

# 2015

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## CORPORATE

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## SOCIAL

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## RESPONSIBILITY

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# CORPORATE SOCIAL RESPONSIBILITY 2015

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### About the report

Stockmann's 2015 reporting consists of four reviews: 'Our year 2015' Business Review, Financial Statements, Corporate Governance, and this Corporate Social Responsibility review, which presents our CSR focus areas and results according to Global Reporting Initiative (GRI) G4 Guidelines.

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

Read all the annual reviews at  
[year2015.stockmanngroup.com](http://year2015.stockmanngroup.com)



## CSR STRATEGY

*Commitment to responsible operations forms a core part of Stockmann's values and daily ways of working. Our value proposition is to provide a top-notch multi-channel shopping experience in department, fashion and online stores. In our CSR work this means commitment to sustainable development and offering our customers responsible shopping experiences.*

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

Our responsibility work is guided by Stockmann's strategy and values, CSR strategy and national laws and regulations valid at any given time in the countries in which we operate. The most important of the international agreements and recommendations that guides us, is our commitment to the principles of UN Global Compact. The operating principles of Stockmann's Code of Conduct define ways of working for all employees and management staff without exception. Stockmann also requires its suppliers and partners to abide by these principles.

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

The goals set for years 2011-2015 in our CSR strategy have supported the aims of our business operations. They have covered the whole value chain and made the assessment and

reporting of our performance possible. In the 2014 CSR report Stockmann introduced the focus areas chosen from the CSR strategy's goals for 2015. We have worked determinedly to meet these goals and the results are introduced on page 4.

Lindex's long-term strategy is based on sustainable development. Ambitious goals involving fibres, processes and manufacturing have been set for 2020. One of the targets is that 80 per cent of fibres in 2020 collections will be made from sustainable fibres or materials less harmful to the environment, and that all cotton used in products is either organic cotton, BCI cotton (Better Cotton Initiative) or recycled cotton.

In 2015 we began drawing up Stockmann's CSR strategy for 2016-2018. We launched the process by analysing the current situation and trends in Stockmann's business and in the society in which we operate. To identify the relevant factors, experts from Stockmann Retail and Real Estate participated in the strategy process and results of a previous stakeholder analysis were utilised. During the process we updated and clarified our CSR priorities according to five themes. These themes create the future for our responsibility work and the structure for this report.

The themes are:

- Customers
- Personnel
- Products
- Environment
- Finance and Governance

The material aspects and the agreed CSR themes create a systematic and persevering foundation to Stockmann's corporate responsibility strategy. On page 5 we introduce the priorities for 2016-2018.



**Commitment to responsible operations forms a core part of Stockmann's values and daily ways of working.**

# FOCUS AREAS AND ACHIEVEMENTS 2015

## Understanding the needs and expectations of our stakeholders

- The CSR strategy for years 2016–2018 was drawn up in autumn 2015. It was approved by the Stockmann's Management Team in the beginning of 2016.
- The CSR strategy, based on market and stakeholder analysis, supports Stockmann's business operations.

## Implementing the Code of Conduct

- We published a new e-learning programme that introduces Stockmann's Code of Conduct to our personnel.
- By the end of 2015 the e-learning programme had been completed by 35 per cent of Stockmann support functions' personnel and managers at the department stores. All the Group and division Management Team members have completed the programme.

## Reporting based on GRI G4 guidelines

- We published the Group's first report based on the Global Reporting Initiative (GRI) G4 Guidelines for 2014.
- Our report was given an honorary citation in the Sustainability Reporting Award Finland 2015 competition in the Supply chains category.

## Excellent leadership

- We trained 130 managers and supervisors in the support functions and department stores in the programme 'Strategy into Action'. The training programme's focus was in change management and performance leadership, as well as inspiring leadership and well-being at work.
- We organized discussions, led by the managers, on the effects of the strategy on each unit's tasks and goals.

## Commitment to our vision and values

- As a part of our strategic work we revisited Stockmann's values, which are based on Stockmann's long-term core values and the Department Store Division's values from 2012. Our common values were discussed across the organisation and their implementation is monitored in the performance and development discussions.
- We continued implementing Lindex's vision and values in stores and at the Head Office through orientation of new employees.

## Responsible, transparent and traceable supply chain

- We continued investing in the responsibility and transparency of the supply chain of our own fashion brands. A total of 349 audits were conducted in our suppliers' factories and we educated our personnel on the responsibility of the supply chain.
- We launched a new own fashion brand - cut & pret. In the launch of this new brand, we emphasized the importance of a responsible and transparent supply chain.

## Minimizing the amount of waste

- In Stockmann's Delicatessens we focused on more efficient monitoring of food waste and optimizing the order amounts.
- New internal directions were put into operation in May, and Stockmann can now donate to charity almost all of the food that is removed from sale. Through this we have been able to expand our cooperation with charity organizations.

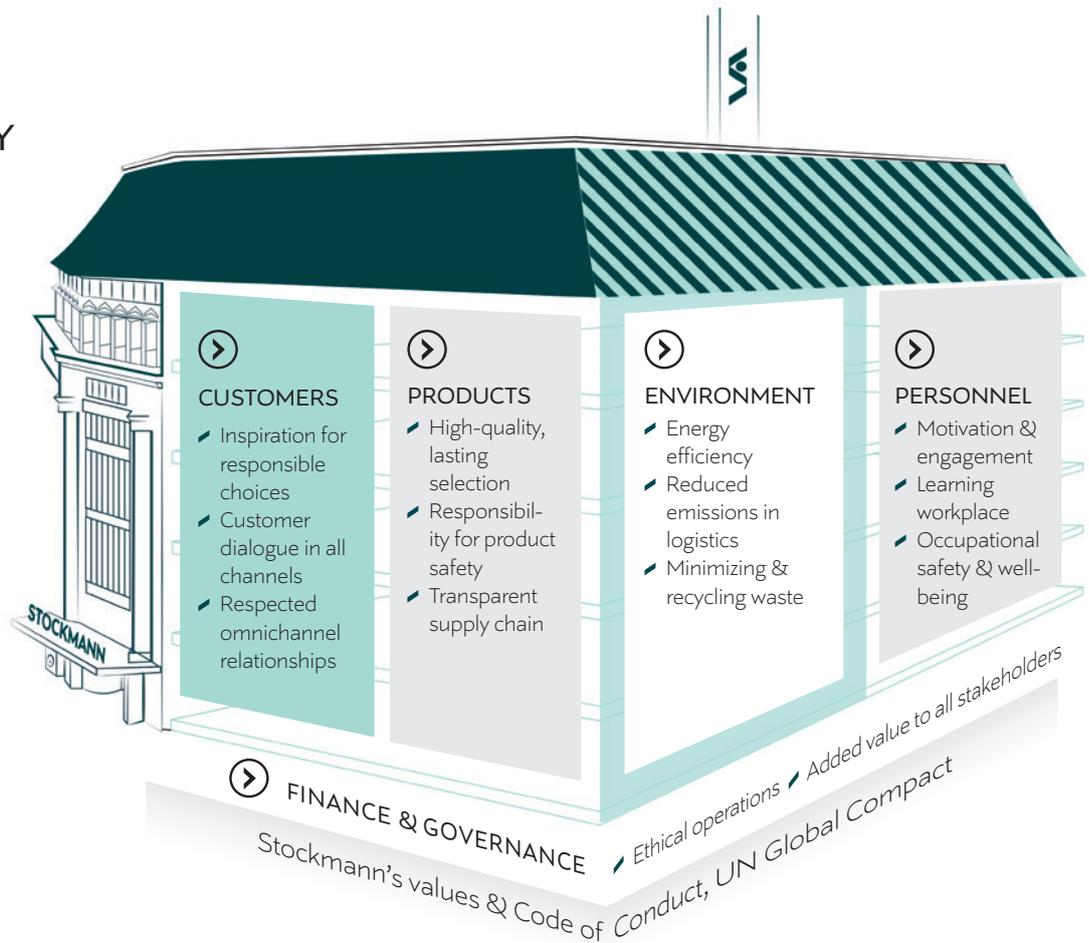
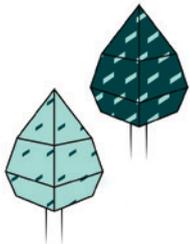
# PRIORITIES FOR 2016-2018

The new CSR strategy for 2016-2018 defines Stockmann's priorities and goals of the responsibility work. This strategy is in line with the Group's strategy and it aims at supporting Stockmann's business operations and enabling better measurement of our CSR work. The CSR strategy was approved by the Stockmann Management Team in the beginning of 2016.

## CSR STRATEGY 2016-2018: KEY PRIORITIES

### CSR VISION

*We offer our customers responsible shopping experiences. We are committed to work for a more sustainable future.*



# REPORTING PRINCIPLES AND MATERIALITY

*This Corporate Social Responsibility (CSR) 2015 review is part of the Stockmann Group's annual reporting which consists of four reviews: 'Our year 2015' Business Review, Financial Statements, Corporate Governance, and this Corporate Social Responsibility review which presents the focus areas and results of the Stockmann Group's responsibility work according to GRI G4 Guidelines. The review is intended for our key stakeholders and it is published annually.*

The reporting period for this review is the financial year from 1 January to 31 December 2015. The previous report, covering the year 2014, was published on March 31, 2015.

The CSR review for 2015 covers all of the Stockmann Group's own operations, which in 2015 comprised of three divisions - Stockmann Retail, Real Estate and Fashion Chains - in 11 countries, the Group's shared functions and headquarters in Helsinki in Finland, and the purchasing offices in five countries in Asia. The figures reported in the CSR review do not include department store operations in Russia which have been classified as discontinued operations in the Financial Statements for 2015 due to the divestment on 1 February 2016. Comparison figures for 2014 have been restated.

The supply chain is covered to the extent defined in the materiality analysis (pages 6-7). The report does not include information about Lindex's franchising stores. There are a total of 37 franchising stores in 8 countries, which are managed by 5 franchising partners.

The GRI indicators have been selected according to materiality. The GRI content index can be found at the end of the review.

Our goal is to report the relevant indicators from Finland and Sweden, which are our main operating countries based on the revenue and employee count. Some of the indicators describing personnel and the environment are reported only for Finland, which accounted for 52 per cent of revenue in 2015 and 46 per cent of personnel at year-end. These exceptions and the measurement and accounting policies are described in connection with the relevant indicator. The goal is to gradually expand the reporting regarding these indicators to make it more comprehensive.

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

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

## MATERIALITY ASSESSMENT

During the years 2012 - 2014 Stockmann defined its material sustainability aspects for reporting according to the requirements in the GRI G4 reporting guidelines.

Stockmann's materiality assessment process consisted of the phases of identification, prioritisation and validation, and review. The phases of the process are more specifically presented in the Stockmann materiality assessment process table (page 7).

During the process, all key stakeholder groups were heard in order to identify material aspects. The extensive stakeholder analysis, including a stakeholder survey on CSR topics, was sent to loyal customers. Suppliers and service providers, investors, non-governmental organisations and media were covered in interviews. Customer feedback, employee feedback and topics raised by non-governmental organisations were also used as basis for identifying important topics.

The topics were then assessed and prioritised according to their relevance to Stockmann's strategy and stakeholder interests. The materiality assessment was approved by the CSR steering group, responsible for steering, developing and monitoring corporate social responsibility within the Stockmann Group.

In 2014, Stockmann's material themes and focus areas were mapped against the GRI G4 aspects, and the reporting boundary was defined for each material aspect. In 2015, Stockmann started the preparation of the CSR strategy 2016-2018. During the strategy process the materiality assessment was re-evaluated and the material CSR themes were updated. Based on these processes Stockmann has identified 31 material aspects that are categorized under five CSR themes. These are presented in a table on page 8 and they also define the CSR review's content and structure.

# STOCKMANN MATERIALITY ASSESSMENT PROCESS (G4-18)

IDENTIFICATION 	PRIORISATION AND VALIDATION 	REVIEW 
<p><b>A</b> Material issues were identified on the basis of:</p> <ol style="list-style-type: none"> <li>1. Stakeholder survey and interviews (customers, suppliers, service providers, investors, media)</li> <li>2. Customer, NGO and employee feedback</li> </ol>	<p><b>A</b> The identified material issues were prioritised in a materiality assessment on the basis of:</p> <ol style="list-style-type: none"> <li>1. Impact and relevance to Stockmann's strategy</li> <li>2. Stakeholder interest</li> </ol> <p><b>B</b> Stockmann's materiality assessment was approved by the CSR steering group</p>	<p><b>A</b> Stockmann's material themes and focus areas were mapped against GRI G4 Aspects and a reporting boundary was defined for each material aspect.</p> <p><b>B</b> Material aspect review was approved by the CSR steering group</p>
2012–2013	2012–2013	2012–2013

UPDATES AND SPECIFICATIONS IN 2015



During the strategy process the material CSR themes were updated.

# CSR THEMES

Stockmann's CSR themes	GRI G4 aspects	Aspect boundary
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Customer satisfaction (product and service labelling)</li> <li>• Marketing communications</li> <li>• Customer privacy</li> </ul>	Own operations
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Labour management relations</li> <li>• Freedom of association and collective bargaining</li> <li>• Human rights assessment</li> <li>• Occupational health and safety</li> <li>• Training and education</li> <li>• Diversity and equal opportunity</li> <li>• Equal remuneration for women and men</li> <li>• Non-discrimination</li> </ul>	Own operations
<b>Products</b>	<ul style="list-style-type: none"> <li>• Customer health and safety</li> <li>• Product compliance</li> <li>• Products and services environmental performance</li> <li>• Product and service labelling</li> <li>• Procurement practices (economic performance)</li> <li>• Supplier assessment for environmental and labour practices, and human rights</li> </ul>	Own brands' supply chain and own imports Procurement practices in Stockmann's own operations
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Emissions</li> <li>• Water</li> <li>• Effluents and waste</li> <li>• Transport</li> </ul>	Own operations Indirect (scope 3) CO2 emissions (selected parts)
<b>Finance and Governance</b>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Anti-corruption</li> <li>• Anti-competitive behaviour</li> <li>• Labour practices, human rights and environmental grievance mechanisms</li> </ul>	Own operations

# STAKEHOLDER ENGAGEMENT

Stockmann's key stakeholders have been identified and selected in conjunction with drawing up the corporate social responsibility strategy as well as in the materiality process. Five key stakeholder groups that most affect, and are affected by, the business have been identified. Stockmann engages in active and ongoing dialogue with the stakeholders to strengthen relations and better respond to the expectations and wishes placed on Stockmann. The stakeholder groups and the dialogue with them are presented below. The key topics and concerns that have been raised through stakeholder engagement and Stockmann's response to them are presented in further sections of the review.

## Customers

Customers are our most important stakeholders and one of the company's values is to inspire our customers. We are in direct dialogue with customers in stores and through customer service and social media. We arrange customer surveys and have a customer panel for Stockmann department stores to better understand customer needs and expectations towards Stockmann. In the beginning of 2016, we launched a customer expert programme "New Stockmann to Tapiola" ("Uutta Stockaa Tapiolaan") where our customers can participate through social media in the planning and development of the new department store. We share information via customer encounters and service, our website, printed materials and reports. Read more on page 10.

## Personnel

We value our personnel and their commitment to the company. Our goal is to be a sought-after employer on the labour market. We work continuously to improve the working atmosphere and dialogue with employees. In 2015, as part of the strategy work, Stockmann's values were revisited and personnel were involved in the process by discussing in their units and teams how the revisited values are, and could be, visible in the daily work. During the year, Stockmann's employees have been involved in interaction and dialogues in several ways. For example, Stockmann has organized Power Hour discussions, where the top management and the employees of the support functions have discussed topical themes. Stockmann has engaged in discussion with the personnel and listened to them through surveys. Information is shared through e.g. the intranet, team meetings and information sessions. Read more on page 12.

## Shareholders and investors

Stockmann aims to be an attractive and sought-after investment target on the capital market. The key topics and concerns raised by shareholders and investors are financial performance, strategy execution, financial targets and dividend distribution. Inquiries concerning sustainability have somewhat increased in recent years. We provide shareholder and investor information as required for listed companies through stock exchange announcements, financial reports and the annual reporting, the Group's website, audio webcasts and regular investor relations meetings. The Annual General Meeting of shareholders is normally held in March.

## Goods suppliers and service providers

Long relationships with goods suppliers and service providers are a key to our sustainability work and continuous improvement in production. We seek to develop our partnerships in order to ensure a good business environment for all, and the best possible service to our customers. All suppliers and service providers are expected to follow the Stockmann Code of Conduct. We engage in active direct dialogue with our own brands suppliers and producers through our local purchasing offices, through meetings and workshops, through regular visits to suppliers and in connection with inspections of factories and production units. We encourage our suppliers to take part in training events and workshops organized under the Business Social Compliance Initiative (BSCI). We meet suppliers for international and domestic brand products in regular purchasing negotiations, where sustainability issues are also discussed. Read more on page 20.

## Authorities and organisations

By utilizing networks, memberships in several organisations or other means, we engage in dialogue with authorities and organisations concerning improvement work and development projects. We cooperate with NGOs and participate in various charity works. We provide general information on our website, respond to specific information requests and take part in seminars. Topics which were raised in 2015 by our stakeholders included, for example, human rights in the supply chain, food wastage and the ethical production of food products such as chocolates.



We engage in active and ongoing dialogue with the stakeholders to better respond to the expectations and wishes placed on Stockmann.

# CUSTOMERS

*Customers are our most important stakeholders and one of the company's values is to inspire our customers. We respect and listen to our customers and make every customer encounter special. We work actively on improving our dialogue with customers to better understand their needs and expectations regarding Stockmann. Stockmann complies with valid competition and privacy legislations in its operations and promotes free competition in its sector.*

## CUSTOMER SATISFACTION

The Stockmann department stores are known for their customer-oriented service. Top-rated, professional customer service is achieved through regular personnel training from the recruitment stage onwards, including comprehensive induction arrangements for employees. Stockmann's value 'We inspire our customers' strongly guides the company's operations, and considerable attention is given to providing a best-in-class service that exceeds expectations. Customer satisfaction surveys and customer and employee feedback provide valuable information that guides the Group's divisions in developing their operations. Information concerning customer relationships is utilized in improving customer service and sales, in daily management of personnel, in developing the skills, remuneration and commitment and in the design of training programmes.

Stockmann, Hobby Hall and Lindex use separate customer feedback channels, a response is sent to each customer who requests this..

### PR5 Results of surveys measuring customer satisfaction

At Stockmann department stores the measurement of customer satisfaction is an ongoing process. The knowledge we can receive by measuring our customers' satisfaction and by receiving feedback is valuable. The information that is received through the surveys enables us, for example, to identify development and improvement areas. Therefore, in 2015, we have started to systematically measure customer satisfaction through Net Promoter Score (NPS) surveys. During the year we have sent out thousands of customer satisfaction surveys. The response rate has been high. The topics that have received most feedback

have been customer service, products, availability of service and products, the online store, and campaigns. For example, according to the findings the customers have perceived the service as good and professional, although there has been a concern about the sufficiency of sales personnel.

In 2014, Stockmann formed a customer panel. The panel is an instrument for engaging with customers and it consists of thousands of Stockmann loyal customers. During 2015, the loyal customers have participated in several panel discussions. The topics that have been discussed in the panel have concerned the development of the online store and the loyal customer programme, as well as customer service and Delicatessen.

At the beginning of 2016, we launched a customer expert programme 'New Stockmann to Tapiola' ('Uutta Stockaa Tapiolaan') where our customers can participate through social media in the planning and development of the new department store. In the spring 2016 customer experts will be invited to workshops with the themes department store experience, food and home, and fashion and beauty.

Customer satisfaction measurement at Stockmann also includes exit polls, and in the Stockmann department stores the mystery shopper method. In addition to our own surveys, we also follow discussion on social media.

Lindex arranged two customer surveys during 2015. The response rate was 42 per cent, with more than 80,000 responses for both surveys from the Nordic countries. The topics of the surveys related to in-store customer experience and customer service. The results showed that most customers were either satisfied or very satisfied with the overall experience, and likely or very likely to recommend the store. Based on the survey Lindex increased the level of satisfied customers with more than 5 per cent from the previous surveys made in 2014.

## MARKETING COMMUNICATIONS

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



**We respect and listen to our customers and make every customer encounter special.**

according to the Consolidated ICC Code on Advertising and Marketing Communication Practice, the Consumer Protection Act and our marketing strategy.

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

Customer perspectives and needs have been widely mapped in conjunction with Stockmann strategy work. Our value proposition is to offer a top-notch shopping experience and to ensure that we are worthy of our customers' trust every day, in all service situations and channels.

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

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

Stockmann's business units support non-profit projects of charity organizations as part of their commercial campaigns and activities, as presented on page 32.

### **PR6 Sale of banned or disputed products**

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

Customer feedback on disputed products in our product selection is carefully considered by the buying organisation. Over the years, particular questions and concerns have been expressed by

customers regarding certain products at the Stockmann department stores. These include: products with fur, following which fur coats are no longer stocked in the selection; WWF red listed tropical shrimps and tuna, which has resulted in a change in selling fresh tuna and we are constantly looking to replace the shrimps with certified green listed options based on availability; foie gras, for which we have checked with our French supplier that the farming conditions are responsible, and for which we also carry domestic, undisputed options.

### **PR7 Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship, by type of outcomes**

During the reporting year one complaint was made to The Council of Ethics in Advertising in Finland about Stockmann's marketing campaign, but the complaint was found to be groundless. The Swedish Advertising Ombudsman received no submissions regarding Lindex's advertisements during the year. Lindex has never received any reprimands or been found in breach of standards by the Advertising Ombudsman. There were no incidents of non-compliance with legislation or voluntary principles in 2015.

## **CUSTOMER PRIVACY**

Stockmann and its employees respect the privacy and inviolability of the rights of its customers. We do not reveal or use customer information otherwise than in strict accordance with Stockmann's customer privacy policy. Training on customer privacy is included in the new employee induction programme.

The Stockmann Group's divisions have three loyal customer programmes: the Stockmann and Hobby Hall loyal customer programmes, and More at Lindex. These have approximately 6.9 million loyal customers in total. The companies keep in touch with their loyal customers on a regular basis and offer them exclusive deals and benefits with a monetary value. The loyal customer systems' data file descriptions can be found on the units' respective websites.

Each of the loyal customer programmes has its own customer registers, compiled in order to manage customer relationships and for customer service and marketing purposes. The personal data of Stockmann's customers and of shareholders attending its General Meetings is handled confidentially in accordance with the applicable legislation.

### **PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data**

In 2015, Stockmann received several queries from customers regarding how we use personal data. These cases were dealt with and did not lead to follow-up measures. There were no complaints or cautions from the authorities on the loyal customer systems.

## EMPLOYEES

*The Stockmann Group appreciates and values its employees. We treat our employees fairly and equally according to the principle of equal opportunities. Employees are paid a fair level of remuneration for their work, and their personal and professional growth and development is encouraged. We encourage our employees to look after their wellbeing and provide them with healthy and safe working conditions. Our aim is to be an attractive and well-liked employer in the labour market.*

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

### EMPLOYMENT

The Stockmann Group is a major employer - the company had 9 734 (12 143) employees in continuing operations in 16 countries at the end of 2015. The main reason for the personnel decline was the divestment of Seppälä in spring 2015. The highest number of employees was in Stockmann Retail, which had 4 471 (5 898) employees at the end of the year. Lindex had a total of 4 733 (4 870) employees at year-end, Stockmann Real Estate employed 71 (18) employees, Stockmann Group's shared functions employed 325 (136) employees and the company's purchasing offices 134 (161) employees.

In the end of 2015, Stockmann signed an agreement to sell its Russian department store business to Reviva Holdings Limited, which is the owner of Debruss, the Russian franchisee of the international department store chain Debenhams. Following the divestment, Stockmann Retail's employees, approximately 2 300 employees, were transferred to the new owner on 1 February 2016. During 2015, approximately 170 employees were moved to new employers due to divestments and business transfers (Academic Bookstore, Musti ja Mirri and Hamleys).

Following the adverse financial results, Stockmann launched an efficiency programme in early 2015, with the target of achieving annual cost savings of EUR 50 million. During 2015, the programme affected both the number of permanent and the fixed-term employees in the support functions in Finland and Russia and at Lindex Head Office in Sweden.

One of the substantial parts of the efficiency programme is the renewal of the processes and structure of Stockmann's support functions which were previously intended for the more extensive business operations and growth strategy. The codetermination negotiations at the support functions took place during spring 2015 and concerned approximately 1 100 persons. The codetermination negotiations led to a personnel reduction of nearly 200 people in 2015, of which 90 was achieved through lay-offs. Stockmann offered various support activities to the employees that were made redundant. For example, the employees were offered training courses, focusing on applying for work, recognizing their strengths in working life and taking care of their own wellbeing.

Another substantial part of the efficiency programme was the decision to close down the Oulu department store in early 2017, which will lead to a personnel reduction of around 230 people. To support the department store personnel in the change a programme called Voima 'Strength' was launched during the spring 2015. The programme is supported by The Finnish Work Environment Fund. The aim of the programme is to provide the personnel in the change, for example, with education and training in applying for work, and to support the well-being of the personnel.

### G4-10 Number of employees by employment contract and gender

#### Employment contract

In retail the need for fixed-term employees is high, as the summer and Christmas seasons increase the need for seasonal employees. Among the Stockmann Group's employees, 20 per cent had fixed-term employment contracts in 2015; women represented 92 per cent of the employees and men 8 per cent. In 2015, the share of women among permanent employees was 85 per cent and the share of men was 15 per cent. The number of



The Stockmann Group appreciates and values its employees.

full-time employees was 3 764; women represented 82 per cent and men 18 per cent of the workforce. The number of part-time employees was 5 970, 61 per cent of the workforce. The share of women among the part-time employees was 90 per cent and the share of men was 10 per cent.

### Seasonal variations

The Stockmann department stores and Lindex offer many young people an opportunity for becoming familiar with the retail sector, e.g. in the form of practical training periods of various educational institutions. During 2015, Stockmann's Finnish department stores had approximately 1 500 Crazy Days campaign helpers both in the spring and in the autumn, partly recruited through a recruiting agency. In addition, the department stores and support functions offered work experience to almost 500 summer employees and more than 400 interns during the reporting year.

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

### Regional distribution

Of the Stockmann Group's employees, the highest number of employees was in Finland, 4 455 employees. The men's share was 22 per cent and women's share 78 per cent of the total workforce. In Sweden the number of employees was 2 550 employees, the share of men was 5 per cent and the share of women was 95 per cent. Together, these two countries cover 72 per cent of the total personnel of 9 734 (12 143) employees.

### Supervised and self-employed workers

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

### G4-11 Percentage of total employees covered by collective bargaining agreements.

In Finland, approximately 82 (82) per cent of the Stockmann Group's personnel are covered by collective agreements. All Lindex employees in Sweden, Norway and Finland (excluding professional and managerial staff) are covered by a collective bargaining agreement. Stockmann respects its personnel's freedom of association and right to engage in collective agreement activity. The company does not monitor the extent of union membership, but it does compile statistics on those employees in Finland whose trade union membership fee is deducted from

their salary. In 2015, these employees accounted for 31 (30) per cent of the Group's personnel working in Finland. In other countries of operation, statistics on union membership have not been collected.

### LA1 Total number and rates of new employee hires and employee turnover by age group, gender and region

The Stockmann Group's personnel turnover was 17 per cent in continuing operations (2014: 21 per cent including discontinued operations) in 2015. However, the turnover depends to a great extent on the local labour market. In Finland, the turnover rate was 11 (13) per cent and in Sweden, the turnover rate was 5 (4) per cent. Information on the distribution by gender and age group has not been collected at this level of detail.

### LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation

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

In most countries, the employees are offered benefits that clearly go beyond the requirements set by legislation, such as health insurance and meal benefits. All employees can purchase products using an employee discount in stores belonging to the Group. Stockmann supports recreational and leisure activities for permanent employees, for instance by supporting sports and through various staff clubs. In 2015, the company's support for employees' leisure activities amounted to approximately EUR 100 000 in Finland.

Every year, Stockmann awards medals of merit to its long-serving employees. The tradition started in 1924, and approximately 22 000 medals have been distributed over the 90 years. Medals of merit are awarded for careers of 10, 15, 20, 25, 30, 35, 40, 45 and 50 years with the Stockmann Group. In 2015, 741 (740) medals were awarded to employees of Stockmann, of which 546 were given in Finland, 96 in Russia and 99 in the Baltic countries. One 45-year and eight 40-year career medals were awarded in Finland. Medals of merit for 50 years of service have been awarded rarely in the company: 69 in total since 1924.

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

Each year, all Lindex employees in Sweden receive a health and fitness benefit. The company also gives financial support to a non-profit association at Lindex Head Office called "Lif", which

arranges different activities and get-togethers for employees from all head office departments.

## LABOUR AND MANAGEMENT RELATIONS

The Stockmann Group monitors the implementation of good HR practices through personnel surveys, performance reviews and other feedback channels. At Lindex, all permanent employees have annual employee appraisal meetings with their manager.

Stockmann has played a leading role in codetermination issues in Finland. The company's Employees' Council was set up in 1924 - over fifty years before legislation was passed in 1979 on legal requirements for codetermination between employees and employers in companies. In Finland, Stockmann Group's divisions have their own Employees' Councils that convene four times a year. A similar model is followed in the Baltic countries. Human resources matters concerning Finland are handled at the Group Council, whose meetings are held twice annually.

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

In 2015, Stockmann and Stockmann's association representing senior salaried employees (SYT ry) signed a shop steward-agreement. By signing the agreement Stockmann recognized the senior salaried employees as an independent Personnel group.

During the year 2015, Stockmann's employees have been engaged in interaction and dialogues in several ways. For example, Stockmann has organized Power Hour discussions, where the top management and the employees of the support functions have discussed topical themes. During these discussions, special attention has been focused on the strategy and different development projects related to it.

### LA4 Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

Stockmann operates according to the notice periods specified in local labour legislation in all its operating countries. In Finland, the notice period is between two weeks and six months, depending on the duration of the employment relationship. In Sweden, the minimum is one month. Minimum notice periods regarding operational changes have not been defined in retail sector collective bargaining agreements.

## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

The Stockmann Group respects the basic rights of its employees to freedom of association and collective bargaining. We recognise that the fulfilment of these rights is at risk in our supply chain, and thus we support their fulfilment through the BSCI Code of Conduct that sets requirements for Freedom of Association and Collective Bargaining, and the other measures explained in 'Supplier Assessment for Labour Practices and Human Rights' on page 22.

### HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may have been violated or at significant risk, and the measures taken to support these rights

The right of the personnel of the Stockmann Group to freedom of association and collective bargaining is reported by the indicator G4-11. Freedom of association in the supply chain is monitored by BSCI audits and by Stockmann's own audits conducted by CSR specialists working in the purchasing offices.

## HUMAN RIGHTS ASSESSMENT

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

### HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments

Most of the Stockmann Group's own employees work in countries classified by the BSCI as low-risk countries for human rights violations. Therefore, no human rights assessment of Stockmann's own operations has been conducted. See 'Supplier Assessment for Labour Practices and Human Rights' on page 22 for information about the supply chain.

## OCCUPATIONAL HEALTH AND SAFETY

Occupational health care is arranged in accordance with local laws and regulations in all countries of operation. Employee wellbeing and occupational safety are discussed regularly in the Employees' Councils, which operate in accordance with the requirements of local legislation and represent all personnel groups. Preventative work is also an important focus in the whole Group's occupational safety day, which is organized every other year. In addition, coaching on working ability has been arranged for supervisors in Finland, aiming to increase wellbeing at work and reducing absences and the costs of absence.

## LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender

The sickness absence rate was 4.4 (4.1) per cent of regular working hours in Finland in 2015, and abroad it was 4.6 (2014: 4.0 including discontinued operations) per cent of hours worked. There was a total of 127 (185) reported workplace accidents in Finland. One occupational accident that led to severe injury took place in 2015 in Finland. In Sweden, there was a total of 113 (57) reported workplace accidents. Most of the accidents, both in Finland and Sweden, were related to the journey to or from work, mainly slipping.

In 2015, medical occupational health care covered all employees in Finland whose employment had continued for more than 4 months, i.e. 3 691 (4 999) persons. The occupational health care services of the Group's units in Finland are arranged via the company's own occupational health clinics and outsourced services. The personnel at the Group's own clinics mainly serve employees in the Helsinki region. In other locations and for Finnish Lindex stores, occupational health services are provided through outsourcing. In Finland, the costs of occupational health services totalled EUR 1.9 (1.9) million. The net cost of occupational health services was approximately EUR 190 (175) per employee in Finland. Information on the distribution by gender is currently not available.

## TRAINING AND EDUCATION

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

### LA9 Average hours of training per year per employee by gender, and by employee category.

The number of training hours at Lindex in 2015 was a total of 54 075 (69 360), or 7 210 days. This equates to 11.1 (13.6) hours per employee. The number of training hours at Stockmann in Finland was a total of 29 300 or 3 900 days. Stockmann Retail and Real Estate divisions supervisors in Finland were trained for a total of around 7 700 hours, or 980 days, on various training courses.

Statistics on training hours for other employee categories and other countries of operation are not collected in equal detail but they are outlined next.

Stockmann in Finland organizes various training courses focusing on employee orientation on products and services, and sales skills to new employees. For example, all new employees in the department stores take part in the BASE-training.

In 2015, the new leadership training programme 'Strategy into Action' was carried out. The aim of the training programme was to strengthen leadership skills, focusing on strategy and value based leadership as well as on inspirational leadership. 130 managers and supervisors in the support functions and department stores were trained, with an average of 24 hours of training per person.

To the superiors and personnel in the department stores a new training programme 'Diamond' was introduced. The aim of this training programme is to improve the skills in coaching and performance management in order to gain better results in customer service and sales. The IT and digital retail function personnel were trained to utilize a new agile project framework 'Scrum' in order to be able to work in an even more agile way.

During the reporting year, the Stockmann Group's Code of Conduct e-learning was launched. The target is for each Stockmann employee to complete the training programme by 2017 and to operate according to the principles outlined in the Code of Conduct. By the end of 2015, 35 per cent of Stockmann's support functions personnel and department store supervisors had successfully completed the training.

Several briefing sessions on CSR issues in the supply chain were held during the year for buyers and merchandise managers of Stockmann's own brand in support of the goal of a responsible, transparent and traceable fashion product supply chain. The personnel's environmental awareness is enhanced through continuous training and regular internal communication, outlined in the section 'Environment', on page 25.

The reporting year was characterized by many changes in the organization, and to support managers and supervisors in Stockmann support functions coaching was arranged on change management and on leadership during difficult times, including training related to codetermination negotiations and layoffs. The implementation of the new organizational model in the support functions was supported with coaching for key managers, including personal and group coaching for a total of around 180 participants. Voluntary employee group coaching was also carried out, and altogether 17 sessions were organized in the support functions. The total amount of participants was about 200 people.

At Lindex, continuous professional development is promoted through various in-house training courses and activities. Lindex has its own Souls programme for seeking new solutions that will accelerate the success of the entire chain. The 3-stage Lindex Leadership Program training was given in the Head Office, with an average of 16 hours of training per manager. Training on the working environment, was held for groups of around 10 managers. Training was provided on salary and budgeting issues and communicative leadership. Customer Experience and Brand Platform training was held for approximately 500 participants.

Workshops and team educations was also provided for approximately 200 participants.

Information on the distribution by gender and employee category is currently not available.

### **LA10 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.**

Continuous development at work and an active internal labour market are Stockmann's strengths. Having opportunities to switch duties between divisions, functions and countries promotes learning and the retention of competent personnel in the company's service. Many members of the Group's management have worked in customer service duties earlier, and many also have experience from various parts of the company.

Stockmann uses an early intervention model to follow-up and support employees in an early phase in order to promote their working ability and health. The working ability discussion is a tool for managers, for confidential discussion, and is recommended for use when something has changed in an employee's ability to work. Follow-up for sickness absences requires co-operation between the manager and the occupational health services, and sometimes involves a personnel representative and the HR department. If sickness absences exceed the limit of 30 days or 10 periods in a year set as the threshold, discussion on the employee's working ability is initiated. Different modes of support for return to work, such as work in trial periods or part-time sick leave, are actively used at Stockmann. The company also has a drug abuse programme to intervene in cases involving substance abuse. The principles of this programme are available on the company intranet and they are updated regularly, the most recent update being in September 2015.

As part of its normal operations, Stockmann's occupational health services take the working ability perspective into consideration with every appointment and advise employees on severe work-related diseases and any other risks associated with work, and give recommendations where necessary, for example for a more suitable work station. Supportive management practices, a safe working environment and the possibility of varied nutrition during the work day are also considered part of the support for employees' ability to work. Information on preventative action is also given out during the Group's occupational safety day event, which was last held in spring of 2015.

## **DIVERSITY AND EQUAL OPPORTUNITY; EQUAL REMUNERATION FOR WOMEN AND MEN; NON-DISCRIMINATION**

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

Stockmann has an equality plan which is regularly updated and approved in the company's Employees' Council (see 'Labour and management relations on page 14'). With the aid of statistics, the purpose of the plan is to point out structural issues in work duties and to set improvement targets for achieving a more equal working environment.

The realization of equality is promoted in all employment categories. Mutual respect and abiding by mutually set rules is part of this. In recruitment, candidates are evaluated in the spirit of equal opportunity, and men and women are hired for any position, without bias for traditional women's or men's jobs. Age, sex or conviction is only considered if there is a justified reason based on the position.

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

### **LA12 Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity**

In 2015, women comprised 87 per cent and men 13 per cent of the Group's personnel. The proportion of female managers is high in all functions: of all the managerial staff working in Finland and abroad in 2015, 59 per cent were women. On the Stockmann Board of Directors, three out of the eight (2014: three out of eight) members were women. While choosing the members of the Board of Directors diversity is taken into account, so that the persons represent different fields and professions, international backgrounds, and varying age and gender. There were two (2014: two) women on the Group's Management Team.

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

### LA13 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

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

Remuneration of women to men is monitored with the aid of an index of monthly or hourly salary that compares women's salary to men's salary (index 100) per employee category. The latest update of the index is from 31.12.2015 and it covers employees in Finland. The index is only indicative, as it does not take into account diversity of job roles and descriptions in each category. For sales persons, warehouse and office personnel, the wages are according to the collective trading sector labour agreement and based on e.g. work experience and the cost-of-living category, which depends on the locations of the workplace.

The ratio of basic remuneration of women to men by employee category are as follows: Sales persons, hourly salary index 100; Warehouse personnel, hourly salary index 98; Office personnel, monthly salary index 97; Professional and managerial staff, monthly salary index 87.

### HR3 Total number of incidents of discrimination and corrective actions taken

The company was not suspected of, prosecuted or sentenced for discrimination during the reporting period.

## STAFF FIGURES

	2015	2014	2013	2012	2011
Number of personnel 31 December	<b>9 734*</b>	12 143*	15 441	16 041	15 960
in Finland	<b>4 455</b>	6 382	7 033	7 553	7 237
abroad	<b>5 279*</b>	5 761*	8 408	8 488	8 723
Personnel on average	<b>10 762*</b>	12 157*	14 963	15 603	15 964
Personnel as full time equivalents, on average	<b>7 643*</b>	8 916*	11 422	11 898	12 172
Average age of personnel	<b>36*</b>	35	35	34	34
in Finland	<b>38</b>	36	35	34	34
abroad	<b>35*</b>	35	34	34	37
Turnover of permanent employees, on average, %	<b>17*</b>	21	23	26	30
in Finland	<b>11</b>	8	10	13	15
abroad	<b>22*</b>	30	34	37	42
Sickness absences, %	<b>4.5*</b>	4.1	4.2	4.5	4,9
in Finland	<b>4,4</b>	4.1	3.8	4.2	4,5
abroad	<b>4.6*</b>	4.0	4.6	4.8	5,6
Share of full-time/part-time employees of personnel, %	<b>39/61*</b>	43/57	44/56	42/58	45/55
in Finland	<b>47/53</b>	45/55	45/55	42/58	43/57
abroad	<b>32/68*</b>	41/59	43/57	42/58	46/54
Reported workplace accidents in Finland, number	<b>127</b>	185	238	212	243
Staff costs, EUR million	<b>321.5*</b>	356.3*	397.8	405.1	390.0
Staff costs, share of revenue %	<b>22.4*</b>	22.2*	19.5	19.1	19.4
Staff training expenses in Finland (excluding direct wage costs), EUR million	<b>0.4</b>	0.5	0.6	0.7	0.8

\* Continuing operations

## PRODUCTS

*'We take responsibility for our promises' is one of the values of our company and it ensures that we act responsibly towards people and the environment. We provide our customers with the opportunity to make responsible choices with our broad selection of products and we focus on the responsibility, transparency and traceability of our supply chains.*

Stockmann's department stores and Lindex's fashion stores offer an extensive range of products, consisting of more than 830 thousand product titles. These products sold in our stores must fulfil the quality, environmental and product safety requirements set for them at any given time.

### CUSTOMER HEALTH AND SAFETY; PRODUCT COMPLIANCE

The Stockmann Group is responsible for the safety of the products it sells, ensuring that they do not pose a risk to customers' health or property.

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

In addition, Stockmann follows product notifications issued by the European Union in order to inform customers as quickly as possible about products that pose a risk. RAPEX, the EU rapid alert system, facilitates the exchange of information between Member States and the Commission on measures taken to prevent or restrict the marketing or use of products posing a serious risk to the health and safety of consumers, with the exception of food, pharmaceutical and medical devices, which

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

Stockmann Delicatessen and the company's central kitchen have an extensive internal quality assurance and testing system for product safety. The central kitchen complies with legal and official requirements, and is constantly seeking to further improve its operations. Stockmann's central kitchen is certified in accordance with international food safety standard ISO 22000, which goes beyond the legal requirements by, for example, including additional self-surveillance in the form of a product safety group.

The central kitchen prepares Meals, Deli, sushi and cafeteria products for a total of five department stores in the Helsinki and Tampere regions in Finland. In 2015, Stockmann started the renewal of the central kitchen. The aim of the project is to improve the kitchen's overall operations.

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

### **PR2 Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes**

There were no public recalls involving own brand products sold by Stockmann department stores in 2015. Nor were there any product safety, quality or other similar defects requiring product recalls regarding the Stockmann central kitchen's products or products imported by Stockmann. During the reporting year, there were no legal actions or fines associated with the health or safety of own brand products.



**We provide our customers the opportunity to make responsible choices with our broad selection of products and we focus on the responsibility, transparency and traceability of our supply chains.**

One public product recall involving a Lindex product was made in 2015. A Lindex baby vest was recalled due to the reason that the push buttons did not meet Lindex safety requirements. The loose buttons could pose a choking hazard to small children. Customers who had purchased the product were informed on the matter on the Lindex.com website and in the stores, and asked to return the product for a full refund.

### PR9 Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

There were no fines during the reporting year.

## ENVIRONMENTAL PERFORMANCE OF PRODUCTS AND SERVICES

### Sustainable materials in our garments

Responsibility is integral to the processes involved in clothing design and procurement of materials and products, and these processes are part of the operations of the Stockmann Group. During 2015, training on CSR themes was arranged for designers and buyers.

The proportion of raw materials that are environmentally less harmful ('sustainable materials') will be systematically increased in the Group's own brand fashion products.

Sustainable development is a basis for Lindex's long-term strategy, with ambitious sustainability goals already set for 2020 for fibres, processes and production, and more 2020 goals to follow. The target for fibres is to have at least 80 per cent of the Lindex fashion range in 2020 made from sustainable fibres or from other sustainable materials. A further target is that all the cotton used in Lindex's products will be either organically grown or Better Cotton, or recycled cotton.

In 2015, Lindex sold 27 million garments made from sustainable materials, which is an increase of 50 per cent on the previous year and represents 36 per cent of Lindex's product range. For example, 90 per cent of Lindex women's basic assortment and 100 per cent of the kids' basic assortment are made from sustainable materials. In addition, during 2015 Lindex launched

denim styles for women and kids made from organic cotton and with washing processes using less water, energy and chemicals. With this result Lindex exceeded the target set for 2015, which was that 25 per cent of all garments would be made from sustainable materials.

Stockmann is continuously searching for possibilities to expand the amount of garments made from sustainable materials. Among Stockmann's own brands, Bodyguard and NOOM have clothes made from organic cotton in their selections. Customers have received clothes made from organic cotton very positively. This encourages us to launch more organic cotton products in the future.

### Use of chemicals

When producing garments chemicals are used in processes such as coloring, printing and washing. Stockmann Group fulfils the requirements of REACH and actively works to limit the use of harmful chemicals in all of our products.

As part of the Group's efforts to reduce the use of hazardous chemicals, the use of perfluorinated compounds (PFCs) has been banned since 2014. The ban affects all outerwear at Lindex and children's outerwear in Stockmann own brand products, these items are now treated with Bionic-finish@ECO instead.

### Sustainable products as part of department store selection

Stockmann department stores offer an extensive selection of products, consisting of more than 800 thousand product titles. Our broad product selection offers consumers opportunities to make responsible purchase choices. In the areas of fashion, cosmetics and household products, the choice includes products made from organic and recycled materials and products with an eco-label, such as the Swan Label, energy label or the Ökotex 100 label. Stockmann encourages its sales persons to find out about the choice of eco-labelled products in their areas of responsibility and to offer them to environmentally conscious customers if necessary.

Information for personnel is available on the Stockmann intranet concerning the various labelling schemes on environmental aspects, sustainability and origin. Sales persons' knowledge of



**90 per cent of Lindex women's basic assortment and 100 per cent of the kids' basic assortment are made from sustainable materials.**

eco-labels is surveyed annually in audits and is recorded in the audit reports.

The Stockmann Delicatessen food departments' selections include more than 1 500 organic products. In 2015, the organic food sales percentage of the total food sales was 4.6 per cent (2014: 4.7 per cent). In addition, Stockmann Delicatessen offers a large number of Fair Trade and other certified food products.

Stockmann Delicatessens have a Marine Stewardship Council (MSC) certificate. The MSC-certified fish products consist of imported wild fish that is caught responsibly, without endangering fish stocks, and the origin of the fish is traceable all the way to where it was caught. We do not sell any endangered species as classified by the Finnish Ministry of the Environment and the Finnish Environment Institute. We favour Finnish fish products and fish products classified as 'green list' by WWF Finland and we have constantly reduced the fish products classified as 'red list' from our selections.

The Stockmann Group's divisions prepare guidelines on product selections and purchasing operations as necessary. Respect for animal rights, for example, is one of the fundamental requirements set for our suppliers. These guidelines are further detailed in indicator PR6 'Sale of banned or disputed products' on page 11 and they are available on the Group's website in full.

## PRODUCT AND SERVICE LABELLING

Fashion products made from materials with reduced environmental impacts, such as organic cotton or recycled fibres, are clearly marked. Lindex's products are marked with a 'Sustainable Choice' label and Stockmann's own brand fashion products made from organic cotton are marked with the 'Organic Cotton' label.

We tell our customers about the origin of the products. The country of origin is marked on all Stockmann own brand clothing, on the care label attached inside the garment. The country of origin is also marked on all garments sold by Lindex.

Stockmann follows the EU regulations on food labelling. For example, allergens and mandatory comprehensive information on nutritional value are clearly marked on all Stockmann's own food brands packaging labels. Changes in labelling will continue in the coming years, for example when the EU Commission specifies labelling requirements for meat and dairy products.

## SUPPLY CHAIN

At Stockmann responsibility starts in the supply chain, from ensuring safe working conditions to minimizing environmental impacts. Responsible, transparent and traceable supply chains

form one of Stockmann's CSR focus areas and are important for our stakeholders. As approximately 65 per cent of the Group's revenue comes from fashion, we focus especially on responsibility in the fashion supply chain. Our reporting on the supply chain covers the buying practices in Stockmann's own operations and Stockmann Group's own brands' supply chain, based on risk assessment, and the ability to have an influence.

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

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

Our stakeholders, including customers and governmental and non-governmental organisations, are showing increasing interest in our work in the supply chain. The questions raised include our buying practices, the countries of manufacture, our Supplier Code of Conduct, the right to freedom of association, living wages, human rights assessments, our own audits, and remediation for human rights violations. Those concerns are addressed in this chapter.

## BUYING PRACTICES

The Supplier Code of Conduct is the backbone of our buying practices. Stockmann does not own any factories or production facilities, apart from the central kitchen of the Stockmann Retail division, discussed separately. Instead, the fashion products sold in Stockmann department stores and Lindex stores are made by contractors. Most of these products, over 90 per cent, are bought via Stockmann Group's purchasing offices in Asia. In 2015, Lindex garments were bought from 160 suppliers and made in around 290 factories. Stockmann's own brand garments were bought from around 120 suppliers and made in around 190 factories, and around half of the garments were purchased directly and half through purchasing offices. The biggest producer of the Stockmann Group's own brand fashion products is China (36 per cent) and next is Bangladesh (34 per cent). Stockmann Retail and Lindex use the same suppliers and factories to a large extent.

All suppliers are expected to follow the Stockmann Code of Conduct. In addition, we require that our own brands' supply

chain complies with the Supplier Code of Conduct, which incorporates the Business Social Compliance Initiative (BSCI) Code of Conduct, complemented with Stockmann's additional requirements related to e.g. animal rights, chemicals and environmental matters.

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

The Stockmann Group has been a member of BSCI since 2005. BSCI is a business-driven initiative for companies committed to improving working conditions in factories worldwide. The BSCI Code of Conduct (CoC 1/14), sets out 11 core labour rights which the participating companies and their business partners undertake to incorporate in their supply chain in a step-by-step development approach.

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

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

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

In 2013, we joined the Accord on Fire and Building Safety in Bangladesh, due to the risk posed by substandard factory buildings in the country. According to the agreement Stockmann is committed to having all of the factories producing garments for the Group audited on the basis of three different inspections, concerning fire safety, electricity and structural issues. The structural inspection includes calculations on the load-bearing capacity, which is something that cannot be inspected in audits made by BSCI or our internal audits.

When choosing a supplier, we pay attention to a number of factors. The most important criteria are: the fit with the Stockmann Group's needs, supplier know-how and ability to deliver, quality and price, CSR with the focus on working conditions and environmental issues, and the potential for long-term relationships. All factories need to fulfil the Stockmann Group's starting requirements and commit to the BSCI Code of Conduct and continuous improvement. We aim for long relationships with suppliers.

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

Stockmann Group has six local purchasing offices in China (Shanghai and Hong Kong), Bangladesh, India, Turkey and Pakistan. The offices play a key role in developing working conditions and identifying risks. The approximately 130 persons employed altogether by the offices are tasked with supervising purchasing and production. They review the procedures of each factory that they use before any orders are placed, and after which systematic responsibility work continues.

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



The Stockmann Group has been a member of BSCI since 2005.

In addition to audits and training, every aspect of suppliers' operations is rated according to a 'supplier scorecard', which forms the basis for development. Suppliers are evaluated by the score card twice a year, with the Code of Conduct vs. performance being included as a parameter. Based on the evaluation, we grade our suppliers, and those with the best results get the most orders.

In the case of a human rights violation, we work together with the supplier to remediate the victim. No new orders are placed until the violation has been corrected and the victim has been compensated. Over the years, there have been cases where a child under the minimum working age has worked in a factory producing our products, and thus we have a method that has been developed together with Save the Children for dealing with such a situation. The factory is responsible for compensation and for paying a salary to ensure the child can attend school instead of, for example, moving to another factory to work. The factory management meets with the parents of the child to solve the issue. If possible, and in order to ensure that the family has sufficient resources, an adult member of the family is employed to replace the child.

Our goal is to provide transparent communications on issues that interest our stakeholders, and therefore we disclose our fashion suppliers on the divisions websites.

In addition to our own brand products, well-known brand products are purchased for sale at Stockmann department stores. The responsibility issues regarding international and domestic brand products are assessed during the purchasing negotiations and supplier agreements.

The Stockmann Delicatessen uses well-known and reliable EU suppliers and favours long-term relationships. In general Stockmann does not directly import grocery products from outside the EU to Finland.

## SUPPLIER ASSESSMENT FOR LABOUR PRACTICES AND HUMAN RIGHTS

A significant percentage of the own brand fashion products – 92 per cent – are manufactured in areas classified as risk countries by the BSCI. We are aware that there is a risk of violation of the Code of Conduct and we are actively working to ensure compliance. Our risk analysis, based on Amnesty's identification of risks for the textile industry, shows five areas of risks for the Code of Conduct. These risks and the measures to cope with them are outlined next.

### Risk analysis

#### Management systems

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

#### Documentation

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

#### Trade union affiliation

The right to join a trade union and to engage in collective bargaining is a basic right that we uphold. Unfortunately, in many of our production countries the trade unions are weak and the underlying causes are complex and often multifaceted. In many of the factories that we use, there are functioning workers' committees that give the employees the opportunity to engage in dialogue with the factory management. These committees are in no way equivalent to a functioning trade union, and are not seen as a replacement. Having the opportunity to join a trade union and engage in collective bargaining is the primary goal, but establishing trade unions remains the workers' own responsibility. Stockmann is responsible for putting pressure on the supplier to ensure that this right is not violated. Factory employees are informed of their rights through the BSCI policies that are placed visibly at the workplace. We encourage factory managers to take part in BSCI training related to the freedom of association and collective bargaining.

#### Wages and compensation

Paying incorrect wages is a common problem. In compliance with the Code of Conduct and local law, suppliers must pay the country's statutory minimum wage to their employees as a minimum requirement. This is not enough, however, since the minimum wage is seldom at a sufficient level to cover basic needs and also provide some discretionary income. We think that it should be possible to live on the wage earned by a factory worker. We believe that raising the national minimum wage is the key to raising wage levels, as it also raises wages on higher pay grades. In Bangladesh, we have co-operated with other companies in appeals to the Bangladeshi government to raise the minimum wage.

Stockmann does not own any factories or production facilities of its own, and is typically a minor buyer in the eyes of its suppliers and their factories. As a consequence, we cannot, only by our own efforts, raise the salaries of factory workers. For example, an increase in the buying price is not directly linked to the wages paid to the workers, and cannot be expected to benefit the workers without separate proof of this. We urge the supplier to provide fair compensation and improve welfare through benefits such as child care, free lunches, transport, and the opportunity for education on health and finances – which we implement through the ‘Health Enables Return (HER)’ project.

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

### Working hours

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

### Community projects

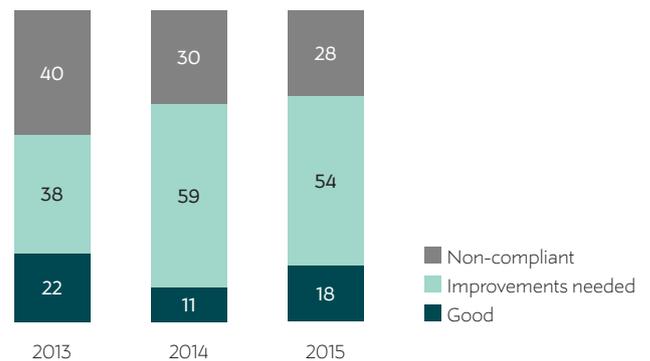
Our clothing orders create employment opportunities, particularly for women, in developing countries. Local wellbeing and environmental protection is also promoted by various projects to support the status and wellbeing of women, the education of children, and environmental protection in the manufacturing countries. We are involved in the School of Hope, Solmaid High School, Shanghai Sunrise, and Health Enables Return (HER) projects. We are also involved in several projects to reduce water consumption and other environmental impacts. Read more on Lindex website.

### LA15 Significant actual and potential negative impacts for labour practices in the supply chain, and the actions taken; HR11 Significant actual and potential negative human rights impacts in the supply chain, and the actions taken

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

A total of 142 BSCI audits were conducted in factories located in risk countries that manufacture Stockmann’s own brand products for the company’s department stores and Lindex in 2015. Of these, 114 were full audits, of which 87 were made complying with the new audit protocol. 28 were re-audits, of which 7 complied with the new audit protocol. The BSCI audits are conducted by internationally accredited independent auditors. The results are presented in the graph below.

### BSCI AUDITS IN 2013–2015, %



In addition to these external audits, the Stockmann Group’s CSR specialists working in our purchasing offices carried out 116 audits. Of these, 90 were full audits and 26 re-audits, while 110 were announced and 6 unannounced.

By signing the Accord on Fire and Building Safety in Bangladesh, Stockmann is committed to having all of the factories producing garments for the Group audited on the basis of three different inspections: fire safety, electricity and structural issues. The structural inspection includes calculations on the load-bearing capacity of a building, which is something that cannot be inspected in audits made by BSCI or our internal audits. The total number of factories covered by Accord inspections in Bangladesh is more than 1660. All 38 factories producing for the Stockmann Group in Bangladesh have been visited and a total of 91 inspections were made in 2015.

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

During 2015, 4 of our goods suppliers and 11 factories held the Social Accountability 8000 (SA8000) certificate, considered a best practice by the BSCI initiative, but not set as a requirement by the BSCI or Stockmann.

**LA14 Percentage of new suppliers that were screened using labour practices criteria;  
HR10 Percentage of new suppliers that were screened using human rights criteria;  
EN32 Percentage of new suppliers that were screened using environmental criteria**

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

No specific human rights impact analysis is currently being conducted, but we are looking into the possibility of better incorporating human rights and children's rights into our assessments.

## SUPPLIER ASSESSMENT FOR ENVIRONMENTAL PRACTICES

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

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

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

During the last years, these projects have been proven to be a more effective way to increase environmental awareness and improve processes. In 2016, Lindex will continue and strengthen its engagement in these projects.

Stockmann considers environmental aspects when planning and managing operations and when procuring products and services for the Group's own use.

**EN33 Significant actual and potential negative environmental impacts in the supply chain, and the actions taken**

Through Lindex, we have been involved for years in sustainability projects in the Group's important production countries, such as Bangladesh and India, where there are challenges with water scarcity and clean water. We aim for as many suppliers as possible to participate in these projects and to transition to more resource-efficient and cleaner production.

The water issue is very important to Lindex, and it is part of the long-term sustainability commitment; partly because textile production consumes large quantities of water and it is a precondition for the business, and mainly because access to clean water is essential to human life. The water-related cooperation projects include the Sustainable Water Resources Management (SWAR) project, the Partnership for Cleaner Textiles in Bangladesh (PaCT), the Sweden Textile Water Initiative (STWI), the Better Cotton Initiative and WaterAid. Read more on the Lindex website.

## ENVIRONMENT

*Stockmann's objective is to reduce the environmental impact of the company's business operations. We acknowledge the environmental impacts of our operations and strive to prevent adverse effects by cutting emissions, increasing the efficiency of energy and water consumption and carrying out waste sorting and recycling. To ensure continuous improvement, we monitor our compliance with the Group's quality and environmental systems and our fulfilment of the environmental goals and objectives set.*

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

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

Lindex does not have a certified environmental management system in use. Lindex stores mainly operate in leased premises in shopping centres, which means that in addition to the shop's energy-efficient concept, environmental issues are taken into account to the extent possible within the property in question.

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

### Raising internal awareness on environmental issues

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

In 2015, Stockmann launched an e-learning package on environmental topics. The e-learning focuses on environmental knowledge, waste management and energy efficiency and it is included in the Stockmann department stores' new employee induction programme. The e-learning is also available for Stockmann's tenants who operate in mutual premises with the department stores. The e-learning allows flexibility in training times and increased scope for environmental training. During the reporting year topical environmental matters, such as waste sorting, energy efficiency and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) were also discussed in morning briefings for department store personnel.

In addition to training, sound environmental practices and topical CSR matters are regularly presented in the intranet and on the information screens in the personnel facilities.

## MATERIALS

### Packaging materials

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

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

Over the years, the range of packaging materials has been expanded in response to customer needs, and the selection of plastic bags has been reduced. We offer customers plastic bags that include recycled materials, as well as polymer-based reusable bags.



All Stockmann department stores and support functions in Finland are ISO 14001 certified.

In the Delicatessen food departments, we offer biodegradable paper bags for fruit and vegetables, along with lightweight plastic bags. We have also tested biodegradable fruit and vegetable bags in the Helsinki department store and offer reusable fruit and vegetable bags for sale.

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

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

### EN1 Materials used by weight or volume

Information on the use of packaging materials by Stockmann Retail and Lindex is published on the Group's website.

## ENERGY

The Group's energy consumption mainly consists of electricity, heating and district heating. Energy is consumed by the lighting, ventilation, heating and cooling systems in the stores, warehouses and offices, as well as by other equipment and machinery in these facilities, including lifts, escalators, refrigeration and IT equipment.

Stockmann has been focusing on energy efficiency for over a decade. The commitment given in 2013 to the Finnish retail sector's energy efficiency agreement on behalf of the Group's department store operations in Finland has further strengthened the dedication to energy efficiency. The current agreement period extends to the end of 2016. Under the agreement, Stockmann has conducted energy reviews in its premises and has prepared an action plan for further increasing the efficiency of energy use. The energy reviews are also required under the energy efficiency legislation that came into force in the beginning of 2015. Negotiations concerning the retail sector's new energy efficiency agreement to be initiated in 2017 are currently being held. Stockmann has participated in these negotiations with other retail sector companies.

In 2015, Stockmann continued with the energy efficiency programme by focusing on monitoring and optimising the running hours of building systems and lighting control in all premises, to achieve further reductions in electricity consumption.

Stockmann's new distribution centre, which will open in 2016 and serve the department stores in Finland and Baltics, received the LEED Gold certification in autumn 2015. LEED (Leadership in Energy and Environmental Design) is an internationally recognized rating system to promote sustainable construction and design standards. There are four levels of certification – Certified, Silver, Gold and Platinum. The number of points a project earns determines the level of LEED certification that the project will receive. During the planning and construction of the new 29,000 square metre distribution centre, sustainable development and other environmental perspectives, such as energy efficiency, were taken into account. The project received high rating especially in the efficiency of energy consumption mainly due to the distribution centre's use of geothermal energy.

During the reporting year, some of the escalators and lifts in the Helsinki department store were renewed with more energy efficient ones. In the Delicatessen food departments, energy was saved during the summer by means of night purging to utilise cool night air in the ventilation of the department stores.

In logistics, transport is continuously optimized through route planning, choosing optimally sized transport equipment, taking advantage of return transport, new equipment with low emissions, and systematic follow-up and active engagement with transport suppliers. The distribution centre will reduce internal transports as the current four warehouses in Finland are centralised into one.

Lindex's stores have also focused on minimising energy consumption, and all stores follow an efficient energy consumption checklist as a routine practice.

## EN3 Energy consumption within the organization

Stockmann Group's energy and water consumption is presented in the table below.

### Energy and water consumption 2013–2015

	2015	2014	2013
<b>DIRECT CONSUMPTION</b>			
Heating fuel (MWh)	443	318	
Natural gas (MWh)	16 677	18 603	
<b>INDIRECT CONSUMPTION</b>			
Electricity (MWh)	128 278	131 301	125 442
District heating and cooling (MWh)	92 660	96 909	85 896
Water (m <sup>3</sup> )	242 369	235 235	242 542

*Reporting on the consumption of fuels has been converted to megawatt hours MWh. The data for natural gas has been converted to megawatt hours (MWh) and is based on metered data for Stockmann and estimations for Lindex. Electricity and heating and cooling energy consumption covers all the Group's functions. Heating and cooling data for Stockmann is based on invoicing and data from service providers. Due to the significant amount of estimations and extrapolation in heat consumption for Lindex, the data quality is considered fair. Reporting on water covers all the Stockmann functions (excluding the department store in Itis in Helsinki) and Lindex's distribution centre. The reporting on energy and water consumption excludes discontinued operations (Russian department stores) and franchising operations.*

## EMISSIONS

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

The calculation of Stockmann's carbon footprint in 2015 covers the functions of the Stockmann Retail, Real Estate, Lindex and group shared functions in all the countries of operation, excluding discontinued department stores and franchise operations.

This is the sixth time that Stockmann is reporting its greenhouse gas emissions, covering the whole Group. The comparison figures are presented for 2013 and 2014, and the changes in the scope of the calculation are explained in the comments column.

PricewaterhouseCoopers Oy has consulted us in the calculation of the carbon footprint in 2015. The calculation was carried out in accordance with the international Greenhouse Gas (GHG) Protocol reporting principles. In addition to publishing its annual report, Stockmann Group also reports on its greenhouse gas emissions in the international Carbon Disclosure Project-survey.

### EN15 Direct greenhouse gas (GHG) emissions (Scope 1);

### EN16 Energy indirect greenhouse gas (GHG) emissions (Scope 2);

### EN17 Other indirect greenhouse gas (GHG) emissions (Scope 3)

The Stockmann Group's emissions are presented in the table on the next page. In 2015 the highest emissions came from the generation of purchased energy (Scope 2), especially electricity. Scope 3 indirect emissions are presented where relevant; the biggest such emissions can be attributed to logistics and waste.

The total reported emissions declined by 8 per cent. The Group's emissions from heating and cooling declined by 21 per cent, due to decreased consumption and changes in emissions factor. The emissions from purchased electricity declined by 9 per cent from previous year. The main reason for the decrease was that electricity produced by renewable energy was used in several Lindex stores. The emissions from logistics, especially internal logistics, grew compared to previous year. Emissions from refrigerants and business travel declined. Emissions from waste remained on the same level as in the previous year.

## Greenhouse gas emissions 2013–2015 (tCO<sub>2</sub>e)

	tCO <sub>2</sub> 2015	tCO <sub>2</sub> 2014	tCO <sub>2</sub> 2013	Change 2014–2015 in %	Comments
<b>Direct emissions (Scope 1)</b>	<b>1 800</b>	<b>1 900</b>	<b>3 400</b>	-5 %	
Stationary combustion	200	100	200	100 %	
Refrigerants	1 600	1 800	3 200	-11 %	Normal fluctuation in refrigerants
<b>Indirect emissions from purchased energy (Scope 2)</b>	<b>48 900</b>	<b>56 300</b>	<b>54 700</b>	-13 %	No significant changes in Scope 2 emissions. However, heating Lindex is based to a significant extent on estimations and thus the quality of data is fair.
Purchased electricity	34 400	37 900	37 400	-9 %	Minor changes in total surface area. Emissions of renewable electricity purchased by Lindex are zero.
Heating and cooling	14 500	18 400	17 300	-21 %	Significant amount of estimation for Lindex. In Stockmann heating consumption has decreased.
<b>Other indirect emissions (Scope 3)</b>	<b>22 700</b>	<b>21 700</b>	<b>26 500</b>	5 %	
Vehicles	400	400	200	0 %	
Internal logistics	3 900	3 300	3 800	18 %	In Stockmann emissions have decreased due to more efficient logisticsts and change in volumes. Lindex emissions have increased due to changes in volume.
External logistics	15 200	14 700	16 000	3 %	Changes in volumes and type of transportation
Business travel	1 200	1 300	2 000	-8 %	Reduction in emissions due to decreased air travelling.
Waste	2 000	2 000	4 500	0 %	2014 figure has been restated due to error in 2014 calculations.
<b>TOTAL</b>	<b>73 400</b>	<b>79 900</b>	<b>84 600</b>	-8 %	
<b>Avoided emissions</b>	<b>1 700</b>	<b>1 500</b>	<b>2 000</b>	13 %	
<b>Net emissions</b>	<b>71 700</b>	<b>78 400</b>	<b>82 600</b>	-9 %	

The reporting on greenhouse gas emissions excludes discontinued operations (Russian department stores) and franchising operations. In 2015 the total emissions for the Stockmann Group including discontinued operations were 97 776 tCO<sub>2</sub>e. The figures presented in the table are rounded to the nearest hundred thousand.

## WATER

### Water consumption in our own operations

Water consumption in Stockmann's own operations is minimal, and the operations take place in areas where there is currently no scarcity of water. Measuring and minimizing water consumption is nevertheless an important part of Stockmann's environmental responsibility.

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

Water consumption is minimised by instructing personnel and tenants, preventing and repairing even the smallest leaks and procuring more efficient water fittings to replace older ones. To decrease water consumption, waterless urinals are in use in certain customer washrooms in Stockmann department stores.

Stockmann has one production facility of its own, which is the food safety certified (ISO 22000) central kitchen preparing Meals, Deli, sushi and cafeteria products for the department stores in the Helsinki region and Tampere. The wastewater from operations goes into the municipal sewer systems. Stockmann

has no other production facilities or factories. The company has no emissions into the water system, nor is water recycled or reused in the operations.

### Indirect water consumption in the supply chain and use phase

Textile production is water intensive. Water usage in our supply chain is discussed in the section 'Supplier assessment for environmental practices' on page 24.

Our indirect impact also includes water consumption in the use phase, the way the garments are washed at home and how they are discarded. As part of our excellent customer service, customers are offered information on how to use and wash products, and on recycling alternatives, so that the lifecycle of the product can be extended and environmental impacts can be minimized. In addition, the Lindex website also features tips and product care instructions aimed at reducing the environmental impact of garments.

### EN8 Total water withdrawal by source (including surface water, ground water, rainwater, waste water, municipal water)

Stockmann's water consumption is presented in the table 'Energy and water consumption 2013–2015'.

## EFFLUENTS AND WASTE

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

The waste sorting is managed in accordance with the ISO 14001 environmental management system, and the results for the various business locations are monitored on a monthly basis. Our goal in Stockmann's operations in Finland is to reduce the amount of waste and recycle as much as possible of the remaining waste as material. The total amount of waste decreased in 2015 in Finland by approximately 15 per cent. The target for the recycling rate was 75 per cent. The recycling rate was 71.5 per cent.

According to the goal set in 2014, Stockmann wants to halve its food waste by the end of 2016. Thanks to preventative measures, such as prudent and skilful buying Delicatessens have been able to reduce the number of food waste and are proceeding according to the two-year plan. In 2015, Stockmann Delicatessens collaboration with different charitable organizations became closer. Due to expanded charity collaboration Delicatessens have been able to reduce significantly the amount of biodegradable waste.

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

### Systematic reuse

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

In Helsinki, we cooperate on a continuous basis with the Reuse Centre and its Näprä unit. In 2015, samples of clothes, sheets, towels, toys and winter accessories were donated to reception centers in Finland, and to nursing homes in Estonia via PAM, the Finnish trade union for people working in private service sectors. Hobby Hall donates its toy samples to the children's hospital in Helsinki each year in the pre-Christmas period.

In 2015 Stockmann Delicatessens collaboration with different charitable organizations became closer. Stockmann has already donated bakery products to charity for several years but since the new internal directions were put into operation in spring 2015, Stockmann can now donate almost all of the food that is removed from sale to charity. Through the implementation of the new directions, Delicatessens have been able to make contracts with the charity of their choice on how to utilize the food that is removed from sale to those in need. For example, food products that have been removed from sale from the Helsinki department store are now being retrieved by charities six days a week.

Lindex regularly donates unsold products to different charity organizations, in accordance with its clothes recycling and donation policy. The stores themselves decide where to donate the garments. At the Head Office, product samples are sold at a garment sale every month, and leftover garments are donated to different charities. The purchase offices also donate garments to different charities. For example, the Group's purchase office in Turkey started cooperation with ASAM (Association for Solidarity with Asylum Seekers and Migrants) and prepared schoolbags for 500 children and donated product samples to them. In 2015 Lindex also donated toys and hygiene products to different asylum accommodations and help organisations.

### Encouraging customers to recycle

We provide our customers with the opportunity to recycle. For example, in Finland customers can return used electrical appliances and electronic equipment, batteries, fluorescent lamps and energy saving bulbs to Stockmann department stores and the Hobby Hall store. Also in Estonia electrical appliances and batteries can be returned.

Lindex's customers can return used textiles and clothes to ca. 50 Lindex stores in Sweden, and to two stores in the United Kingdom, that were opened in 2015. Since the beginning of 2016 a few stores in Norway have started piloting this recycling programme as well.

During 2015 various recycling campaigns were organized in cooperation with suppliers. For example, a campaign to recycle frying pans, cutlery and cookware was organized with Hackman in all the department stores in Finland.

## EN23 Total weight of waste by type and disposal method

Stockmann Group's waste amounts are presented in the table below.

### Waste management statistics 2013–2015

	Stockmann Finland			Stockmann Baltics			Lindex			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
<b>RECYCLABLE WASTE</b>												
Cardboard and paper	1 804	1 988	2 199	206	247	284	1 211	1 311	1 234	3 222	3 546	3 717
Combustible waste	1 113	1 197	1 260	0	3	0	94	110	0	1 207	1 310	1 260
Bio waste	1 630	2 224	2 280	174	154	136	-	476	0	1 804	2 854	2 416
Other (plastic film, metal, glass)	148	141	142	23	27	19	0.1	236	31	172	404	192
Mixed waste:	253	250	228	444	438	450	5	3	2	702	691	680
Landfill waste	41	42								41	42	0
Combustible waste	212	209								212	209	0
<b>HAZARDOUS WASTE</b>	11	7	5.5	13	9	6	0	0	0	23	16	11
<b>TOTAL</b>	<b>5 212</b>	<b>6 058</b>	<b>6 115</b>	<b>860</b>	<b>879</b>	<b>894</b>	<b>1 310</b>	<b>2 137</b>	<b>1 267</b>	<b>7 383</b>	<b>9 074</b>	<b>8 276</b>
WASTE UTILIZATION, %	99	99	96	48	50	50	100	100	100	93	95	92

Figures for Stockmann cover all the functions and countries of operation, excluding discontinued operations (Russian department stores), comparison figures for 2013 and 2014 have been restated. The 2014 figure for cardboard and paper for Stockmann, Finland has been corrected from what has been reported in Stockmann's CSR report 2014. The Lindex figures covers the distribution centre and part of the Head Office functions, the figures are not entirely comparable with the 2014 results.

## EN24 Total number and volume of significant spills

During 2015, there were no environmental accidents or breaches related to environmental aspects.

## TRANSPORT

The Group serves customers in a number of different countries and continents, and the distribution of goods to these various stores involves transport emissions. Considerable attention is paid to the efficient and less environmentally harmful movement of goods. Flows of goods from the Asian purchasing offices to the distribution centres are usually by sea. Lindex is an active member of the Clean Shipping network, which requires that shipping companies promote cleaner shipping and register their vessels in the Clean Shipping Index registry.

It is estimated that the new distribution centre for the department stores, which will open in 2016, will decrease transport distances significantly in the Helsinki region.

To minimize travel, video- and teleconferencing equipment is increasingly utilised in meetings. Attention is paid to emissions from business travel, and low-emission options are preferred for such trips.

## EN30 Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce

CO<sub>2</sub> emissions from internal and external logistics and business travel are reported in the table 'Greenhouse gas emissions 2013-2015 (tCO<sub>2</sub>e)'.

# FINANCE AND GOVERNANCE

*Commitment to responsible operations forms a core part of our daily ways of working. In our decision-making, we follow principles of good corporate governance. The Stockmann Code of Conduct, our values and management practices form a framework for our procedures and efforts to promote a sustainable future. We aim for long-term profitable operations and are taking several structural measures in order to turn our business back to profit.*

## ECONOMIC PERFORMANCE

Stockmann defined its new strategic direction at the end of 2014, with the aim of improving Stockmann's long-term competitiveness and profitability. The cornerstones of the new strategy are enhanced customer focus and efficiency which will be further boosted by discontinuing unprofitable operations, improving the use of retail space and creating a more agile organisation and streamlined processes. In 2015, the strategy was implemented through a number of significant steps. Stockmann's short-term challenges are particularly connected with the weak general economic situation and changes in consumer behaviour.

The year 2015 remained challenging for Stockmann. Prolonged uncertain economic development affected the result in operations in Finland in particular.

The Stockmann Group's consolidated revenue in continuing operations was EUR 1 434.8 million (EUR 1 605.5 million), down by 10.6 per cent, or down 1.3 per cent in the continuing product areas and businesses. Continuing product areas and businesses comprise the Group's revenue excluding Seppälä, Hobby Hall, Stockmann Beauty, the airport store and the product areas which Stockmann no longer offers by itself in department stores (electronics, books, sport equipment, toys and pet supplies). The operating result in continuing operations, excluding non-recurring items, was EUR -28.5 million (EUR -37.8 million).

Stockmann divested its department stores in Russia on 1 February 2016. The department store operations in Russia, which made a loss of EUR 86.1 million in 2015, have been classified as discontinued operations. Earnings per share in continuing operations were EUR -1.24 (EUR -1.34), or EUR -2.43 (EUR -1.39) including discontinued operations.

## EC1 Direct economic value generated and distributed

Stockmann Group's operations bring economic added value to the company's stakeholders, operating areas and market areas. The majority of the economic added value goes into personnel salaries and other remuneration. The breakdown of the added value from Stockmann's operations for the key stakeholders is presented in the table on page 32.

Stockmann plc shares are listed on NASDAQ Helsinki. The company had 52,415 (55,343) shareholders at the year-end. The dividend policy set by Stockmann's Board of Directors is to distribute more than half of the earnings from ordinary operations. No dividend was paid on the 2014 result. Due to the negative result for 2015, the Board of Directors proposes to the Annual General Meeting no dividend to be paid on the 2015 result.

In 2015, Stockmann employed in average in continuing operations 10,762 people, who were paid EUR 251.6 million (EUR 281.9 million) in salaries and other remuneration. While the average number of the Group's personnel decreased by 11.5 per cent during the year, the staff costs decreased by 9.8 per cent and totalled EUR 321.5 million (EUR 356.3 million), or 22.4 (20.8) per cent of revenue.

The sales personnel were paid EUR 1.0 million (EUR 0.7 million) in sales-based incentives for 2015. Due to the earnings performance in 2014 no incentives were paid in 2015. More detailed information on the Board of Directors', the CEO's and the Management Team's salaries and fees (Remuneration Statement) can be found on the company's website as part of Corporate Governance review.



**We aim for long-term profitable operations and are taking several structural measures in order to turn our business back to profit.**

## Distribution of economic added value to different stakeholders

EUR million		2015*	2014*	2013	2012	2011
<b>Producing added value</b>						
Customers	Sales excluding VAT, other operating income, financial income	<b>1 434,8</b>	1 605,5	2 041,6	2 118,8	2 006,1
Goods suppliers and service providers	Costs of goods, materials and services purchased, includes capital goods and paid rents	<b>-1 147,6</b>	-1 320,4	-1 567,3	-1 610,4	-1533,8
<b>ADDED VALUE PRODUCED BY STOCKMANN</b>		<b>287,2</b>	285,2	474,3	508,4	472,3
<b>Distribution of added value</b>						
Personnel	Salaries, wages and pension contributions	<b>-281,9</b>	-315,4	-353,5	-361,0	-348,6
Shareholders	Dividends	<b>0,0</b>	0,0	-28,8	-43,2	-35,9
Investors	Financial expenses	<b>-22,1</b>	-23,8	-32,1	-34,2	-34,9
Public sector	Other social security payments, taxes	<b>-54,7</b>	-37,0	-22,7	-45,4	-46,4
<b>DISTRIBUTED TO STAKEHOLDERS IN TOTAL</b>		<b>-358,7</b>	-376,2	-437,0	-483,8	-465,8
<b>Retained in the company to develop operations</b>		<b>-71,5</b>	-91,0	37,2	24,6	6,5

\* Continuing operations

### Charity

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

Charity work is guided by the donation policy that is available on the company's website. Donations to charity are evaluated separately from the company's commercial activities and may not be linked to past, present or future business transactions. They are decided on by the CEO.

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

In 2015, Stockmann's department stores carried out a wide-scale charity project with the Hope – Yhdessä & Yhteisesti organisation as part of its Christmas campaign. Stockmann also gave its 2015 Christmas donation to the Hope organisation. Lindex has been a partner for the Pink Ribbon project since 2003 and has donated together with its customers during this time over EUR 10 million to support breast cancer research. Read more in the "Our year 2015" Business Review.

### EC4 Financial assistance received from the government

The Stockmann Group did not receive any financial assistance from the government during the reporting year.

## CORPORATE GOVERNANCE

Stockmann issues a separate review on its Corporate Governance highlighting its governance model. The review is part of the Annual reporting at [year2015.stockmanngroup.com](http://year2015.stockmanngroup.com).

Stockmann operates in an ethical manner, complying with the international and national laws and regulations valid at any given time in the countries in which it operates. Such laws and regulations concern securities markets, competition, consumers, marketing, product liability, employment, the environment, privacy and equality. In its business operations, Stockmann aims to exceed the minimum requirements stipulated by laws, regulations or conventions.

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

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

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

Stockmann's operations are also guided by international treaties and recommendations, such as the UN's Universal Declaration of Human Rights and Convention on the Rights of the Child, the ILO's Declaration on Fundamental Principles and Rights at Work, and the OECD Guidelines for Multinational Enterprises. Stockmann is committed to the UN's Global Compact initiative since 2011, and accordingly promotes human rights, labour rights, environmental protection and anti-corruption measures. Other voluntary commitments include the principles of the Business Social Compliance Initiative on group-level since 2005, the Bangladesh Accord on Fire and Building Safety since 2013, and the principles of responsible import trade by the International Association of Department Stores (IADS) since 2002.

Through Lindex, we are additionally committed to voluntary initiatives, such as Better Cotton Initiative and Fair Wage Network. Complementary, self-set product guidelines are described in indicator PR6 on page 11 and are available on the Group's website in full.

### Corporate responsibility organisation

Stockmann's Corporate Social Responsibility Steering Group, whose Chairwoman is Nora Malin, Director, Communication, is responsible for steering, developing and monitoring CSR within the Stockmann Group. The CSR Steering Group approves Group-level guidelines, sets goals for responsibility and defines procedures which are implemented with the help of normal management systems. In addition, Stockmann's CSR strategy is approved by the Stockmann Management Team.

Separate working groups related to CSR targets and topical issues are set up as necessary to prepare or implement the issues or decisions that have been dealt with by the CSR Steering Group. In 2015 working groups with experts from Stockmann Retail and Real Estate assembled to prepare the new CSR strategy for 2016-2018.

The divisions take the targets set at the Group level into account in their own operations and regularly compare their own performance with these targets.

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

Lindex has its own CSR steering group for setting direction and targets, as well as a strategic sustainability working group, which supports the Lindex Management Group, where sustainability topics are discussed quarterly.

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

## ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

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

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

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

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

For years already, Stockmann personnel has been instructed on Stockmann policies regarding the acceptance of samples, gifts, travel expenses or other monetary benefits, especially from suppliers, through the Employee Discount Rules. Likewise, the Lindex Ethical Policy has provided a foundation for counteracting all forms of corruption at Lindex, and has been applied in all countries of operation and informed to all suppliers before entering into cooperation. For example, our suppliers are not permitted to give any gifts, other than ordinary courtesy corporate gifts, or any other benefits to individual employees.

### Corruption risk assessment

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

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

The divisions' respective management teams are responsible for making financial and strategic plans in their own units and for analysing business risks and evaluating actions, as a part of strategy planning. Business risks are also analysed outside the strategic process, especially in connection with significant projects and investments, and are reported to the Board of Directors as needed. The company's risk management, risk factors and internal control systems are explained in more detail in the Corporate Governance review.

#### **SO4 Communication and training on anti-corruption policies and procedures**

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

In 2015, e-learning to teach personnel about Stockmann's Code of Conduct, which also incorporates the content of the anti-corruption policy, was launched. The target is for each Stockmann employee to complete the training programme by 2017 and to operate according to the principles outlined in the Code of Conduct. By the end of 2015, 35 per cent of Stockmann's support functions personnel and department store supervisors had successfully completed the training.

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

#### **SO5 Confirmed incidents of corruption and actions taken**

In 2015, Stockmann was not informed of any corruption-related lawsuits against the Group.

#### **SO6 Total value of political contributions by country and by recipient/beneficiary**

Stockmann does not make political contributions or donations to any politicians, political parties or related organizations, either directly or indirectly.

#### **SO7 Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes**

No legal actions or fines in 2015.

## **LABOUR PRACTICES, HUMAN RIGHTS AND ENVIRONMENTAL GRIEVANCE MECHANISMS**

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

In 2015, Stockmann introduced a group-wide whistleblowing reporting channel, which is provided by an external partner. The channel is a tool for Stockmann's own employees, as well as for business partners and other stakeholders, to report suspected or detected violations of the Company Code of Conduct or other corporate policies. All whistleblowing reports and discussions are treated seriously and handled confidentially. All incidents will be reported to the Director of Internal Audit and to the Director of Legal Affairs.

This efficient tool for preventing malpractice sends a strong message about Stockmann's commitment to business ethics.

# GRI CONTENT INDEX

Code	GRI content	Level of reporting	Page and section in the CSR review or other location	Further information or omissions
<b>GENERAL STANDARD DISCLOSURES</b>				
<b>Strategy and Analysis</b>				
G4-1	Statement from the President and CEO	fully	"Our year 2015" Business Review, CEO's review	
<b>Organisational Profile</b>				
G4-3	Name of the organisation	fully	31-34, Finance and Governance	
G4-4	Primary brands, products and services	fully	"Our year 2015" Business Review	
G4-5	Location of the organisation's headquarters	fully	6-8, Reporting principles and materiality	
G4-6	The number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	fully	6-8, Products and "Our year 2015" Business Review	
G4-7	Nature of ownership and legal form	fully	Corporate Governance Review	
G4-8	Markets served	fully	"Our year 2015" Business Review	
G4-9	Scale of organisation	fully	"Our year 2015" Business Review	
G4-10	Total number of employees by employment contract, region and gender	fully	12-17, Employees	
G4-11	Percentage of total employees covered by collective bargaining agreements	fully	12-17, Employees	
G4-12	Organisation's supply chain	fully	18-24, Products and factory lists for fashion own brands suppliers on the Group's website: <a href="http://www.stockmanngroup.com/en/supplier-and-factory-list">www.stockmanngroup.com/en/supplier-and-factory-list</a> and "Our year 2015" Business Review	
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	fully	Financial Statements / Report by the Board of Directors	The Seppälä fashion chain's business in Finland and Estonia was divested as of 1 April 2015. The Academic Bookstore business was sold as of 1 October 2015. The Stockmann Beauty chain was closed down during spring 2015. Stockmann withdrew from its department store business in Russia by selling its Russian subsidiary AO Stockmann on 1 February 2016.
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation	fully	Corporate Governance Review, Financial Statements / Report by the Board of Directors	
G4-15	Externally developed charters, principles or initiatives to which the organisation subscribes or which it endorses	fully	31-34, Finance and Governance	
G4-16	Memberships of associations and advocacy organisations	fully	<a href="http://stockmanngroup.com">stockmanngroup.com</a>	
<b>Identified Material Aspects and Boundaries</b>				
G4-17	Entities included in the organisation's consolidated financial statements	fully	Financial Statements	
G4-18	Process of defining the report content	fully	6-8, Reporting principles and materiality	
G4-19	Material aspects	fully	6-8, Reporting principles and materiality	
G4-20	Aspect boundary for each material aspect within the organisation	fully	6-8, Reporting principles and materiality	
G4-21	Aspect boundary for each material aspect outside the organisation	fully	6-8, Reporting principles and materiality	
G4-22	Restatements of information provided in previous reports	fully	-	Changes reported in connection with relevant performance indicators.
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	fully	-	Changes reported in connection with relevant performance indicators.
<b>Stakeholder Engagement</b>				
G4-24	List of stakeholder groups engaged in the organisation	fully	9, Stakeholder engagement	
G4-25	Basis for identification and selection of stakeholders with whom to engage	fully	9, Stakeholder engagement	
G4-26	Organisation's approach to stakeholder engagement	fully	9, Stakeholder engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement	fully	9, Stakeholder engagement, and relevant sections in CSR review	

Report Profile				
G4-28	Reporting period	fully	6-8, Reporting principles and materiality	
G4-29	Date of the most recent previous report	fully	6-8, Reporting principles and materiality	
G4-30	Reporting cycle	fully	6-8, Reporting principles and materiality	
G4-31	Contact point for questions regarding the review of its contents	fully	"Our year 2015" Business Review	
G4-32	GRI content index	fully	35-39, GRI Index and 6-8, Reporting principles and materiality	
G4-33	Organisation's policy with regard to external assurance	fully	6-8, Reporting principles and materiality	The report has not been reviewed by a third party. Financial indicators which are presented in the financial statements are externally assured. PricewaterhouseCoopers Oy consulted us in the calculation of the carbon footprint.
Governance				
Governance Structure and Composition				
G4-34	Governance structure of the organisation and committees	fully	31-34, Finance and Governance, and Corporate Governance Review	
Ethics and Integrity				
G4-56	Organisation's values, principles and codes	fully	31-34, Finance and Governance	The Stockmann Code of Conduct has been reviewed and approved by the Board. Reported of aspects identified as material.
SPECIFIC STANDARD DISCLOSURES				
Disclosure on Management Approach				
	Disclosure of management approach (DMA)	fully	10-34	The DMA for each material aspect is presented under the relevant theme or under its own heading.
Economic Impacts				
Economic Performance				
G4-EC1	Direct economic value generated and distributed	fully	31-34, Finance and Governance	
G4-EC4	Financial assistance received from government	fully	31-34, Finance and Governance	
Procurement Practices				
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	no		The aspect is defined material but the indicator is not suitable. Additional information on Procurement practices is provided in section 'Product' (p 18-24 ) and on the Group's website with list of fashion own brands suppliers.
Environmental Impacts				
Materials				
G4-EN1	Materials used by weight or volume	fully	stockmanngroup.com	
Energy				
G4-EN3	Energy consumption within the organisation	fully	25-30, Environment	
G4-EN4	Energy consumption outside the organisation	no	25-30, Environment	A limited amount of data is collected on energy consumption outside the organisation for EN17 / Scope 3 review.
G4-EN5	Energy intensity	no		The energy intensity of the Stockmann department stores in Finland is monitored and used as basis for energy efficiency measures but currently not reported.
G4-EN6	Reduction of energy consumption	no	Environment	Detailed information on the various efforts to decrease energy consumption is given in the report section 'Environment'. However, amount of reductions in joules cannot be reported at the moment.
Water				
G4-EN8	Total water withdrawal by source	fully	25-30, Environment	
G4-EN9	Water sources significantly affected by withdrawal of water	fully	25-30, Environment	The company has no emissions into the water system.
G4-EN10	Percentage and total volume of water recycled and reused	fully	25-30, Environment	Water is not recycled or reused in the operations.

Biodiversity				
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	no		Not a material aspect. The company's department stores and stores are located in areas zoned as commercial properties. As commercial functions are not located in conservation areas or other areas rich in terms of biodiversity, the Group's impacts on biodiversity are low.
Emissions				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	fully	25-30, Environment	
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	fully	25-30, Environment	
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	fully	25-30, Environment	
Effluents and Waste				
G4-EN22	Total water discharge by quality and destination	fully	-	The wastewater from operations goes to municipal sewer systems. There is no water discharge in Stockmann's operations as referred by GRI.
G4-EN23	Total weight of waste by type and disposal method	fully	25-30, Environment	
G4-EN24	Total number and volume of significant spills	fully	25-30, Environment	
Products and Services				
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	no		The aspect is defined material but the GRI indicator is not suitable for Stockmann's operations. Information material to Stockmann is presented in the 'Environment' section of the report (pp. 25-30).
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	no		The aspect is defined material but the GRI indicator is not suitable for Stockmann's operations. Information material to Stockmann is presented in the 'Environment' section of the report (pp. 25-30).
Compliance				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	fully	-	There were no fines or sanctions during 2015.
Supplier Environmental Assessment				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	partially	18-24, Products	
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain, and the actions taken	partially	18-24, Products	
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	no		The aspect is defined material. A formal grievance mechanism was introduced in the late 2015 and information is not yet available.
Social Impacts				
Labour Practices and Decent Work				
Employment				
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	fully	12-17, Employees	Information on the distribution by gender or by age group not available at this level of detail.
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant location of operation	fully	12-17, Employees	Personnel benefits do not vary between part-time and full-time employees. Varying practices in different operating countries. Additional information on employee benefits provided in the section.
Labour/Management Relations				
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	fully	12-17, Employees	
Occupational Health and Safety				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	fully	12-17, Employees	Information on the distribution by gender is not available.

Training and Education					
G4-LA9	Average hours of training per year per employee by gender, and by employee category	fully	12-17, Employees		Information on the distribution by gender and employee category is currently not available.
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	fully	12-17, Employees		
Diversity and Equal Opportunity					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	fully	12-17, Employees		Information on minority group membership is not collected, as this is not permitted under Finnish legislation.
Equal Remuneration for Women and Men					
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	fully	12-17, Employees		The reporting covers operations in Finland.
Supplier Assessment for Labour Practices					
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	fully	18-24, Products		
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	fully	18-24, Products		
Labour Practices Grievance Mechanisms					
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	no			The aspect is defined material. A formal grievance mechanism was introduced in the late 2015 and information is not yet available.
Human Rights					
Non-discrimination					
G4-HR3	Total number of incidents of discrimination and corrective actions taken	fully	12-17, Employees		
Freedom of Association and Collective Bargaining					
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at a significant risk, and measures taken to support these rights	fully	12-17, Employees		
Human Rights Assessment					
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	fully	12-17, Employees		
Supplier Human Rights Assessment					
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	fully	18-24, Products		
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	fully	18-24, Products		
Human Rights Grievance Mechanisms					
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	no			The aspect is defined material. A formal grievance mechanism was introduced in the late 2015 and information is not yet available.
Society					
Anti-corruption					
G4-SO4	Communication and training on anti-corruption policies and procedures	fully	31-34, Finance and Governance		
G4-SO5	Confirmed incidents of corruption and actions taken	fully	31-34, Finance and Governance		
Public Policy					
G4-SO6	Total value of political contributions by country and recipient/beneficiary	fully	31-34, Finance and Governance		
Anti-competitive Behaviour					
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	fully	31-34, Finance and Governance		

## Product Responsibility

### Customer Health and Safety

G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	fully	18-24, Products
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### Product and Service Labelling

G4-PR5	Results of surveys measuring customer satisfaction	fully	10-11, Customers
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### Marketing Communications

G4-PR6	Sale of banned or disputed products	fully	10-11, Customers
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	fully	10-11, Customers

### Customer Privacy

G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	fully	10-11, Customers
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COMMUNICATION ON  
PROGRESS

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

We welcome feedback on its contents.