



**TOKMANNI**

# RESPONSIBLE WITH LOW PRICES

Sustainability Report 2019



# 2019 highlights

## Tokmanni ❤️ Finnish Red Cross



We started comprehensive co-operation with the Finnish Red Cross to reduce loneliness and social exclusion.

# 3 659

**Tokmanni's employees**

Tokmanni's staff grew by 101 persons last year. At the end of 2019, a total 3 659 people worked at Tokmanni.

Tokmanni's revenue grew by 8.5% to 944.3 million euros and its comparable profit grew by 35.7% to 70.4 million euros compared to 2018.

**To thank our employees for their good work, we paid them 1.4 million euros in sales rewards.**



**We introduced gender neutral job titles**

## Joining the international CDP climate evaluation

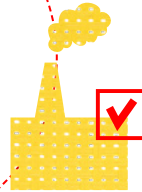
For the first time, we are reporting our climate work to the CDP, or Carbon Disclosure Project.

The 2018 Tokmanni Corporate Responsibility Report was awarded the "Riser of the Year" award in Finland's leading corporate responsibility reporting competition.



**52 own factory audits**

In addition to the BSCI audits, our own experts also audited 52 partner factories, or 12.4% of all our suppliers.



**96%**

**of factories in high risk countries BSCI audited**

We source our private label products produced in, for example China, Bangladesh and India, from factories which have been inspected and evaluated via a BSCI audit by a third party\*.

**We saved over a million plastic bags worth of film plastics**

Compared to the year 2018, we reduced the use of clear film plastics in our trolleys by 32%. In total, 21 000 kilograms of plastic were saved, which is the equivalent of over one million plastic bags. In the same time frame, the number of delivered trolleys grew by 7%.



**Emissions**

**-14.5%\*\***

We changed the electricity supply in our stores to renewable electricity and made our energy usage more efficient by, for example, making even more investments in LED lighting. The emissions of our properties decreased by 46,3% compared to 2018.

\*Amfori BSCI is an international system, which inspects and evaluates, among others, the realisation of workers' rights, the quality of working conditions and safety matters in the factory. We require that factories have a valid BSCI audit at the time of ordering and the time of delivery. Some products being sold come from factories whose audits, which were expiring, were not renewed for whatever reason, and therefore it is difficult to reach 100% coverage in practice.

\*\*Emissions calculations include real estate energy usage and waste, product shipments domestically and internationally, as well as air and rail travel.

# Table of contents

## DIRECTION

Finland's leading discount retail chain.....	<u>6</u>
A strategy of profitable growth.....	<u>7</u>
CEO's foreword: Combining low prices with corporate responsibility.....	<u>8</u>
Values as the basis for corporate responsibility work.....	<u>9</u>
Megatrends - opportunities and risks for Tokmanni.....	<u>10</u>
Engaging with our stakeholders.....	<u>13</u>
Main themes of corporate responsibility work.....	<u>16</u>
Managing sustainability throughout our business operations.....	<u>17</u>
Human rights as a guiding principle of corporate responsibility.....	<u>19</u>
Managing sustainability throughout our business operations.....	<u>21</u>
UN Sustainable Development Goals.....	<u>23</u>

## BUSINESS INTEGRITY

Achievements and targets.....	<u>26</u>
Privacy protection at Tokmanni.....	<u>27</u>
Responsible marketing is fair and clear.....	<u>28</u>
Generating added financial value.....	<u>29</u>

The Finnish Red Cross and Tokmanni to join up to increase communality.....	<u>30</u>
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## FAIR TREATMENT

Achievements and targets.....	<u>32</u>
Committed employees.....	<u>33</u>
Equal treatment at work.....	<u>35</u>
Sustainability in the daily work of Tokmanni employees: quick reactions and saved kilometres.....	<u>37</u>
Opportunities for training and development.....	<u>38</u>
Occupational health and safety.....	<u>40</u>

## RESPONSIBLE SOURCING AND PRODUCTS

Achievements and targets.....	<u>43</u>
Responsible sourcing requires systematic work.....	<u>44</u>
The thesis that challenges the media conversation on the textile industry in Bangladesh.....	<u>47</u>
Case: A T-shirt's journey to a Tokmanni store.....	<u>48</u>

Key high-risk raw materials and product certification.....	<u>49</u>
Minding animal welfare.....	<u>50</u>
Certificate guide.....	<u>51</u>
Product safety is tested meticulously.....	<u>52</u>
A Brücke drill goes through several quality checks before arriving in store.....	<u>53</u>
Recall of LED decoration lights due to safety risks.....	<u>54</u>

## EFFICIENT USE OF RESOURCES

Achievements and targets.....	<u>56</u>
Systematic reduction of climate impacts – reporting according to TCFD.....	<u>57</u>
Transportation emissions at 2015 level in relation to revenue.....	<u>61</u>
Using waste and materials efficiently.....	<u>62</u>
Preventing food waste.....	<u>64</u>

## GRI

Reporting principles.....	<u>66</u>
Information used in calculations.....	<u>67</u>
Data.....	<u>69</u>
GRI-index.....	<u>75</u>

# Direction

We work hard for smart shopping and develop more sustainable discount retailing. Corporate responsibility is a prerequisite for our success and a strategic focus area that we always focus on from the Executive Group level all the way to the stores and the supply chain. Our vision and strategy define the direction we are heading towards.

## IN THIS SECTION

Finland's leading discount retail chain.....	<u>6</u>	Main themes of our corporate responsibility work.....	<u>16</u>
A strategy of profitable growth.....	<u>7</u>	Managing sustainability throughout our business operations.....	<u>17</u>
CEO's foreword: Combining low prices with corporate responsibility.....	<u>8</u>	Human rights as a guiding principle of corporate responsibility.....	<u>19</u>
Values as the basis for corporate responsibility work.....	<u>9</u>	The Code of Conduct guides everyone's daily work at Tokmanni.....	<u>21</u>
Megatrends – opportunities and risks for Tokmanni.....	<u>10</u>	UN Sustainable Development Goals.....	<u>23</u>
Engaging with our stakeholders.....	<u>13</u>		



# Finland's leading discount retail chain

Tokmanni is the largest and only nationwide general discount retail chain in Finland.

DURING 2019, Tokmanni expanded by opening 15 new stores and at the end of the year, Tokmanni had 191 stores located throughout Finland. Our corporate administration and logistics centre is located in Mäntsälä. In addition to its operations in Finland, together with the Norwegian company Europris ASA, Tokmanni jointly owns one half of a sourcing company located in Shanghai.

Tokmanni offers a wide assortment of products that offer great value for money in e.g. the home renovation and cleaning, clothing and leisure, and interior decoration and garden categories. Tokmanni's product range consists of its own private label and exclusive products as well as unlabelled products and leading international brands. Our private labels include

Perfekt+, Pisara, Kotikulta, Priima, Brücke, Iisi, Pola and Tok Garden, among others.

Tokmanni does not own production facilities, as we purchase the products we sell directly from domestic and international producers, importers and agents. We buy about 73 per cent of our products from Finnish suppliers, 16 per cent from Asia and 11 per cent from elsewhere in Europe. We are committed to responsible sourcing practices. Of the factories in high-risk countries, 96 per cent are BSCI-audited, so working conditions are audited by a third party and strictly evaluated.

Tokmanni's shares are listed on the main list of the Nasdaq Helsinki stock exchange. At the end of December 2019, there were 16,199 registered shareholders. •

\*IFRS 16 impact.

\*\*We only purchase from factories, which have a valid BSCI audit. For some of the products we have on sale, audit due to expire was not renewed after we placed the product order, and therefore a 100% coverage is very difficult to achieve.

## Key Performance Indicators

▲ Revenue

**944.3**

MEUR  
870.4 (2018)

▲ Comparable Operating profit\* (Comparable EBIT)

**70.4**

MEUR  
51.9 (2018)

▲ Employees

**3 659**

3 558 (2018)

▲ Permanent employees

**78%**

76% (2018)

▲ Growth from previous year

▼ Decrease from previous year

▼ Full-time employees

**35%**

36% (2018)

▼ Purchases from BSCI audited factories\*\*

**96%**

98% (2018)

Waste recovery

**100%**

100% (2018)

▼ Total energy consumption

**114 335**

MWh  
117 374 MWh (2018)

▼ Carbon footprint

**-14.5%**

6.2% (2018)



## A strategy of profitable growth

Our goal is to continue to reinforce Tokmanni's position as the leading general discount retailer in Finland by making the most out of our key competitive advantages, which are our low prices, wide and attractive product range and good shopping experience. We want our customers to be able to trust in the safety and responsibility of Tokmanni's products.

**THE MAIN FOCUS** during 2019 was on improving profitability. Actions were taken particularly to boost the efficiency of processes in order to reduce the relative share of fixed expenses. Additionally, we focused on improving the gross margin by growing the sales of private-label products and increasing direct imports.

### Increase direct imports and sales of private-label products

The measures to improve the gross margin involved increasing sourcing through the sourcing company in Shanghai and boosting the efficiency of such sourcing, as well as growing the sales of stock lots.

### Reduce the relative share of fixed expenses

Measures aimed at reducing the relative share of rents and maintenance costs at premises were carried out according to plan.

Additionally, we focused on making our retail functions more efficient and improving the tasks of our store personnel and the allocation of their time. Our goal is to make the entire

delivery process from the goods supplier all the way to the customer more efficient, creating cost-efficiency without forgetting customer satisfaction.

### Strengthen customer confidence

We continued to strengthen customer trust. We renewed and expanded the product range in several different product categories.

Likewise, new stores were opened and existing stores were expanded and renovated successfully. Supported by the various measures implemented, online store sales also developed favourably.

### The best place to work in retail

Our motivated and satisfied employees work together to serve our customers, enabling us to reach our goals.

For this reason, it is paramount to ensure that our employees possess the right kind of competence and are committed to achieving the common goals.

We reward our personnel for good and productive work. ●



## Combining low prices with corporate responsibility

TOKMANNI is all about low prices and smart shopping. Tokmanni has an influence on people’s behaviour while shopping so that they both make and demand responsible choices. By ensuring that our products and services are both delightfully inexpensive and responsibly sourced, we can make responsible choices available for all.

Corporate responsibility is one of Tokmanni’s strategic focus areas and part of the daily work of our personnel. Tokmanni’s key corporate responsibility focus areas are *Business integrity, Fair treatment, Responsible sourcing and products* and *Efficient use of resources*.

In order to keep our prices low, meet demands and reach our goals, we invest in direct imports of our private label products, build long-term supplier relationships, make our processes more efficient and cooperate with different stakeholders.

To make sure our products are responsibly sourced and safe to use, we develop product safety, responsibility and due diligence by conducting in-house quality assurance, our own and third-party factory audits and by carrying out product testing ourselves or commissioning this from third parties. We

work with Finnish and global initiatives to advance corporate responsibility. To name a few, we participate in amfori BSCI, FIBS and the UN Global Compact. Additionally, in 2019, Tokmanni joined the amfori BEPI programme. Through this programme, we encourage factories to be more heavily involved in the joint efforts to combat climate change.

We are proud to be a significant employer of very skilled and customer-oriented employees on the Finnish commerce sector. At the end of 2019, Tokmanni had 3 659 employees. We are also well-known for employing young people in particular. We seek to build and maintain a diverse work community and to ensure the equal treatment of personnel from the recruitment phase onwards.

With this, we would like to note that all our customers and other stakeholders are always invited to help us improve Tokmanni’s sustainability efforts. Together, we want and will continue to make Tokmanni a truly responsible discount retailer. ●

**Mika Rautiainen**  
CEO

*Mäntsälä, 11 March 2020*



# Values as the basis for corporate responsibility work

In 2018, we created new values for Tokmanni. The values were generated by different teams of our employees across Finland. Our corporate values refer to the direction of doing everything even when making choices might otherwise be difficult.

## Pride in low prices

- We are proud to offer our customers good quality products at the lowest possible price.
- Our procurement is both sustainable and effective.
- We care about people and nature, hence we act responsibly in everything we do.

## Dare to renew

- We dare to renew ourselves and to stand out.
- We learn, take initiative and act sustainably - without fearing failure.
- Our success is measured through both customer and employee satisfaction.

## Do it together

- We build our culture on mutual trust and respect.
- We are open, honest and fair to everyone.
- We succeed together.



# Megatrends – opportunities and risks for Tokmanni

The most important megatrends for Tokmanni are related to (1) demographic development and changes in society, (2) climate change and the scarcity of resources, and (3) the development of technology and digitalisation. Megatrends are assessed as part of the company’s strategic planning and corporate risk management process and are updated annually.

## 1. Demographic changes affect consumer habits

RELEVANT DEMOGRAPHIC CHANGES for Tokmanni include, in particular, an ageing population and the emergence of the elderly as an important consumer group. Other factors affecting consumer habits include urbanisation,

smaller families and an increase in the number of nationalities and religions in Finland, as well as a reduction in the importance of ownership, particularly in younger age groups.

	Opportunity	Challenge	Response
Store location	<ul style="list-style-type: none"> <li>• Taking urbanisation and population ageing into account in network planning</li> </ul>	<ul style="list-style-type: none"> <li>• Continued urbanisation and a decrease in the number of residents in small municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Online commerce and an extensive network of stores in Finland</li> </ul>
Customers and consumer trends/habits	<ul style="list-style-type: none"> <li>• Diversification of the customer base</li> <li>• The smart shopping trend</li> <li>• The establishment of price-conscious elderly people as a significant consumer group</li> </ul>	<ul style="list-style-type: none"> <li>• The effect of smaller families, diversification of the customer base and population ageing on product ranges and package sizes</li> <li>• Polarisation of young people’s attitudes toward consumption</li> <li>• Changing health patterns: Increased dementia among the elderly and increased mental health challenges among youth*</li> </ul>	<ul style="list-style-type: none"> <li>• Diverse personnel in stores and diversified product selection</li> <li>• Development of products and services in response to changing customer groups and needs</li> <li>• Business models based on the circular economy</li> </ul>

\*Sitra. Megatrends 2020

## 2. Climate change calls for a reduction in emissions and preparedness for new types of conditions

TO STOP CLIMATE change, emissions must be reduced by reducing energy consumption, improving energy efficiency and using renewable energy, for example. As a result of climate change, extreme weather (e.g. torrential rain and storms) will increase, which will affect Tokmanni's own operations and its supply chain and logistics. Scarcity of resources may lead to challenges in product and raw material availability, which may cause prices to rise. The sustainability of the company's entire value chain is an increasingly important selection criteria for consumers. Requirements for the transparency of product selections, supply chains, product origins and pricing are growing alongside the demand for product safety and quality.

	Opportunity	Challenge	Response
Stores and the entire value chain	<ul style="list-style-type: none"> <li>Competitive advantage based on sustainability</li> <li>Reduction of environmental effects throughout the value chain</li> <li>Installation of energy-efficient and cost-efficient solutions in the store network</li> </ul>	<ul style="list-style-type: none"> <li>Increased energy consumption caused by new stores and storage facilities, emissions from logistics and growing waste volumes, as well as the related costs</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of energy consumption in all operations</li> <li>More efficient use of resources, reduction of waste, reuse and recycling</li> <li>Energy efficient upgrades for any new stores</li> </ul>
Sourcing in low-cost countries	<ul style="list-style-type: none"> <li>Cost control and flexibility</li> <li>Local employment, training and contribution to economic development in sourcing countries</li> </ul>	<ul style="list-style-type: none"> <li>Interruptions in factory operations, particularly in coastal areas and emerging markets, due to floods, storms and other natural phenomena, for example</li> <li>Shortcomings in the responsibility of the supply chain and other partners</li> </ul>	<ul style="list-style-type: none"> <li>Taking the monsoon season into account in order schedules</li> <li>Selection of suppliers and supplier requirements (BSCI system)</li> <li>Human rights assessments and increased intervention in human rights violations</li> <li>Eco-friendlier alternatives for logistics: route and load optimisation, alternative fuels</li> </ul>
Product range and services	<ul style="list-style-type: none"> <li>Environmentally sound product range</li> <li>Competitive advantage based on product safety management, quality assurance and a strong price-to-quality image</li> <li>New business based on the circular economy, for example, services instead of or in addition to products</li> </ul>	<ul style="list-style-type: none"> <li>The long-term effect of the limited availability of raw materials for products and packaging on the range and prices of Tokmanni's products</li> <li>Shortcomings in product safety and quality control</li> </ul>	<ul style="list-style-type: none"> <li>Paying attention to raw materials for products, the use of renewable raw materials, recycling and the sale of recycled products, the modularity and maintainability of products</li> <li>Products that reduce environmental effects (e.g. solar panels)</li> <li>Further development of packaging materials and methods and the recycling of packaging</li> <li>Development of business models based on the circular economy</li> <li>Focusing on meeting needs and finding solutions (e.g. rental products and shared use) instead of products</li> </ul>
Demands for sustainability and transparency	<ul style="list-style-type: none"> <li>Strengthening consumers' trust by increasing openness and transparency throughout the value chain</li> <li>The necessity for products and services as an aspect of assessing companies' total impact and corporate responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Reputation risks and their effect on reduced sales, weaker employer brand and reduced ability to attract competent employees</li> </ul>	<ul style="list-style-type: none"> <li>Stronger emphasis on the transparency of the supply chain and on communications towards customers and personnel about responsible manufacturing and production</li> <li>Provision of everyday products and services that are regarded as necessary</li> <li>Increase in stakeholder cooperation</li> </ul>

	Opportunity	Challenge	Response
Automation in buildings and the supply chain	<ul style="list-style-type: none"> <li>• Use of automation, robotics and artificial intelligence in, for example, supply chain management, warehouse and logistics operations and the processing of masses of data</li> <li>• RFID identifiers and blockchain technology make access control and management easier within the supply chain</li> <li>• Telecommuting and other ways of working independent of time and place</li> <li>• Access to software interfaces and development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Excessive pace of change</li> <li>• Failure to meet information security requirements</li> <li>• Inability to fully meet consumers' requirements for transparency</li> <li>• Tools and employees' knowledge and skills are lagging behind the pace of change</li> </ul>	<ul style="list-style-type: none"> <li>• Making business processes more efficient and using artificial intelligence in all business operations</li> <li>• Continuous increase in transparency in the value chain</li> <li>• Investment in personnel training</li> <li>• Recruitment and development of new types of competence</li> </ul>
Digitalisation at the consumer interface	<ul style="list-style-type: none"> <li>• Using digitalisation in marketing and new products and services, for example</li> <li>• Using digitalisation to further develop corporate responsibility (e.g. reducing the consumption of materials and energy, reducing waste and ensuring transparency in the sourcing chain)</li> <li>• New business models, such as the sharing economy and circular economy</li> </ul>	<ul style="list-style-type: none"> <li>• Tougher competition in a more global and less transparent arena</li> </ul>	<ul style="list-style-type: none"> <li>• Development of digital marketing and the use of digitalisation in communication within the organisation</li> <li>• Varied ordering and delivery methods and channels; and increased communications focus on the transparency of the supply chain</li> </ul>

### 3. Digitalisation is changing the value chain and customers' expectations

TECHNOLOGICAL developments makes it possible to further automate production. The Internet of Things and sensors in buildings enable optimised energy consumption. At the same time, requirements for information security and transparency are increasing.

Automation and robotics make it possible to increase production efficiency without hiring new employees. Skillset requirements in the retail sector are changing, and the need for labour is decreasing. Work is becoming independent of time and place.

Purchasing is quicker than before, with everything consumers need being available online around the clock. Store purchases can be made without a card or cash, and mobile purchasing enables quicker transactions. Internet and social media make it easier for consumers to compare products and services with those provided by competitors. This increases service expectations. Consumption patterns are changing: consumers are willing to pay for good service and ease and for saving time. Customers expect to be served via all channels. All of these determine the customer experience. ●



## Engaging with our stakeholders

We promote corporate responsibility and sustainability issues together with our stakeholders.

**WE ENGAGE WITH** our most important stakeholders such as our customers, personnel, owners, investors and suppliers through various channels on a daily basis.

### Active involvement in associations and initiatives to promote Finnish commerce

We participate actively in the operations of various national organisations including the Finnish Commerce Federation, the Finnish Grocery Trade Association (PTY), the Finnish Cosmetic, Toiletry and Detergent Association and the Finnish Council of Shopping Centers.

In the Finnish Commerce Federation, Tokmanni is represented in the chemical group, the training committee, the legal affairs committee, the means of payment committee, the safety committee, the working life committee, the corporate responsibility group, the communications committee, the product safety group and the self-control group.

At PTY, Tokmanni's representatives

participate in the Board of Directors, the retail group, the material efficiency group, the communications group, the product safety group, and the self-monitoring group.

We also participate in the operations of the Helsinki Region Chamber of Commerce in the training and labour force committee and the medal of merit committee of the Finland Chamber of Commerce. The HR director serves on the board of the Helsinki Region Chamber of Commerce. Tokmanni is also closely involved in many local communities at its store locations and in Mäntsälä, where its administration and logistics centre is located.

**Engaging with customers, investors and other stakeholders on sustainability issues**

We work with authorities on various projects right from the start. We are part of the Ministry of Environment's and Finnish Commerce Federation's Society's Commitment to Sustainable Development's Green Deal initiative, which has the purpose of reducing the consumption of plastic bags.

We are a Pro member of the corporate responsibility network FIBS and have been active in its diversity, human rights and C-level groups and networks. We have committed ourselves to the ten principles of the UN Global Compact and are part of UN Global Compact Finland network. On a global level, our Head of Corporate Responsibility serves on the technical working group of the Sustainable Supply Chain Initiative (SSCI) of the Consumer Goods Forum. Our Security and Real Estate Department Manager serves

as the Director of the Board of Recser Oy, the Finnish producer organisation for battery recycling, and as a board member of SELT ry, the producer organisation for electrical and electronic equipment.

In 2019, we conducted a consumer survey (n>1000) to better understand the importance of and perspectives on sustainability from our customers' viewpoint. We also engaged and met with selected institutional investors and banks on ESG issues and our sustainability goals. However, we chose to cease operating our Sustainability Advisory Board (established in 2017) for the time being. The advisory board consisted of external experts as well as, among others, the CEO of the company and several members of the Executive Group and was one way for us to obtain important information about the expectations of our stakeholders.

**Supporting the young and the vulnerable**

In 2019, we started long-term collaboration with the Finnish Red Cross with the aim of contributing to their work against loneliness and discrimination through supporting the Finnish Red Cross' friend volunteers activities.

We also continued to support Veikko and Lahja Hursti's charity association together with Unilever Finland, and started to support mental health work of the Finnish Association of Mental Health through their Mielinauha campaign in addition to local charity efforts. Piloted in 2018, the collaboration with the Children and Youth Foundation on the employability skills of young people at risk of

exclusion was put on hold due to prioritising the similar aims of Ohjaamo Helsinki, which operates under the Youth Department of the city of Helsinki.

We offered a total of approximately a thousand short-term summer jobs around Finland for adults and young people who participated the summer work experience programme 'Tutustu työelämään ja tienaa'. We were also involved in the nationwide Vastuullinen kesäduuni campaign, which aims to ensure that young people are offered high-quality summer jobs and employers, likewise, are offered skilled labour for the future. ●



# Constant dialogue with stakeholders

### Tokmanni's answer:

Diverse selection of affordable products, ensuring quality and safety independently and using external help, amfori BSCI membership and requirements for suppliers' factories, own audits, communications and dialogue

### Tokmanni's answer:

Social media, websites, prompt response to queries

### Tokmanni's answer:

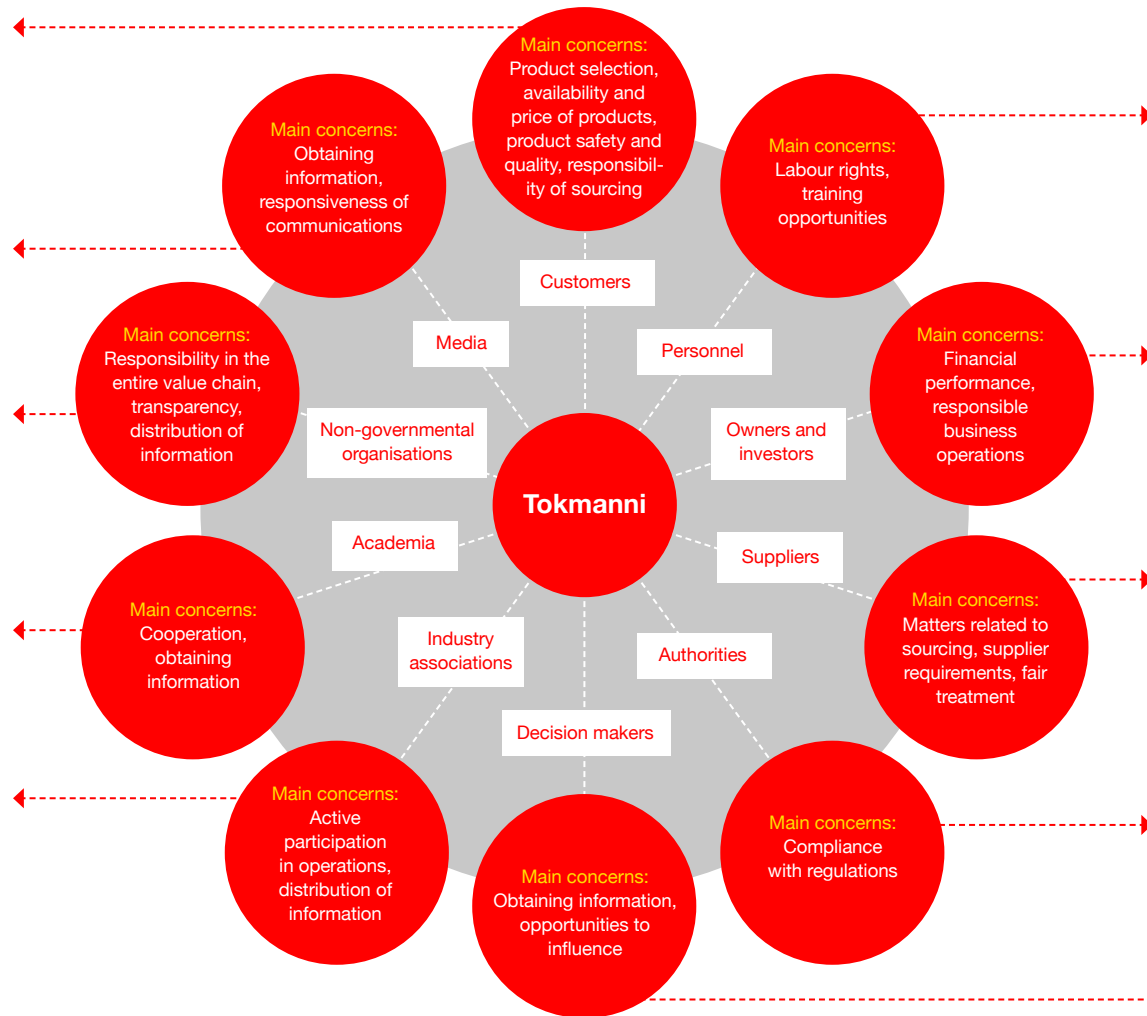
Ethical guidelines, amfori BSCI membership and supplier requirements, factory audits, meetings, replies to inquiries

### Tokmanni's answer:

Recruitment, internships and other joint projects, lectures

### Tokmanni's answer:

Tokmanni employees in different working groups, joint statements



### Tokmanni's answer:

Compliance with laws and regulations, ethical guidelines incl. Code of Conduct, labour policies, principles and instructions, training, communications and dialogue

### Tokmanni's answer:

Performing according to vision and strategy, ethical guidelines, investor relations

### Tokmanni's answer:

Contracts, amfori BSCI requirements, communications, dialogue and meetings (incl. factory visits)

### Tokmanni's answer:

Compliance with laws and regulations, ethical guidelines, meetings

### Tokmanni's answer:

Websites, dialogue and meetings

# Main themes of our sustainability work

OUR MAIN sustainability and corporate responsibility themes are business integrity, the fair treatment of personnel, responsible sourcing and products, and the efficient use of resources.

These themes were defined in a materiality analysis carried out in 2015. In the materiality analysis, the impact of Tokmanni's operations was reflected in stakeholder expectations, megatrends and management's perspective on business. The themes remain topical today and the choice of themes still follows the reporting principles defined by the GRI 101 Foundation standard.

Tokmanni's own operations have a direct impact on business integrity, fair treatment and the efficient use of resources. In the case of responsible sourcing and products, the effects are mainly indirect and more directed at the supply chains, Tokmanni's business partners and the customers who use the products we sell.

In 2018, sustainability was selected as one of the five business drivers in Tokmanni's new strategy. To continue this work, we launched several strategic projects including must-win battles within our sustainability work. These projects will be ongoing until the end of 2020. ●

## 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 marking of products

## Efficient use of resources

- Efficient use of materials
- Energy efficiency
- Efficient logistics
- Efficient recycling of waste





# Managing sustainability throughout our business operations

Sustainability is one of Tokmanni’s five business drivers and forms an integral part of the company’s daily business operations. Tokmanni’s sustainability goals are related to minimising business risks, maximising opportunities, and producing added value for our stakeholders.

**CORPORATE RESPONSIBILITY** work at Tokmanni is based on the company’s values and its ethical guidelines. These consist of the Tokmanni Code of Conduct and related principles, policies and guidelines. The Board of Directors has approved Tokmanni’s Code of Conduct and related ethical principles. Policies are approved by the Executive Group and guidelines by Heads of Department.

**The CEO is responsible for the big picture**

In matters of Tokmanni’s sustainability and corporate responsibility\*, ultimate responsibility lies with the CEO, who reports to the Board of Directors regularly on the topic.

The Board approves the corporate strategy, which includes a sustainability strategy and deals with corporate responsibility matters as necessary. In its annual reporting, the Board also approves the statement of non-financial information required by chapter 3a of the Accounting Act (1336/1997).

The CFO, who is a member of the Executive

Group, is responsible for the operative management of sustainability work. The Head of Corporate Responsibility reports to the CFO.

**The Head of Corporate Responsibility drives the sustainability strategy and agenda forward**

Yearly sustainability targets are approved by the Executive Group. The Head of Corporate Responsibility works actively with different business units and departments, and the Managing Director of the Shanghai sourcing office to drive forward sustainability work within the company. Her task is to ensure that the set sustainability targets are met. The sustainability goals will be covered separately within this report, in the sections covering each of the four sustainability areas.

In 2019, Tokmanni established its Sustainability Steering Group, which is headed by the CFO. The group members include the HR Director, the Sales and Marketing Director, the Sourcing Director, the Store Network and

\* In this report, the terms corporate responsibility and sustainability are used to describe the same topic.

Concept Director, the Quality Manager, and the Head of Corporate Responsibility. The steering group discusses acute sustainability and corporate responsibility topics, policies and targets and meets at least every two months. The CFO makes the decision on whether a specific topic requires a separate discussion and decision by the Executive Group of the company.

Sustainability and climate change risk management is part of the company's risk management process. Its management is monitored on a yearly basis and it is led by the CFO.

### Sourcing and transport included in reporting

Tokmanni's sustainability report focuses solely on those topics which are fully under Tokmanni's control, with the exception of transportation and sourcing.

Together with the Norwegian company Europris ASA, Tokmanni jointly owns a sourcing company in Shanghai, Tokmanni-Europris (Shanghai) Trading Co. Ltd., which reports on sustainability issues related to sourcing and product liability. Otherwise the sourcing company's role in Tokmanni's sustainability work is marginal, as the number of the joint venture's employees makes up less than one per cent of Tokmanni's total number of employees, and its environmental impact is limited to the effects of travel and the physical office itself.

Information on emissions relating to Tokmanni's product transport was obtained from transport service providers, while our travel agency provided air traffic data. ●

Managing material topics		
Material topic	Main steering principles and policies	Targets and measures 2019
<b>Business integrity</b>		
Economic performance: 201-1	Accounting principles, International Financial Reporting Standards (IFRS), <u>Governance</u>	<u>Financial targets</u>
Anti-corruption: 205-2, 205-3, 206-1, 415-1	<u>Code of Conduct</u> , Anti-bribery principles, <u>Governance</u>	<u>Targets of Business integrity</u>
Anti-competitive behaviour: 206-1	<u>Code of Conduct</u> , Competition law principles	<u>Targets of Business integrity</u>
Marketing and labelling: 417-3	<u>Code of Conduct</u>	<u>Targets of Responsible products</u>
Customer privacy: 418-1	<u>Code of Conduct</u> , Data protection principles, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
<b>Fair treatment</b>		
Employment: 401-1, 401-2	Personnel policy	<u>Targets of Fair treatment</u>
Occupational health and safety: 403-1, 403-2	<u>Code of Conduct</u> , Personnel policy, Operating plan for occupational health care cooperation, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Training and education: 404-3	Training plan	<u>Targets of Fair treatment</u>
Labor-management relations: 402-1	<u>Code of Conduct</u> , Personnel plan, Personnel policy, Equality plan, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Diversity and equal opportunity: 405-1, 405-2	<u>Code of Conduct</u> , Equality plan, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
Non-discrimination: 406-1	<u>Code of Conduct</u> , Equality plan, <u>Human rights principles</u>	<u>Targets of Fair treatment</u>
<b>Responsible sourcing and products</b>		
Responsible sourcing: 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2	<u>Code of Conduct</u> , amfori BSCI's <u>Code of Conduct</u> , Principles of responsible sourcing, <u>Guidelines for responsible sourcing</u> , <u>Human rights principles</u>	<u>Targets of Responsible sourcing</u>
Customer health and safety: 416-1, 416-2	Instructions of quality and packaging, <u>Human rights principles</u>	<u>Targets of Responsible sourcing</u>
Socio-economic compliance: 417-1, 419-1	Instructions of quality and packaging	<u>Targets of Responsible sourcing</u>
<b>Efficient use of resources</b>		
Efficient use of materials: 301-1	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>
Energy efficiency and emissions: 302-1, 302-3, 305-1 – 305-4	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>
Efficient waste recycling: 306-2	<u>Code of Conduct</u> , Environmental policy, <u>Plastic bag commitment</u>	<u>Targets of Efficient use of resources</u>
Efficient logistics: 305-3	<u>Code of Conduct</u> , Environmental policy	<u>Targets of Efficient use of resources</u>



## Human rights as a guiding principle of corporate responsibility

Tokmanni's business and operations are based on the United Nation's International Bill of Human Rights, the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact, among others.

TOKMANNI HAS committed itself to advancing the UN's Sustainable Development Goals (SDG) in its operations. SDGs are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice.

In 2018, Tokmanni set out to redefine our estimates of the most essential Sustainable Development Goals from the perspective of Tokmanni's operations. The relationship between the selected Sustainable Development Goals and Tokmanni's sustainability goals is described in a chart on pages 23–24.

### Guided by the principle of human rights due diligence

Regarding human rights, our operations are more specifically guided by the UN Guiding Principles on Business and Human Rights. These Guiding Principles emphasise that

companies have an ongoing responsibility to respect human rights, even where government actions and regulatory frameworks are inadequate. Compliance with these principles requires companies to conduct human rights due diligence procedures to identify, prevent, mitigate and account for how they address impacts on human rights in their operations, products, and services. We seek to advance in this area, yet we recognise that many of the human rights challenges we face are deeply rooted in local society and can only be effectively addressed through a long-term commitment and close cooperation with global and local stakeholders.

We assessed human rights risks in our highest risk countries in 2017 and continue to monitor the human rights impacts of our operations and supply chain. We require our suppliers to respect human rights, and, if needed, we take corrective actions. In 2017, we carried out separate human rights assessments at our suppliers' factories in

Bangladesh (garments), China (household appliances), Myanmar (garments, 2) and in Turkey (cosmetics), which included interviews with employees outside of the factories. These audits were carried out by third parties, and the goal was to ensure the accuracy of the potential human rights impacts we had recognised based on BSCI audits and additional information. As such, the assessments provided us with a more detailed understanding of human rights issues within the selected industries and countries, and we have used them in the further development of our responsible sourcing risk management. We also re-visited the two factories in Myanmar ourselves in 2019 to verify the results and their latest BSCI score (A).

We communicate the potential human rights impacts of our operations based on our involvement, our possibilities and our power of influence. This an area where we seek to improve in the future. Our human rights principles and the summary of our human rights report written in 2016 can be found on the Tokmanni website. The most significant potential human rights impacts of Tokmanni are related to health and safety, the safety of our buildings, excessive overtime, inadequate living wages and the use of child and forced labour. These can affect a multitude of human rights, such as the rights to life, work, health, and the right to a family life.

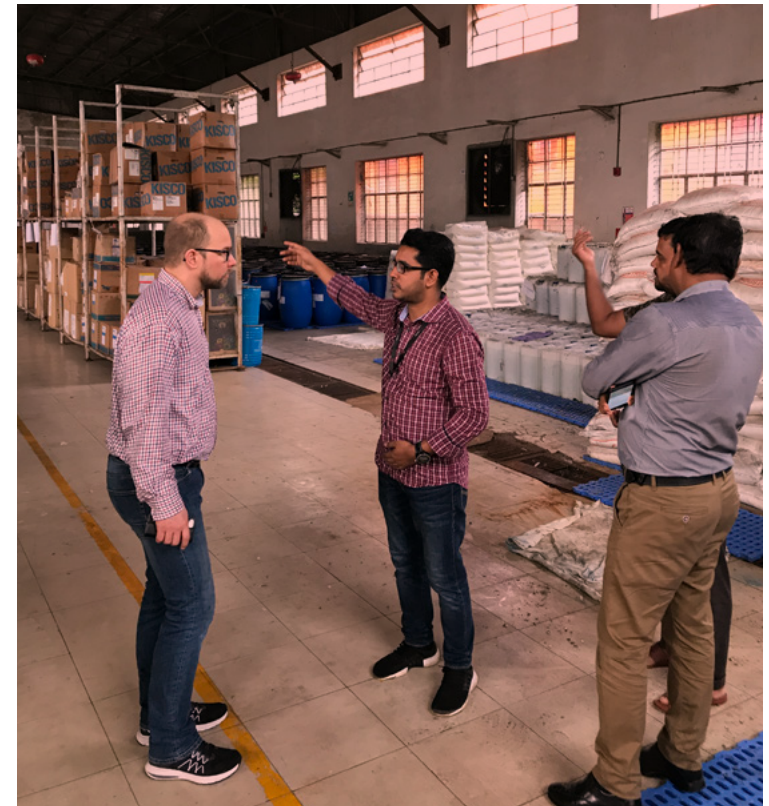
The human rights impacts correspond to performance areas assessed in BSCI audits (p. 44–46). Several considerable human rights impacts could be resolved in high-risk countries if employees were guaranteed the freedom to form trade unions and to negotiate

collective labour agreements. This is just example of how to promote adequate wages and to prevent excessive overtime.

The most important measures for eliminating or mitigating human rights impacts in Tokmanni's own operations include improvements in occupational health and safety, increasing the flexibility of work, ensuring non-discrimination, and encouraging actions towards a more diverse workforce (p. 35–41).

### **We carry out long-term work to increase the transparency of our supply chain**

Within our supply chain, we work together with our suppliers to further advance their social compliance. In 2019, our CEO was among seven other CEOs in Finland to sign the Finnish version of WBCSD's [CEO Guide to Human Rights](#). We also updated our general purchasing terms to include stricter terms relating to potential human rights violations. We also worked on a summarised guidance note for responsible purchasing, including sanctions and corruption guidance, and started a pilot of a simple supplier management system in our Shanghai office. The transparency and traceability requirements of responsible sourcing play a key role in developing this system. We learnt and discussed specific human rights topics such as the grievance and remedy process best practices with a FIBS Pro group that met four times in 2019. We started to delve deeper into the supply chain, particularly with regard to critical raw materials (see p. 49), by requiring suppliers to provide certificates and information on their suppliers. This work is also still under way. ●



\* The factory in Bangladesh also scored an A, and the factories in both China and Turkey a C in their latest (2019) BSCI rating.



## The Code of Conduct guides everyone's daily work at Tokmanni

At Tokmanni, we act according to clear and shared rules. Our ethical Code of Conduct directs each Tokmanni employee in their daily work and in decision-making.

CENTRAL POINTS OF the Code of Conduct have been deepened with principles, such as our anti-bribery principles and our human rights principles. Tokmanni also has department-specific instructions on how to work on daily issues.

This three-tiered set of instructions can be found in full on Tokmanni intranet in both Finnish and English. The Code of Conduct which governs daily work is printed out for employees, and it can also be found on Tokmanni's website.

### Regular trainings on updated ethical guidelines

In 2018, the Code of Conduct, the associated intranet course (e-learning) and policies were updated to reflect the newly set values and principles. In 2019, we further modified the e-learning.

Due to a delay in the update, the training was only completed by part of our headquarter's staff in 2019. The e-learning is mandatory for all, and the staff working in our stores and in the warehouse will complete the updated e-learning in Q1 2020. The course will also become a compulsory part of the introduction of new employees.

Tokmanni Board Members and the employees of the sourcing company located in Shanghai will also undergo the training and sign up to comply with our shared rules. The Executive Group and crucial employees have received additional training on anti-corruption, trade sanctions and competition law in 2017 and in 2018.

In 2019, we updated our sanctions and corruption guidance and will train our purchasing and sourcing professionals on the updates in 2020.

### Suppliers to adhere to amfori BSCI's Code of Conduct

We require our product and service suppliers to adhere to the Business Social Compliance Initiative's (amfori BSCI) ethical principles.

We monitor our product suppliers' operations both via our own and third-party audits. Our relationships with our suppliers are based on honesty, fairness and mutual trust.

With regard to business partners, Tokmanni carries out checks related to anti-corruption and the adherence to trade sanctions.

### Anyone can report violations anonymously

Each Tokmanni employee has the obligation to act according to ethical guidelines, to ask questions, report violations against guidelines and to report best practices to their managers or to the compliance unit through the whistleblowing channel. The channel is presented as part of the training on the ethical Code of Conduct, and the channel is also brought up on the intranet and via email.

Anyone can report violations of the Code of Conduct and the ethical guidelines anonymously through the Tokmanni whistleblowing channel (ilmoituskanava(at)tokmanni.fi), by calling a member of the Compliance Unit or by sending a letter to Tokmanni Oy / Compliance-yksikkö, Isolammintie 1, 04600 Mäntsälä. Suspected abuse must be reported immediately.

We also have a web form launched in 2018 for irresponsible actions or products, on both the [Finnish](#) and [English](#) websites, and these

are therefore also available to stakeholders outside Tokmanni.

### The Compliance Unit treats reports confidentially

Tokmanni's Compliance Unit makes sure that the ethical guidelines and instructions are followed. The unit handles reports, which can arrive via the whistleblowing channel or through other channels, about financial malpractice or actions against the Tokmanni ethical guidelines and makes decisions about any possible consequences. Reports received through these channels are treated confidentially, according to data protection legislation.

The Compliance Unit meets every two months, but urgent matters are dealt with without delay. The Compliance Unit is headed by the Chief Compliance Officer, who reports directly to the CEO and who also keeps the Board informed at regular intervals. In addition to the Chief Compliance Officer, the Compliance Unit also includes four compliance officers, who each have their own remits. The compliance officers ensure that principles and guidelines that fall under their purview are kept up-to-date. In 2019, we communicated about the whistleblowing channel often to our employees highlighting the anonymous nature of the channel and the importance of filing complaints. This was done due to the low number of complaints received. Tokmanni did not face any corruption nor competition law infringements in 2019. ●











### Our Code of Conduct includes the following rules, for example:

- We treat all people equally and in a non-discriminative manner
- We minimise occupational accidents
- We comply with laws and regulations
- We do not bribe
- We safeguard sensitive business information and the company's assets
- We respect the right to privacy
- We support fair competition
- We minimise environmental impacts
- We demand that our products are made responsibly
- We communicate reliably and transparently
- We follow best marketing practices, while taking our different target audiences into consideration.

## UN Sustainable Development Goals

We are committed to advancing the United Nations (UN) Sustainable Development Goals in our business. These goals aim to guide UN member states' operations until 2030. We have chosen nine of the most important goals for our work and our stakeholders.

Tokmanni's sustainability theme	Relevant UN Sustainable Development Goals	Relevant Tokmanni corporate responsibility and sustainability goals	How Tokmanni's goals support the UN Sustainable Development Goals
<p><b>Business Integrity</b></p>	<p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Decent work and economic growth</p> <p><b>10 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> Peace, justice and strong institutions</p>	<ul style="list-style-type: none"> <li>All Tokmanni employees have completed the company's Code of Conduct e-learning</li> <li>Messages received through the whistleblowing channel are processed appropriately</li> <li>No privacy violations found at Tokmanni</li> <li>Tokmanni receives no remarks from the authorities related to marketing</li> <li>No cases of corruption found at Tokmanni</li> </ul>	<ul style="list-style-type: none"> <li>Business integrity shown by our employees towards our stakeholders supports justice and strong institutions, and contributes to economic growth in Finland as well as in countries from which we purchase our products from.</li> <li>Tokmanni follows <a href="#">good corporate governance principles</a>.</li> <li>Our <a href="#">Code of Conduct</a> directs each Tokmanni employee in their daily work and in decision making.</li> <li>Tokmanni requires its suppliers to act in compliance with the amfori BSCI Code of Conduct.</li> <li>Tokmanni has completed a human rights impact assessment in compliance with the UN's Guiding Principles on Business and Human Rights and published its <a href="#">Human Rights Principles</a>.</li> </ul> <p><b>Read more p. 26</b></p>
<p><b>Fair Treatment</b></p>	<p><b>3 GOOD HEALTH AND WELL-BEING</b> Good health and well-being</p> <p><b>5 GENDER EQUALITY</b> Gender Equality</p> <p><b>8 DECENT WORK AND ECONOMIC GROWTH</b> Decent work and economic growth</p>	<ul style="list-style-type: none"> <li>Introduce the occupational safety system introduced by Q2 2020</li> <li>Mandatory online training on workplace skills for employees and launch of a coaching program for the extended management team</li> <li>eNPS = 50 (excellent)</li> <li>Yearly appraisal discussions level: 85%</li> <li>Diversity taken into account more systematically in all recruitment decisions</li> </ul>	<ul style="list-style-type: none"> <li>We treat all employees equally, seek to employ a diverse workforce and promote employee well-being by means of different benefits. We promote fair treatment in Finland and in our global supply chain through the <a href="#">whistleblowing channel</a>.</li> <li>Gender equality is part of Tokmanni's HR policy and Tokmanni's Code of Conduct.</li> </ul> <p><b>Read more p. 32</b></p>

Tokmanni's sustainability theme	Relevant UN Sustainable Development Goals	Relevant Tokmanni corporate responsibility and sustainability goals	How Tokmanni's goals support the UN Sustainable Development Goals
<p><b>Responsible sourcing and products</b></p>	<ul style="list-style-type: none"> <li> <b>Good health and well-being</b></li> <li> <b>Decent work and economic growth</b></li> <li> <b>Responsible consumption and production</b></li> <li> <b>Partnerships for the goals</b></li> </ul>	<ul style="list-style-type: none"> <li>• Definition of a supplier sustainability indicator</li> <li>• Updated sanctions guidelines, updated general purchasing terms and conditions, and responsible sourcing guidance taken into use</li> <li>• 70 of our own audits in addition to third-party BSCI audits and audit management guidance updated</li> <li>• Development of contract management process</li> <li>• No serious product safety flaws in the products sold by Tokmanni or accidents caused by them</li> <li>• Overall assessment and updating of procurement quality processes</li> <li>• Defining certification objectives and measurement systems for high-risk raw materials</li> </ul>	<ul style="list-style-type: none"> <li>• Our purchasing practices help job creation and economic growth, and promote decent work and working conditions in our sourcing countries.</li> <li>• We co-operate with different organizations (e.g. amfori BSCI) to reduce our human rights risks and to further advance sustainable production and consumption.</li> <li>• Tokmanni's own audits in addition to BSCI audits minimise the risk of human rights violations in our supply chain.</li> <li>• We develop sustainable product ranges and related communications, and offer our customers certified options in select products</li> <li>• We set targets for certificates for high-risk raw materials.</li> </ul> <p style="text-align: right;"><b>Read more p. 43</b></p>
<p><b>Efficient use of resources</b></p>	<ul style="list-style-type: none"> <li> <b>Affordable and clean energy</b></li> <li> <b>Industry, Innovation and Infrastructure</b></li> <li> <b>Responsible consumption and production</b></li> <li> <b>Climate Action</b></li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of location-based carbon dioxide emissions at the properties (scope 1 and 2) by 3% compared to 2019</li> <li>• Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue</li> <li>• Comparable power consumption: -4%</li> <li>• Power consumption (total): -3%</li> <li>• Waste recycling rate: 35% (of total waste)</li> <li>• Reuse rate: 50% (of total waste)</li> <li>• CDP reporting completed for 2019</li> </ul>	<ul style="list-style-type: none"> <li>• We strive for the efficient use of resources, such as energy and waste, and increase the share of renewable energy including solar power.</li> <li>• Raising awareness on environmentally friendly operations among our risk country suppliers (e.g. amfori BEPI).</li> <li>• In 2019 all electricity purchased and consumed by Tokmanni was renewable.</li> <li>• We will increase the range of sustainable products and seek to pay stronger attention to raw materials, recycling and sales of recyclable products; sales of products that reduce environmental impacts (e.g. LED lights); and development of more sustainable packaging materials, and business models based on circular economy principles.</li> <li>• Emphasis on sustainability-related communications and marketing towards our customers.</li> </ul> <p style="text-align: right;"><b>Read more p. 56</b></p>



# Business integrity

We take our customers, our employees, our investors and the society around us into consideration in our business.

## IN THIS SECTION

- Achievements and targets.....[26](#)
- Privacy protection at Tokmanni.....[27](#)
- Responsible marketing is fair and clear.....[28](#)
- Generating added financial value.....[29](#)
- The Finnish Red Cross and Tokmanni to join up to increase communality.....[30](#)





# Business integrity

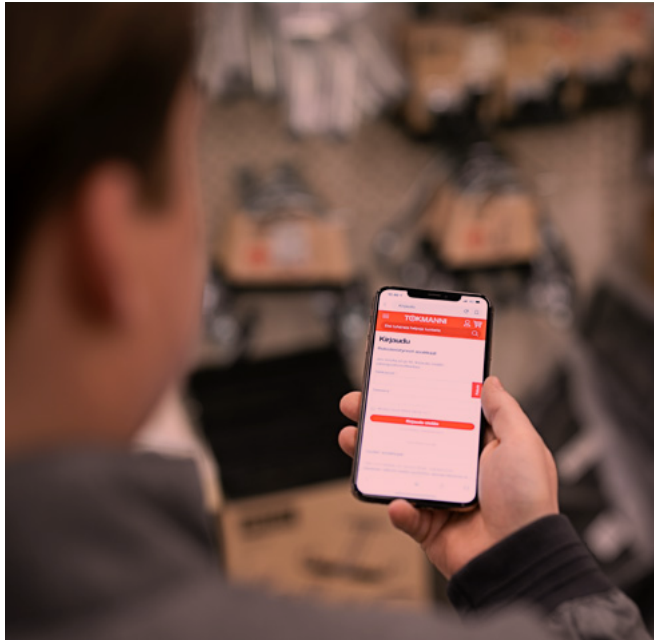
Responsibility towards customers, employees, investors and other stakeholders is a key tenet of Tokmanni's business. We observe the relevant legislative requirements and the principles of good governance in everything we do. In addition, the company is guided by an ethical Code of Conduct, which consists of the Code of Conduct and supplementary principles, policies and instructions.

## Achievements and challenges in 2019

Achieved			Partially achieved	Challenges
Messages received through the whistleblowing channel are processed appropriately	No cases of corruption found at Tokmanni	Tokmanni receives no notice from the authorities related to marketing	All Tokmanni employees have completed the company's Code of Conduct e-learning	N/A
	No privacy violations found at Tokmanni			

## Targets for 2020

- All Tokmanni employees have completed the company's Code of Conduct e-learning
- Messages received through the whistleblowing channel are processed appropriately
- No privacy violations found at Tokmanni
- Tokmanni receives no remarks from the authorities related to marketing
- No cases of corruption found at Tokmanni



## Privacy protection at Tokmanni

TOKMANNI COMPLIES with all legislative requirements for privacy protection. To ensure that nobody's right to privacy is violated, Tokmanni monitors compliance with data protection principles, and technical systems are also monitored to ensure that they are up-to-date from an information security perspective as well. Our aim is for the systems and registers under our control to have no actual or suspected cases of privacy protection breaches. We achieved this goal in 2019.

### All new employees are trained

All new employees are required to complete online training on information security which is a part of the required introductory training. During 2019, we continued to comply with Tokmanni's information security management model and Tokmanni's information security policy. All personal data is processed on the grounds of legitimate interest based on employee or customer relationships, or other appropriate connections or the implementation of agreements.

### The purpose of processing the personal data of our customers is:

- to deliver and develop our products and services in ways that provide customers with a stress-free shopping experience
- to meet our contractual obligations and to honour our promises and obligations

- to manage our customer relationships (including investor relations)
- to organise events
- to analyse and segment the behaviour of customers and other registered persons (hereinafter "data subjects")
- to engage in electronic and direct marketing
- to target the advertising carried out by the online services of our own company and other parties.

The data file contains information disclosed by customers on the website. The data on the data file have been appropriately protected. Any data breaches will be announced in accordance with the General Data Protection Regulation. Only employees authorised to process customer data in order to perform their duties have the right to use systems containing personal data. We retain personal data for as long as is necessary considering the purpose of its use. This period is kept as short as possible. Customers have the right to inspect their personal data stored in the register. If there are errors in a customer's data, the customer may request that the controller rectify the errors. Customers have the right to prohibit the use of their data for direct marketing purposes or for market and opinion surveys by notifying the data controller. Customers who have registered with the tokmanni.fi online store may also issue prohibitions on the online store. ●



## Responsible marketing is fair and clear

IN 2019, as in previous years, we paid a lot of attention to responsible marketing. Our aim is to be ethical, honest and clear in our marketing, and to comply with legislative requirements. Among other things, we invested in ensuring that the product information and prices in our marketing material gave a realistic impression of the products and helped to make purchasing decisions. Examples include reporting the country of origin and various sustainability certificates on the product labels.

### More communication and less plastic

We are committed to reducing the use of plastic bags, as a part of the national Plastic Carrier Bag Agreement\*. The goal of the agreement is that by the end of 2025, no more

than 40 plastic bags will be used per person in Finland. In December 2019, we introduced a more sustainable plastic bag to our stores. The new plastic bag is produced from at least 60 per cent recycled plastic and reduces the need for virgin plastic. We also encourage our customers to reuse the plastic bag several times and to ultimately dispose of the bag in a responsible manner.

Additionally, we communicated our sustainability and corporate responsibility work on our website, on our social media channels and on our store radio, among others. We also invested in improving the availability of campaign products by developing our systems.

### Zero complaint goal

In 2019, Tokmanni continued its clean slate with the Council of Ethics in Advertising. Our goal is to avoid receiving any marketing-related notices from the Council of Ethics in Advertising in 2020.

During the period under review, our stores received a total of 16 notices from the authorities. Of these notices, one was related to the display of products, four to the display of licences, three to the display of prices, and four for the display of self-monitoring plans. Four notices regarded the taring of scales. In particular, we focused on the price markings and placement of alcoholic beverages and tobacco products, and on the monitoring of the sales of age-restricted products. ●



\* [The national Plastic Bag Agreement](#)

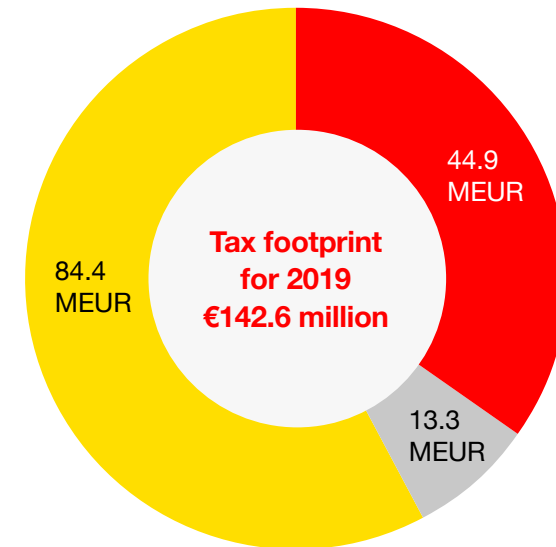
## Generating added financial value

We are committed to profitable growth and to developing our competitiveness. We develop our business responsibly so that growth supports our ability to take care of our personnel, assets and the needs of our customers. We report transparently on our business operations, our financial development, and our direct and indirect financial impact.

### We generate added financial value for different stakeholders (MEUR)\*

	2019
Revenue (Customers)	944
Purchasing (Suppliers of goods and services)	619
<b>Gross profit</b>	<b>325</b>
Wages and benefits (Personnel)	114
Taxes (Public sector)	12
Financial expenses (Creditors)	10
Other expenses (Operations and business development)	142
<b>Retained earnings</b>	<b>47</b>

\* Calculated according to IFRS standard.



**Withholding and employer contributions**

Remitted withholdings from salaries 17.1  
 Employer pension insurance payments 27.1  
 Employer social security payments 0.7

**Income and property taxes**

Corporate income tax 12.2  
 Property tax 1.2

**Indirect taxes**

Value added tax 74.5  
 Excise duty 3.2  
 Import customs duties 5.0  
 Electricity tax 1.6  
 Insurance premium tax 0.1



## The Finnish Red Cross and Tokmanni to join up to increase communality

Tokmanni and the Finnish Red Cross started working together in the autumn of 2019 with the aim of increasing wellbeing for individuals and communities and to reduce loneliness.

**TOKMANNI'S YEARLY** donation supports the Finnish Red Cross' national friend volunteer activities and the company will also plan local collaborative efforts in towns and cities with Tokmanni stores, in order to reduce loneliness and social exclusion. This collaboration will last at least two years.

### Collaboration started in 22 localities

Tokmanni's first friend volunteer related collaborative project with the Finnish Red Cross took place during the Christmas holiday period in Red Cross Christmas cafes.

Christmas cafes offer small bites of food, a Christmassy atmosphere, and most importantly of all, companionship to those in need of it.

With Tokmanni's support, the number of these cafes almost quadrupled and in 2019, they were held in 22 localities.

Christmas cafes are a part of the Finnish Red Cross' friend volunteer activities, whose aim is to act as an intermediary between friend volunteers and those who are looking for the presence of other humans in their lives.

Volunteers are in great demand, as over one half of Finns have felt lonely at some stage in their lives.

"The Finnish Red Cross was a natural

choice to act as our collaborative partner, given the organisation's reliability and wide scope of activities. The Finnish Red Cross has district departments in almost all of the localities where Tokmanni has stores, and it's wonderful that many Tokmanni team members can take part in such important corporate responsibility work against loneliness and social exclusion," Tokmanni's CEO **Mika Rautiainen** notes.

### Installation to highlight the lack of clean water

The collaboration between the Finnish Red Cross and Tokmanni started off with a bang in September, with an installation created for the Hunger Day fundraiser. The Finnish Red Cross had selected clean water as the theme.

This, in turn, led to the creation of an installation of Tokmanni buckets, shaped like a red cross in Helsinki's Narinkkatori. 800 food grade buckets reminded how big a problem the lack of clean water is worldwide.

"A lack of clean water causes the deaths of 33 children per hour and 800 children per day. Contaminated water spreads illnesses, which can be deadly when left untreated. Funds collected on Hunger Day finance the Red Cross' development cooperation, disaster

relief and health projects," Tokmanni's Head of Corporate Responsibility **Emilia Koski** says.

On Hunger Day, the entire Executive Group and many other Tokmanni team members raised money for the Finnish Red Cross' Disaster Fund all over Finland. The fund allows help to be sent rapidly to wherever the need is greatest, both nationally and internationally.

### A bucket where one is needed

After Hunger Day, the buckets were reused in the Red Cross Pisara 2019 preparedness exercise held in October in different localities in Finland.

Residents were given useful information about preparing for a water crisis during the preparedness exercise - and buckets, of course. In Finland, an unexpected water crisis can be caused for example, by water contamination or a water outage caused by an electrical outage.

A disturbance to water distribution can not only affect the availability of drinking water at home, but also cooking, bathing, washing dishes and doing laundry. For example, a water closet can only be flushed once during a water outage. A bucket will be a most worthy thing to have in those situations. ●

# Fair treatment

An open and fair company culture, where everyone is respected, is the key to success and sustainable business.

## IN THIS SECTION

- Achievements and targets..... [32](#)
- Committed employees..... [33](#)
- Equal treatment at work..... [35](#)
- Sustainability in the daily work of Tokmanni employees:

  - quick reactions and saved kilometres..... [37](#)
  - Opportunities for training and development..... [38](#)
  - Occupational health and safety..... [40](#)





# Fair treatment

At Tokmanni, our target is to become the preferred employer in the Finnish retail sector. It is important for us to offer our employees possibilities to develop in their work and to maintain a good work-life balance. For us, it is also essential that our employees are content at work and that our teams have a good team spirit.

## Achievements and challenges in 2019

Achieved		Partially achieved	Challenges
<p><b>We continued to integrate our corporate values into everyday life:</b></p> <ul style="list-style-type: none"> <li>Everyone at Tokmanni's office, store and warehouse functions is trained in customer service</li> <li>Purchasing skills in our purchasing department and leadership and work community skills for selected groups trained</li> </ul>	<p>Yearly appraisal discussions level: 80%</p>	<p>A system for reporting safety observations is in place</p>	<p>Long-term periods of sick leave among our employees began to rise</p>
	<p>Employee Net Promoter Score (eNPS*) = 36 (good)</p> <p><i>*eNPS is a measure of how likely the employees are to recommend the company as a place to work.</i></p>	<p>More active reporting on safety issues and a safer and healthier working environment in place**</p>	<p>We didn't succeed in offering flexible working arrangements to all our employees during long-term sick leave</p>

## Targets for 2020

- All new employees will be trained in customer service and all store managers will manage the training using a new tool. The service level will be measured with a "Happy or Not" tool in the stores and with a yearly customer satisfaction survey (cNPS target >60)
- Workplace skills online training must be completed as a mandatory induction course for all Tokmanni employees
- A coaching program will be launched for the extended management team
- The occupational safety system will be introduced by Q2 2020
  - All store managers to receive occupational safety training
  - Further increase in safety perceptions to develop occupational safety culture and reduce accidents
- eNPS = 50 (excellent)
- Yearly appraisal discussions level: 85%
- Diversity taken more systematically into account in all recruitment decisions

\*\* Warehouse 2019:200, target 2020: 500; all stores start from 0 and the target is to start making safety observations and to investigate all accidents





## Committed employees

OUR COMMITTED and motivated employees are the basis of Tokmanni's success. In 2019, our personnel grew by more than 2 per cent; at the end of 2019 there were 3,659 Tokmanni employees, 101 more employees than at the end of 2018. On average, there were 3,647 Tokmanni employees in 2019. The reported employee numbers also include those employees who were on a leave of absence, such as maternity, paternity, parental, parenting, study or job alternation leave.

### High numbers of permanent employees

At the end of 2019, 78 per cent of Tokmanni employees held permanent employment contracts and 22 per cent held temporary employment contracts. The share of full-time employees was 35 per cent and part-time employees made up 65 per cent of employees.

In the retail sector, peak seasons have an effect on the number of employees required, and the majority of part-time employees were cashiers.

During 2019, new permanent employment relationships numbered 393, and correspondingly, 324 permanent employment relationships came to an end.

The turnover of permanent employee arrivals during the reporting period was 14.5 per cent, and the corresponding departure turnover



was 12.0 per cent\*. The turnover figures do not include employees leaving the company because of retirement.

The employees' commitment is well-reflected in the fact that at 2019's medal of merit party, 134 employees received awards for 10, 20, 30 and as much as 40 years of service at Tokmanni. 2019 was the first time in the company's history, when an employee was rewarded for 40 years of service at Tokmanni.

**Juha Alavilo**, who works in the Sastamala store, was the first Tokmanni employee to be rewarded for his 40-year career. According to Juha, the secret of his long career is a good work community.

At the end of the year, the average number of years of service among permanent employees was 8.7 and the proportion of employees who had reached 10 years of service was 38.9 per cent.

**Limited use of temporary workers**

Only a small number of temporary workers work at Tokmanni. According to statutory requirements, Tokmanni always offers extra work to the company's own part-time employees first. In addition to this, we employ around 1,000 fixed-term seasonal helpers, who hold different positions in the stores.

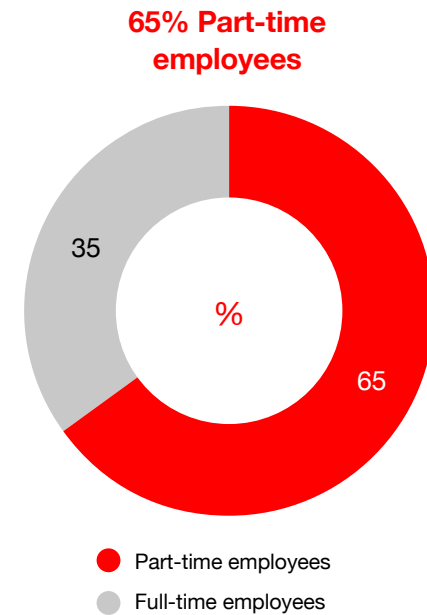
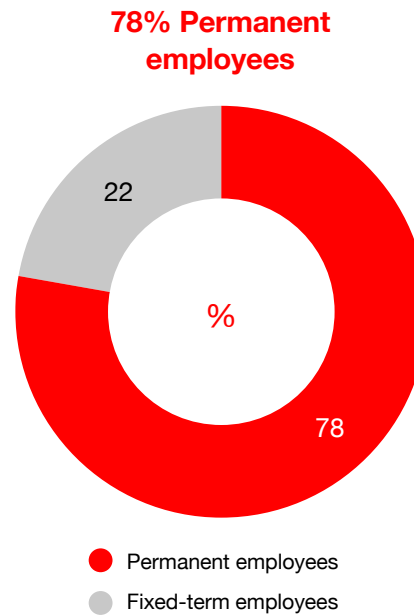
In 2019, we continued our cooperation with Barona Logistiikkaratkaisut Oy and some of the employees within our logistics organisation are employed by Barona.

\*Turnover of permanent employee arrivals measures the rate of new permanent employees and departure turnover measures the rate of finished permanent employments compared to the total number of staff at the end of 2019.

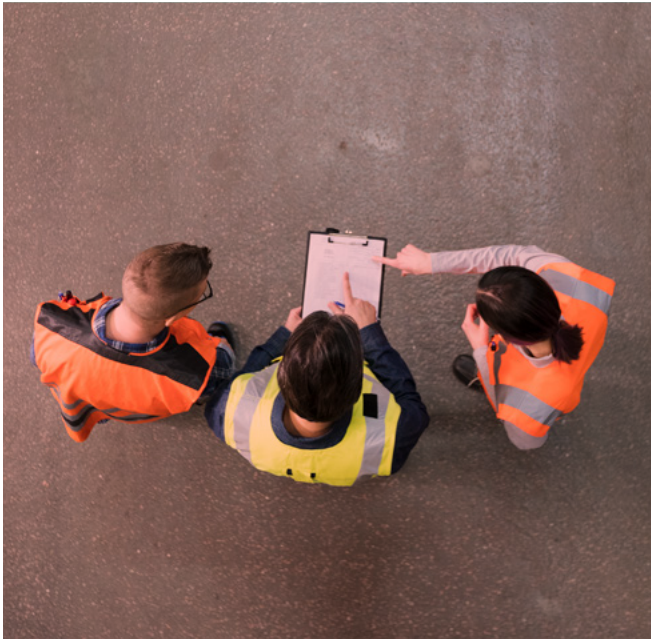
**Covered by collective agreements**

Tokmanni follows 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 Executive Group and

extended management team members, are covered by the Finnish retail sector collective agreement. Tokmanni's Executive Group and extended management team members accounted for 1.7 percent of the company's personnel at the end of 2019. As a rule, these two personnel groups also follow the terms of the retail sector collective agreement. ●



All employments at the end of year included.



## Equal treatment at work

WE SEEK TO ENSURE EQUALITY in all job roles and in remuneration, as well as guaranteeing non-discrimination to everyone within the company.

### Equitable and versatile benefits

In Finland, all personnel are subject to statutory pension security and benefits concerning parental leaves. In addition, both the permanent and temporary personnel have statutory insurance against occupational injuries and occupational diseases.

Our employees enjoy versatile supplementary staff benefits. The Executive Group determines these staff benefits yearly. In addition to statutory benefits, other benefits at Tokmanni include a wide array of purchasing benefits and recreational activities, and fitness and culture vouchers, which are partially paid for by the employer.

Occupational health services are also provided beyond the statutory minimum, as they include a general practitioner service. None of these benefits require a full-time work contract.

### Incentives for work

Tokmanni operates an incentive pay scheme

for all employees, with the exception of the warehouse staff, who have their own productivity bonus system. In 2019, the basis of this incentive scheme was like-for-like sales development, depending on the employee's role. For 2019, a total amount of EUR 1.4 million was paid in sales bonuses, which cover all personnel and pays out bonuses quarterly.

Key personnel 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.

### Equal opportunities for all

Our goal is to create operational practices and conditions, where each employee feels like they are equal to, and in a comparable position with their co-workers. The vast majority, about 98 percent, of Tokmanni's employees are directly covered by the Finnish retail sector's collective agreement's pay scale.

### Improving job satisfaction

We monitor our employees' workplace satisfaction using a yearly survey. The survey focuses on how factors such as equality, working atmosphere, management and the development of fair management are realised

and develop at Tokmanni. After the survey, we choose yearly development targets for the entirety of Tokmanni.

**A diverse workplace**

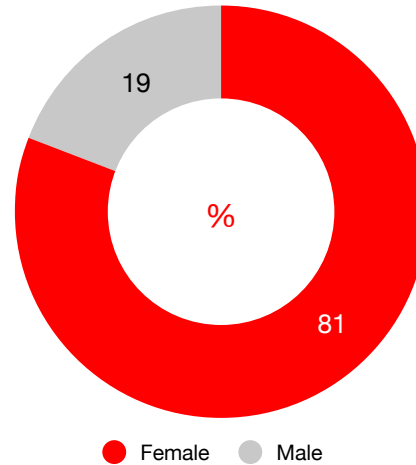
Our goal is to create a diverse workplace community and to ensure the equal treatment of all our employees from the moment they are recruited. At Tokmanni, diversity means equal opportunities, regardless of descent or gender, for example. In 2019, we introduced gender neutral job titles. In order to survey our employees' diversity regarding language, we started to gather information about our employees' mother tongues in 2019, now over 83 per cent of the information has been gathered. At Tokmanni, our employees represent over 20 different mother tongues.

The top 4 languages are Finnish, Swedish, Russian and Estonian. In 2019, job applicants spoke 36 different mother tongues.

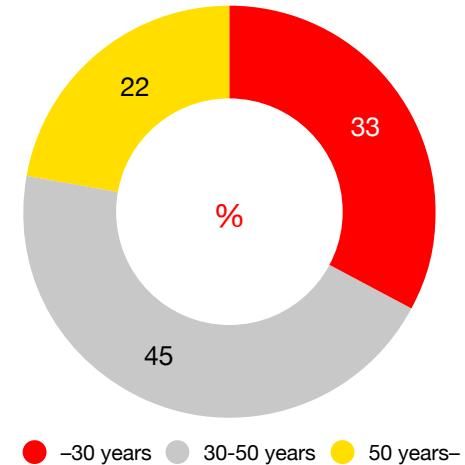
We see diversity as a competitive advantage. Indeed, Tokmanni is part of the FIBS diversity network and has its own diversity steering group and project group, the members of which represent Tokmanni employees extensively. The group's goal is to ensure that Tokmanni hires different kinds of people in order to broaden and better serve its diversifying customer base.

By involving employees and by developing a coaching style of management, we want to encourage people to bring forth their ideas for improvement and to increase employees' abilities to make an impact. Tokmanni has established clear procedures for handling cases of inappropriate treatment and for preventing such occurrences. ●

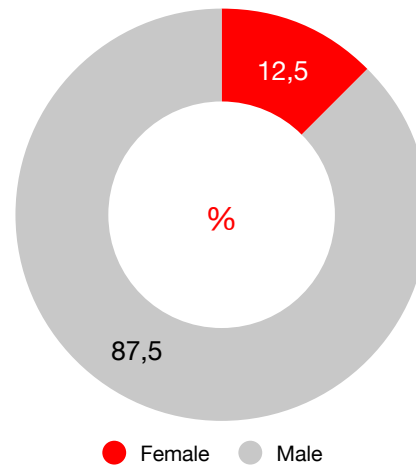
**Majority of employees women, as is typical in the commerce sector**



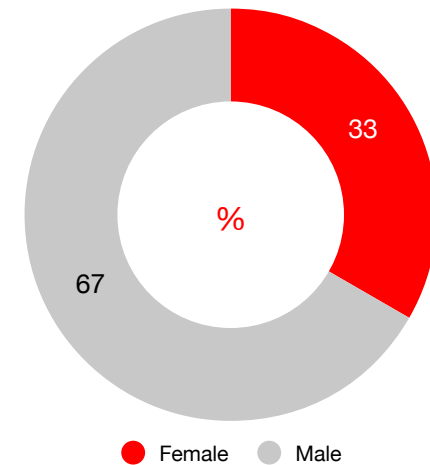
**Average age of personnel 38 years**



**One woman in the Executive Group\***



**Two women in the Board of Directors\*\***



\*The Executive Group has 8 members in total. \*\*The Board of Directors has 6 members in total. All effective employments at the end of 2019 are included in the calculation.



## Sustainability in the daily work of Tokmanni employees: quick reactions and saved kilometres

Sales Process Manager Sami Purhonen and Customer Service Manager Kirsi Kuisma promote Tokmanni's sustainability work in their daily working lives. Current and complicated questions are addressed separately in the Corporate Responsibility Team.

"SOME OF THE FEEDBACK we receive every day is always related to sustainability," says Tokmanni's Customer Service Manager **Kirsi Kuisma**.

The customer feedback phone rings off the hook almost daily and messages arrive at almost the same rate – a few hundred each day.

Sustainability is linked to everything at Tokmanni and the customers ask questions about anything and everything, from the origins of materials to what products are used for.

### Discussing the feedback

Kirsi's team considers feedback carefully, when figuring out which feedback is taken further and how that is done. Ready-made answers are not always available. In those situations, feedback is referred to the corporate responsibility team for discussion separately.

"A customer sent us some feedback regarding how some 10-year-old boys had been seen in front of a store, with non-alcoholic beer in their hands. The feedback was referred to the corporate responsibility team, and in this case, the Sustainability

Steering Group, which decides if even the non-alcoholic versions of alcoholic beverages can be sold to underage customers," Kirsi states.

### Trimming the superfluous

Kirsi has worked in Customer Service since the end of 2018, but she has walked through many Tokmanni aisles during her long career with the company.

Her journey began in 2001. At the time Kirsi designed enticing ways to arrange products on shelves. Later, Kirsi moved into the marketing department, while also completing Tokmanni's own managerial training programme.

"I did my diploma work on offer posters, as I had noticed piles of the posters going unused in break rooms. It launched a reform, which ended up saving us 50 000 euros per month on unnecessary print outs," Kirsi explains.

The same philosophy is also familiar to Sales Process Manager **Sami Purhonen**, whose history at Tokmanni began in 2006, when he was a store manager at the then Tarjoustalo in Hämeenlinna.

These days, his job consists of developing stores' working processes and ensure that anything superfluous is eliminated.

The resources saved by this can be used for something else. On headsets, for example.

It is easy to walk over 10 kilometres in a large store in a day. Being able to send the same message about products arriving on shelves to up to 15 peoples' headsets means that kilometres of useless trudging are avoided.

### Everyone's point of views is appreciated

Sami also thinks about how the excess can be reduced in things like waste, plastics and energy usage. Wasteful kilometres can also be avoided at the cashier's till.

"Just stopping the automatic printing of receipts has saved thousands of kilometres of paper," Sami says.

At the same time, the change was viewed from a slightly different point of view elsewhere.

"An employee working in marketing pointed out that using paper as a medium to talk about reducing paper usage was not the responsible choice, and so we decided to send the message out on the in-store radio and digitally," Kirsi Kuisma adds. ●



## Opportunities for training and development

TOKMANNI'S GOAL IS to have enthusiastic and committed employees who value their customers, colleagues, their own work and their employer. Our objective is to give everyone a chance to do their best at work.

Everyone's work is valuable and important from a holistic perspective. Effective collaboration between different in-house teams is essential to our success.

### New leadership principles and work community principles

In 2019, we continued to implement our new values. At the start of the year, we introduced new values which had been communicated to every employee.

Our target is for the values guide everyone's daily work. We wanted to take a step further and therefore, we created new leadership and work community principles.

The leadership principles have been examined together with our supervisors and they are included into the orientation. The work community principles were also updated and every employee will complete a new online course which helps them to understand better the personal conduct we expect from everyone at work.

The course will be completed during spring 2020 by all our employees and it will be included in the orientation of new employees.



### Competence development

Continuous learning is important in a rapidly changing world. At Tokmanni, we support our employees' training and development, but each employee is also responsible for maintaining and further developing their professional knowledge and skills also themselves.

Professional expertise is further developed through conventional and online training.

Tokmanni's in-house experts participate in providing training for employees and improving their knowledge and skills in cooperation with external training partners. Coaching-based supervisory work skills have been developed at Tokmanni in recent years.

We also provide training for our supervisors on labour laws and collective agreements, recruitment and the role of supervisors in building the company's employer brand, induction and working capacity and well-being at work, which play a significant role in employees' coping at work, motivation and commitment.

### 38 supervisors rewarded

Employees evaluated their supervisors' work in a survey carried out in early 2019.

The overall score for leadership skills at Tokmanni was 3.9 on a scale of 1 to 5. A total of 38 supervisors who received exceptionally good results in the employee pulse survey were rewarded in 2019. At Tokmanni, training leading to a vocational qualification is a popular way to develop expertise in retail, logistics and management. For this reason, Tokmanni continuously supports vocational

development through apprenticeship training. Nearly 100 apprenticeship training programmes in various fields are completed at Tokmanni each year.

In autumn 2019, we piloted a new apprenticeship. The training provides new skills for staff working in the garden section of our stores. During 2019, Tokmanni's office staff was provided with quarterly opportunities to learn more about topical issues in their own workplace. We also provided customer service training to all Tokmanni employees. 20 in-house trainers were trained to further train over 3,300 people to better serve both internal and external customers. This successful project will continue next year.

### Annual personal appraisal discussions

Appraisals are held once a year for all employees at Tokmanni whose employment relationship lasts for more than one year. Through discussions we make sure that everyone knows their goals and value of their work for the company. Giving feedback on both sides and skills development are also mandatory topics.

Around 80 per cent of Tokmanni's employees attended a personal appraisal with their supervisor in 2019. The employees that attended personal appraisal discussions are more satisfied with their work at Tokmanni than the employees who did not attend an appraisal discussion. ●

### Tokmanni's youth employment programmes

**TOKMANNI AIMS** to foster youth employment. Therefore, in 2019, Tokmanni participated in a pilot project in which a group of young adults between the ages of 18 and 29 were given coaching in working life competencies. The participants conducted a work trial of three months in the retail stores. The project was carried out in collaboration with the Finnish Commerce Federation, Ohjaamo Helsinki, Stadin ammattiopisto vocational college and other retail companies.

During the project the participants were given an introduction to the retail sector and orientation for customer

service and work at the store. Tokmanni provided an opportunity for a work trial for 10 participants during 2019. After the work trial period, three participants were offered a job at Tokmanni. In addition, two participants continued their work trial at Tokmanni and one participant decided to apply for higher education.

In order to enhance youth employment, Tokmanni has also taken part in a collaborative project with Hyria Education. In this programme, a group of first year students at Hyria became acquainted with the commerce sector by completing coursework relating to Tokmanni and

by conducting their practical training at Tokmanni stores. So far, the results of the pilot project are promising.

Tokmanni also offered approximately one thousand summer jobs and work experience positions (Tutustu työelämään ja tienaa) for young people. Some of the participants in the "Tutustu työelämään ja tienaa" work experience project have been hired as a part of an immigrant collaboration project with Plan International. Tokmanni also participated in a campaign called "Vastuullinen kesäduuni".



## Occupational health and safety

**TOKMANNI SUCCEEDS**, when its healthy and satisfied employees conduct their work tasks safely. Employees' health, work ability and safety are ensured with work ability management.

The goal of Tokmanni's work ability management is to anticipate the occupational health risks of employees, maintain job satisfaction and lengthen careers. The average age of Tokmanni employees is 37.9 years and the average retirement age is 63 years. Industrial safety at Tokmanni is organised in compliance with legislation.

The mandatory occupational wellbeing group represents all Tokmanni's personnel groups. The group meets at least 4 times a year and aims to improve Tokmanni's occupational safety culture. In 2019, the injury rate at Tokmanni was 29.4 (situation as of 6.1.2020, including pain induced by work-related motion), while the corresponding 2018 injury rate was 30.6.

In 2019, Tokmanni launched a three-year development programme to enhance occupational safety culture. Tokmanni's work ability management's operating models are based on risk assessments and relevant data covering e.g. absences due to work-related sicknesses and accidents. Operating models and their effectiveness and cost-efficiency are under constant evaluation by the Work Ability Steering Group, which has representatives

from Tokmanni and Tokmanni's key partners in this field; an occupational health provider (Mehiläinen), a pension insurance company (Varma), and an accident insurance company (LähiTapiola).

### Flexible work for personnel with partial work ability

In collaboration with insurance companies and Tokmanni's occupational health care, Tokmanni has defined clear procedures, targets and more accurate indicators to reduce absences due to illness and premature pensions. The aim of this cooperation is to refer our employees with partial work ability to rehabilitation as soon as possible to ensure their prompt return to work and to avoid premature applications for disability pensions.

At Tokmanni, short periods of sick leave (less than 10 days) have decreased while long periods (more than 30 days) have increased. Due to an increased number of long-term sick leaves in 2019, Tokmanni's "Flexible Work Model" was reintroduced to Tokmanni's supervisors and this model in particular was highlighted to Mehiläinen's doctors as an alternative to sick leave.

In November 2019, we implemented a model (Work Ability Plan) in which the occupational health care provider prepares a work ability plan for each employee after 30 days of sick leave. Thereafter, the plan

shall be regularly updated as agreed. To enhance the employee's return to work, the employee and their supervisor, Tokmanni's work ability coordinator and a doctor meet for an occupational health negotiation. This is a requirement when the duration of an absence exceeds 60 days.

At Tokmanni we have a designated work ability coordinator whose role is to monitor the aforementioned plan and to participate in occupational health discussions to evaluate the provisions for returning to work at the right time. During 2019 more than 300 such discussions were arranged.

### Supervisors play a key role in work ability management

Tokmanni has trained all its new supervisors in work ability management. The training also includes risk assessment related to work ability and models for supporting employees in their return to work.

Supervisors and managers use an online work ability management system known as Kompassi, which helps improve the identification of employees' work ability risks, the planning of well-timed treatment and rehabilitation measures, and the monitoring of employees returning to work. Last year we organised a Varma day in cooperation with the Varma pension insurance company and occupational health provider focusing on work



ability management. All Tokmanni's regional managers were involved in this action day.

**Occupational ergonomics and occupational safety are developed on a long-term basis**

At Tokmanni, most of the long-term sickness absences and applications for premature disability pensions are due to musculoskeletal disorders. For that matter, we prepared educational videos on ergonomics in 2019. These videos will be available for employee guidance in early 2020.

We also implemented a practice where employee suffering from musculoskeletal disorders can be referred directly to an occupational physiotherapist. In addition, occupational physiotherapists have carried out targeted workplace visits and ergonomic guidance as needed.

Tokmanni's goal in developing occupational safety and preventing accidents is learning from accidents and close calls, actively making and reporting on safety observations, organising safety walks and developing our own risk assessment skills. We also need to develop supervisors' occupational safety management skills and occupational safety communication.

In 2019, we described key occupational safety processes and acquired an occupational safety system to facilitate the reporting of safety observations, findings and close calls and to support occupational safety management. The system deployment project began back in December 2018 and deployment is scheduled for early 2020.

In 2019, we organised occupational safety management training for sales and warehouse

management. In 2020, official occupational safety card training will be provided to warehouse employees, as well as store and warehouse supervisors.

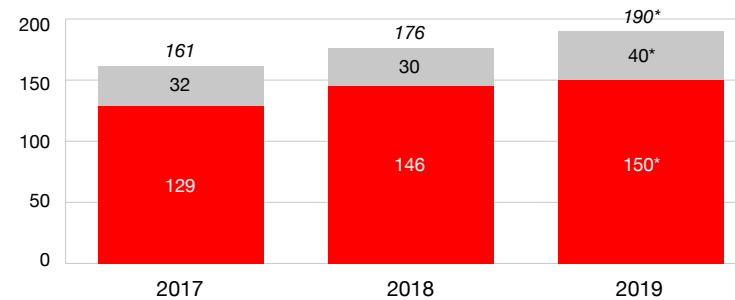
**Models promoting employee well-being**

The occupational health provider's "Wellbeing Radar" system anticipates a potential decrease in an employee's work ability based on occupational health data. If necessary,

the radar sends a health questionnaire to the employee and invites the employee to attend the occupational health service.

In 2019, we also introduced digitally supported training programmes to support employees in their lifestyle and stress management and a "worry chat", which is a low-threshold occupational health service where employees can chat about mental health issues with a mental coach. ●

**Accidents at work (No.)**



- Accidents at work
- Accidents while commuting

\* Accidents include all refunded cases. For 2019, the accidents include accidents refunded by 6 January 2020. Therefore, the number is liable to change.

**Accidents at work and absences due to illness**

	2017	2018	2019
Injury rate (IR)*	31.5	30.6	29.4**
Occupational diseases	0	0	0
Absence rate***	4.59	4.36	4.54**
Work related fatalities	1	0	0

\* workplace accidents \*1 000 000 / hours worked, incl. pain induced by work-related motion

\*\* 6.1.2020

\*\*\* Absences due to illness (hours) / theoretical working hours (EK)

# Responsible sourcing and products

We work systematically to ensure accountability in our supply chain, especially in risk countries.

## IN THIS SECTION

Achievements and targets.....	<a href="#">43</a>	Minding animal welfare.....	<a href="#">50</a>
Responsible sourcing requires systematic work.....	<a href="#">44</a>	Certificate guide.....	<a href="#">51</a>
The thesis that challenges the media conversation on the textile industry in Bangladesh.....	<a href="#">47</a>	Product safety is tested meticulously.....	<a href="#">52</a>
Case: A T-shirt's journey to a Tokmanni store.....	<a href="#">48</a>	A Brücke drill goes through several quality checks before arriving in store.....	<a href="#">53</a>
Key high-risk raw materials and product certification.....	<a href="#">49</a>	Recall of LED decoration lights due to safety risks.....	<a href="#">54</a>





# Responsible sourcing and products

Responsible sourcing means to us, in particular, ensuring that employees' fundamental human rights are respected in the supply chain. These fundamental rights are based on, for example, the United Nation'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 and challenges in 2019

Achieved	Partially achieved		Challenges
Further development of risk management in responsible sourcing with regard to the most-sold private-label products in different product categories and to the biggest human rights risks	Further development of quality assurance processes for the most-sold products in different product categories	Setting targets for the number of certified products and products manufactured from recycled raw materials in each product category	No serious faults related to product safety have been found in products sold by Tokmanni, and none have caused any accidents
			Verifying amfori BSCI audit results with at least 100 of our own audits. At least 25% of new sourcing factories in risk countries will be audited by Tokmanni, in addition to amfori BSCI

## Targets for 2020

- Definition of a supplier sustainability indicator
- Updated sanctions guidelines, updated general purchasing terms and conditions, and responsible sourcing guidance taken into use
- Development of the contract management process
- No serious product safety flaws in the products sold by Tokmanni or accidents caused by them
- Overall assessment and updating of procurement quality processes
- Definition of certification objectives and measurement systems for high-risk raw materials
- 70 own audits in addition to third party BSCI audits, and audits management guidance updated



## Responsible sourcing requires systematic work

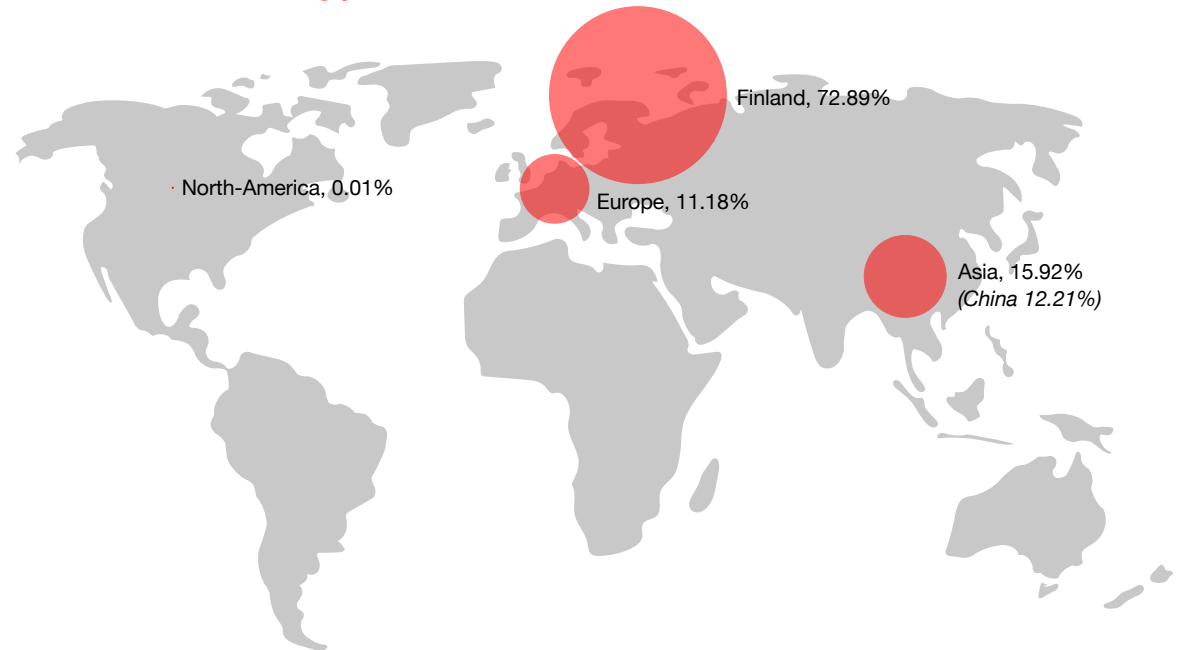
SUSTAINABILITY IS an integral part of Tokmanni's sourcing process. The process is supported by Tokmanni's responsible sourcing principles and guidelines, which in turn, promote the realisation of the UN Sustainable Development Goals within Tokmanni's supply chain.

As a member of amfori BSCI (Business Social Compliance Initiative) Tokmanni is committed to adhering to its ethical principles (the BSCI Code of Conduct). Tokmanni also requires that its suppliers and their subcontractors adhere to amfori BSCI's ethical principles\*. In its sourcing agreements, Tokmanni retains the right to examine a supplier's entire subcontracting chain if necessary.

### Work on responsible sourcing focuses on risk countries

Social compliance risk management focuses on risk countries, which according to the World Bank's classification have the greatest risk of labour and human rights violations. Out of all of Tokmanni's direct sourcing in 2019, a considerable portion was imported by Tokmanni itself. Of the products imported directly by Tokmanni, about 64 per cent are acquired from countries which belong to risk countries according to the World Bank classification. The vast majority of Tokmanni's risk country suppliers are in China. Other important sourcing countries in the risk country category include Bangladesh, Turkey, India and Vietnam\*\*.

### Tokmanni's sourcing per continent



### Largest sourcing countries after Finland and China (each with <2% of purchases)

Denmark, Holland, Bangladesh, Sweden, Germany, Estonia, Poland, Hong Kong

\*Fair remuneration is one of these principles. BSCI members observe this principle when they respect the right of workers to receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families, as well as the social benefits legally granted, without prejudice to the specific expectations set out hereunder. Local living wage estimates are calculated based on the Anker methodology.

\*\*Each representing less than 2% of total direct imports.

[Amfori BSCI Fair Remuneration](#)

[Living Wages around the World](#)

The primary focus of social and environmental compliance efforts is on suppliers within Tokmanni's more immediate sphere of influence, i.e. private-label and exclusive distribution product suppliers. Tokmanni requires factories that produce these products in risk countries to have a valid amfori BSCI or SA8000 audit, and based on case-by-case judgement, the SMETA audits and the toy business' ICTI Care audits can also be accepted. Sourcing agreements with the factories of brand suppliers must also

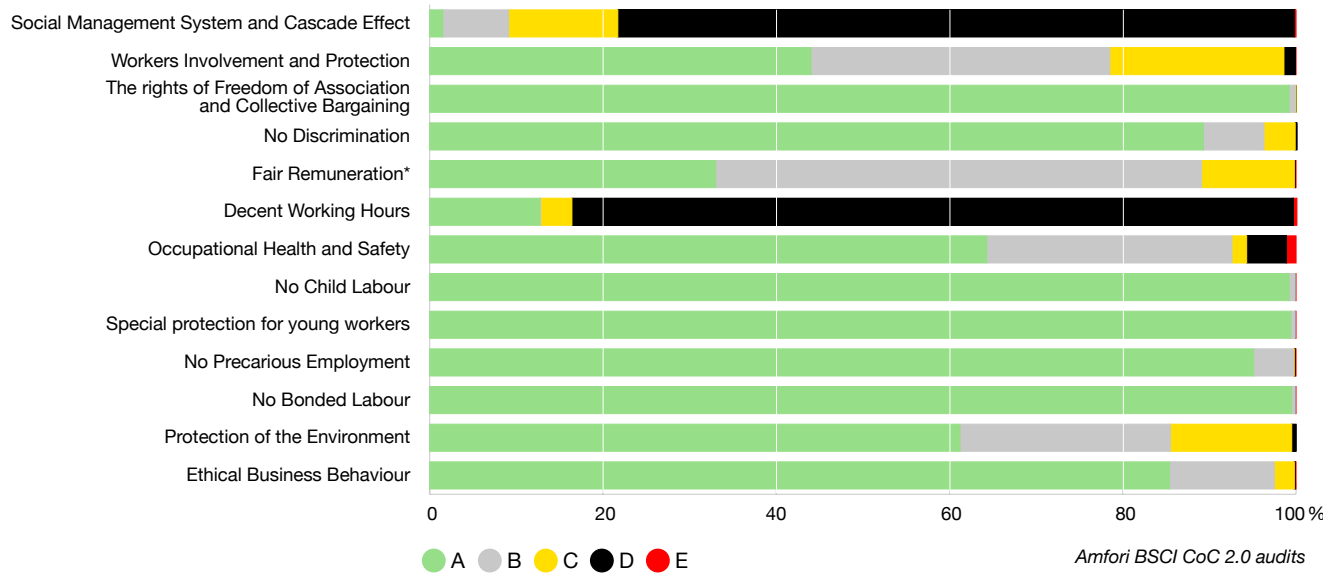
contain a commitment stating that production complies with amfori BSCI requirements.

**96 per cent of purchases from high-risk countries from audited factories**

BSCI audits are carried out by an independent third party. An auditing company approved by amfori BSCI will scrutinise factories in risk countries and compile a report, which will be analysed by a sustainability expert in Tokmanni's purchasing organisation. Audits are not carried out at completely random times,

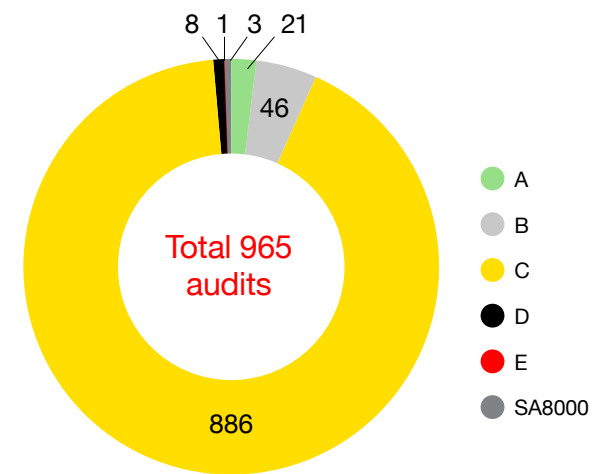
but as a rule, factories are given a time window of about 4 weeks during which the audit will take place. This way, a factory can prepare for an audit by ensuring, for example, that the managers responsible for BSCI implementation are present or by gathering the necessary documents and certifications. Amfori BSCI audit results are assessed on a five-step scale, using the grades A, B, C, D or E. If the result is a D or E (or a C with significant shortcomings), Tokmanni will report the issues found with a request to the supplier to remediate them.

**Amfori BSCI full audit results 1.1.2018-31.12.2019**



\* Fair Remuneration: The Anker methodology is used to calculate living wage in BSCI audits

**The average BSCI audit grade is C**



Audits with graded A or B are valid for 2 years.  
Audits graded C, D or E result require a follow-up audit within 12 months.



SA8000-audited factories automatically receive a good overall assessment using the amfori BSCI system.

In 2019, 96 (98) per cent of direct purchases from risk countries took place from factories with a valid audit. The drop was mainly due to a modified calculation methodology used for calculating audit validity in 2019. Full, 100-per-cent coverage is difficult to attain in BSCI audits, as BSCI audits are reported per calendar year, and there may be a short time (typically a month or two) between two valid audits. For example, if we purchase products at the beginning of the year from a factory, which decides not to re-audit at the end of the year, the factory is automatically deemed as non-audited in our reporting, even though the audit was still valid at the time of the order. In these cases, no new orders are submitted to the factory until the BSCI audit is renewed.

In addition, within the amfori BSCI system, some of the factories are under Tokmanni's responsibility, making Tokmanni a so called RSP (responsible company for the supplier). The RSP role brings with it the responsibility to book third-party audits for the factory.

Concerning the non-compliance of BSCI audits in 2019, many cases were simply due to late re-audit bookings by other RSP holders, thus resulting in a 1–2 month gap between audit validity. It is not possible to be an RSP holder for all factories, as the factory's biggest customer usually prefers to take on the role.

### The most common BSCI audit grade is a C

The most common problems found in amfori

BSCI audits were to do with management systems, working times and in increasing employee participation and awareness-building. Most factories received a C (acceptable) overall score. This is not an average number of the 13 performance areas, rather, scoring a D in two will bring down the overall grade to a C. From a risk management perspective, a C grade is preferred as it requires the factory to be audited within the BSCI system on a yearly basis. The higher grades A and B allow for a two-year re-auditing period. In 2019, 965 (914) amfori BSCI audits were carried out on factories linked to Tokmanni in the BSCI system.\*\*\*

If serious problems are observed with suppliers under Tokmanni's RSP, Tokmanni also asks them to provide concrete remediation plans including schedules for resolving observed problems. These typically relate to OHS. Remediation plans are also requested from and followed up with factories where significant problems are found, even if the suppliers aren't Tokmanni's responsibility.

We also continuously provide all our suppliers' factories with information on amfori BSCI principles, trainings and audits. Our goal is to enable our suppliers to build more sustainable operational cultures and to promote responsible practices in the Tokmanni value chain together.

### We carry out our own audits of potential new factories and high-risk factories

Tokmanni also carries out its own product quality and social compliance audits at factories in risk countries and other countries of manufacture, particularly at the factories of

potential new suppliers, and at factories where the assessed risks of human rights violations are the highest. Particular focus is placed on work safety and quality control. We check against BSCI reports, discuss and see whether non-compliance issues have been corrected.

In 2019, Tokmanni carried out 52 (100) of its own audits in Bangladesh, Myanmar, and China. This corresponds to 12.4% of active suppliers in risk countries.

In further developing responsible sourcing practices in 2019, the focus was shifted to updating our general purchasing terms and conditions with stronger social compliances clauses and in updating our sanctions policy and responsible sourcing guidelines.

We also started more in-depth work on our reporting systems to integrate factory-level data and social compliance issues into our business reporting, and to work more closely with our purchasing office in Shanghai, e.g. through planning the pilot of a supplier management system to be implemented there in 2020.

We began development on a supplier sustainability index and finally, continued to participate actively in training and other events arranged by amfori BSCI and other partners, such as FIBS and the TMA responsibility working group, and the Sustainable Supply Chain Initiative of the Consumer Goods Forum. This stakeholder co-operation helps us to keep up to date with the developments of responsible sourcing on a global level. ●

\*\*\*Some factories were audited multiple times in 2019.



## The thesis that challenges the media conversation on the textile industry in Bangladesh

Like a lot of good things, Tiia Hiltunen's thesis on the development of Bangladesh was also born out of irritation.

"I WAS TIRED of the one-sided media conversation of how everything that comes from Bangladesh is horrible," sighs **Tiia Hiltunen**, who has worked at Tokmanni as a clothing designer for 8 years.

She has become well acquainted with Bangladesh over the years, as several of the clothes that Tiia has designed for the Pola and Peuhu brands, among others, have been manufactured there.

"People have a perception that factories in Bangladesh are gloomy sweatshops. Those are no longer needed, and they have no international clients. All the factories we use are clean and modern, and the majority of them have their own social compliance experts," Tiia clarifies.

### Research encouraged by contradiction

The contradiction between personal experience and the media conversation encouraged Tiia to research the topic in depth in her thesis for the International Business and Corporate Responsibility programme at Haaga-Helia University of Applied Sciences.

Based on earlier research and interviews from representatives at the Tokmanni factories she is finding out how European companies have influenced development in Bangladesh.

To describe the development, Tiia shows a diagram that describes economic growth in Bangladesh. It rises like a tidal wave – the gross national product has multiplied since 2013.

### 2013 as a turning point

In many ways, the year 2013 was a turning point in recent history in Bangladesh. That is the year that the Rana Plaza factory building collapsed, and 1,134 people died.

The accident was a wakeup call. Many things had to change.

International NGOs and companies began to advocate for change in the country. Building security was improved and dangerous basement factories were weeded out.

These days over 63 per cent of the factories in the country are a part of the amfori BSCI auditing system, which monitors workers' rights and working conditions. Tokmanni also requires this. If a factory is not a part of amfori BSCI, it will likely have a valid audit from another third-party monitoring system, such as SMETA or WRAP, which is common in the USA.

"The textile industry has lifted millions of Bangladeshis out of poverty and employs 4,000,000 employees, most of whom are uneducated, with limited access to a stable income otherwise," Tiia points out.

### Overtime is a challenge

There are still many things to improve on, of course. For example, overtime is common in Tokmanni's partner factories. "Employees often do overtime out of their own will, in order to make more money. Raising wages might reduce overtime, but the raises should be carried out on a national level. If a single factory raises wages, riots will typically break out in surrounding areas. Therefore, many factories tend to offer employees other benefits, such as free lunches or day care for employees' children", Tiia says.

In Bangladesh, the national minimum wage was most recently raised in 2018 and amfori BSCI continues to advocate for it being raised further, with the support of thousands of its member companies. Additionally, amfori is developing its own amfori BEPI environmental system, of which Tokmanni is also a member.

### Long-standing relationships

Tiia perceives that moving manufacturing away from Bangladesh is not a responsible alternative. Instead, it is important to take care of long-standing relationships with partners and to support them in their development.

"And to avoid fast fashion. Designing durable everyday clothes that can be worn for years is important in my own work," Tiia adds. ●

# A T-shirt's journey to a Tokmanni store



**1. Designed for everyday use**

Tokmanni's own designers create clothing for everyday use, which is sized to fit Finnish people of all ages. Our seasonal collections are designed six times a year, to fit each time of year.

**3. Production in Bangladesh**  
Our partners' factories in risk countries undergo BSCI audits, where a third party inspects workers' rights and working conditions regularly.



Products are only purchased from BSCI audited factories and Tokmanni audits the majority of clothing factories itself as well.

Cotton has been designated as a risk material, so Tokmanni's aim is to increase the use of certified and recycled cotton in our products.

**4. Diligent quality control**  
Before production, a factory will send several material and product samples to Mäntsälä. Before shipping, a third party will inspect that quality demands have been met in production.



**2. Supplier selection**  
The majority of Tokmanni's cotton clothing is manufactured in Bangladesh. Buyers visit factories regularly and they have known many of the contracting parties for years.

Orders are made well in advance.

**Factors affecting factory selection**

- Quality
- Price
- Supply reliability
- Production capacity



Shipping to Finland takes 6-8 weeks.



**5. Instore**  
Clothes sold at Tokmanni follow current trends and stand the test of time. T-shirts are sold until the batch is sold out and all the clothes end up being used by customers.



## Key high-risk raw materials and product certification

**WE HAVE DEFINED** cotton, palm oil, wood and fish as our key high-risk materials. We require our suppliers to report the country of origin of high-risk raw materials and any sustainability certifications the related products might have, and, to provide additional information on the origin of the raw materials, if necessary. To ensure the origin and responsible production of raw materials, we strive to increase the number of certified products. We prioritise the following certificates: Nordic Swan Ecolabel, organic, MSC, FSC, Fairtrade, UTZ and Oeko-Tex.

One of our sustainability goals for 2019 was to set more specific goals for products with sustainability labels, with a focus on private labels. This target was not fully reached due to other priorities in responsible sourcing (see p. 46), and, thus, in 2020 we seek to set these certification targets, and will start with the high-risk raw materials. The most important high-risk material is cotton based on sales and the human rights and environmental risks related to it.

### We are committed to animal welfare

We consider animal welfare particularly important, and we are committed to promoting it in our supply chain. We require that all products sold by Tokmanni which contain raw materials of animal origin and the manufacturing of these products complies 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 raised for food production or are derived of fish or mollusc origin (such as raw materials for cosmetics). Animals may not be slaughtered primarily for the sale of their skin, fur, horns, feathers or other parts.

In 2019, we updated our animal welfare principles based on customer feedback, and in line with these principles, we ceased the sales of toys such as nets with which children could catch e.g. insects or fish.

### No animal testing or painful measures

Compliance with our animal welfare policy is controlled by our sourcing and sustainability teams through documentary checks and contracts. These include, among others, verification of documents relating to the origin of wool or entering into a non-mulesing agreement (mulesing being painful for sheep).

In addition, in some products, the policy compliance can be verified, for example, on the basis of certifications given. An example of this is down which is produced in accordance

with the Responsible Down Standard and used as material in Tokmanni's private label down jackets. In cosmetics, the ban on animal testing also applies to the raw materials used in cosmetics (Regulation (EC) No 1223/2009 of the European Parliament and of the Council on cosmetic products). In our private label cosmetic products, we only use European manufacturers that comply with EU legislation in their own activities. ●



## Minding animal welfare



### Animal hair

- We only accept hair from living farm animals.
- We do not accept rabbit hair (including Angora rabbit hair), or the hair of caged or endangered species.
- We seek to ensure full traceability of the origin of the hair all the way back to the farm.

### Wool

- We do not accept the mulesing method for wool from Australia. In accordance with the National Wool Declaration, we require the wool to be non-mulesed.
- We do not accept mohair wool in our new products. Mohair will be fully excluded in the 2020 product range.

### Farm animals

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

### Fur

- We do not accept real fur.

### Fish

- Fish is listed as one of our key

high-risk raw materials and we seek to increase the number of certified fish products in our product range in 2020.

### Down and feathers

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

### Leather

- We only accept leather from cows, sheep, buffalos, goats or pigs, or skin from fish that have been used in food production.

- We do not accept cow, calf or ox leather from India.
- We do not accept leather from Bangladesh because of the poor conditions in its leather factories.
- We do not accept leather from fetal (aborted) animals (including caracul lamb or Persian lamb)

### Exotic skin

- We do not accept real exotic animal skins (including snakes, lizards and alligators).

### Animal testing

- We do not accept the animal testing of any cosmetic products during any stage of production (production or on finished products).
- We do not allow the use of cosmetic ingredients that have been tested on animals in the products we import ourselves or in our own private-label cosmetics.



## CERTIFICATE GUIDE

### What do the certificates say about the responsibility of a product in Tokmanni's assortment?



#### Organic

PRODUCTS LABELLED WITH THE ORGANIC logo are made from at least 95% organically produced ingredients. Organic products cannot contain colourings or flavour enhancers such as monosodium glutamate (MSG).

The EU's leaf shaped logo is a requirement for all organic products produced within the EU. The requirements for the Finnish organic logo are the same but its use is voluntary and states that a product is under the supervision of Finnish authorities.



#### Most environmentally friendly in its product category

THE NORDIC ECOLABEL, or the Nordic swan, is awarded to products and services, which are the best in their product category from an environmental perspective. The criteria consider the most salient environmental impacts of a specific product category throughout its entire life cycle. A product or service may, for example, have requirements on energy or water usage and the decomposition of materials.



#### Farmers paid a fair price

THE FAIR TRADE logo shows that the producers of a product's ingredients in developing countries receive a guaranteed price, with a fair trade bonus on top of that. Fair Trade also promotes environmentally sustainable farming.



#### Fish from wild, sustainable stocks

THE MSC (Marine Stewardship Council) logo shows that the fish and seafood in a product can be traced back to certified fishing vessels and are caught from sustainable wild stock, using methods that protect local ecosystems. The impacts of all MSC certified fisheries businesses have been assessed independently.



#### Textiles without harmful chemicals

THE OEKO-TEX CERTIFICATE restricts the use of chemicals in textiles. If a product is marked with an Oeko-Tex certificate, it means that an equivalent product has been tested in a laboratory to ensure that it does not contain, for example, allergy inducing or carcinogenic dyes, harmful pesticides or heavy metal residues.



#### From well-managed forests only

FSC (Forest Stewardship Council) labelled wood and paper products come from traceably well-managed forests. An FSC certified forest owner must, among others, uphold the diversity of their forest and the rights of their workers and indigenous peoples. There are three FSC labels. A product will be labelled according to if the raw materials are recycled, or 100% or at least 70% from FSC sources.



#### Responsible wood

THE PEFC CERTIFICATE promotes the same things as the international FSC certificate, but the rights to use a PEFC logo in Finland are granted by PEFC Finland. The criteria are also drafted from a European, rather than tropical, standpoint and taking small scale forest owners in mind. Independent certifying institutions ensure that the demands are met from forest to factory and from factory to consumer.



#### Cotton from educated producers

BCI OR THE BETTER COTTON INITIATIVE is the most extensive responsibility system in the production of cotton. BCI is an educational programme, which guides farmers towards good practices. Farmers are guided and supported on the sustainable use of water, pesticides, fertilisers and the soil, respecting nature's diversity and improving working conditions. A BCI branded product means that a company has bought a certain percentage of cotton from BCI educated producers and has pledged to increase the use of BCI cotton by five percent per year.

## Product safety is tested meticulously

HERE AT TOKMANNI, we want to make sure that all the products we sell are safe to use. We ensure product safety, corporate responsibility and due diligence through self-monitoring, by visiting suppliers, by testing products ourselves and by having products tested by third parties at various steps throughout the sourcing process.

### We are responsible for the safety and quality of our products

We serve as the distributor, importer or manufacturer of the products we sell. We also serve as the manufacturer of private-label products manufactured for us by other companies.

We have the ultimate responsibility over the safety of our private-label products and other goods where we act as an importer to the EU. We monitor product safety by checking documentation, controlling quality during production and inspecting consignments prior to delivery to stores. We also have products tested by third parties, and we carry out self-supervision inspections for all our products based on their risk level.

### Responsibility for our imported and distributed products

In addition to private-label products, we import goods and brand products from various manufacturers outside the EU. As an importer, we are responsible for the safety of these products together with the manufacturer. The importer role includes various requirements comparable to the manufacturer's obligations.

We need to ensure that these products are produced in accordance with laws and standards applicable in Finland and EU. This is conducted mainly through document management to ensure that all required tests and approvals for imported items have been carried out. As an importer, Tokmanni is also responsible for ensuring the correct texts and packaging markings in Finnish and Swedish. This same obligation also applies to all goods that we sell, even the ones we just distribute. Of course, the main responsibility for these items lies with the manufacturer or importer, but as a responsible Finnish distributor, we help our partners to put the mandatory texts on the packaging.

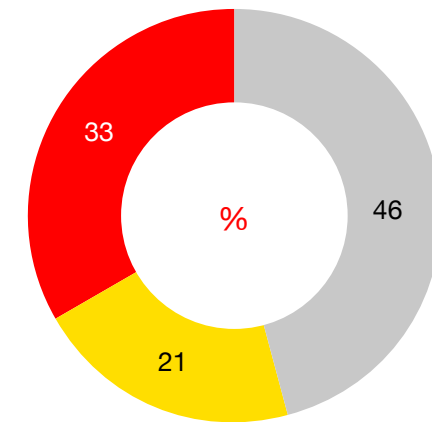
### Safe, high-quality products

In 2019, our goal was to maintain a high level of product safety, product quality and quality of experience with regard to our private-label products, licensed products and imported products in particular. We measure product safety and the quality of experience in terms of the number of product types that do not meet all of our requirements. In 2019, we identified 10 such cases (20 in 2018), most of which were due to the quality of experience deviating from the product specification. A typical example of inadequate quality of experience is underwear losing its colour in the wash. At the end of 2018, we put out a wide product recall for Christmas seasonal lightning due a possible risk of electric shock. This recall was extended in spring 2019 to cover all transformers types from this same supplier.

### Quality throughout the supply chain

Tokmanni reviewed or renewed the labelling of 2,501 private-label products in 2019 (2,169 in 2018). In 2019, a total of 100 (66) products were inspected as part of self-monitoring, and the number of third-party product tests mainly run at the factories increased to 3,001 (2,067 in 2018). Self-monitoring has been reduced in recent years due to the effects of improved quality guidelines, which have decreased the number of defective products identified during warehouse inspections. The focus of quality assurance has been shifted to factory inspections instead. ●

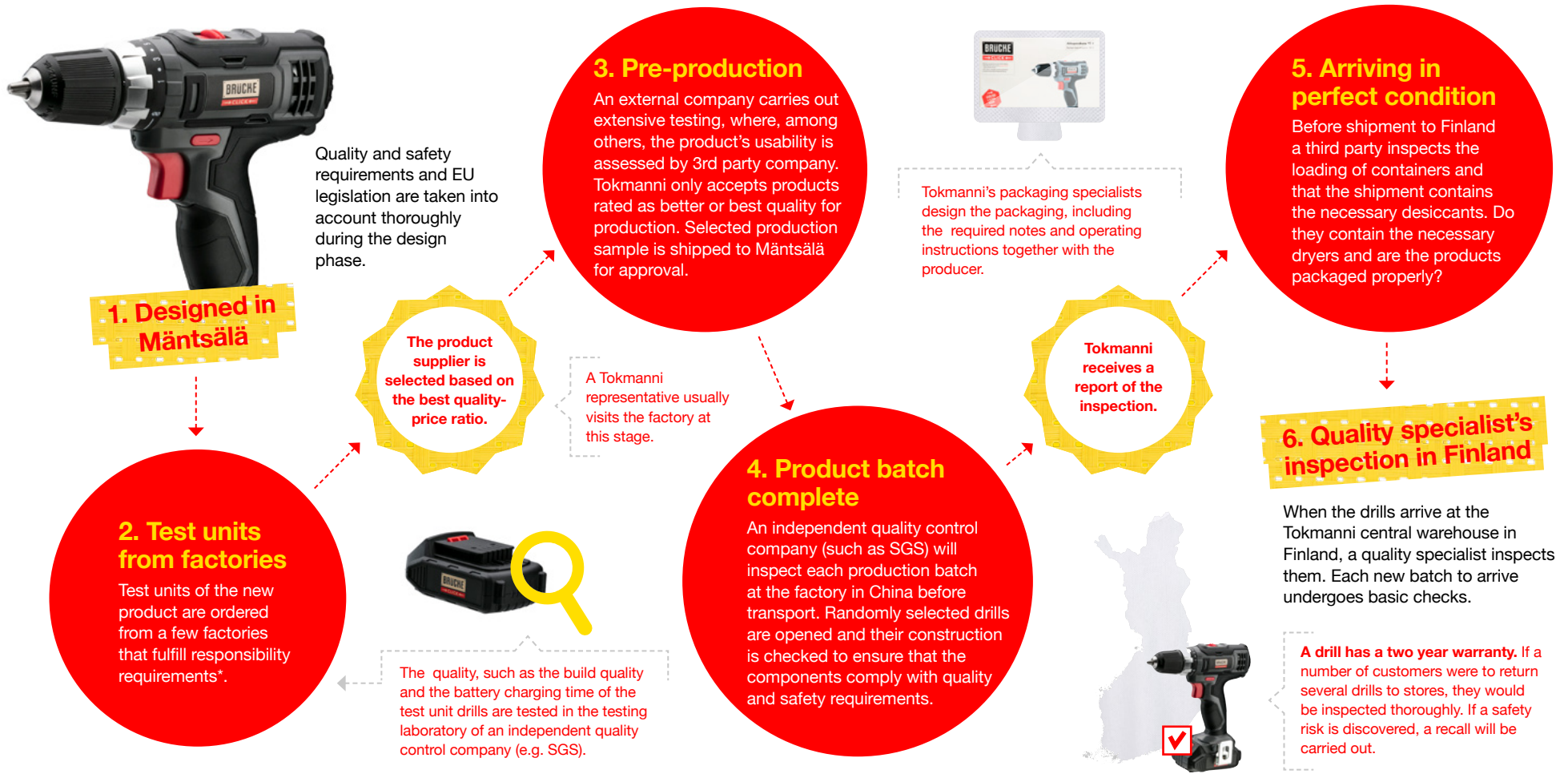
### 33% of 2019 purchases were classified as high risk



Risk classification of Tokmanni's in-house quality assurance practices is based on product- or product-type-based risk assessment. These are based on the amount of applicable special legal requirements, safety standards, packaging or labeling requirements, previous product safety exceptions or other special demands for a given product or product type.

● Medium risk ● Low risk ● High risk

# A Brücke drill goes through several quality checks before arriving in store



\*The factory agrees to produce products that adhere to criteria in EU legislation. Additionally, the factory must be in possession of a valid BSCI audit, which assesses and monitors workers' rights and production conditions.



## Recall of decorative LED lights due to safety risks

On December 18, 2018, Tokmanni announced a recall of the indoor and outdoor decorative LED lights series. Despite wide-ranging product and transformer safety inspections and certifications carried by third parties, Tokmanni discovered safety risks associated with transformers in its own product safety inspection.

### Marko Eerola, Tokmanni's Quality Coordinator, what happened and where did it go wrong?

We carried out a recall of several models of decorative LED lights. We did not hesitate, even momentarily, to initiate a nationwide product recall on some decorative lights after self-monitoring and customer feedback led us to discover faulty transformers.

As some of the transformers were cracked and this could cause an electric shock or even a fire, we had no choice but to recall the faulty products from the market.

### How did the defective product make it to the store shelf despite testing?

The decorative lights had been purchased from the same supplier for many years, and the quality had previously been excellent. The supplier provided Tokmanni with an FI certificate in advance, according to which the products complied with the highest FI standards and requirements approved in Finland. In addition, before the product batches were shipped to Finland, Tokmanni

checked the quality of each product model.

In spite of the quality process, the quality issues were only discovered through self-monitoring based on customer feedback.

Thus, the products had gone through the entire quality control process, including external quality control by third parties. However, it was only through self-monitoring that the problems with the products were discovered.

In addition, it is important to note that the products were not so-called "cheap and low-quality" products. Instead, we had obtained the highest possible quality certifications for them.

### How did the incident affect your safety requirements?

Nowadays, the decorative lights feature a new type of transformer with a safer design and materials. The safety of decorative lights is ensured through several tests. In addition, we have changed the supplier of the raw material for the transformer shell, and the assembly process has been developed based on more thorough and rigorous testing.

**"As a result, we currently carry out more extensive tests at three different stages of production: before, during and after production."**

Decorative lights have been tested more than in previous years. The decorative lights are FI-certified, and the required tests are performed by the SGS certification facility before, during and after production. In addition, we voluntarily carry out more extensive tests at three different stages of production; before, during and after production.

Nowadays, the decorative lights come with a two-year warranty. ●

# Efficient use of resources

Resource efficiency means for Tokmanni, for example, reducing energy consumption and emissions, and, better recycling of waste.

## IN THIS SECTION

- Targets and achievements.....[56](#)
- Systematic reduction of climate impacts  
– reporting according to TCFD .....[57](#)
- Transportation emissions at 2015 level in  
relation to revenue.....[61](#)
- Using waste and materials efficiently.....[62](#)
- Preventing food waste.....[64](#)





# Efficient use of resources

We strive to use resources efficiently in our business. We are constantly exploring new opportunities to utilise alternative sources of energy and energy-saving equipment, and we aim to make our logistics system more environmentally friendly. We closely monitor the amount of waste generated at our warehouse and in our stores, and actively improve the reuse and recycling of waste.

## Achievements and challenges in 2019

Achieved			Partially achieved	Challenges
Reduction of location-based carbon dioxide emissions at the properties (scope 1 and 2) by 3% compared to 2018	Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue	Comparable power consumption: -5%	Waste recycling rate at 36% (of total waste)	Feasible data storage and management systems for environmental reporting
		Power consumption (total): -2%		
Reuse rate at 50% (of total waste)	CDP reporting completed for the first time (rating: C)			

## Targets for 2020

- Reduction of location-based carbon dioxide emissions at the properties (scope 1 and 2) by 3% compared to 2019
- Maintaining greenhouse gas emissions from transport at the 2015 level in relation to revenue
- Comparable power consumption: -4%
- Power consumption (total): -3%
- Reuse rate: 50% (of total waste)
- Waste recycling rate: 35% (of total waste)
- CDP reporting completed for 2019





## Systematic reduction of climate impacts – reporting according to TCFD

**SYSTEMATICALLY** reducing our climate impacts is one of the most important areas of our sustainability work. We take climate change seriously and we want to do our part to limit. In 2019, our CO<sub>2</sub> emissions decreased by 14.5%.

2019 is the first year for which we report our climate risks and opportunities in accordance with the TCFD (Task Force on Climate-related Financial Disclosures), which outlines and develops ways in which companies should report on the economic impact of climate change.

The TCFD framework instructs companies to report on the risks and opportunities of climate change in a consistent manner. According to the recommendation, the reporting company should describe how climate issues are reflected in the corporate governance model, what strategies the company has for climate change and the transition to a low carbon economy, what risks or opportunities climate change brings to the company, and what climate goals and measures are in place.

### Governance around climate-related risks and opportunities

Tokmanni's Board approves the corporate strategy, part of which covers sustainability and climate-related issues, and is responsible for ensuring that the group's risk management and internal control systems are adequate in relation to the regulations governing the business.

The board reviews the group's main risk areas and internal control systems annually, including the group's values, code of conduct and corporate responsibility. The Board reports yearly as part of the Board of Directors' report and financial statements in the non-financial information section the climate impacts and risks that the company faces. From and inclusive of 2019 the company risk register, which is updated annually by the management and reviewed by the board, includes climate-related risks. The CEO has the highest operational level responsibility for climate-related issues, risks and opportunities. The Executive Group reports the progress of sustainability strategy and targets to the Board of Directors (p.17–18).

The process for managing climate-related opportunities often occurs in tandem with climate-related risk management. The Head of Corporate Responsibility is responsible for proposing, implementing and following up climate-related opportunity initiatives. She also reports progress on these to the CFO (deputy CEO), the sustainability steering committee and the Executive Group. The findings are used to plan further opportunity management action and to set targets and objectives. These targets are approved by the Board (p.17–18).

### Climate-related issues in Tokmanni's strategy

Sustainability is one of the five business drivers of Tokmanni's corporate strategy. Tokmanni

is constantly examining new opportunities to cut energy consumption and make use of renewable energy sources at its properties, to make its logistics system more environmentally friendly, and, to offer its customers a wider range of sustainable goods and services. Part of our value proposition is to make quality products and everyday sustainable choices accessible to everyone.

Tokmanni's concrete climate goals relate to energy efficiency, renewable energy, emissions reduction, transportation, sustainable sourcing, and increased use of sustainable materials, and waste management and recovery.

Most of the climate impacts during the lifecycle of Tokmanni's products arise during the manufacture and use of the products.

The company has limited opportunities to affect these impacts and their measurement is challenging. Thus, the main emphasis of Tokmanni's climate strategy is the climate impacts of its own operations, especially the reduction of carbon dioxide emissions and the energy usage of its properties.

As Tokmanni does not own its properties or its transportation fleet, improvements on eco-efficiency and emissions constantly require careful negotiations with its partners. Even so, the target is to achieve carbon neutrality regarding Tokmanni's properties, air travel and leased vehicles by 2030. The target can be achieved through reducing energy consumption, improving energy efficiency, using renewable energy, purchasing renewable

In 2019, our  
CO<sub>2</sub> emissions  
decreased by  
14.5%.



energy certificates and offsetting the emissions caused by air and rail travel.

In spite of its growth and the expansion of its store network, Tokmanni aims to keep the greenhouse gas emissions from transport at the 2015 level in relation to revenue. In 2019, we started the process of validating SBTs (Science-Based Targets) and seek to update our climate targets and actions once the SBTs are validated.

### Description of climate-related risks

Climate change poses both physical and transition risks that affect the business and value of investments. Physical risks are divided into acute and chronic and refer to the challenges that climate change poses to businesses and society, such as sudden destruction caused by extreme weather conditions or, for example, longer term depletion of natural resources.

Transition risks mean that the transition to a low-carbon economy involves changes in regulation, technology and consumer behaviour, among other things. On the other hand, climate change also brings opportunities to businesses and for investors such as those related to the development of technologies to mitigate climate change and facilitation of the transition to a low-carbon economy.

For Tokmanni, the main physical risks are related to the increased severity of extreme weather events such as cyclones and floods in our supply chain. We mitigate this by e.g. taking the monsoon season into account when ordering from Asia, particularly Bangladesh.

Certain critical raw materials such as cotton, are particularly vulnerable to climate change.

We are increasing our share of organic cotton. At the same time, demand is increasing but supply is limited, and this causes an increase in the cost of cotton.

A major transition risk covers mandates on and regulation of existing products and services which may also incur increased costs and/or reduced demand for products and services resulting from fines and judgments. An example of regulatory issues is the upcoming legislation on single-use plastics. As a response, we are currently investigating a wide range of alternative products and materials to replace disposable plastic products. For example, we have introduced biodegradable plastic cups, cutlery made of birch, and cotton swabs made of Swan-labelled paper.

### Opportunities in the shift in consumer preferences

Reduced demand for goods and/or services due to shifts in consumer preferences is another transition risk, but on the other hand, selling low carbon goods and services and improving the competitive position to reflect shifting consumer preferences forms a corresponding opportunity.

Based on our customer study conducted in 2019, our customers in Finland increasingly prioritise a broader set of criteria for the goods they purchase. Their purchasing decisions are not only about price and safety, but about the materials used, the carbon/human rights footprint the product has, the perceived sustainability and corporate responsibility stance the retailer takes, as well as the durability and sustainability effect of the product.

We are currently increasing the range of sustainable products (e.g. through setting certification targets for high-risk materials, p. 49), and seek to pay stronger attention to raw materials in general, recycling and sales of recyclable products; sales of products that reduce environmental impacts (e.g. LED lights); and the development of more sustainable packaging materials, as well as business models based on the principles of the circular economy. We also place heightened emphasis on sustainability-related communications and marketing to our customers. We seek to respond to increased requirements for information and the transparency of our supply chain, better inform our customers about responsible production, operations and products, and to continue to sell everyday products and services that are regarded as necessary.

### Collaborating with our suppliers to meet the targets

It is also critical for Tokmanni to collaborate with and have strict requirements for our suppliers in accordance with the changing market as a result of new policies and consumer trends towards a low-carbon economy. We engage with our suppliers to improve the efficiency and productivity of our partnerships, and seek, for example, to find ways to reduce packaging, reduce emissions from transportation (p. 60), and to make conscious choices concerning resources and materials with climate change and the environment in mind.

Overall, we seek to increase the proportion of environmentally certified products in all

categories. Since our ability to affect suppliers' operations is limited, we work to improve supply chain transparency together with others through initiatives such as amfori BSCI (pp. 44-46) and the environmental programme amfori BEPI. The latter in particular is an area where we recognise that there is room for improvement. In 2020, we seek to incentivise more of our risk country suppliers to join amfori's environmental assessment programme (BEPI) and complete the amfori BEPI assessment as the first step.

In 2019, for the first time, we reported to the CDP (Carbon Disclosure Project), which includes a more detailed description of our climate-related risks and opportunities, governance, strategies and targets. We plan to continue reporting to CDP on a yearly basis to increase transparency.

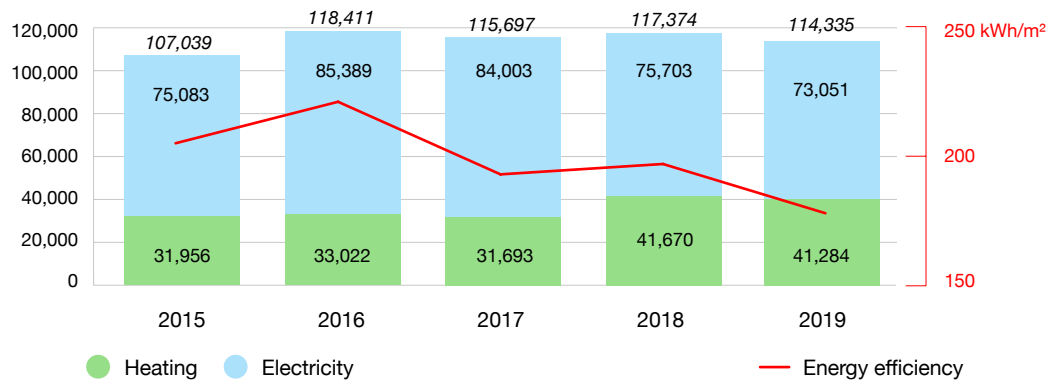
Tokmanni is constantly analysing the

economic risks and opportunities posed by climate change, and we are constantly developing our reporting on climate risks in accordance with TCFD recommendations. We also constantly monitor the effects of new technologies on costs and energy usage. We are looking at how to scale an employee-driven initiative on environmentally friendly work practices to our stores.

**A view on properties' energy usage**

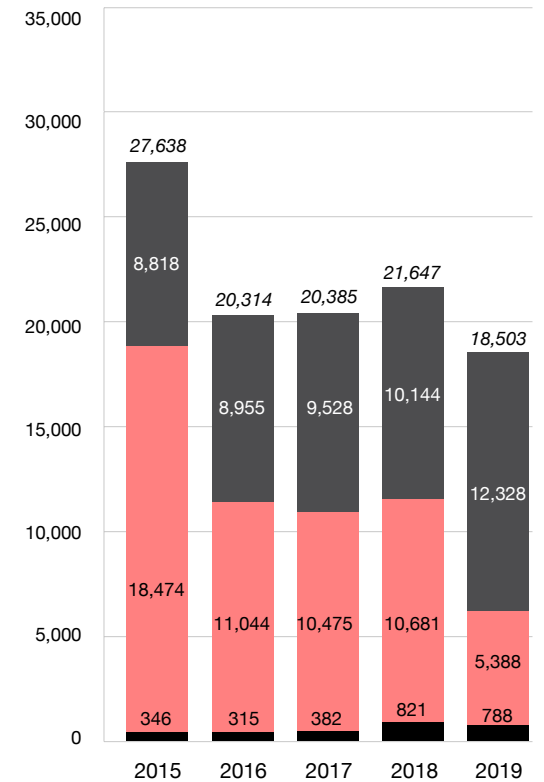
The most significant climate impacts of our own operations arise from the electricity usage and heating of the properties we rent (scope 1 & 2). Therefore, we particularly focus on properties where we can directly affect the energy solutions. Lighting, ventilation and cooling of the properties we rent consume the biggest share of electricity. We focus on the remote management of automation systems in

**Aiming to maintain total energy consumption (MWh) at the 2015 level**



The figures include both measured and estimated consumption. Total energy consumption: Scope 1 & 2.

**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 gas (GHG) emissions

Scope 2 includes market based greenhouse gas emissions (mostly heating and electricity).  
 Scope 3 includes domestic and international transportation of goods postal services, air travel, and in 2019 rail travel and waste additionally.



properties, monitoring optimum use levels, and we also have an action plan to extend the use of LED lighting in our store network.

In 2019, location-based emissions from Tokmanni's properties decreased by approximately 9% (1%). In 2020, especially towards the end of the year, the need for heat was lower than in the previous year, and Finland's average emission factor also decreased from the previous year. LED lighting was replaced or installed at 36 sites.

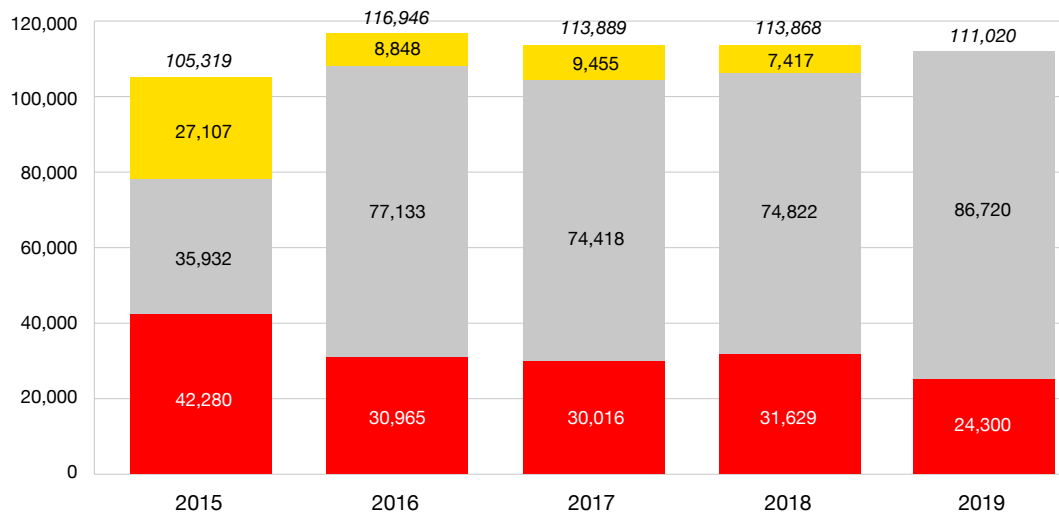
### A large increase in solar power in 2019

During 2019, we installed solar panels at eighteen new stores, and used 1,609 MWh of solar power in 2019, produced at our current 25 solar plants. To date, we have reduced our CO<sub>2</sub> impact by 297 tons of CO<sub>2</sub> through our solar panels. In the coming years, we aim to increase the use of solar power in our stores throughout Finland. In 2020, the target is to install 10 new solar plants on the roofs of our stores.

### 100% renewable electricity

CO<sub>2</sub> emissions of electricity were also covered by renewable energy certificates. In 2019, we purchased renewable energy certificates for 100 (77) per cent of electricity consumed, equalling 71,753 (53,590) MWh. In 2018, all air travel emissions (scope 3) were offset by investing in renewable energy projects. Similarly to previous years, we offset emissions with Gold Standard projects implemented in Bangladesh. ●

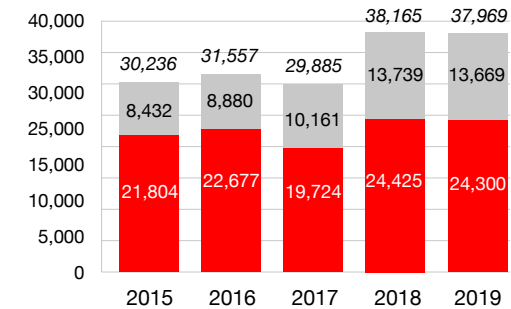
### Market based energy consumption decreased slightly, most of it renewable energy\*



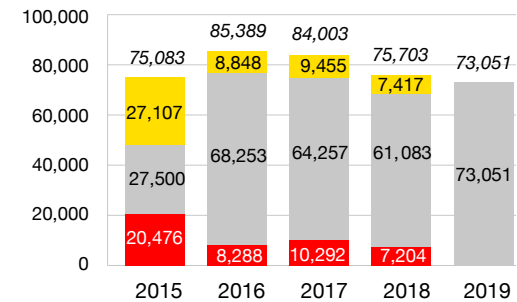
\*Purchased energy (scope 2)

● Non-renewable ● Renewable ● Nuclear power

### Heat, MWh



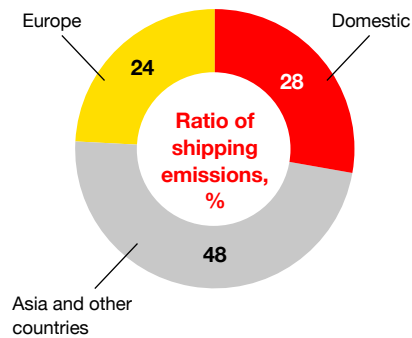
### Electricity, MWh



The figures include both measured and estimated consumption of purchased energy (scope 2). Electricity includes self-produced solar-electricity (1,609 MWh).

## Transportation emissions at 2015 level in relation to revenue

We have concentrated our transportation to ten long-standing partners. That provides opportunities to combine consignments, to better utilise load capacity and to optimise transport routes. The emissions from transportation in 2019 equal 10,858t of CO<sub>2</sub> which is a little more than half of our total emissions\*.

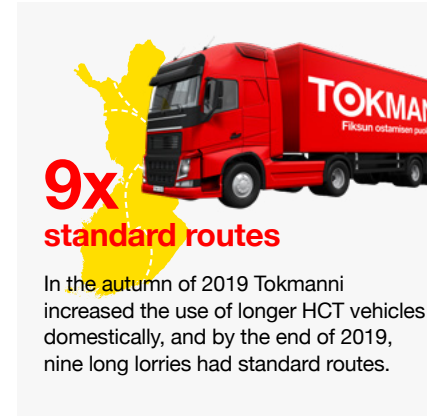
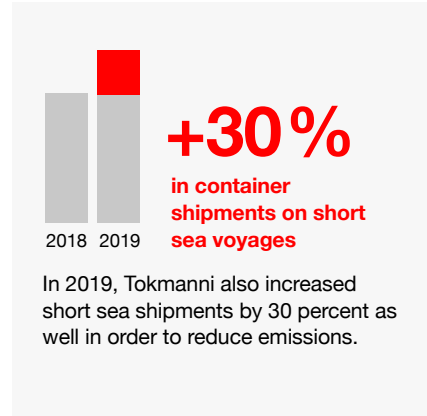


### Majority of products from Asia transported on ships

New sulphur regulations that came into effect at the beginning of 2019 in China only allows ships to use fuel with a maximum sulphur content of 0.5%.



Shipping companies use several different routes from Asia. Ocean vessel travel to Finland via the Suez Canal, into the Mediterranean and from there to, for example, Rotterdam or Hamburg, where products are transferred onto the feeders, which take them to Finland.



**Up to 50% greater capacity**

A single HCT vehicle uses 14% more fuel, but its capacity is 20-50% greater than a regular sized lorry. This has not yet been considered in the 2019 emissions calculations.

**The number of lorries running on liquefied natural gas (LNG) will be increased**

In the last quarter of 2019, almost 4% of containers arriving in Vuosaari were transported to the central warehouse in Mäntsälä on a lorry running on liquefied natural gas (LNG).

Tokmanni has replaced almost all of its air transports from China\*\* with trains. Tokmanni increased rail and container shipments in Europe in order to cut emissions and costs.

All the largest partners have ISO 14001 environmental certificates.

\* Emissions calculations include real estate energy usage and waste, plus postage and travelling by train and air. \*\* Single shipments have had to be transported from Asia to Finland by air plane.



## Using waste and materials efficiently

TOKMANNI SEEKS to minimise the amount of waste transferred to incinerator plants by reducing, by reusing and by recycling waste. In 2019, we were able to reuse 50 per cent and recycle 31 per cent of our waste. The rest of our waste was recovered, for uses such as recycled fuels to replace fossil fuels.

For 2020, our aim is to keep our reuse level at over 50 per cent and to increase our recycling level to 35 per cent. Our waste recycling can be made even more efficient with careful sorting at 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 will be reduced especially by issuing instructions and monitoring results, as well as by retail sector campaigns and by donating unsold food to charity.

### Recycling packaging materials

Tokmanni is responsible for the recycling and other waste management of the devices and packaging it places on the market. We fulfil our producer responsibility through various producer communities and by actively developing ways to ensure sustainable development with them.

Most of Tokmanni's waste consists of packaging materials. We aim to reduce the amounts of packaging materials, monitor the amounts of waste being produced in our warehouse and at our stores and to keep

improving the recycling of waste continuously. During 2019, we reduced the amount of plastic used by 21 tons by reducing and optimising the wrapping of trolleys heading to our stores.

As a part of our producer responsibilities, we report the packaging materials we use to the [Rinki producer](#) collective. Often, Rinki's eco take-back points can be found in our stores, so our customers can use them too.

We use paper fibres, plastic, glass, metals and wood in our packaging. The use of PVC plastic is forbidden in our products, unless it's required for a particular reason (i.e. being resistant to UV light). We have also sought to reduce the use of plastics in both products and operations. For example, we reduced plastic use by 21 tons by optimising the wrapping of trolleys and by another 16 tons by switching from plastic-stemmed cotton buds to paper-stemmed ones.

Tokmanni engages in electrical and electronic equipment recycling via SELT Association and Stena Oy. For portable and storage batteries Tokmanni has an agreement with Recser Ltd. and Akkukierrätys Pb Oy. Recser has a nationwide collection network for portable and storage batteries, and Akkukierrätys is a producer organisation that specialises in recycling lead-based batteries.

### Digital platforms grow alongside print advertising

The role of digital marketing communications has increased significantly over recent years. In



2019, we invested more in digital marketing by, for example, creating several digital marketing campaigns, developing our e-commerce and social media channels and by engaging in influencer collaboration with several operators. We also advertised on the radio, on television, online and in several other channels. In 2020, our aim is to continue developing our digital marketing and communications.

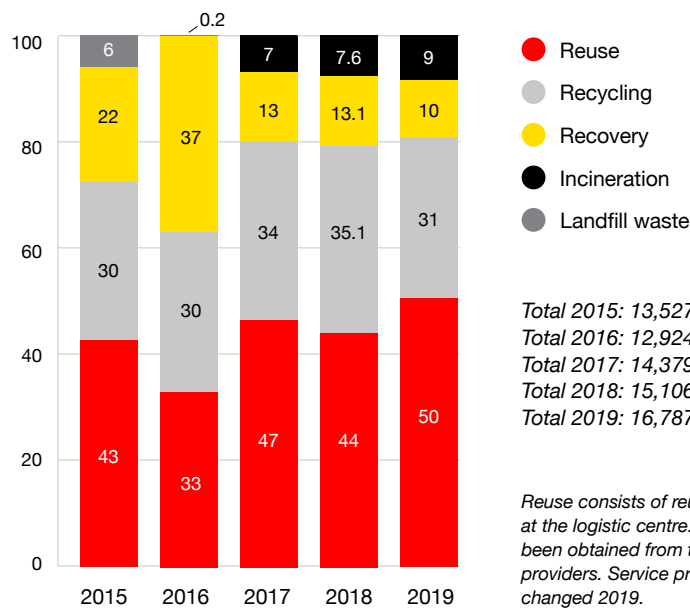
In addition to our digital channels, we invest strongly in print media, as it is one of the most important ways to reach our customers.

We take the environmental impacts of paper seriously and only use certifiably responsible paper ingredients in our direct marketing leaflets.\*

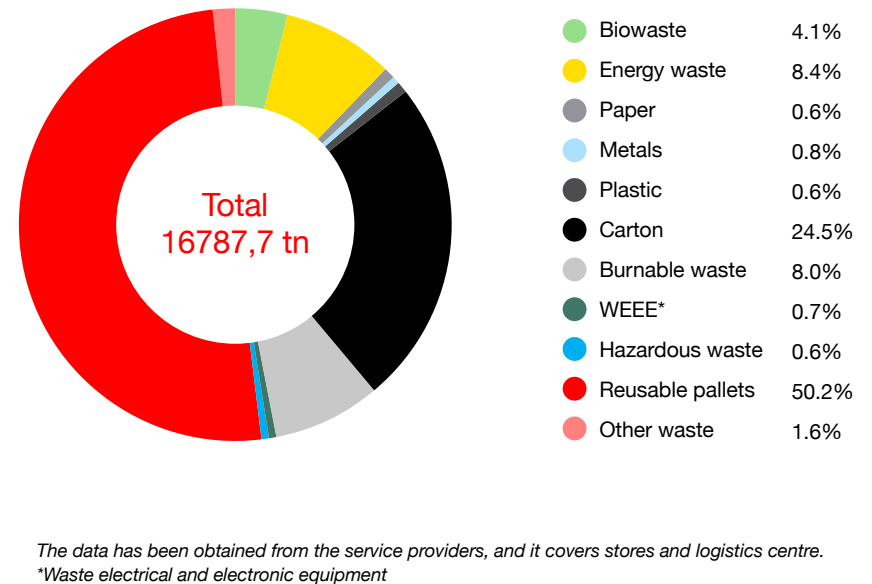
In 2019, we used 4,657 tons of paper to print our direct marketing advertisements, which is about 7 per cent less than in the previous year due to optimised paper use\*\*. The leaflet spread is linked to the number of stores and also to the widening of the distribution areas for the advertisements. ●

\*The paper holds the following certificates: EMAS, EU Ecolabel, FSC Chain-of-Custody, ISO 14001, ISO 9001 and PEFC Chain-of-Custody.  
\*\*According to the print provider.

### Out of waste, 81% reused or recycled



### Waste by type, %





## Preventing food waste

IN FINLAND, the annual amount of food waste is approximately 400 million kilos, which equates to 10–15 per cent of all the food fit for consumption. Roughly 18 per cent of the wasted food is accounted for by the retail sector. In addition to being a burden on the environment, expired food is always also a loss for the retail sector.

Our aim is to achieve a 13-percent reduction in expired food waste from 2016 till the end of 2021.\* This means reaching a level where the total weight of food waste is below 1.75 per cent of the weight of food products sold. These targets are in accordance with the food industry’s materials efficiency commitment.

Food waste has been one of the key indicators in our sales unit since the start of 2015, and the company has actively sought to reduce it. The right selection of food products, appropriate order and delivery quantities, correct delivery dates, store-specific monitoring of supply and demand, and reduced prices for products near their expiry date are all effective measures to prevent food waste.

### Discounts for products approaching their expiry date

One common practice is to sell food items nearing their best-before date at a 30-per-

cent discount. In addition to this, in 2019, 21 stores were included in an evening discounts pilot project. In this project, food products approaching their best-before date are sold at a 50-per-cent discount during the last two opening hours.

The project saw encouraging results as the sales volume of discounted products approaching their best-before date has risen by 29 per cent compared to the same time period last year. In the participating stores, the amount of food waste was reduced by 16 per cent as compared to the same time period last year. We aim to expand the evening discounts practice to all stores during 2020.

In addition, a total of 103 Tokmanni stores have given away food to charities by the end of 2019. Local stores draft written agreements with local charitable organisations in order to ensure correct use and handling of the food products. Our aim is that in the future, Tokmanni will be able to give away all unsold food products from stores to local charity operators. ●

\*According to the food industry’s material efficiency commitment.



# GRI

We report on corporate responsibility and 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

- Reporting principles..... [66](#)
- Information used in calculations..... [67](#)
- Data..... [69](#)
- GRI-index..... [75](#)



## Reporting principles

TOKMANNI'S sustainability 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 our 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 company's impact on corporate responsibility matters is marginal, because its personnel amounts to less than one percent of Tokmanni's total workforce, and its environmental impact is generated only by the office and staff travel. The Shanghai office size is less than 0,1% of the total size of Tokmanni premises in Finland. The information in the report is for 2019, although some indicators also present historical data where this is available.

Tokmanni plans to publish sustainability information annually, either in a separate corporate responsibility report or as part of

its annual reporting. The previous corporate responsibility report was published in March 2019. 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

<https://ir.tokmanni.fi/en/sustainability>

### Contact information

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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, for the logistics centre in Mäntsälä and the consumption of electricity not controlled by Tokmanni is covered by renewable energy certificates. For these sites, the market-based specific emissions coefficient is 0 g CO<sub>2</sub> per kWh.
- > 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 158 g CO<sub>2</sub> per kWh.<sup>1</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 142 g CO<sub>2</sub> per kWh.
- > The location-based emissions coefficient used is the average CO<sub>2</sub> coefficient of 164 g CO<sub>2</sub> per kWh calculated using the benefit sharing method for Finnish district heating CHP areas<sup>2</sup>.

- > The information concerning the division of district heating into renewable and non-renewable fuels is from Finnish Energy's district heating statistics<sup>3</sup>.
- > The primary energy coefficient used in the calculation is 0.9.<sup>4</sup>
- > The fuel emissions coefficients published by Statistics Finland have been used as the emissions coefficients for gas and oil.<sup>5</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 limit for consignments sent via terminals in statistics was before 2018 2,500 kg and after 3,000 kg.

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. Through its own agreements, Tokmanni manages 36

per cent (35) of the transport consignments of purchases. Its reporting covers 99.95% (99.51) of the import consignments transported under its own agreements and 100% 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 emissions of the services provided by Posti were 24 ton CO<sub>2</sub> before offsetting in 2019.<sup>6</sup>

Waste and rail travel have been added to scope 3 emission calculations in 2019. Waste emissions have been calculated also for recovery waste which are used as fuel or to fuel production. Emissions have been estimated on the basis of the waste CO<sub>2</sub> emissions coefficients published by Statistics Finland. Waste is incinerated (Municipal / mixed waste: 144 kg CO<sub>2</sub> per MWh), bio-waste is converted into biogas (Biomethane: 196.6 kg CO<sub>2</sub> per MWh), part of the construction waste is incinerated (Demolition wood: 41 kg CO<sub>2</sub> per MWh), part of energy waste is used in industry as recycled fuel (Recovered fuels: 145 kg CO<sub>2</sub> per MWh) and some of the hazardous waste is incinerated (Other mixed fuel: 360 kg CO<sub>2</sub> per MWh).

An emissions report for air and rail travel

<sup>1, 2</sup> [Motiva. 2018. CO2 emissions coefficient](#)

<sup>3</sup> [Finnish Energy. 2018. District heating statistics 2018.](#)

<sup>4</sup> [Matias Keto. Energy factor. General principles and factors of realised electricity and heat production. Report for the Ministry of the Environment](#)

<sup>5</sup> [Statistics Finland. Fuel Classification 2019.](#)

<sup>6</sup> [www.posti.com/vastuullisuus/ymparistovastuu/posti-green--palvelut](http://www.posti.com/vastuullisuus/ymparistovastuu/posti-green--palvelut)



has been obtained from the service provider. Energy consumption is not known. The year used for comparison is 2015.

#### 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 4,7% 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 recorded, the heating production emissions coefficient reported by energy producer is used. 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 142 g CO<sub>2</sub> per kWh.

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 2019 was not yet available when the calculations were being made. The environmental figures for previous years have not been recalculated.

The total greenhouse gas emissions for the company's own heating production are estimated on the basis of the fuel emissions coefficients published by Statistics Finland. The emissions coefficient for gas is 199.08 g CO<sub>2</sub> per kWh, and that for oil is 264.6 g CO<sub>2</sub>

per kWh<sup>5</sup>.

The data on waste amounts, processing methods and definition of the hazardous nature of the waste is from the statistics compiled by Encore Ympäristöpalvelut Oy, 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 2019, Tokmanni had 191 (176) 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, 10 new stores were opened and 4 stores closed.

At the end of 2019, in terms of the total surface area, 76% (76) of the active stores were covered by electricity consumption monitoring, and 44% (49) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring, 79% (79) of the total surface area is covered by electricity consumption monitoring and 51% (56) 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. In the energy intensity table for 2019, total area is used for electricity calculation and for district heating, sites with comparable data has been used.

# Data

## 302-1 Energy consumption within the organization

### A. Total energy consumption, MWh

	2015	2016	2017	2018	2019	Change %
Electricity, total	75,083	85,389	84,003	75,703	73,051	-3.5
Includes solarpower				193	1,298	571.9
District heat, total	30,236	31,557	29,885	38,165	37,969	-0.5
Gas	1,623	1,104	1,484	1,661	1,468	-11.7
Oil	96	360	324	1,844	1,848	0.2
Heating, total	31,956	33,022	31,693	41,670	41,284	-0.9
<b>Total energy consumption</b>	<b>107,038</b>	<b>118,411</b>	<b>115,697</b>	<b>117,374</b>	<b>114,335</b>	<b>-2.6</b>

At the end of 2019, in terms of the total surface area, 76% of the active stores (76) were covered by electricity consumption monitoring, and 44% (48) were covered by heating consumption monitoring (district heating, gas and oil). If the logistics centre is also taken into account in the consumption monitoring, 79% (79) of the total surface area is covered by electricity consumption monitoring and 51%

(56) 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 1,3 GWh. During 2019, LED lighting was changed to several stores.

### B. Consumption of purchased energy, MWh

	2016			Change %			2017			Change %			2018			Change %			2019			Change %		
	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total	Elec-tricity	Heat	Total
Purchased energy	85,389	31,557	<b>116,946</b>	13.73	4.37	<b>11.04</b>	84,003	29,885	<b>113,889</b>	-1.62	-5.30	<b>-2.61</b>	75,703	38,165	<b>113,868</b>	-9.88	27.70	<b>-0.02</b>	73,051	37,969	<b>111,020</b>	-3.50	-0.51	<b>-2.50</b>
Non-renewable	8,288	22,677	<b>30,965</b>	-59.52	4.00	<b>-26.76</b>	10,292	19,724	<b>30,016</b>	24.18	-13.02	<b>-3.06</b>	7,204	24,425	<b>31,629</b>	-30.00	23.83	<b>5.38</b>	0	24,300	<b>24,300</b>	-100.00	-0.51	<b>-23.17</b>
Renewable	68,253	8,880	<b>77,133</b>	148.19	5.31	<b>114.66</b>	64,257	10,161	<b>74,418</b>	-5.86	14.43	<b>-3.52</b>	61,083	13,739	<b>74,822</b>	-4.94	35.22	<b>0.54</b>	73,051	13,669	<b>86,720</b>	19.59	-0.51	<b>15.90</b>
Nuclear power	8,848	0	<b>8,848</b>	-67.36	0.00	<b>-67.36</b>	9,455		<b>9,455</b>	6.86	0.00	<b>6.86</b>	7,417		<b>7,417</b>	-21.56	0.00	<b>-21.56</b>	0	0	<b>0</b>	-100.00	0	<b>-100.00</b>

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

	2016	Change %	2017	Change %	2018	Change %	2019	Change %
Non-renewable (oil)	360	275.00	324	-9.87	1,844	468.77	1,848	0.17
Non-renewable (gas)	1,104	-31.98	1484	34.35	1,661	11.98	1,468	-11.65

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. 2019 four stores using oil heating (not measured) have been included to oil consumption with calculated values.

## 302-3 Energy intensity

### Energy intensity by energy type

Stores	2016			Intensity change %	Con- sumption change %	2017			Intensity change %	Con- sumption change %	2018			Intensity change %	Con- sumption change %	2019			Intensity change %	Con- sumption change %
	Con- sumption MWh	Total area m <sup>2</sup>	KWh/ m <sup>2</sup>			Con- sumption MWh	Total area m <sup>2</sup>	KWh/ m <sup>2</sup>			Con- sumption MWh	Total area m <sup>2</sup>	KWh/ m <sup>2</sup>			Con- sumption MWh	Total area m <sup>2</sup>	KWh/ m <sup>2</sup>		
Electricity	66,065	457,928	144	7.7	11.0	77,693	520,409	149	3.5	17.6	70,651	518,103	136	-8.7	-9.1	67,827	564,847	120	-11.9	-4.0
District heating	10,688	201,656	53	6.3	0.7	12,322	220,342	56	5.5	15.3	16,281	218,312	75	33.4	32.1	14,581	204,325	71	-4.3	-10.4
Gas	1,104	17,880	62	-28.0	-32.0	1,484	22,565	66	6.4	34.3	1,661	22,565	74	12.0	12.0	1,468	22,565	65	-11.7	-11.7
Oil	360	4,034	89	44.1	274.8	324	4,034	80	-9.9	-9.9	1,844	20,215	91	13.5	468.8	1,848	18,990	97	6.6	0.2

The specific consumption is calculated from comparable items. Electricity: total area. District heating: the area of comparable measured objects. In 2018, five stores using oil heating (not measured) have been added to oil consumption with calculated values.

## 305-1 Direct greenhouse gas (GHG) emissions (scope 1)

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

	Unit	2016	Change %	2017	Change %	2018	Change (2017-2018) %	2019	Change (2018-2019) %
Non-renewable (oil)	MWh	359.8	275.00	324	-9.87	1,844	468.77	1,848	0.17
Non-renewable (gas)	MWh	1,104.4	-31.98	1,484	34.35	1,661	11.98	1,468	-11.65
Greenhouse gas emissions	ton CO <sub>2</sub>	315	-8.94	382	21.13	821	115.21	788	-4.06



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

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

	Unit	2016			Change %			2017			Change (2016-2017)%			2018			Change (2017-2018)%			2019			Change (2018-2019)%		
		Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total	Electricity	Heat	Total
Purchased energy (G4-EN3: Purchase)	MWh	85,389	31,557	<b>116,946</b>	13.73	4.37	<b>11.04</b>	84,003	29,885	<b>113,889</b>	-1.62	-5.30	<b>-2.61</b>	75,703	38,165	<b>113,868</b>	-9.88	27.70	<b>-0.02</b>	73,051	37,969	<b>111,020</b>	-3.50	-0.51	<b>-2.50</b>
Non-renewable	MWh	8,288	22,677	<b>30,965</b>	-59.52	4.00	<b>-26.76</b>	10,292	19,724	<b>30,016</b>	24.18	-13.02	<b>-3.06</b>	7,204	24,425	<b>31,629</b>	-30.00	23.83	<b>5.38</b>	0	24,300	<b>24300</b>	-100.00	-0.51	<b>-23.17</b>
Renewable	MWh	68,253	8,880	<b>77,133</b>	148.19	5.31	<b>114.66</b>	64,257	10,161	<b>74,418</b>	-5.86	14.43	<b>-3.52</b>	61,083	13,739	<b>74,822</b>	-4.94	35.22	<b>0.54</b>	73,051	13,669	<b>86,720</b>	19.59	-0.51	<b>15.90</b>
Nuclear power	MWh	8,848	0	<b>8,848</b>	-67.36	0	<b>-67.36</b>	9,455	-	<b>9,455</b>	6.86	-	<b>6.86</b>	7,417	-	<b>7,417</b>	-21.56	-	<b>-21.56</b>	0	0	<b>0</b>	-100.00	-	<b>-100.00</b>
<b>Environmental impacts</b>																									
Greenhouse gas emissions (market based)	ton CO <sub>2</sub>	5,368	5,676	<b>11,044</b>	-59.67	9.90	<b>-40.22</b>	5,802	4,673	<b>10,475</b>	8.10	-17.68	<b>-5.15</b>	4,454	6,228	<b>10,681</b>	-23.24	33.28	<b>1.97</b>	0	5,388	<b>5,388</b>	-100.00	-13.49	<b>-49.56</b>
Greenhouse gas emissions (location based)	ton CO <sub>2</sub>	17,846	5,775	<b>23,621</b>	1.67	4.00	<b>2.23</b>	15,205	5,260	<b>20,464</b>	-14.80	-8.92	<b>-13.36</b>	12,415	7,175	<b>19,590</b>	-18.34	36.41	<b>-4.27</b>	11,542	6,227	<b>17,769</b>	-7.03	-13.21	<b>-9.30</b>
Radioactive waste	tonnes	0.05	-	<b>0.05</b>	-51.41	-	<b>-51.41</b>	0.02	-	<b>0.02</b>	-50.40	-	<b>-50.40</b>	0.02	-	<b>0.02</b>	-11.35	-	<b>-11.35</b>	0	0	<b>0,02</b>	-7.45	-	<b>-7.45</b>

### 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>

	2016	Change %	2017	Change (2016-2017) %	2018	Change (2017-2018) %	2019	Change (2018-2019) %
Transportation	8,760	0.7	9,269	5.8	9,967	7.5	10,858	8.9
Postal Services			22	100.0	15	100.0	24	60.0
Air travel	195	68.1	237	21.6	162	-31.7	270	66.5
Rail travel							4	100.0
Waste							1,172	100.0
Greenhouse gas emissions	8,955	1.6	9,528	6.4	10,144	6.5	12,328	21.5

Key figures in 305-3 take into account freight transport in Finland and abroad, air travel and waste emissions. The data has been received directly from the service providers. For international transport, the data for 2019 corresponds to 99.55% of suppliers (99.91% in 2018, 99.99% in 2017, 99% in 2016, 93% in 2015) in proportion to paid freight payments. CO<sub>2</sub> emissions from transport have increased due to increased import volumes and the increase in the number of small consignments delivered to our stores. Emissions from e-commerce delivered by Posti in 2019 were 24 ton CO<sub>2</sub>. Posti has offset all CO<sub>2</sub> emissions from its customers. Waste emissions have been calculated also for recovery wastes which are used as fuel or to fuel production.

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

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

	Unit	2016	Change %	2017	Change (2016-2017) %	2018	Change (2017-2018) %	2019	Change (2018-2019) %
Greenhouse gas emissions (Scope 1 and 2)	ton CO <sub>2</sub>	11,359	-39.64	10,857	-4.4	11,503	5.9	6,176	-46.3
Net sales	MEUR	776	2.78	796.6	2.7	870.4	9.3	944	8.5
Greenhouse gas emissions intensity	ton CO <sub>2</sub> /MEUR	14.64	-41.28	13.3	-9.0	13.2	-0.8	7	-50.5
Employees	empl	3,224	-2.1	3,255	1.0	3,558	9.3	3,659	2.8
Greenhouse gas emissions intensity	ton CO <sub>2</sub> /empl	3.52	-38.46	3.3	-7.4	3.2	-0.8	1.7	-47.8



## 306-2 Total weight of waste by type

### A. Waste by waste type, tn

Waste type	2016	2016 (%)	Change %	2017	2017 (%)	Change %	2018	2018 (%)	Change %	2019	2019 (%)	Change %
Hazardous waste	295	2.3	-7.25	310	2.2	5.18	157	1.0	-49.47	98	0.6	-37.31
Other waste	12,629	97.7	-4.71	14,068	97.8	11.39	14,949	99.0	6.26	16,689	99.4	11.64
<b>Total</b>	<b>12,924</b>	<b>100</b>	<b>-4.77</b>	<b>14,379</b>	<b>100</b>	<b>11.25</b>	<b>15,106</b>	<b>100</b>	<b>5.05</b>	<b>16,787</b>	<b>100</b>	<b>11.13</b>

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

Method	2017	2017 (%)	2018	2018 (%)	2019	2019 (%)
Recovery	5	1.5	2	1.1	0	0
Recycling	292	94.1	134	85.6	98	100.00
Incineration	14	4.4	21	13.3	0	0
Landfill waste					0	0
Reuse					0	0
<b>Total</b>	<b>310</b>	<b>100</b>	<b>157</b>	<b>100</b>	<b>98</b>	<b>100</b>

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

Method	2017	2017 (%)	2018	2018 (%)	2019	2019 (%)
Recovery	1,804	12.8	1,978	13.2	1,654	9.9
Recycling	4,578	32.5	5,161	34.5	5,271	31.6
Incineration	965	6.9	1,121	7.5	1,342	8.0
Landfill waste					0	
Reuse	6,722	47.8	6,689	44.7	8,422	50.5
<b>Total</b>	<b>14,069</b>	<b>100</b>	<b>14,949</b>	<b>100</b>	<b>16,689</b>	<b>100</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. Reused 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 2019

	-30 years	30-50 years	50- years	Total
Female	147	105	22	274
Male	71	46	2	119
<b>Total</b>	<b>218</b>	<b>151</b>	<b>24</b>	<b>393</b>

### b. Terminated permanent employments 2019

	-30 years	30-50 years	50- years	Total
Female	97	117	30	244
Male	33	42	5	80
<b>Total</b>	<b>130</b>	<b>159</b>	<b>35</b>	<b>324</b>

## 405-1 Diversity of governance bodies and employees

### Age and gender distribution by employee category

	-30 years	30-50 years	50- years	Total
Management, female	0	0	1	1
Management, male	0	2	5	7
Senior salaried personnel, female	0	15	11	26
Senior salaried personnel, male	0	16	13	29
Office personnel, female	14	93	41	148
Office personnel, male	11	42	13	66
Employees, female	869	984	601	2,454
Employees, male	311	222	73	606
<b>Total</b>	<b>1,205</b>	<b>1,374</b>	<b>758</b>	<b>3,337</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="#">6</a>		
102-2	Activities, brands, products, and services	<a href="#">6, 7</a>		
102-3	Location of headquarters	<a href="#">6</a>		
102-4	Location of operations	<a href="#">6</a>		
102-5	Ownership and legal form	<a href="#">6</a>		
102-6	Markets served	<a href="#">6</a>		
102-7	Scale of the organization	<a href="#">6, Financial Statements 2019</a>		
102-8	Information on employees and other workers	<a href="#">6, 33–36</a>	principle 6	8
102-9	Supply chain	<a href="#">6, 43–54</a>		
102-10	Significant changes to the organization and its supply chain	<a href="#">6, Financial Statements 2019</a> . Tokmanni increased the coverage of its store network with the acquisition of nine Ale-Makasiini stores and, in addition, by opening two new stores.		
102-11	Precautionary Principle or approach	<a href="#">19–20</a>		
102-12	External initiatives	<a href="#">13–14, 44, 58–59, 62</a>		
102-13	Membership of associations	<a href="#">15–16, 62–63</a>		

Strategy				
102-14	Statement from senior decision-maker	<a href="#">8</a>	Commitment to UN Global compact	
102-15	Key impacts, risks, and opportunities	<a href="#">10-12, Financial Statements 2019</a>		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	<a href="#">9, 21-22, Ethical Guidelines</a>	principles 1, 4, 5, 10	16
102-17	Mechanisms for advice and concerns about ethics	<a href="#">21-22, Ethical Guidelines</a>	principles 1, 4, 5, 10	16
Governance structure				
102-18	Governance structure	<a href="#">17-18, Corporate Governance Statement 2019</a>		
Stakeholder engagement				
102-40	List of stakeholder groups	<a href="#">15</a>		
102-41	Collective bargaining agreements	<a href="#">34</a>		8
102-42	Identifying and selecting stakeholders	<a href="#">13- 14</a>		
102-43	Approach to stakeholder engagement	<a href="#">13- 15</a>		
102-44	Key topics and concerns raised	<a href="#">15</a>		
Reporting practice				
102-45	Entities included in the consolidated financial statements	<a href="#">7, Financial Statements 2019</a>		
102-46	Defining report content and topic Boundaries	<a href="#">67-68</a>		
102-47	List of material topics	<a href="#">16</a>		
102-48	Restatements of information	<a href="#">66</a>		

102-49	Changes in reporting	<a href="#">67–68</a>		
102-50	Reporting period	<a href="#">66</a>		
102-51	Date of most recent report	<a href="#">66</a>		
102-52	Reporting cycle	<a href="#">66</a>		
102-53	Contact point for questions regarding the report	<a href="#">66</a>		
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">66</a> , This report has been prepared in accordance with the GRI Standards: Core option.		
102-55	GRI content index	<a href="#">75</a>		
102-56	External assurance	<a href="#">66</a>		
<b>GRI 103: Management approach</b>				
103-1	Explanation of the material topic and its Boundary	<a href="#">18</a>		
103-2	The management approach and its components	<a href="#">18</a>		5, 8, 12, 13, 14, 15, 16
103-3	Evaluation of the management approach	<a href="#">18</a>		
<b>GRI 200 Economic standards</b>				
<b>GRI 201: Economic performance</b>				
201-1	Direct economic value generated and distributed	<a href="#">29</a>		5, 7, 8, 9
<b>GRI 205: Anti-corruption</b>				
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">17–18, 21</a> , <a href="#">Ethical Guidelines</a>	principle 10	16
205-3	Confirmed incidents of corruption and actions taken	<a href="#">26</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 10	16
<b>GRI 206: Anti-competitive behavior</b>				
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	<a href="#">22</a> , There were no legal actions for anti-competitive behavior, anti-trust, and monopoly practices in Tokmanni in 2019		16

## GRI 300 Environmental standards

### GRI 301: Materials

301-1	Materials used by weight or volume	Reporting is currently under further development. Tokmanni will publish packaging information online on its homepage during March 2020.	principles 7, 8	8, 12
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### GRI 302: Energy

302-1	Energy consumption within the organization	<a href="#">6</a> , <a href="#">57–60</a> , <a href="#">69</a>	principles 7, 8, 9	7, 8, 12, 13
302-3	Energy intensity	<a href="#">59</a> , <a href="#">70</a>	principle 8	7, 8, 12, 13

### GRI 305: Emissions

305-1	Direct (Scope 1) GHG emissions	<a href="#">59</a> , <a href="#">70</a>	principles 7, 8, 9	3, 12, 13, 14, 15
305-2	Energy indirect (Scope 2) GHG emissions	<a href="#">59–60</a> , <a href="#">71</a>	principles 7, 8, 9	3, 12, 13, 14, 15
305-3	Other indirect (Scope 3) GHG emissions	<a href="#">59</a> , <a href="#">61</a> , <a href="#">72</a>	principles 7, 8, 9	3, 12, 13, 14, 15
305-4	GHG emissions intensity	<a href="#">72</a>	principle 8	13, 14, 15
305-5	Reduction of GHG emissions	<a href="#">3</a> , <a href="#">56</a> , <a href="#">57–60</a> , <a href="#">61</a>	principles 8, 9	13, 14, 15

### GRI 306: Effluents and waste

306-2	Waste by type and disposal method	<a href="#">63</a> , <a href="#">73</a>	principle 8	3, 6, 12, 13, 14, 15
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### GRI 308: Supplier environmental assessment

308-1	New suppliers that were screened using environmental criteria, %	<a href="#">3</a> , <a href="#">44–46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 8	
308-2	Negative environmental impacts in the supply chain and actions taken	<a href="#">45</a> , <a href="#">58–59</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 8	

## GRI 400 Social standards

### GRI 401: Employment

401-1	New employee hires and employee turnover	<a href="#">6</a> , <a href="#">33</a> , <a href="#">74</a>	principle 6	5, 8
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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	<a href="#">35</a>		8
<b>GRI 402: Labor/management relations</b>				
402-1	Minimum notice periods regarding operational changes	<a href="#">17</a> , <a href="#">34</a>	principle 3	8
<b>GRI 403: Occupational health and safety</b>				
403-1	Workers representation in formal joint management-worker health and safety committees	<a href="#">17</a> , <a href="#">40-41</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="#">41</a>		3, 8
<b>GRI 404: Training and education</b>				
404-3	Percentage of employees receiving regular performance and career development reviews	<a href="#">17</a> , <a href="#">32</a> , <a href="#">39</a>	principle 6	5
<b>GRI 405: Diversity and equal opportunity</b>				
405-1	Diversity of governance bodies and employees	<a href="#">17</a> , <a href="#">36</a> , <a href="#">74</a> , <a href="#">Corporate Governance Statement 2019</a>	principle 6	5, 8
405-2	Ratio of basic salary and remuneration of women to men		principle 6	5, 8, 10
<b>GRI 406: Non-discrimination</b>				
406-1	Incidents of discrimination and corrective actions taken	<a href="#">18</a> , <a href="#">35</a> , zero cases of discrimination.	principle 6	5, 8, 16
<b>GRI 407: Freedom of association and collective bargaining</b>				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">19-20</a> , <a href="#">44-46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 3	8
<b>GRI 408: Child labor</b>				
408-1	Operations and suppliers at significant risk for incidents of child labor	<a href="#">19-20</a> , <a href="#">44-46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 5	8, 16
<b>GRI 409: Forced or compulsory labor</b>				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<a href="#">19-20</a> , <a href="#">44-46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principles 2, 4	8



GRI 412: Human rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	<a href="#">19–20</a> , <a href="#">44–46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	
412-2	Employee training on human rights policies or procedures	<a href="#">32</a> , <a href="#">21–22</a> , <a href="#">Ethical Guidelines</a>	principle 1	
GRI 414: Supplier social assessment				
414-1	New suppliers that were screened using social criteria	<a href="#">3</a> , <a href="#">20</a> , <a href="#">44–46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	5, 8, 16
414-2	Negative social impacts in the supply chain and actions taken	<a href="#">44–46</a> , amfori BSCI, SA8000, other third party and Tokmanni audits	principle 2	5, 8, 16
GRI 415: Public policy				
415-1	Political contributions	<a href="#">17–18</a> , <a href="#">21–22</a> , <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	<a href="#">52–53</a> , <a href="#">54</a>		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">43</a> , <a href="#">54</a>		16
GRI 417: Marketing and labelling				
417-1	Requirements for product and service information and labeling	<a href="#">52–53</a>		12, 16
417-2	Incidents of non-compliance concerning product and service information and labeling	<a href="#">28</a>		
417-3	Incidents of non-compliance concerning marketing communications	<a href="#">28</a>		16
GRI 418: Customer privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<a href="#">27</a>		16

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