumption (kWh/m<sup>2</sup> gross floor area) has been calculated for the stores covered by consumption monitoring. The specific consumption figure obtained is assumed to equate to the average consumption level of the stores and has been used to calculate the total consumption for those stores not

covered by the monitoring. The base year for the energy consumption and emissions is 2015.

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

The 2015 update of the GHG Protocol advises that emissions from purchased electricity and heating should be reported in accordance with both market-based and location-based coefficients. With regard to the market-based coefficients, they are energy company-specific and take renewable energy certificates into account. The location-based coefficients are national averages and do not take renewable energy certificates into account. In this report, only CO<sub>2</sub> emission are reported. Regarding the properties other emission components' (CH<sub>4</sub>, N<sub>2</sub>O) CO<sub>2</sub>-eq impact would be approximately four per cent of total emissions.

Calculation of the market-based environmental effects of district heating takes the following factors into account: For sites where district heating consumption is re-

corded, the heating production emissions coefficient (combined or separate production) used is that reported by Motiva for the locality concerned. Using this information, the weighted average has been calculated for the emissions coefficients, which indicates the average CO<sub>2</sub> coefficient for the Tokmanni sites.

For sites where the consumption and supplier of district heating are not known, the market-based emissions coefficient is 176 g CO<sub>2</sub>/kW. This describes the average CO<sub>2</sub> coefficient calculated for Finnish district heating CHP areas using the benefit sharing method.

The calculations are based on the latest information available. The information from the Energy Authority, Motiva and Energy Finland is updated annually, and the information for 2017 was not yet available when the calculations were being made. The environmental figures for previous years have not been recalculated.

The total greenhouse gas emissions for the company's own heating production are estimated on the basis of the fuel emissions coefficients published by Statistics Finland. The emissions coefficient for gas is 200.88 g CO<sub>2</sub>/kWh, and that for oil is 264.6 g CO<sub>2</sub>/kWh<sup>7</sup>.

The data on waste amounts, processing methods and definition of the hazardous nature of the waste is from the statistics

compiled by Lassila & Tikanoja plc, not including the data on electrical and electronic waste, which was obtained from figures gathered by Stena Oy.

### Examining energy consumption information

At the end of 2017, Tokmanni had 175 (162) active stores and one logistics centre. Active stores are those which are in normal use. Active stores do not include new stores that are not yet in operation, or stores that have been discontinued by the month in question. During the year, 13 new and two relocated stores were opened.

At the end of 2017, in terms of the total surface area, 78 per cent (76) of the active stores were covered by electricity consumption monitoring, and 50 per cent (41) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring, 81 per cent (79) of the total surface area is covered by electricity consumption monitoring and 57 per cent (49) by heating consumption monitoring. Consumption by the properties not included in the monitoring has been estimated on the basis of the specific consumption of the monitored properties.

The energy intensity table for 2016 has been updated with the area and the corresponding consumption data.

<sup>8 and 9</sup> <http://annualreport2016.posti.com/vastuullisuus/ymparisto/vihrea-logistiikka-ja-posti-green>

# Data

## 302-1 Energy consumption within the organization

### a. Total energy consumption, MWh

	2014	2015	2016	2017	Change, %
Electricity, total	72,409	75,083	85,389	84,003	-1.6
District heat, total	29,506	30,236	31,557	29,885	-5.3
Gas	1,637	1,623	1,104	1,484	34.3
Oil	461	96	360	324	-9.9
Heating, total	31,605	31,956	33,022	31,693	-4.0
<b>Total energy consumption</b>	<b>104,013</b>	<b>107,038</b>	<b>118,411</b>	<b>115,697</b>	<b>-2.3</b>

At the end of 2017, in terms of the total surface area, 72 per cent of the active stores (76) were covered by electricity consumption monitoring, and 41 per cent (41) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring, 76 per cent (79) of the total surface area is covered by electricity consumption monitoring and 54 per cent (49) by heating consumption monitoring. Consumption by the properties not included in the monitoring has been estimated on the basis of the specific consumption of the monitored properties. Own electricity production with solar panels included to the total electricity consumption was 83.1 MWh.

### b. Consumption of purchased energy, MWh

	Unit	2014			2015			2016			2017			Change, %		
		Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total
Purchased energy	MWh	72,409	29,506	<b>101,915</b>	75,083	30,236	<b>105,319</b>	85,389	31,557	<b>116,946</b>	84,003	29,885	<b>113,889</b>	-1.6	-5.3	<b>-2.6</b>
Non-renewable	MWh	29,524	21,204	<b>50,728</b>	20,476	21,804	<b>42,280</b>	8,288	22,677	<b>30,965</b>	10,292	19,724	<b>30,016</b>	24.2	-13.0	<b>-3.1</b>
Renewable	MWh	11,944	8,302	<b>20,246</b>	27,500	8,432	<b>35,932</b>	68,253	8,880	<b>77,133</b>	64,257	10,161	<b>74,418</b>	-5.9	14.4	<b>-3.5</b>
Nuclear power	MWh	30,941	0	<b>30,941</b>	27,107	0	<b>27,107</b>	8,848	0	<b>8,848</b>	9,455		<b>9,455</b>	6.9	0.0	<b>6.9</b>

### c. Consumption of own energy production, MWh

	2014	2015	2016	2017	Change, %
Non-renewable (oil)	461	96	360	324	-9.9
Non-renewable (gas)	1,637	1,623	1,104	1,484	34.4

In Tokmanni's GRI report, electricity and district heating consumption are given in terms of usable secondary energy and consumption of own energy production in primary energy. Primary energy refers to energy contained within energy sources in their unprocessed form, prior to the transformation process into usable secondary energy. Primary energy is used to describe the energy available from various sources, as well as the amount of natural resources used as such sources and the effect this has on the natural resource. Transforming energy from one form to another inevitably results in waste, and thus the amount of primary energy is always higher than the secondary. One new store has been added to the gas consumption monitoring after year 2016.



### 302-3 Energy intensity

#### Energy intensity by energy type

	2014			2015			2016			2017			Intensity change, %	Consumption change, %
Stores	Consumption MWh	Total area m <sup>2</sup>	KWh/m <sup>2</sup>	Consumption MWh	Total area m <sup>2</sup>	KWh/m <sup>2</sup>	Consumption MWh	Total area m <sup>2</sup>	KWh/m <sup>2</sup>	Consumption MWh	Total area m <sup>2</sup>	KWh/m <sup>2</sup>		
Electricity	58,538	432,967	135	59,525	444,287	134	66,065	457,928	144	77,693	520,409	149	3.5	17.6
District heating	11,191	214,354	52	10,613	214,283	50	10,688	201,656	53	12,322	220,342	56	5.5	15.3
Gas	1,637	18,927	87	1,623	18,927	86	1,104	17,880	62	1,484	22,565	66	6.4	34.3
Oil	461	5,807	79	96	1,551	62	360	4,034	89	324	4,034	80	-9.9	-9.9

The specific consumption is calculated from comparable items. Electricity: total area. District heating: the area of measured objects. One new store has been added to the gas consumption monitoring after year 2016. The increase in energy consumption is due to an increase in the number of stores.

### 305-1 Direct greenhouse gas emissions (Scope 1)

#### Consumption of own energy production and CO<sub>2</sub> emissions

	Unit	2014	2015	2016	2017	Change, %
Non-renewable (oil)	MWh	461	96	359,8	324	-9.9
Non-renewable (gas)	MWh	1,637	1,623	1,104.4	1,484	34.4
Greenhouse gas emissions	ton CO <sub>2</sub>	445	346	315	382	21.1

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

## 305-2 Indirect greenhouse gas (GHG) emissions (Scope 2)

### Consumption of purchased energy and CO<sub>2</sub> emissions

		2014			2015			2016			2017			Change, %		
	Unit	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total
Purchased energy (302-1, Purchases)	MWh	72,409	29,506	101,915	75,083	30,236	105,319	85,389	31,557	116,946	84,003	29,885	113,889	-1.6	-5.3	-2.6
Non-renewable	MWh	29,524	21,204	50,728	20,476	21,804	42,280	8,288	22,677	30,965	10,292	19,724	30,016	24.2	-13.0	-3.1
Renewable	MWh	11,944	8,302	20,246	27,500	8,432	35,932	68,253	8,880	77,133	64,257	10,161	74,418	-5.9	14.4	-3.5
Nuclear power	MWh	30,941	0	30,941	27,107	0	27,107	8,848	0	8,848	9,455	0	9,455	6.9	0	6.9
Environmental impacts																
Greenhouse gas emissions (market based)	ton CO <sub>2</sub>	19,101	5,107	24,209	13,309	5,165	18,474	5,368	5,676	11,044	5,802	4,673	10,475	8.1	-17.7	-5.2
Greenhouse gas emissions (location based)	ton CO <sub>2</sub>	20,719	5,488	26,207	17,553	5,553	23,105	17,846	5,775	23,621	15,205	5,260	20,464	-14.8	-8.9	-13.4
Radioactive waste	tonnes	0.1	0	0.1	0.1	0	0.1	0.1	0	0.1	0.02	0	0.02	-50.4	0	-50.4

Indirect greenhouse gas (GHG) emissions consist of the purchased electricity and of district heating.

## 305-3 Other indirect greenhouse gas (GHG) emissions (Scope 3)

### CO<sub>2</sub>-emissions of transportations and air travel, ton CO<sub>2</sub>

	2014	2015	2016	2017	Change, %
Transportation	8,177	8,702	8,760	9,269	5.8
Posti				22	100
Air travel	172	116	195	237	21.6
Greenhouse gas emissions	8,349	8,818	8,955	9,528	6.4

305-3 includes inbound and outbound logistics (to and from the logistic center) transportation by Posti and air travel. The data is from service providers. In import consignments, 2017 data covers 99.9 per cent of transportation in proportion to the value of the freight paid. Posti has offset all its customers' transportation emissions.

## 305-4 Greenhouse gas (GHG) emissions intensity

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

	Unit	2014	2015	2016	2017	Change, %
Greenhouse gas emissions (Scope 1 and 2)	ton CO <sub>2</sub>	24,654	18,820	11,359	10,857	-4.4
Net sales	MEUR	734	755	776	796,6	2.7
Greenhouse gas emissions intensity	ton CO <sub>2</sub> /MEUR	34	25	14,64	13,3	-9.0
Employees	empl	3,119	3,293	3,224	3,255	1.0
Intensity	ton CO <sub>2</sub> /empl	8	6	3,52	3,3	-7.4

Greenhouse gas intensity has been calculated by proportioning Scope 1 and 2 emissions (market based) to Tokmanni's net sales and number of employees. In 2016–2017 Scope 1 and 2 location based emissions decreased 12.9 per cent.

### 306-2 Total weight of waste by type

#### a. Total weight of hazardous waste, with a breakdown by the following disposal methods, tn

Method	2017	2017, %
Reuse	0	0
Recycling	292	94.1
Recovery	5	1.5
Incineration	14	4.4
Landfill waste	0	0
<b>Total</b>	<b>310</b>	<b>100</b>

#### b. Total weight of other waste, with a breakdown by the following disposal methods, tn

Method	2017	2017, %
Reuse	6,722	47.8
Recycling	4,578	32.5
Recovery	1,804	12.8
Incineration	965	6.9
Landfill waste	0	0
<b>Total</b>	<b>14,069</b>	<b>100</b>

#### b. All waste, by disposal methods, tn

Method	2014	2015	2016	2017	2017, %	Change, %
Reuse	6,072	5,766	4,236	6,722	46.8	58.7
Recycling	3,467	4,015	3,850	4,870	33.9	26.5
Recovery	3,146	2,958	4,818	1,808	12.6	-62.5
Incineration				979	6.8	6.8
Landfill waste	1,023	833	21	0	0	0
<b>Total</b>	<b>13,708</b>	<b>13,572</b>	<b>12,924</b>	<b>14,379</b>	<b>100</b>	<b>11.3</b>

Information on waste disposal methods has been provided by the waste disposal contractor. Waste disposal contractor has changed 2017. Reuse consists of reused pallets at the logistic centre. Re-used pallets consist of repaired, returned to supplier, reused, purchased by recycle service provider, as well as returned rental pallets.



## 401-1 New employee hires and employee turnover

### a. New permanent employments 2017

	–30 years		30–50 years		50 years–		Total	
	number	%	number	%	number	%	number	%
Female	86	78.2	91	78.4	23	76.7	200	78.1
Male	24	21.8	25	21.6	7	23.3	56	21.9
<b>Total</b>	<b>110</b>	<b>100</b>	<b>116</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>256</b>	<b>100</b>

### b. Terminated permanent employments 2017

	–30 years		30–50 years		50 years–		Total	
	number	%	number	%	number	%	number	%
Female	66	68.0	80	76.9	27	87.1	173	74.6
Male	31	32.0	24	23.1	4	12.9	59	25.4
<b>Total</b>	<b>97</b>	<b>100</b>	<b>104</b>	<b>100</b>	<b>31</b>	<b>100</b>	<b>232</b>	<b>100</b>

## 405-1 Diversity of governance bodies and employees

### Age and gender distribution by employee category

	–30 years		30–50 years		50 years–		Total	
	number	%	number	%	number	%	number	%
Management, female	0	0	1	0.1	1	0.1	2	0
Management, male	0	0	4	0.3	2	0.3	6	0
Senior salaried personnel, female	0	0	9	0.6	10	1.4	19	1
Senior salaried personnel, male	0	0	16	1.1	11	1.5	27	1
Office personnel, female	15	1.5	188	12.6	82	11.2	285	9
Office personnel, male	7	0.7	61	4.1	19	2.6	87	3
Employees, female	745	72.3	1,052	70.4	545	74.6	2,342	72
Employees, male	262	25.5	163	10.9	61	8.3	487	15
<b>Total</b>	<b>1,030</b>	<b>31.6</b>	<b>1,494</b>	<b>45.9</b>	<b>731</b>	<b>22.5</b>	<b>3,255</b>	<b>100</b>

# GRI-index

		Location, comments and omissions	UN Global Compact	SDG
<b>GRI 100 Universal Standards</b>				
<b>GRI 102: General disclosures</b>				
<b>Organizational profile</b>				
102-1	Name of the organization	<a href="#">4</a>		
102-2	Activities, brands, products, and services	<a href="#">4, 13</a>		
102-3	Location of headquarters	<a href="#">4</a>		
102-4	Location of operations	<a href="#">4</a>		
102-5	Ownership and legal form	<a href="#">4</a>		
102-6	Markets served	<a href="#">4</a>		
102-7	Scale of the organization	<a href="#">4, Financial Statements 2017</a>		
102-8	Information on employees and other workers	<a href="#">4, 55</a>	Principle 6	8
102-9	Supply chain	<a href="#">4, 61</a>		
102-10	Significant changes to the organization and its supply chain	<a href="#">4, Financial Statements 2017</a> , No significant changes to the organization and its supply chain have occurred during the period.		
102-11	Precautionary Principle or approach	<a href="#">19</a>		
102-12	External initiatives	<a href="#">14</a>		
102-13	Membership of associations	<a href="#">14</a>		
<b>Strategy</b>				
102-14	Statement from senior decision-maker	<a href="#">5</a>	Commitment to UN GC	
102-15	Key impacts, risks, and opportunities	<a href="#">9, Financial Statements 2017</a>		

Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	5, 21, <a href="#">Ethical Guidelines</a>	Principles 1, 4, 5, 10	16
102-17	Mechanisms for advice and concerns about ethics	23, <a href="#">Ethical Guidelines</a>	Principles 1, 4, 5, 10	16
Governance structure				
102-18	Governance structure	19, <a href="#">Corporate Governance 2017</a>		
Stakeholder engagement				
102-40	List of stakeholder groups	15		
102-41	Collective bargaining agreements	55	Principle 3	8
102-42	Identifying and selecting stakeholders	14		
102-43	Approach to stakeholder engagement	14		
102-44	Key topics and concerns raised	15		
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102-45	Entities included in the consolidated financial statements	4, <a href="#">Financial Statements 2017</a>		
102-46	Defining report content and topic Boundaries	16		
102-47	List of material topics	17		
102-48	Restatements of information	73		
102-49	Changes in reporting	73		
102-50	Reporting period	73		
102-51	Date of most recent report	73		
102-52	Reporting cycle	73		
102-53	Contact point for questions regarding the report	73		
102-54	Claims of reporting in accordance with the GRI Standards	73, This report has been prepared in accordance with the GRI Standards: Core option.		
102-55	GRI content index	81		
102-56	External assurance	73, The report has not been assured externally.		
GRI 103: Management approach				
103-1	Explanation of the material topic and its Boundary	16		
103-2	The management approach and its components	18		5, 8, 12, 13, 14, 15, 16
103-3	Evaluation of the management approach	18		



GRI 200 Economic standards				
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	<u>52</u>		5, 7, 8, 9
GRI 205: Anti-corruption				
205-2	Communication and training about anti-corruption policies and procedures	<u>18, 22, Ethical Guidelines</u>	Principle 10	16
205-3	Confirmed incidents of corruption and actions taken	49, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 10	16
GRI 206: Anti-competitive behavior				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	23, There were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices in Tokmanni in 2017		16
GRI 300 Environmental standards				
GRI 301: Materials				
301-1	Materials used by weight or volume	<u>18</u> , Information unavailable. The reporting is being developed. Tokmanni aims to report the packaging materials in the 2018 report.	Principles 7, 8	8, 12
GRI 302: Energy				
302-1	Energy consumption within the organization	<u>18, 67, 76</u>	Principles 7, 8, 9	7, 8, 12, 13
302-3	Energy intensity	<u>77</u>	Principle 8	7, 8, 12, 13
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	<u>18, 68, 77</u>	Principles 7, 8, 9	3, 12, 13, 14, 15
305-2	Energy indirect (Scope 2) GHG emissions	<u>68, 78</u>	Principles 7, 8, 9	3, 12, 13, 14, 15
305-3	Other indirect (Scope 3) GHG emissions	<u>68, 78</u>	Principles 7, 8, 9	3, 12, 13, 14, 15
305-4	GHG emissions intensity	<u>78</u>	Principle 8	13, 14, 15
305-5	Reduction of GHG emissions	<u>67, 68</u>	Principles 8, 9	13, 14, 15
GRI 306: Effluents and waste				
306-2	Waste by type and disposal method	<u>18, 70, 79</u>	Principle 8	3, 6, 12, 13, 14, 15
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria, %	18, 61, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 8	
308-2	Negative environmental impacts in the supply chain and actions taken	62, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 8	

GRI 400 Social standards				
GRI 401: Employment				
401-1	New employee hires and employee turnover	<a href="#">18</a> , <a href="#">55</a> , <a href="#">80</a>	Principle 6	5, 8
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">55</a>		8
GRI 402: Labor/management relations				
402-1	Minimum notice periods regarding operational changes	<a href="#">18</a> , <a href="#">55</a>	Principle 3	8
GRI 403: Occupational health and safety				
403-1	Workers representation in formal joint management-worker health and safety committees	<a href="#">18</a> , <a href="#">58</a>		8
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<a href="#">59</a>		3, 8
GRI 404: Training and education				
404-3	Percentage of employees receiving regular performance and career development reviews	<a href="#">18</a> , <a href="#">58</a>	Principle 6	5, 8
GRI 405: Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	<a href="#">18</a> , <a href="#">56</a> , <a href="#">80</a> , <a href="#">Corporate Governance 2017</a>	Principle 6	5, 8
405-2	Ratio of basic salary and remuneration of women to men	<a href="#">55</a>	Principle 6	5, 8, 10
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	<a href="#">18</a> , One case of discrimination. The case has been finalized.	Principle 6	5, 8, 16
GRI 407: Freedom of association and collective bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">18</a> , <a href="#">61</a> , <a href="#">62</a> , amfori BSCI, SA8000, other third party and Tokmanni's audits	Principles 2, 3	8
GRI 408: Child labor				
408-1	Operations and suppliers at significant risk for incidents of child labor	<a href="#">18</a> , <a href="#">61</a> , <a href="#">62</a> , amfori BSCI, SA8000, other third party and Tokmanni's audits	Principles 2, 5	8, 16
GRI 409: Forced or compulsory labor				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<a href="#">18</a> , <a href="#">61</a> , <a href="#">62</a> , amfori BSCI, SA8000, other third party and Tokmanni's audits	Principles 2, 4	8

GRI 412: Human rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	18, 24, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 2	
412-2	Employee training on human rights policies or procedures	22, 49, <a href="#">Ethical Guidelines</a>	Principle 1	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	18, 61, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 2	5, 8, 16
414-2	Negative social impacts in the supply chain and actions taken	62, amfori BSCI, SA8000, other third party and Tokmanni's audits	Principle 2	5, 8, 16
GRI 415: Public policy				
415-1	Political contributions	18, 22, <a href="#">Ethical Guidelines</a> , Tokmanni does not financially support political parties, groups or individual politicians, nor does it make art or other purchases from them.	Principle 10	16
GRI 416: Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	18, 64		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	65		16
GRI 417: Marketing and labelling				
417-1	Requirements for product and service information and labeling	18, 64		12, 16
417-2	Incidents of non-compliance concerning product and service information and labeling	65		
417-3	Incidents of non-compliance concerning marketing communications	51		16
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	18, 50		16